



NELCAST LIMITED

DRAFT RED HERRING PROSPECTUS

Dated [●]

Please read Section 60B of the Companies Act, 1956

(The Draft Red Herring Prospectus will be

updated upon filing with the RoC)

100% Book Building Issue

(Incorporated on 7 June, 1982 as Nelcast Private Limited at Nellore, Andhra Pradesh under the Companies Act, 1956 with Registration No. 01-3518. The Company was converted into a public limited company and the name was changed to Nelcast Limited on 20 September, 1995. The Registered Office of the Company was changed from 24/398, Dargamitta, Nellore, Andhra Pradesh 524003 to the present location on 12 July, 1994)

Registered Office: 34, Industrial Estate, Gudur 524101. Tel: + 91 8624 251 266

Corporate Office: 159, TTK Road, Alwarpet, Chennai, Tamil Nadu - 600 018 Tel: + 91 44 2498 3111

Fax: +91 44 2498 2111, **E-mail:** nelcast@nelcast.com, **website:** www.nelcast.com

Contact Person: Mr.R.B.Prem Ganesh, Company Secretary & Compliance Officer.

PUBLIC ISSUE OF 43,50,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING RS. [●] LAKHS (THE "ISSUE"). THE ISSUE WOULD CONSTITUTE 25% OF THE FULLY DILUTED POST ISSUE PAID-UP EQUITY CAPITAL OF THE COMPANY.

**PRICE BAND: Rs. [●] TO Rs. [●] PER EQUITY SHARE OF FACE VALUE RS. 10/- EACH
THE FLOOR PRICE IS [●] TIMES OF THE FACE VALUE AND THE CAP PRICE IS [●] TIMES OF THE FACE VALUE.**

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after such revision, subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision of Price Band and the revised Bid/Issue Period, if applicable will be widely disseminated by notification to The Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) where the Equity Shares of the Company are proposed to be listed, whose online IPO systems will be available for bidding, by issuing a press release, and also by indicating the change on the website of the Book Running Lead Manager and the terminals of the Syndicate.

The Issue is being made through the 100% Book Building Process wherein upto 50% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which upto 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Further, at least 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and atleast 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of Nelcast Limited, there has been no formal market for the shares of the Company The Face Value of the Shares is Rs. 10/- each and the Floor Price is [●] times of the face value and the Cap Price is [●] times of the Face Value. The Price Band (as determined by our Company in consultation with the Book Running Lead Manager ("BRLM") on the basis of assessment of market demand for the Equity Shares by way of book-building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The Equity Shares 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 adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" on page no. [●] of this Draft Red Herring Prospectus.

COMPANY'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on the BSE, and NSE. We have received in-principle approval from BSE and NSE for the listing of the Equity Shares pursuant to letters dated [●], [●], [●], [●] and [●] respectively. The Designated Stock Exchange is BSE.

The Company has not opted for IPO Grading

BOOK RUNNING LEAD MANAGER



Karvy Investor Services Limited

"Karvy House", 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad - 500 034.
Tel: + 91 40 2337 4714 / 23312454
Fax: + 91 40 2337 4714
Email: mbd@karvy.com
Website: www.karvy.com

REGISTRAR TO THE ISSUE



BIGSHARE SERVICES PRIVATE LIMITED

E-2, Ansa Industrial Estate,
Sakivihar Road, Saki Naka,
Andheri (East), MUMBAI - 400 072.
Tel: +91- 22- 2847 3747/3474
Fax: +91- 22- 2847 5207
Email: ipo@bigshareonline.com
Website: www.bigshareonline.com

ISSUE PROGRAMME

BID/ ISSUE OPENS ON:

[●]

BID/ ISSUE CLOSURES ON:

[●]



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SECTION I - GENERAL

DEFINITIONS AND ABBREVIATIONS

Term	Description
“The Company” or “Company” or “our Company” or “Nelcast” or “we” or “our” or “us”	Unless the context otherwise requires, refers to Nelcast Limited, a Company constituted under the Companies Act, 1956, having its Registered Office at Nelcast Limited, 34, Industrial Estate, Gudur 524101, India
“Our Subsidiary Company” or “Our Subsidiary”	Unless the context otherwise requires, refers to Nelcast Inc., USA.

Conventional/General Terms

Term	Description
Articles / Articles of Association / AoA	Articles of Association of the Company, as amended from time to time
Companies Act / Act	The Companies Act, 1956 and subsequent amendments thereto
Depositories Act	The Depositories Act, 1996, and subsequent amendments thereto
Depository	NSDL and CDSL, both being depositories, which are registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 as amended from time to time.
Depository Participant or DP	A depository participant as defined under the Depositories Act.
Directors	Directors of the Company from time to time unless otherwise specified.
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations there under and amendments thereto.
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
General Meeting	General Meeting includes all kinds of General Meetings, whether annual, extraordinary or statutory
Government/ GoI	The Government of India
I.T. Act	The Income Tax Act, 1961, and subsequent amendments thereto
Indian GAAP	Generally Accepted Accounting Principles in India
Memorandum / MoA	Memorandum of Association of the Company, as amended from time to time
MF/MFs	Mutual Funds.
MoF	Ministry of Finance, Government of India.
MoU	Memorandum of Understanding.
NAV	Net Asset Value.
Non Resident / NR	Non-Resident is a Person resident outside India, as defined under FEMA.
NRI/Non-Resident Indian	Non-Resident Indian, is a Person resident outside India, who is a citizen of India or a Person of Indian Origin, and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
OCB/ Overseas Corporate Body	OCB means and includes an entity defined in clause (xi) of Regulation 2 of the Foreign Exchange Management [Withdrawal of General Permission to Overseas Corporate Bodies (OCB's) Regulations 2003 and which was in existence on the date of the commencement of these Regulations and immediately prior to such commencement was eligible to undertake transactions pursuant to the general permission granted under the Regulations. OCBs are not allowed to invest in this Issue.
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires.
PIO/ Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India)



Term	Description
	Regulations, 2000.
RBI	The Reserve Bank of India.
Reserve Bank of India Act/ RBI Ac	The Reserve Bank of India Act, 1934, and subsequent amendments thereto.
Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992, and subsequent amendments thereto, including instructions and clarifications issued by SEBI from time to time.
SCRA	Securities Contracts (Regulation) Act, 1956, and subsequent amendments thereto.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992.
SEBI Act	Securities and Exchange Board of India Act, 1992, and subsequent amendments thereto.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, and subsequent amendments thereto, including instructions and clarifications issued by SEBI from time to time.
SEBI (SAST) Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, and subsequent amendments thereto.
SSI	Small Scale Industries

Issue Related Terms

Term	Description
Allotment	Unless, the context otherwise requires, the allotment of Equity Shares of the Company pursuant to this Issue to the successful Bidder
Allottee	The successful Bidder to whom the Equity Shares are being allotted
Banker(s) to the Issue	The Banker(s) with whom the Escrow Account(s) for the Issue shall be opened
Bid	An indication to make an offer made during the Bidding Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Price / Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid Closing Date /Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Telugu newspaper with wide circulation.
Bid Opening Date/Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Telugu newspaper with wide circulation.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for issue of the Equity Shares pursuant to the terms of this Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus and the Bid cum Application Form
Bidding Period / Issue Period	The period between the Bid Opening Date/Issue Opening Date and the Bid Closing Date/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is being made
BRLM / Book Running Lead Manager	Book Running Lead Manager to the Issue, in this case being Karvy Investor Services Limited
CAN / Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted



Term	Description
Cut-off Price	Any price within the Price Band finalised by us in consultation with the BRLM. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band
Designated Date	The date on which funds are transferred from the Escrow Account(s) of the Escrow Collection Bankers to the Issue Account after the Prospectus is filed with the RoC, following which the Board shall allot Equity Shares to successful Bidders
Designated Stock Exchange	Bombay Stock Exchange Limited
DRHP or Draft Red Herring Prospectus	This Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/Issue Opening Date. It will become a Prospectus after filing with RoC after the pricing.
Equity Shares	Equity shares of the Company of Rs. 10/- each unless otherwise specified in the context thereof
Escrow Account	Account opened with an Escrow Collection Bank and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount and from which refunds (if any) shall be made of the amount collected by the Bidders
Escrow Agreement	Agreement to be entered into among our Company, the Registrar to this Issue, the Escrow Collection Banks, the BRLMs and the Refund Banker in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders.
Escrow Collection Bank (s)	The banks, which are clearing members and registered with SEBI as Bankers to the Issue, at which the Escrow Account will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
IPO	Initial Public Offering
Issue	Public issue of 43,50,000 Equity Shares of Rs. 10/- each for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] lakhs by the Company pursuant to this Draft Red Herring Prospectus.
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Accounts for the Issue on the Designated Date
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of this Draft Red Herring Prospectus, as determined by The Company in consultation with the BRLM, on the Pricing Date
Issuer	Nelcast Limited
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, which may range between 10% to 100% of the Bid Amount
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Funds Portion	Upto 5% of the QIB Portion or 1,08,750 Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion.
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 1,00,000/-
Non-Institutional Portion	The portion of the Issue being a minimum of 652500 Equity Shares of Rs. 10/- each available for allocation to Non-Institutional Bidders
Pay-in-Date	The last date specified in the CAN sent to the Bidders
Pay-in-Period	This term means: (i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in Date.
Price Band	The price band with a minimum price (Floor Price) of Rs. [●] and the



Term	Description
	maximum price (Cap Price) of Rs. [●], including any revisions thereof
Pricing Date	The date on which the Company in consultation with the BRLM finalises the Issue Price
Promoter	Mr.P.Radhakrishna Reddy
Prospectus	The Prospectus, filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
QIB Portion	The portion of the Issue being 21,75,000 Equity Shares of Rs. 10/- each at the Issue Price, available for allocation to QIBs on proportional allotment basis of which upto 5% i.e. 1,08,750 Equity Shares are reserved for Mutual Funds and the balance will be available for all QIBs including Mutual Funds.
Qualified Institutional Buyers / QIBs	Public financial institutions as defined in Section 4A of the Companies Act, Scheduled Commercial Banks, Mutual Funds registered with SEBI, Foreign Institutional Investors registered with SEBI, Multilateral And Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory and Development Authority (IRDA), Provident Funds with a minimum corpus of Rs. 2,500 lakhs and Pension Funds with a minimum corpus of Rs. 2,500 lakhs.
QIB Margin Amount	An amount representing at least 10% of the Bid Amount
Refund Banker	Shall mean the Escrow Collection Bank who has been appointed / designated for the purpose of refunding the amount to investors either through the electronic mode as prescribed by SEBI and /or physical mode where payment through electronic mode may not be feasible, in this case being [●]
Refund Account	Account opened with the Escrow Collection Bank, from which refunds of the whole or part of the Bid Amount, if any, shall be made
Registrar /Registrars to the Issue	Registrar to the Issue, in this case being Bigshare Services Pvt. Ltd
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have Bid for Equity Shares for an amount less than or equal to Rs. 1,00,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue to the public and being a minimum of 15,22,500 Equity Shares of Rs. 10/- each aggregating Rs. [●] available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	Means the document issued in accordance with the SEBI Guidelines, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus which will be filed with the RoC at least three days before the Bid Opening Date and will become a Prospectus after filing with the RoC and pursuant to pricing and allocation.
Stock Exchanges	Bombay Stock Exchange Limited & National Stock Exchange of India Limited
Syndicate	The BRLM and the Syndicate Members collectively
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLM
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid.
Underwriters	The BRLM and the Syndicate Members
Underwriting Agreement	The Agreement among the BRLM, the Syndicate Members and the Company to be entered into on or after the Pricing Date

Company Related Terms

Term	Description
AGM	Annual General Meeting.
Auditors	The statutory auditors of the Company, namely M/s.J.B.Reddy & Co., Chartered Accountants.
Board of Directors/Board	The Board of Directors of our Company.
Committee	Committee of the Board of Directors of the Company authorised to take decisions on matters relating to or incidental to this Issue.
Constitutional Documents	The constitutional documents of the Company being the certificate of incorporation, memorandum of association and articles of association of the Company.
Equity Shares	Equity Shares of the Company of Rs. 10/- each unless otherwise specified in the context thereof.
Equity Shareholders	Persons holding Equity Shares of the Company unless otherwise specified in the context thereof.
Face Value	Value of paid up equity capital per Equity Share, in this case being Rs. 10/- each.
Head Office/ Registered Office	The Registered Office of the Company being Nelcast Limited, 34, Industrial Estate, Gudur 524101, India
PIPL	Ponnas Infrastructure Private Limited

Technical and Industry Terms

Term	Description
ACMA	Automotive Component Manufacturers Association of India
AML	Automatic Moulding Lines
CAD	Computer Aided Design
CAM	Computer Aided Manufacturing
CTC	Cost To Company
CNC machines	Computer and numeric controlled machines
CML	Conventional Moulding Lines
DG	Diesel Generator
EOT Cranes	Electric Overhead Travelling Cranes
FIFO	First In First Out Method
IEM	Industrial Entrepreneurs Memorandum
KVA	Kilo Volt Ampere
KW	Kilo Watt
NDT	Non Destructive Technology
OEM	Original Equipment Manufacturers
HCV	Heavy Commercial Vehicles
SG Iron	Spheroidal Graphite Iron
SIA	Secretariat of Industrial Assistance
MT	Metric tonnes
Ton / Tons	Tonne(s)



Abbreviations

Term	Description
AMC	Asset Management Company
AP	Andhra Pradesh
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AY	Assessment Year
A/c	Account
BPLR	Bank Prime Lending Rate
BSE	The Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CC (H)	Cash Credit (Hypothecation)
CDSL	Central Depository Services (India) Limited
DEPB	Duty Entitlement Pass Book Scheme
DGFT	Directorate General of Foreign Trade
EBITDA	Earning Before Interest Tax Depreciation and Amortisation
ECS	Electronic Clearing Service
EGM	Extraordinary General Meeting
EPS	Earnings Per Share i.e., profit after tax divided by outstanding number of Equity Shares at the year end
ERU	Economic Research Unit
ESI	Employees' State Insurance
Electronic Transfer of Fund	Refunds Through ECS, Direct Credit or RTGS as applicable
ESOP	Employee Stock Option Plan
EU	European Union
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws.
FIPB	Foreign Investment Promotion Board
FDI	Foreign Direct Investment
FY	Financial Year
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
HFY	Half Financial Year
HNI	High Net Worth Individual
HUF	Hindu Undivided Family
HR	Human Resources
IDBI	Industrial Development Bank of India
IFSC	Indian Financial System Code
IISCO	Indian Iron and Steel Company
IPR	Intellectual Property Rights
LIC	Life Insurance Corporation Of India
Ltd	Limited
MNCs	Multi National Companies
NASA	National American Space Association
NEFT	National Electronic Fund Transfer
NIFT	National Institute of Foundry Technology
NOC	No Objection Certificate
NRE Account	Non-Resident External Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
p.a.	Per annum
PAN	Permanent Account Number
P/E Ratio	Price/Earnings Ratio
PLR	Prime Lending Rate
PNB	Punjab National Bank
QIB	Qualified Institutional Buyer
RoC	Registrar of Companies, Andhra Pradesh situated at Hyderabad
RONW	Return on Net Worth

RTGS	Real Time Gross Settlement
Rs. / Rupee(s) / INR	Indian Rupee(s)
SBI	State Bank of India
SMEs	Small and Medium Enterprises
TISCO	Tata Iron and Steel Company Limited
TDS	Tax Deducted at Source
UIN	Unique Identification Number
USA or US	United States of America
USD or \$ or US \$	United States Dollar
VAT	Value Added Tax



CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise the financial data in this DRHP is derived from our unconsolidated financial statements prepared in accordance with Indian GAAP and included in this DRHP. The statistical and operational data in this DRHP is presented on an unconsolidated basis as well as consolidated basis. Our fiscal year commences on 1 April and ends on 31 March of each year, so all references to a particular financial year are to the twelve-month period ended 31 March of that year. In this DRHP, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding.

The degree to which the Indian GAAP financial statements included in this DRHP will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by Persons not familiar with Indian accounting practices on the financial disclosures presented in this DRHP should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

For additional definitions, please see the section titled "Definitions and Abbreviations" on page no. [●] of this DRHP. In the section titled "Main Provisions of the Articles of Association" on page no. [●] of this DRHP, defined terms have the meaning given to such terms in the Articles of Association of the Company.

Unless stated otherwise, industry data and the market data used throughout this DRHP have been obtained from internal company reports and industry publications and other industry sources. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this DRHP is reliable, it has not been independently verified.



FORWARD LOOKING STATEMENTS

We have included statements in this DRHP that 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, that are forward-looking statements.

All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- General economic and business conditions in India and other countries;
- Our ability to successfully implement our strategy, growth and expansion plans and technological initiatives;
- Our ability to respond to technological changes;
- Changes in laws and regulations relating to the industry in which we operate;
- Our ability to retain management team and skilled personnel;
- Our ability to successfully launch new products;
- Any adverse outcome in legal proceedings in which our Company is involved;
- Potential mergers, acquisitions or restructurings;
- The occurrence of natural disasters or calamities affecting the areas in which we have operations or outstanding credit; and
- Changes in political and social conditions in India.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” beginning on page no. [●] of this DRHP. 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. The Company, the members of the Syndicate and their respective affiliates do not have any obligation to, and do not intend 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 and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges in respect of the Equity Shares allotted in this Issue.



SECTION II-RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information in this DRHP, including the risks and uncertainties described below, before making an investment in the Equity Shares. If any of the following risks actually occur, our business, results of operations and financial condition could suffer, the trading price of the Equity Shares could decline, and you may lose all or part of your investment.

Prior to making an investment decision, prospective investors should carefully consider all of the information contained in this DRHP, including financial statements included in this DRHP beginning on page no. [●]. Unless stated otherwise, the financial data in this section is as per our financial statements prepared in accordance with Indian GAAP.

Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

Materiality

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

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

INTERNAL RISK FACTORS

1. Project Related Risks

a) Expansion plans will be funded mainly out of our issue proceeds

Implementation of the objects for this issue is dependent on receipt of the issue proceeds. Any delay in the issue process or any under-subscription of Equity Shares offered as part of this issue could adversely affect our growth plans, and hence our business. Further, in the event there is an increase in the expenditure required to be incurred by us in respect of our objects, consequent to increase in costs, change in laws, or for any other reason and we are unable to meet the cost overruns, it could affect our ability to fulfill the objects of this Issue.

b) Changes in business environment/ cost overruns could affect our expansion plans adversely.

The expansion plans drawn by us are based on expected business opportunities in this industry. Although, our business plans have been drawn up based on our past experience and we are confident of adapting to any change in the business environment, any change in the market conditions could adversely affect our profitability. In addition, our capital expenditure plans are subject to a number of variables, including possible cost overruns.

c) Pending approvals for the proposed expansion plans

With regard to our proposed expansion plans, we are in the process of applying for the following approvals for both our units:

1. Filing and acknowledgment of Industrial Entrepreneur Memorandum from Secretariat Industrial Assistance.
2. Consents under Air (prevention and control of pollution) Act and Water (prevention and control of pollution) Act.
3. Clearance from the Ministry of Environment.
4. Permission from the State Electricity Department for the increase in the sanctioned load for the power connection.
5. Approval from the Chief Factories and Boilers for plan of the building layout.

Any delay in receiving the above mentioned permissions for the project, may delay implementation of the project and hence, the profitability.



d) We have not yet acquired land required for our proposed expansion plans.

The Company is in the process of acquiring 33 acres of land in the vicinity of the Gudur unit and negotiations with the landowners are on. However, any delay in acquiring the land may delay the proposed plans.

e) We are yet to make definitive arrangements for procurement of some of our plant and machineries, equipment and utilities required for the project, for which final purchase orders have not yet been placed / quotations have not been received.

For the proposed expansion plans at Gudur and Ponneri, we have identified the main equipment, required to be installed, in the foundry and the machine shop at both the units. We have already placed purchased some of the machineries that constitute 15.79% of the total estimated cost of the plant and machinery required for the proposed expansion plans, as detailed under 'Objects of the Issue'. We are yet to finalise the suppliers and place purchase orders for the balance equipment, which constitutes 84.21% of the estimated cost of the plant and machinery. We have already begun inviting quotations and are in the process of finalizing the same for the remaining equipment. However, any delay in the procurement of the machineries may affect the schedule of implementation. Some of the plant and machinery we intend to deploy are expected to be imported and must be paid for in foreign currency. Changes in foreign exchange rates adversely affecting the value of the Rupee may adversely affect the cost of the project.

f) Non - appraisal of the project.

We intend to expand our existing manufacturing facilities and also meet our working capital requirement from the proceeds of the Issue. No bank or financial institution has appraised our expansion plans and the requirement of funds is solely based on the Management's estimates. Any upward variation in estimated cost components may result in cost overrun. Audit committee of the Board of Directors will be closely involved in monitoring the deployment of the funds and the progress in the use of proceeds from the Issue will be reported periodically as per the statutory requirements.

2. Pending approvals for the existing business of the Company and its subsidiaries.

We have obtained the necessary approvals required for us for our existing business. For details please refer to the section titled 'Licences and Approvals' of this DRHP. However, we are yet to:

1. Apply for registration under the Tamil Nadu Shops and Establishments Act, 1947 for our Corporate Office.
2. Receive the renewal under Water (prevention and control of pollution) Act/Air (prevention and Control of pollution) Act. The application made and acknowledged vide letter dated 24.05.2006 at the Gudur Unit.
3. Receive the environmental clearance from Ministry of Environment Applied for increase in production capacity to 4500 Tons per month. The application was made vide letter dated 30.12.2004 for the Ponneri Unit.
4. Apply for approval from the Tamilnadu Electricity Board for installation of DG Set as standby arrangements for power supply for the unit in Ponneri.

Any failure on our part in obtaining these approvals, may subject the Company to related penalties/ fines. We have also submitted our applications to the Registry of Trade Marks for the registration of "TRANS" as trademarks with respect to three different classifications of products, as detailed under the section titled 'Licences and Approvals', appearing on Page No. [●] of this DRHP. We are yet to receive the approvals registering the same as trademarks in the Company's name.

3. Our reliance to a certain extent on contract labour for the performance of many of our operations may adversely affect our business.

We rely on contractors who engage on-site labourers for performance of many of our unskilled operations and currently we employ about 127 contract labourers in both our units. We are registered as a principal employer under the Contract Labour (Regulation and Abolition) Act, 1970 for employing contract labourers at Ponneri and Gudur. There are possibilities that on an application from the contract labourers, the appropriate court / tribunal may direct that the contract labourers are required to be regularized or absorbed, and / or that our Company pay certain contributions in this regard. This may result in an increase in our wage cost.

4. Dues owed to SSIs outstanding for more than 30 days

As on 31 March, 2006 and as on 30 September, 2006, we owe Rs. 74.89 lakhs and Rs.113.59 lakhs respectively to SSIs, which have remained outstanding for more than 30 days.

5. Details of Contingent liabilities, not provided for, as on 30 September, 2006.

Letter of credit and bank guarantees – Rs.46.39 lakhs.

6. Shortfall/ non – availability/ increase in input costs of raw materials or supply/cost of utilities may have an adverse impact on our business and financial condition.

Our major raw material is steel scrap along with certain inoculants such as ferro silicon magnesium. Power and fuel is also an important input for melting the scrap. Most of the raw materials required for our manufacturing process are sourced from within Tamil Nadu and from the neighbouring states of Karnataka and Andhra Pradesh. Certain specific inputs such as bentonite, steel shots, carburizers are sourced from Gujarat, Madhya Pradesh and from the other Northern states. Regarding utilities, for meeting our requirement of power at our units, we have entered into agreement with the Electricity Boards in both the states of Andhra Pradesh and Tamil Nadu. The prices of Electricity are determined by the State Electricity Boards from time to time. We have two wind energy generators at Kavalkinaru, Thirunelveli district, Tamil Nadu. Apart from this, we also have DG sets as stand by arrangement, in both the units. Regarding water the quantities sourced from ground water and other external sources are sufficient to meet our requirements. Although our manufacturing process does not involve the use of large quantities of water and shortfall could adversely impact our business. We may not be able to pass on any or all increase in the cost of raw materials and other inputs, if any, to our customer, which could have an adverse impact on our profitability. Although we have production and planning committees at both our units which constantly monitor the requirement, usage, availability, stock and supply of these raw materials on a regular basis any shortfall/ non – availability of raw materials or supply of utilities may have an adverse impact on our business and financial condition

7. Significant dependence on our key customers could adversely affect our operations.

The table below depicts the % of the total revenue derived from our top customers during the last three FYs and the HFY ended 30 September, 2006.

(Amount in rupee lakhs)

FY ended	30 September, 2006	31March, 2006	31March, 2005	31March, 2004
Top 3 (%)	56	53	57	61
Top 5 (%)	74	75	79	86
Top 10 (%)	89	92	97	95

We have been deriving more than 70% of our revenues from our top five customers. Though we have been maintaining cordial relationships with them, no assurance can be given that we would continue to maintain our sales to any of these customers or they will continue to meet their requirement from us, which could adversely affect our operations.

8. We have not entered into any long term contracts with our customers, hence termination of supply orders may have an adverse impact on our business and financial operations.

Our products are sold through purchase orders and we have not entered into any long term supply or distribution contracts with any of our customers. Each of our castings is customized to the requirements of our customers. Although we have placed strong emphasis on performance, adherence to scheduled timelines set by our customers and meeting their quality requirements, any change in their buying strategy could result in termination of supply orders and could materially or adversely affect our business, profits and results of operations.

9. Significant dependence on the domestic market for sales could adversely affect our business

We derive majority of our total revenue from the domestic market. Our total forex earnings from exports for FY 2006, 2005 and 2004 were Rs.2396 lakhs, Rs.2177 lakhs and Rs.894 lakhs respectively, constituting less than 10% of our total turnover. Our wholly owned subsidiary in the US, Nelcast Inc., was formed with the aim of concentrating on the export opportunities and enhancing our share in the international markets. However, any adverse developments in the domestic industry could have a significant impact on our overall operations and profitability.

10. We are bound by certain restrictive covenants provided in the agreements entered into with Banks for availing term loans and working capital facilities.

The agreements entered into by the Company with the Banks for availing term loans and working capital facilities provides for certain restrictive covenants in respect of expansions / diversifications, investments in group / associate concerns, transfer of controlling interest, issue of bonus shares, disposal of promoter's shareholding etc., We cannot undertake any of these activities without obtaining the prior permission of these Banks. We have obtained a No Objection Certificates from our bankers i.e., PNB, IDBI Bank that they have no objection to our proposed public issue / IPO.

11. Mishaps or accidents at our manufacturing facilities or in our corporate office premises could lead to damage to life and property.

We have taken adequate safety measures in both our units for our workforce by providing them with protective equipments to the workmen such as facemasks, gloves and safety shoes. We have also installed mechanized equipments for handling raw materials and finished products, such as forklifts and pay loaders. Both our units have an Occupational Health Centre within the premises to provide first aid and attend to any emergencies. We have taken a Personal Accident Policy for our employees, in both the units and also the corporate office, and the equipment, materials and machineries located at both our units are also insured. However, any unforeseen mishap or accident could result in claims against us for damages and we could also suffer loss of production and resources in defending such claims. For any accidents at our corporate office also, we cannot claim damages for want of insurance cover for the same. Any such significant event could have an adverse effect on our business, financial condition and results of operations.

12. The loss of or shutdown of operations at any of our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations

Our manufacturing facilities at Gudur and Ponneri are subject to operating risks, such as the breakdown of failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes lock-outs continued availability of services of the external contractors, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of these risks could significantly affect our operating results. We have been doing a planned shutdown of plants for maintenance on a daily basis. Although we take precautions to minimize the risk of any significant operational problems, our business, financial condition and results of operations may be adversely affected by any disruption of operations at these facilities, including due to any of the factors mentioned above.

13. Any adverse performance in the automobile and farm equipment industry could affect our business adversely.

We derive more than 70% of our revenues from the HCV and Tractors segment. The table below gives the % share of the total revenue of the segments of the industry on which we focus.

Segment	% share of total revenue	
	FY 2005-06	HY 2006-07
HCVs	37.89	41.67
Tractor	29.03	28.31



Autocomponents (Used in HCVs and Tractors)	21.48	18.71
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The agriculture, automobile and the auto-component industries are sensitive to changes in economic conditions, cyclicity and unforeseen events, including political instability, recession, inflation or other adverse occurrences. The agriculture sector, in particular, is seasonal and is dependent on monsoons. Any event that results in decreased demand in the farm equipments or automobile industry, or increased pressure on automobile manufacturers to develop, implement and maintain in-house auto-component facilities, could have an adverse effect on our business and results of operations.

14. Increasing wages could impact our profit margins adversely.

Historically, India has been known for cheap labour; wage costs have been significantly lower than the developed countries. We have been able to offer competitive wage rates to our skilled labour force who have promised and ensured production efficiency and timely delivery. However, any significant increase in the wage costs could have an adverse effect on our business, financial condition and results of operations.

15. Failure to comply with environmental laws, rules and regulations may adversely affect our business or operations.

Being a part of an industry, subject to stringent regulations of the Central Pollution Control Board, it is our imperative to ensure compliance with the environmental laws, regulations, rules and norms. A failure on our part to adequately comply with applicable environmental laws, rules and regulations, could hamper or adversely impact the operations of our Company, and consequently, could adversely affect the Company and its cash flows and profitability.

16. Risk of unauthorised infringement of customers' IPRs.

Our customers share their patented product designs and trademarks with us to aid the process of manufacturing of products suited to their requirements. Although we follow the practice of entering into a Non – Disclosure Agreement with them, especially with our overseas customers, any liability arising out of misappropriation of our customers' proprietary rights or breach of the terms and conditions stated in the Non – Disclosure Agreement cannot be ruled out. This could have an adverse impact on our operational and financial results and also harm our reputation in the market.

17. Inability to retain our key managerial personnel could affect our business adversely.

Our success largely depends on the continued services and performance of our management and other key employees. The loss of any of our key personnel could impair our ability to continue to manage and expand our business efficiently. We have, so far, not faced any union related problems. However, any disagreements with our employees in the future causing shortage of labour or stoppage of work, could affect our operations including our ability to meet the quality standards in manufacturing and timely completion of orders, thereby affecting our sales and profitability.

18. Defaults in the payment of loans could result in the sale of properties / assets belonging to the Company.

The Company has availed term loans from PNB and IDBI Bank and working capital facilities from SBI for which certain assets and properties of the Company have been mortgaged / hypothecated in their favour as security. Any breach of the terms and conditions including defaults in the payment of these loans could result in the sale of these properties / assets, which could affect the functioning of the units where the assets and properties are situated and thus affect our overall profitability.

19. Issue of equity shares in the last 12 months may be at a price lower than the issue price.

The details of allotment made in the last 12 months, prior to the filing of DRHP, is given below and the price of such issue may be lower than the issue price.

Name of allottee	Date of allotment	Number of equity shares	Type of issue	Face value (Rs.)	Issue price (Rs.)	Nature of payment of consideration
Menakuru Infrastructure Private Limited	17 November, 2006	2,00,000	Preferential Allotment	10	155	Cash

20. Interest of Our Promoter

Mr.P.Radhakrishna Reddy, our Promoter may be deemed to be interested to the extent of shares held by him, his friends or relatives, and benefits arising from his holding directorship/employment in the Company or its subsidiary. He is also interested in the transactions entered into by the Company and the ventures where he is interested either as a Promoter, Director, Partner, or otherwise. Further Mr.P.Radhakrishna Reddy is also interested to the extent of monthly lease rent of Rs.1,44,000 /-being paid by the Company for its corporate office to Ms.P.Jamuna, Ms.P.Divya and Mr.P.Deepak being his immediate relatives. Please refer to the section titles 'Related Party Transactions' on Page no. [●] for details.

21. Foreign Exchange Fluctuation may affect the profitability of the Company

Our Company currently exports approximately 10% of our total income hence any fluctuation in the Rupee value vs. US \$, Euro and any other currencies where the Company is exporting to, may affect the performance of the Company. Further, approximately Rs 865.48 lakhs, of the project cost pertains to the Kunkel Wagner Moulding lines to be imported from Kunkel Wagner, Germany. This cost will be incurred in foreign currency. At present, we do not hedge our risk related to fluctuation in foreign currencies. Our inability to adequately hedge the foreign currency risk may adversely effect our operations.

22. Our Promoter who will continue to retain majority control in the Company after the Issue, may have interests that are adverse to the interest of our other shareholders and may take decisions, which, our other shareholders or we may not agree.

Upon completion of the Issue, the Promoter will beneficially own majority stake (68.39%) of our post issue paid up capital. As a result, the Promoter will have the ability to control our business including matters relating to any sale of all or substantially all of our assets, the timing and distribution of dividends and the election and termination of appointment of our officers and directors. The Promoter may have interests that are adverse to the interest of our other shareholders and may take decisions, which, our other shareholders or we may not agree.

EXTERNAL RISK FACTORS

1. Difficulty in keeping pace with technological advancement may have an adverse impact on our business

Adhering to the customers' requirements, timely delivery and maintaining consistency in quality are the principal factors in castings. With mechanized moulding machines and CNCs available, ability to produce large volumes of castings, with precision and accuracy, such that it meets the customers' requirements, has become possible. Hence, Technology plays a vital role in the manufacturing process of castings and failure to adapt to or keep abreast of any change in, the latest technology might place its competitors at an advantage in terms of costs, efficiency and timely delivery of its products.

2. Increasing employee compensation in India may erode some of our competitive advantage and may reduce our profit margins

Compensation payable to employees constituted 3.70% of our total cost for the year ended 31 March, 2006. Though the Company has been able to employ and retain professionals and quality personnel, with rising employee compensation levels across sectors in India, we cannot assure you that the employee compensation levels will not rise in the future. Any rise in the employee compensation could increase our cost of production and could impact our margins, thereby affecting our results of operations.

3. Competition may affect our business adversely

The automotive component supply industry is highly competitive. Some of our competitors may be larger and have greater financial and other resources than us. We cannot assure you that our products will be able to compete effectively with the products of such other companies. We believe that the principal competitive factors in our markets are price, quality and consistency in meeting customers' requirements. Consistent expansion in capacity of the foundry industry could create unhealthy competition sooner or later. Increasing competition may force the Company to reduce the prices of its products, which may reduce the revenues and margins and/or also decrease its market share, either of which could have an adverse impact on the business, financial and operations of the Company.

4. Changes in Government policies may affect our operations adversely.

Increase in taxes and other levies imposed by the Central or State Governments in India may have an adverse effect on the profitability of the Company. Since 1991, the Government of India has pursued policies of economic liberalization. We cannot assure you that these liberalization policies will continue in future. Protest against liberalization could slowdown the pace of economic development. The rate of economic liberalization could change, specific laws and policies could change, and foreign investment, currency exchange rates and other matters affecting investing in our securities could change as well. There could be political instability, which may have an adverse impact on capital markets and investor confidence. Taxes and levies affect the cost of production and prices of the Company's products and hence the demand for its products. An increase in any of taxes or levies or the imposition of new taxes or levies in the future may have an adverse impact on the Company's business and financial condition.

5. Adverse economic conditions may adversely affect the sales and results of the Company.

The Indian economy recorded strong growth for the third successive year during 2005-06 in an environment of macroeconomic and financial stability, notwithstanding sustained pressures from record high international crude oil prices. Real GDP growth accelerated from 7.5 % during 2004-05 to 8.4 % during 2005-06 on the back of buoyant manufacturing and services activity supported by a recovery in the agricultural sector. (Source: www.rbi.org.in). However, India's economy is susceptible to changes in interest rates, weather conditions adversely affecting agriculture, deterioration of infrastructure or various other factors affecting the growth of industrial, manufacturing and services sector. As our casting products are mainly supplied to the HCV and farm equipment manufacturers and any downtrend in the agriculture sector and in particular the Automobile sector could adversely affect the growth of our business, our ability to implement our strategy and our future financial performance

6. Force majeure events, could adversely affect the financial markets, result in a loss of client confidence and adversely affect our business, results of operations, financial conditions and cash flows.

7. Natural disasters could adversely affect the business of the Company

The operations of our plants can be affected by natural disasters such as events that are beyond our control, including the recent tsunami or seismically generated sea wave capable of considerable destruction, which affected several parts of South East Asia, including India and Sri Lanka on



26 December, 2004. Occurrence of any such event could adversely affect our business and operations.

8. After this Issue, the prices of our Equity Shares may be highly volatile, or an active trading market for our Equity Shares may not develop

The price of our Equity Shares may be highly volatile as a result of several factors, including:

- volatility in the Indian and Global Securities market;
- our results of operations and performance;
- perceptions about our future performance or the performance of Indian auto component/foundry companies generally;
- performance of our competitors in the industry and the perception in the market about investments in the auto component sector;
- adverse media reports on the Company or the Indian foundry/auto component industry;
- changes in the estimates of our performance or recommendations by financial analysts;
- significant developments in India's economic liberalisation and deregulation policies;
- changes in the applicable tax incentives;
- significant development in India's fiscal and environmental regulations.
- the exchange rate of USD or any other relevant currency; and
- general political and security environment in the country and across the globe.

There has been no public market for our Equity Shares and the prices of our Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this

NOTES TO RISK FACTORS

Public Issue of 43,50,000 Equity Shares of Rs. 10/- each for cash at an Issue Price of Rs. [●] per Equity Share aggregating Rs. [●] lakhs (the 'Issue') by our Company.

- The net worth of our Company before the Issue, as on 30 September, 2006, was Rs. 3146.49 lakhs and as on 31 March, 2006 it was Rs.2528.47 lakhs.
- There have been no equity shares sold or purchased by the Promoters, the Promoter Group and the Directors during the period of six months preceding the date on which this DRHP is filed with SEBI.
- The book value as on 30 September, 2006 was Rs.24.49 per Equity Share.
- The average cost of acquisition of one Equity Share for Mr.P.Radhakrishna Reddy, Promoter is Rs.4.56.
- Other than as disclosed either in related party transaction or otherwise, the promoter / directors / key management personnel of our Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits arising out of the shareholding/employment in our Company or its subsidiary or out of any business relation with any of the ventures in which they are interested. For interests of promoters and directors, please refer the chapters "Our Management" and "Our Promoters" beginning on pages [●] and [●] of this Draft Red Herring Prospectus. For related party transactions, refer to page no. [●] under the section titled 'Related Party Transactions'.
- No loans and advances have been made to any persons/companies in which the Directors of the Company are interested except as stated in the Auditors report. For details please refer to page no. [●] of the Auditors report.
- The Issue is being made through a 100% Book Building Process wherein not more than 50% of the Net Issue to the Public will be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs") (of which 5% will be available for allocation for Mutual Funds). Further, not less than 15% of the Net Issue to the Public will be available for allocation on a



proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the Public will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price.

- Investors may note that in case of over-subscription in the Issue, allotment to Retail Individual Investors and QIBs shall be on a proportionate basis. For more information, please refer to page no. [●] under the section titled 'Basis of Allotment or Allocation'.
- Trading in Equity Shares of our Company for all investors shall be in dematerialized form only.
- The Investors are advised to refer to page no. [●] under the section titled 'Basis for Issue Price' before making an investment in the Issue.

Investors may contact the BRLM or the Compliance Officer for any complaints, information or clarifications pertaining to the Issue. For contact details of the BRLM and the compliance officer please refer to page no. [●] of this DRHP.

SECTION III - INTRODUCTION

SUMMARY

Industry Overview

The Global Foundry Scenario

In the developed world the production of castings has become expensive due to rising labour costs and difficult, due to shortage of skilled labour and increasingly stricter environmental norms. The number of foundries in the USA has declined by about one- third over the last 20 years. Over 8,000 foundries have shut down in Europe due to non-availability of skilled manpower and difficulties in compliance with environmental norms. Both USA and EU have a cost disadvantage against developing countries. As a result many foreign automotive manufacturers and their Tier I suppliers have started tapping the developing countries. According to the American Foundry Society, US imports are forecast to rise 5% per year for the next 7 years to reach 3.0 million tons. A similar situation exists in EU as well.

China continues to be the leader, in foundries, even ahead of developed countries like US, Russia, Japan and Germany, while India was ranked sixth in the production of castings. The details of production of the top ten countries along with the CAGR during 2000-04 are as follows:

Country	2000	2001	2002	2003	2004	CAGR(%)
China	10.955	14.888	16.261	18.145	22.420	19.61
USA	13.129	11.871	11.811	12.069	12.314	-1.59
Russia	6.200	6.200	6.200	6.200	6.300	0.40
Japan	6.276	5.841	5.751	6.111	6.386	0.44
Germany	4.542	4.643	4.595	4.722	4.984	2.35
India	3.120	3.155	3.509	4.038	4.623	10.33
France	2.665	2.527	3.018	2.484	2.466	-1.92
Italy	2.425	2.393	2.440	2.441	2.441	0.16
Mexico	1.761	1.880	2.030	1.822	2.185	5.54
Brazil	1.810	1.760	2.030	2.249	2.830	11.82

Source: Indian Foundry Directory, 2005, The Institute of Indian Foundry, 39th Census of World Casting Production 2004, thewfo.com

According to the 39th Census of world casting production—2004, the global tonnage appears to have increased by 8.4%, with nine of the top 10 producers revealing increased production. The total casting production was 79.75 million metric tons of which India's contribution was only 4.6 million metric tons. India is ranked fourth in the year 2004 in the production of grey iron.

The Indian Foundry Scenario

The foundry sector in India was given the required initial boost with establishment of the jute industry in Bengal and the cotton industry in Mumbai in the late 19th century. The watershed in the foundry industry came with the shift of governmental policy towards deregulation and open economy since 1990-91 with import of equipment and assimilation of latest technology becoming easy, leading to the emergence of several large scale players. However, the recessionary period of 2001-02 led to consolidation with the weaker foundries being taken over by more agile players. The entry of multinational units in the nineties particularly in automotive sector, helped the shift to medium and large scale units, with foundry professionals and skilled labour involved at all levels in moulding, methoding, melting, production etc.

There are over 4500 foundries in India out of which over 80% are small and medium enterprises (SMEs). There are only 10 foundries in the country with a scale of production comparable to world players. Presently the estimated built up capacity in India is around 7 million metric tons annually, but the current production level is around 4.6 million metric ton. India, at its current levels of production, occupies the 6th place under the category of 'largest producers of castings'.



In terms of demographic distribution most of the foundries are situated in Kolhapur, Belgaum, Pune, Greater Mumbai, Ahmedabad, Baroda, Rajkot, Agra, Batala, Ludhiana, Jalandhar, Howrah, Kolkata, Coimbatore, Chennai, Bangalore. These cities house both SMEs and large foundries. Most of them are located near the consuming centres Over 400 foundries in the country have acquired quality certification of ISO 90001.

The trend in the production of the Indian foundry industry is given below: (in million metric tons)

Type of Castings	1999-2000	2000-01	2001-02	2002-03	2003-04	CAGR(%)
Grey Iron	2.4	2.3	2.3	2.47	2.84	4.30
S.G. iron	0.235	0.25	0.285	0.316	0.363	11.48
Malleable	0.05	0.04	0.03	0.039	0.039	-6.02
Steel	0.31	0.32	0.31	0.388	0.465	10.67
Non Ferrous	0.22	0.21	0.23	0.296	0.331	10.75
Total	3.215	3.12	3.155	3.509	4.038	5.86

Source: Indian Foundry Directory, 2005, The Institute of Indian Foundrymen

BUSINESS OVERVIEW

The Company was founded by Mr.P.Radhakrishna.Reddy, a Metallurgical Engineer from Regional Engineering College, Nagpur. Incorporated in the year 1982, Nelcast Limited established its first factory in 1985 at Gudur, Andhra Pradesh to produce 1200 MT pa of Iron Castings. Later in 1996, Nelcast extended its operations to Ponneri, Tamilnadu by establishing a factory with an installed capacity of 12,000 MT pa, for the manufacture of grey iron and ductile iron castings. A TS 16949 accredited organization, Nelcast is today one of the largest manufacturers of Spheroidal Graphite (SG) Iron Castings in the country.

The Company manufactures around 200 items in SG and Grey Iron Castings. Cylinder Blocks, Housings, Rear Hubs, Spring Shackle, Brackets, Housings, Exhaust Manifolds etc. are some of the items that find application in the heavy commercial vehicle segment and in the Tractor segment. The Company is a major supplier of auto components to Automobile industry majors like TATA Motors, Ashok Leyland, TAFE, TATA Cummins etc.

Apart from having the distinct locational advantage of proximity to the Chennai Port, the Company's two units at Gudur, Andhra Pradesh and Ponneri, Tamilnadu are also well connected by both rail and road. Besides catering to the domestic markets the Company is also exporting to USA, Europe and Australia. Professionally managed, Nelcast has qualified persons heading its various departments.

This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire DRHP, including the information on "Risk Factors" and our financial statements and related notes appearing elsewhere in this DRHP, before deciding to invest in our Equity Shares.

THE ISSUE

Equity Shares offered:	
Fresh Issue by the Company or issue to the Public	43,50,000 Equity Shares.
of which:	
A) QIB Portion	Upto 21,75,000 Equity Shares (allocation on proportionate basis), out of which upto 5% i.e., 1,08,750 shall be available for allocation on a proportionate basis to Mutual Funds only (Mutual Funds Portion), and balance Equity Shares shall be available for allocation to all QIBs, including Mutual Funds.
B) Non-Institutional Portion	At least 6,52,500 Equity Shares (allocation on proportionate basis)
C) Retail Portion	At least 15,22,500 Equity Shares (allocation on proportionate basis)
Equity Shares outstanding prior to the Issue	1,30,50,000 Equity Shares
Equity Shares outstanding after the Issue	1,74,00,000 Equity Shares
Use of proceeds by the Company	See the section titled “Objects of the Issue” on page no. [•] of this DRHP.

Note:

Under-subscription, if any, in any category would be allowed to be met with spillover inter-se from the other categories, at the sole discretion of the Company and the BRLM.



SELECTED FINANCIAL INFORMATION

The following table sets forth the selected historical financial information of Nelcast Limited derived from (i) its restated and audited consolidated financial statements for the fiscal years ended 31 March 2002, 2003, 2004, 2005, 2006 and for six months period from 1 April, 2006 to 30 September, 2006 and (ii) its restated and audited unconsolidated financial statements for the fiscal years ended 31 March 2002, 2003, 2004, 2005, 2006 and for six months period from 1 April, 2006 to 30 September, 2006, all prepared in accordance with Indian GAAP, the Companies Act, and SEBI guidelines, and restated as described in the auditor's report of M/s J.B.Reddy & Co., included in the section titled "Financial Information" on page no. [●] of this DRHP and should be read in conjunction with those financial statements and notes thereon.

SUMMARY STATEMENT OF CONSOLIDATED PROFITS AND LOSSES AS RESTATED

The Profit and Loss Statements of the Company for five financial years ended 31 March of 2002 to 2006 and for the period ended 30 September, 2006 read with significant accounting policies, notes on accounts and the notes to adjusted accounts are set out below.

Rs. in lakhs

Particulars	Period ended	Year ended 31 March				
	30 September, 2006	2006	2005	2004	2003	2002
Income						
Sales	16642.29	27032.01	24086.58	15241.59	10069.36	6178.36
Of Products manufactured by the Company	16642.29	27032.01	24086.58	15241.59	10069.36	6178.36
Less: Excise Duty	2083.60	3401.12	3056.81	1976.05	1279.14	743.65
Net Sales	14558.69	23630.89	21029.77	13265.54	8790.22	5434.71
Other Income	101.92	106.22	116.54	55.50	89.43	67.46
Increase / (decrease) in inventories	(909.44)	33.54	284.60	459.55	292.48	459.94
Total Income	13751.17	23770.65	21430.91	13780.59	9172.13	5962.11
Expenditure						
Materials consumed	5595.12	10665.76	10587.95	5671.03	3400.89	1948.47
Consumable Stores & Spares	1852.12	3083.60	2187.81	1483.04	1039.60	579.80
Power and Fuel	1852.91	3433.67	3110.95	2455.70	2097.08	1357.00
Staff Costs	610.88	1011.24	807.51	576.78	437.36	371.49
Other manufacturing expenses	1292.51	2117.92	1629.90	1176.49	853.33	569.83
Administrative, selling and distribution expenses	746.40	1245.17	1103.67	777.10	457.55	407.67
Interest	375.17	765.75	896.51	844.08	574.17	523.08
Depreciation	220.19	400.90	353.80	331.52	197.97	183.70
Total Expenditure	12545.30	22724.01	20678.10	13315.74	9057.95	5941.04
Net Profit before tax	1205.87	1046.64	752.81	464.85	114.18	21.07
Tax expense - Current tax	307.80	303.60	78.50	35.53	9.00	1.60
Tax expense - Deferred tax	101.60	(12.32)	140.72	176.93	-	-
Fringe Benefit Tax	7.50	19.50	-	-	-	-
Prior Year Adj	-	30.61	5.44	4.39	-	2.58
Net Profit after tax (A)	788.97	705.25	528.15	248.00	105.18	16.89
Impact of material adjustments for restatement in corresponding years (net of tax) (B)	-	(19.17)	(40.76)	9.27	(33.76)	(10.39)
Net Profit after adjustments (A) + (B)	788.97	686.08	487.39	257.27	71.42	6.50

SUMMARY CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED							
Assets and Liabilities of the Company at the end of each financial period/year regrouped wherever necessary and read with significant accounting policies, notes on accounts and the notes to adjusted accounts .							
Rs. in lakhs							
Particulars		As at	As at 31 March				
		30 September ,2006	2006	2005	2004	2003	2002
A. Fixed Assets							
Gross block		9447.49	8631.50	7612.64	6869.52	6814.79	3938.79
Less: Depreciation		2539.74	2319.50	1929.20	1575.39	1248.43	1053.41
Net Block		6907.75	6312.00	5683.44	5294.13	5566.36	2885.38
Capital Work-in-Progress		-	-	-	-	-	2550.28
TOTAL		6907.75	6312.00	5683.44	5294.13	5566.36	5435.66
B. Goodwill		0.59	1.28	1.69	1.52	-	-
C. Investments		4.00	4.00	4.00	-	7.20	-
D. Current assets, loans and advances		-					
Inventories		3015.89	3819.91	3675.82	3044.85	2354.71	1983.52
Receivables		4787.99	3856.62	3665.91	2698.65	2130.49	1644.11
Cash and bank balances		48.78	77.19	31.32	29.93	27.23	22.08
Loans and advances		754.28	884.78	680.47	366.36	380.97	371.74
TOTAL		8606.94	8638.50	8053.52	6139.79	4893.40	4021.45
E. Total assets (A + B+ C+D)		15519.28	14955.78	13742.65	11435.44	10466.96	9457.11
F. Liabilities and provisions		-					
Loan funds							
Secured loans		5789.01	6209.71	5639.30	4825.51	4702.74	4506.10
Unsecured loans		1395.58	1234.35	1918.81	1625.12	1606.45	1461.32
TOTAL		7184.59	7444.06	7558.11	6450.63	6309.19	5967.42
G. Deferred Tax Liability		1042.66	941.06	900.60	744.67	574.50	542.76
H. Current liabilities and provisions		-					
Current liabilities		3814.14	3685.90	2902.53	2282.89	1968.19	1409.43
Provisions		338.59	351.43	241.15	84.57	32.83	-
TOTAL		4152.73	4037.33	3143.68	2367.46	2001.02	1409.43
I. Total Liabilities and provisions (F + G+H)		12379.98	12422.45	11602.39	9562.76	8884.71	7919.61
J Net worth (E - I)		3139.30	2533.33	2140.26	1872.68	1582.25	1537.50
Represented by							
Shareholders funds							
Share capital		1285.00	1285.00	1285.00	1185.00	1185.00	1185.00
Share Application Money		-	-	-	100.00	-	-
Reserves and surplus		1854.30	1248.33	855.26	587.68	397.25	352.50
Total		3139.30	2533.33	2140.26	1872.68	1582.25	1537.50

SUMMARY UNCONSOLIDATED STATEMENT OF PROFITS AND LOSSES, AS RESTATED						
The Profit and Loss Statements of the Company for five financial years ended March 31 of 2002 to 2006 and for the period ended September 30, 2006 read with significant accounting policies, notes on accounts and the notes to adjusted accounts are set out below:						
						Rs. in lakhs
Particulars	Period ended	Year ended 31 March				
	30 September , 2006	2006	2005	2004	2003	2002
Income						
Sales	16642.29	27032.01	24086.58	15241.59	10069.36	6178.36
Less: Excise Duty	2083.60	3401.12	3056.81	1976.05	1279.14	743.65
Net Sales	14558.69	23630.89	21029.77	13265.54	8790.22	5434.71
Other Income	101.92	106.22	116.54	55.50	89.43	67.46
Increase / (decrease) in inventories	(909.44)	33.54	284.60	459.55	292.48	459.94
Total Income	13751.17	23770.65	21430.91	13780.59	9172.13	5962.11
Expenditure						
Materials consumed	5589.81	10659.71	10587.95	5671.03	3400.89	1948.47
Consumable Stores & Spares	1852.12	3083.60	2187.81	1483.04	1039.60	579.80
Power and Fuel	1852.91	3433.67	3110.95	2455.70	2097.08	1357.00
Staff Costs	523.04	842.55	651.94	528.37	437.36	371.49
Other manufacturing expenses	1292.51	2117.92	1629.90	1176.49	853.33	569.83
Administrative, selling and distribution expenses	827.68	1423.56	1259.01	828.52	457.55	407.67
Interest	375.17	765.75	896.51	844.08	574.17	523.08
Depreciation	219.86	400.26	353.18	331.21	197.97	183.70
Total Expenditure	12533.10	22727.02	20677.25	13318.44	9057.95	5941.04
Net Profit before tax	1218.07	1043.63	753.66	462.15	114.18	21.07
Tax expense - Current tax	307.80	303.60	78.50	35.53	9.00	1.60
Tax expense - Deferred tax	101.60	(12.32)	140.72	176.93	-	-
Fringe Benefit Tax	7.50	19.50	-	-	-	-
Prior Year Adj	-	30.61	5.44	4.39	-	2.58
Net Profit after tax (A)	801.17	702.24	529.00	245.30	105.18	16.89
Impact of material adjustments for restatement in corresponding years (net of tax) (B)	-	(19.17)	(40.76)	9.27	(33.76)	(10.39)
Net Profit after adjustments (A) + (B)	801.17	683.07	488.24	254.57	71.42	6.50
The accompanying Statement of Adjustments to Audited Profit and Loss Account (Annexure III) and Significant Accounting Policies and Notes on Accounts (Annexure IV) are an integral part of this statement.						

SUMMARY UNCONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

Assets and Liabilities of the Company at the end of each financial period/year regrouped wherever necessary and read with significant accounting policies, notes on accounts and the notes to adjusted accounts are set out below.

Particulars		As at	As at 31 March				
		30 September ,2006	2006	2005	2004	2003	2002
A.	Fixed Assets						
	Gross block	9442.90	8627.05	7608.27	6865.12	6814.79	3938.79
	Less: Depreciation	2537.77	2317.91	1928.26	1575.08	1248.43	1053.41
	Net Block	6905.13	6309.14	5680.01	5290.04	5566.36	2885.38
	Capital Work-in-Progress	-	-	-	-	-	2550.28
	TOTAL	6905.13	6309.14	5680.01	5290.04	5566.36	5435.66
B.	Investments	27.59	27.59	27.59	23.59	7.20	-
C.	Current assets, loans and advances						
	Inventories	2993.79	3771.45	3653.50	3044.85	2354.71	1983.52
	Receivables	4764.15	3847.95	3665.91	2681.24	2130.49	1644.11
	Cash and bank balances	44.16	76.60	28.62	25.80	27.23	22.08
	Loans and advances	730.38	865.95	651.66	366.18	380.97	371.74
	TOTAL	8532.48	8561.95	7999.69	6118.07	4893.40	4021.45
D.	Total assets (A + B + C)	15465.20	14898.68	13707.29	11431.70	10466.96	9457.11
E.	Liabilities and provisions						
	Loan funds						
	Secured loans	5789.01	6209.71	5639.30	4825.51	4702.74	4506.10
	Unsecured loans	1395.58	1229.89	1918.81	1624.31	1606.45	1461.32
	TOTAL	7184.59	7439.60	7558.11	6449.82	6309.19	5967.42
F.	Deferred Tax Liability	1042.66	941.06	900.60	744.67	574.50	542.76
G.	Current liabilities and provisions						
	Current liabilities	3752.89	3638.25	2869.48	2282.64	1968.19	1409.43
	Provisions	338.57	351.30	240.65	84.58	32.83	-
	TOTAL	4091.46	3989.55	3110.13	2367.22	2001.02	1409.43
H.	Total Liabilities and provisions (E + F + G)	12318.71	12370.21	11568.84	9561.71	8884.71	7919.61
I.	Net worth (D - H)	3146.49	2528.47	2138.45	1869.99	1582.25	1537.50
	Represented by						
	Shareholders funds						
	Share capital	1285.00	1285.00	1285.00	1185.00	1185.00	1185.00
	Share Application Money		-	-	100.00	-	-
	Reserves and surplus	1861.49	1243.47	853.45	584.99	397.25	352.50
	TOTAL	3146.49	2528.47	2138.45	1869.99	1582.25	1537.50

The accompanying Statement of Adjustments to Audited Profit and Loss Account (Annexure III) and Significant Accounting Policies and Notes on Accounts (Annexure IV) are an integral part of this statement.

GENERAL INFORMATION

Registered Office

Nelcast Limited (Registration No.01 - 03518)

34, Industrial Estate, Gudur 524101.

Tel: + 91 8624 251 266

Corporate Office

Nelcast Limited

159, TTK Road, Alwarpet, Chennai, Tamil Nadu – 600 018

Tel: + 91 44 2498 3111 Fax: +91 44 2498 2111,

E-mail: nelcast @nelcast.com, **website:** www.nelcast.com

Contact Person: Mr.R.B.Prem Ganesh

Our Company is registered with the RoC, Andhra Pradesh situated at Second Floor, C.P.W.D.Building, Kendriya Vidyasagar, Sultan Bazaar, Koti, Hyderabad – 500 195.

Board of Directors

The Company is currently managed by the Board of Directors comprising of seven Directors. Mr.R.V.Ramani is currently the Chairman of the Board and Mr. J.Joseph is the Managing Director.

Our Board comprises of:

S. No	Name	Designation
1.	Mr.R.V.Ramani	Non – Executive Chairman
2.	Mr.J.Joseph	Managing Director
3.	Mr.T.R.Prasad	Non – Executive Director
4.	Mr.R.Mohan Reddy	Non – Executive Director
5.	Mr.D.Sesha Reddy	Non – Executive Director
6.	Mr.P.Radhakrishna Reddy	Deputy Chairman
7.	Mr.P.Vijaya Bhaskara Reddy	Deputy Managing Director

Brief details of Deputy Chairman, Managing Director

Deputy Chairman

Mr.P.Radhakrishna Reddy, a Metallurgical Engineer from Regional Engineering College, Nagpur, founded the Company with a small plant in Gudur with an installed capacity of 1200 MT p a, which started its commercial production in the year 1985. He started at a young age of 27 and during the formative years, he handled all the functions like production, marketing, materials and human resources. As a result of his excellent business acumen, today Nelcast has got two manufacturing units at Gudur, Andhra Pradesh and Ponneri, Tamil Nadu with a combined production capacity of 72,000 MT p a and employs a workforce of 893 people. Presently Mr.P.Radhakrishna Reddy is also the President of Nelcast Inc., USA, a 100% subsidiary of Nelcast, wherein he is concentrating on the export markets.

Managing Director

Mr.J.Joseph aged 76 years is a Science Graduate and is the Managing Director of the Company. In a career spanning over five decades in senior management, he has been the Deputy Managing Director of Ashok Leyland Ltd., and Finance Director of India Oil Corporation. He has also served the Central Government in various capacities. He was Director-in-charge of Ennore Foundries Ltd. before joining Nelcast Ltd.

For further details of our Chairman, Managing Director and other Directors of the Board please see the section titled “Our Management” on page no. [●] of this DRHP.



Company Secretary and Compliance Officer

Mr.R.B.Prem Ganesh,
159, TTK Road, Alwarpet, Chennai, Tamil Nadu – 600 018
Tel: + 91 44 2498 3111 Fax: +91 44 2498 2111,
E-mail: ganesh @nelcast.com, website: www.nelcast.com

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

Legal Advisors to the Issue

M/s. V.S.Raju and Associates
Advocates & Advisors
106, Dhanunjaya Towers, Main Road,
Banjara Hills, Hyderabad - 50034,
Andhra Pradesh, India
Tel No.: +91 40 2339 7154
Fax No: +91 40 2339 8807
E mail: mail@vsraju.com
Contact Person: Mr. V.S.Raju

Book Running Lead Manager**Karvy Investor Services Limited**

“Karvy House”, 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad – 500 034.
Tel: +91 40 2337 4714 / 23312454
Fax: +91 40 2337 4714
E-mail: mbd@karvy.com.
Website: www.karvy.com
Contact Person: Mr.T.R.Prashanth Kumar

Syndicate Members

[●] (Will be updated at the time of RoC Filing)

Registrar to the Issue

Bigshare Services Pvt. Ltd
E-2, Ansa Industrial Estate,
Sakivihar Road, Saki Naka,
Andheri East, Mumbai 400 072.
Tel : +91 – 22 – 2847 3747 / 3474
Fax : +91 – 22 – 2847 5207
Email : ipo@bigshareonline.com
Website : www.bigshareonline.com
Contact Person: Mr. N. V. K. Mohan

Auditors

J.B.Reddy & Co.,
Chartered Accountants
206, Srinilaya Estate, Ameerpet
Hyderabad 500073.
Tel No: +91 40 2373 6593/ 2374 6229,
Fax No: +91 40 2374 6259



Banker(s) to the Company**State Bank of India**

Industrial Finance Branch,
103, Anna Salai, Chennai – 600 002.
Tel No.: +91 44 2860 3176,
Fax No.: +91 44 28160 3177
E Mail: sbi.09930@sbi.co.in
Website: www.statebankofindia.com

Punjab National Bank

CMO: Mylapore,
150, Luz Church Road,
Chennai – 600 004.
Tel No.: +91 44 2467 1510,
Fax No.: +91 44 2499 5570.
E Mail: gad@pnb.co.in
Website: www.pnbindia.com

IDBI Bank

115, Anna Salai, Saidapet,
Chennai, Post Bag No 805 – 600 015.
Tel No.: +91 44 2235 5201,
Fax No.: +91 44 2235 5226
E Mail: pro@idbi.co.in
Website: www.idbi.com

Banker (s) to the Issue and Escrow Collection Bank

[●] (Will be updated at the time of RoC Filing)

Refund Banker

[●] (Will be updated at the time of RoC Filing)

Brokers to the Issue

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

Credit Rating

As the Issue is of equity shares, a credit rating is not required.

Grading

We have not opted for grading of this Issue.

Trustees

As the Issue is of equity shares, the appointment of Trustees is not required.

Appraising Entity and Monitoring Agency

There is no requirement for a monitoring agency in terms of Clause 8.17 of the SEBI Guidelines. The Audit Committee of our Board will monitor the use of the proceeds of the Issue.

Book Building Process

Book building refers to the process of collection of Bids, on the basis of the DRHP within the Price Band. The Issue Price is fixed after the Bid Closing Date/Issue Closing Date.

The principal parties involved in the Book Building Process are:

- The Company;
- Book Running Lead Managers;
- Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. Syndicate Members are appointed by the BRLM;
- Escrow Collection Bank(s)/ Refund Bank; and
- Registrar to the Issue.

The SEBI Guidelines have permitted an issue of securities to the public through the 100% Book Building Process, wherein upto 50% of the Issue shall be allocated on a proportionate basis to QIBs out of which up to 5% shall be available for allocation on a proportionate basis to Mutual Funds and the balance to all QIBs including Mutual Funds. Further, not less than 15% of the Issue shall be available for allotment on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue shall be available for allotment on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. We will comply with the SEBI Guidelines for this Issue. In this regard, we have appointed the BRLM to manage the Issue and to procure subscriptions to the Issue.

Pursuant to amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid(s) after the Bid Closing Date/Issue Closing Date and for further details see the section titled “Terms of The Issue” on page no. [●] of this DRHP.

Illustration of Book Building and Price Discovery Process (Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)

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

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

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

Steps to be taken by the Bidders for bidding:

- Check eligibility for bidding, see the section titled “Issue Procedure - Who Can Bid?” on page no. [●] of this DRHP;
- Ensure that the Bidder has a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this DRHP and in the Bid cum Application Form.

Underwriting Agreement

After the determination of the Issue Price but prior to filing of the Prospectus with the RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue.

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

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

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. lakhs)
Karvy Investor Services Limited 46, Avenue-4, Street No.1 Banjara Hills Hyderabad – 500 034 Tel : +91 40 2331 2454 Fax: +91 40 2337 4714 Email: mbd@karvy.com	[•]	[•]
Karvy Stock Broking Limited 46, “Karvy House”, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034 Tel: +91 40 23312454/23320251 Fax: +91 40 23440680 E-mail: shridhark@karvy.com	[•]	[•]
[•]	[•]	[•]

The above-mentioned amount is indicative underwriting and this would be finalized after pricing. The above Underwriting Agreement is dated [•].

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the Securities and Exchange Board of India Act, 1992 or registered as brokers with one or more of the Stock Exchanges. The above Underwriting Agreement was accepted by the Board of Directors of our Company at their meeting held on [•] and our Company has issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement will also be required to procure/subscribe to the extent of the defaulted amount. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them, provided, however, it is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that their respective Syndicate Members do not fulfill their underwriting obligations.

CAPITAL STRUCTURE

The share capital structure as at the date of filing of the DRHP with SEBI is set forth below:

(Rs. in lakhs)

	Particulars	Aggregate Value at nominal value	Aggregate Value at Issue Price
A)	AUTHORISED		
	2,50,00,000 equity shares of Rs.10/- each	2,500.00	[●]
B)	ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARE CAPITAL		
	1,30,50,000 equity shares of Rs.10/- each fully paid up	1305.00	[●]
C)	PRESENT ISSUE IN TERMS OF THIS DRHP		
	43,50,000 Equity Shares of Rs.10/- each at a premium of Rs. [●]/- each.	435.00	[●]
D)	PAID UP EQUITY CAPITAL AFTER THE ISSUE		
	1,74,00,000 Equity Shares of Rs.10/- each.	1,740.00	[●]
E)	SHARE PREMIUM ACCOUNT		
	Before the Issue		290.00
	After the Issue		[●]

The details of increase and change in the authorized share capital of our Company after the date of incorporation till filing of this DRHP with SEBI are as follows:

Date of change	Number of Equity Shares	Face Value (Rs.)	Number of Preference Shares	Face Value	Authorized Share Capital (Rs.)
Incorporation	20,000	100	Nil	Nil	20,00,000
2 May, 1983	5,000	100	Nil	Nil	25,00,000
25 January, 1985	25,000	100	Nil	Nil	50,00,000
25 September, 1992	45,00,000	10	Nil	Nil	5,00,00,000
26 July, 2000	1,00,00,000	10	Nil	Nil	15,00,00,000
21 November, 2006	1,00,00,000	10	Nil	Nil	25,00,00,000

Note: The approval for the split of shares of face value of Rs.100/- into shares of face value of Rs.10/- was obtained at the Annual General Meeting held on 25 September, 1992.

Notes to Capital Structure

1. Share Capital History of Nelcast Limited

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Cumulative share capital (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reason for allotment (bonus, swap etc.,)	Cumulative share premium (Rs.)
7 March, 1982	20	100	100	2,000	Cash	Subscription to Memorandum	Nil
9 February, 1984	21,160	100	100	21,18,000	Cash	Allotment to Promoter and others	Nil
26 April, 1984	270	100	100	21,45,000	Cash	Allotment to others	Nil

22 June, 1986	7,410	100	100	28,86,000	Cash	Allotment to others	Nil
26 June, 1988	7,000	100	100	35,86,000	Cash	Allotment to others	Nil
31 March, 1995	1,81,400	10	10	54,00,000	Cash	Allotment to Promoter group and others	Nil
1 October, 1995	27,00,000	10	NA	3,24,00,000	Bonus	Bonus (5:1)	Nil
31 March, 2000	4,50,000	10	10	3,69,00,000	Cash	Rights (5:36)	Nil
1 October, 2000	55,35,000	10	NA	9,22,50,000	Bonus	Bonus (3:2)	Nil
31 March, 2002	26,25,000	10	10	11,85,00,000	Cash	Rights (35:123)	Nil
20 April, 2004	10,00,000	10	10	12,85,00,000	Cash	Rights (10:119)	Nil
17 November, 2006	2,00,000	10	155	13,05,00,000	Cash	Preferential Allotment	2,90,00,000

2. Promoters Contributions and Lock-In

A. History of Promoter's shareholding

Name of the promoter / promoter group	Date of Allotment / transfer and date when made fully paid up	Nature of allotment	No. of shares	Face Value	Issue / Transfer Price	Consideration	Cumulative no. of shares
Mr.P.Radha krishna Reddy	7 March, 1982	Subscription to Memorandum	10	100	100	1,000	10
	9 February, 1984	Allotment	4,110	100	100	4,11,000	4,120
	28 March, 1990	Transfer	13,624	100	100	13,62,400	17,744
	29 December, 1990	Transfer	1,300	100	100	1,30,000	19,044
	31 March, 1995	Transfer	(53,260)	10	--	No consideration paid	1,37,180
	1 October, 1995	Bonus issue	6,85,900	10	--	Not Applicable	8,23,080
	14 January, 2000	Transfer	1,21,000	10	2	2,42,000	9,44,080
	31 March, 2000	Rights issue	4,00,000	10	10	40,00,000	13,44,080
	1 October, 2000	Bonus issue	20,16,120	10	--	Not Applicable	33,60,200
	31 March, 2002	Rights issue	16,91,100	10	10	1,69,11,000	50,51,300
	17 March, 2003	Transfer	(50,000)	10	2	1,00,000	50,01,300
	20 March, 2006	Transfer	51,000	10	2	1,02,000	50,52,300

	TOTAL						50,52,300
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B. Lock – in of shares of Mr.P.Radhakrishna Reddy towards the Minimum Promoters' contribution

Date of Allotment	Date when made fully paid up	No. of shares	Face Value	Issue Price	Consideration	% of post issue paid up capital	Lock – in period
1 October, 2000	1 October, 2000	17,88,900	10	NA	Bonus	10.28	3 years
31 March, 2002	31 March, 2002	16,91,100	10	10	Cash	9.72	3 years
TOTAL		34,80,000				20	

Mr.P.Radhakrishna Reddy has, vide his letter dated 17 November, 2006, given his consent for lock in of the shares as stated above. Shares issued last shall be locked in first. The lock – in shall commence beginning from the date of allotment in the public issue or commencement of commercial production, whichever is later. These securities will not be disposed / sold / transferred by the promoters during the period starting from the date of filing the DRHP with SEBI till the date of commencement of lock in period as stated in the DRHP.

C. The balance Promoter's contribution shall be locked in as follows:

No. of shares	Face value (Rs.)	Issue Price (Rs.)	% of Post issue capital	Lock in period
15,72,300	10	Various prices	9.04	1 year from the date of allotment

D. In terms of clause 4.14.1 of the SEBI Guidelines, the entire pre-issue capital, other than that locked in above as promoter's contribution shall be locked in for a period of one year from the date of allotment in the present issue.

Notes:

- In terms of clause 4.6.1 of the SEBI Guidelines, the Equity Shares considered for Promoter's contribution do not include Equity Shares acquired by the Promoter's during the preceding three years resulting from bonus issue out of revaluation reserves or for consideration other than cash.
- In terms of clause 4.6.2 of the SEBI Guidelines, the Equity Shares issued to Promoter during the preceding one year at a price lower than the Issue Price have not been considered for computation of Promoter's contribution.
- In terms of clause 4.6.6 of the SEBI Guidelines, the Equity Shares forming part of Promoter's contribution do not consist of any private placement made by solicitation of subscription from unrelated persons either directly or through any intermediary.
- In terms of clause 4.16.1 (a) of the SEBI Guidelines, Equity Shares held by persons other than the Promoters, prior to this Issue, which are subject to lock in as per the relevant provisions of Chapter IV of SEBI Guidelines, may be transferred to any other person holding Equity Shares which are locked in, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of SEBI (SAST) Regulations, as may be applicable.
- In terms of clause 4.16.1 (b) of the SEBI Guidelines, Equity Shares held by Promoter which are locked in as per the relevant provisions of Chapter IV of the SEBI Guidelines, may be transferred to and amongst the Promoter group or to a new promoter or persons in control of the Company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of SEBI (SAST) Regulations, as may be applicable.
- In terms of clause 4.15.1 of the SEBI Guidelines, the locked-in Equity Shares held by the Promoter(s) can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of such loan.

- (i) The Company, the Directors, the Promoter, and the BRLM have not entered into any buyback and/or standby arrangements for the purchase of our Equity Shares from any person.

(ii) An over subscription to the extent of 10% of the Issue can be retained for the purpose of rounding off to the nearer multiple of the minimum allotment bid, while finalising the basis of allotment.

4. (a) Our top 10 shareholders and the Equity Shares held by them on the date of filing the DRHP are as follows:

S.No.	Name	No. of Shares held	%
1	P.Radhakrishna Reddy (IND)	50,52,300	38.71
2	P.Radhakrishna Reddy (HUF)	28,69,900	21.99
3	P.Jamuna	13,46,040	10.31
4	P.Deepak	13,36,080	10.24
5	P.Divya	12,95,550	9.93
6	P.Vijaya Bhaskar Reddy	4,43,190	3.40
7	Menakuru Infrastructure Private Limited	2,00,000	1.53
8	P.Viraja	1,53,000	1.17
9	Y.Sanjeeva Reddy	1,24,440	0.95
10	P.Veena	1,07,100	0.82

(b) Our top 10 shareholders and the Equity Shares held by them 10 days prior to the date of filing the DRHP are as follows:

S.No.	Name	No. of Shares held	%
1	P.Radhakrishna Reddy (IND)	50,52,300	38.71
2	P.Radhakrishna Reddy (HUF)	28,69,900	21.99
3	P.Jamuna	13,46,040	10.31
4	P.Deepak	13,36,080	10.24
5	P.Divya	12,95,550	9.93
6	P.Vijaya Bhaskar Reddy	4,43,190	3.40
7	Menakuru Infrastructure Private Limited	2,00,000	1.53
8	P.Viraja	1,53,000	1.17
9	Y.Sanjeeva Reddy	1,24,440	0.95
10	P.Veena	1,07,100	0.82

(c) Our top 10 shareholders and the Equity Shares held by them two years prior to the date of filing the DRHP are as follows:

S.No.	Name	No. of Shares held	%
1	P.Radhakrishna Reddy (IND)	50,01,300	38.32
2	P.Radhakrishna Reddy (HUF)	28,69,900	21.99
3	P.Jamuna	13,46,040	10.31
4	P.Deepak	13,36,080	10.24
5	P.Divya	12,95,550	9.93
6	P.Vijaya Bhaskar Reddy	4,43,190	3.40
7	P.Viraja	1,53,000	1.17
8	Y.Sanjeeva Reddy	1,24,440	0.95
9	P.Veena	1,07,100	0.82
10	Y.Suguna	61,200	0.47

5. As on the date of the DRHP there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.

6. Shareholding pattern

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue:

Particulars	Equity Shares owned prior to the Issue		Equity Shares owned after the Issue	
	Number	%	Number	%
Shareholder Category				
Promoter				
Mr.P.Radhakrishna Reddy	50,52,300	38.71	50,52,300	29.04
Sub-total (A)	50,52,300	38.71	50,52,300	29.04
Promoter Group				
P.Radhakrishna Reddy (HUF)	28,69,900	21.99	28,69,900	16.49
Mrs.P.Jamuna	13,46,040	10.31	13,46,040	7.74
Mr.P.Deepak	13,36,080	10.24	13,36,080	7.68
Ms.P.Divya	12,95,550	9.93	12,95,550	7.45
Sub- Total (B)	68,47,570	52.47	68,47,570	39.35
Total of Promoter and Promoter Group holding [C=A+B]	1,18,99,870	91.19	1,18,99,870	68.39
Others (D)				
Menakuru Infrastructure Private Limited	2,00,000	1.53	2,00,000	1.15
Friends and employees	9,50,130	7.28	9,50,130	5.46
Sub Total (D)	11,50,130	8.81	11,50,130	6.61
Total pre issue share capital (E= C+D)	1,30,50,000	100.00	1,30,50,000	75.00
Public Issue (F)	--		43,50,000	25.00
Total post-Issue share capital (G=E+F)			1,74,00,000	100.00

7. As on date there are no partly paid up shares.
8. There has been no equity shares sold or purchased by the Promoter, the Promoter Group and the directors during the period of six months preceeding the date on which this DRHP is filed with SEBI.
9. We have not raised any bridge loan against the proceeds of this Issue. For details on use of proceeds, see the section titled “Objects of the Issue” on page no. [●] of this DRHP.
10. In the Issue, in case of over-subscription in all categories, upto 50% of the Issue shall be available for allocation on a proportionate basis to QIBs out of which up to 5% of the QIB portion shall be available for allocation on a proportionate basis to Mutual Funds and the balance of the QIB portion to QIBs including Mutual Funds, a minimum of 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and a minimum of 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLM.
11. A Bidder cannot make a Bid for more than the number of Equity Shares offered in this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
12. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner during the period commencing from submission of the DRHP with SEBI until the equity shares offered hereby have been listed.
13. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months commencing from the date of opening of this Issue, by way of split/ consolidation of the

denomination of Equity Shares or further issue of Equity Shares or securities convertible into Equity Shares, whether on a preferential basis or otherwise. However, during such period or at a later date, we may undertake an issue of shares or securities linked to equity shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Company.

14. There will be only one denomination of the Equity Shares of the Company unless otherwise permitted by law and the Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
15. The Equity Shares offered through the Issue will be fully paid up.
16. We have issued Equity Shares in last twelve months, before the date of the DRHP and the price of such issuances may be lower than the Issue Price. The details are as given below:

Name of allottee	Date of allotment	Number of equity shares	Type of issue	Face value (Rs.)	Issue price (Rs.)	Nature of payment of consideration
Menakuru Infrastructure Private Limited	17 November, 2006	2,00,000	Preferential Allotment	10	155	Cash

17. Our Company has not issued any Equity Shares out of revaluation reserves or for consideration other than cash, except for the bonus Equity Shares issued out of free reserves. For details please refer to note no.1 given above.
18. For names of the natural persons who are in control or who are on the Board of the Directors of the bodies corporate forming part of the Promoter Group please see page no [●] under “Financial Information of Group Companies / ventures promoted by the Promoters.
19. We have 12 members as of 30 November, 2006.
20. As on the date of filing of this DRHP, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares. The Equity Shares locked in by our Promoter are not pledged to any party. The locked-in Equity Shares held by the Promoter can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of Equity Shares is one of the terms of sanction of such loan.
21. The Company does not have any stock option plan.
22. In the agreements entered into by the Company for working capital facilities and term loans with the Banks, there are certain restrictive covenants therein regarding our capital structure. As per these covenants, our Company, cannot, without the prior approval of the Banks, undertake any expansion / change in capital structure, diversification or any change in the constitution of the Company, issue bonus shares, dispose promoters shareholding, permit any transfer of the controlling interest or make any drastic change in the management set up, make investment in associate / group concerns (including subsidiaries), declare dividends if account is running irregular / any terms and conditions are not complied with.

OBJECTS OF THE ISSUE

The net proceeds from the Issue after deducting underwriting commission and management fees, brokerage, fees to various advisors and all other Issue related expenses are estimated at Rs. [•] lakhs. The proceeds from this Issue are intended to be deployed for the following:

1. To finance the expansion and modernisation of the production facilities at both the units of the Company.
2. To meet the incremental working capital requirement of the Company.
3. To meet the expenses of the issue.

We propose to get the Equity Shares listed on Bombay Stock Exchange Limited (“BSE”) and National Stock Exchange of India Limited (“NSE”).

Requirement Of Funds And Means Of Finance

The total fund requirement, as estimated by the Management, is as follows:

S.No	Particulars	Cost (Rs. in lakhs)
I	Expansion/ Modernisation of the existing production facilities.	6145.54
II	Incremental working capital requirement	2500.00
III	Issue expenses	[•]
	TOTAL	[•]

Means of Finance

The objects of the issue will be financed solely out of the issue proceeds.

S.No.	Particulars	Rs. in lakhs
1	Equity Share Capital	435
2	Share Premium	[•]
	TOTAL	[•]

The main objects, objects incidental or ancillary to the main objects, as set out in the Memorandum of Association enable us to undertake our existing activities and the activities for which the funds are being raised. The total project cost shall be met out of the proceeds of the public issue. Excess, if any will be utilised for general corporate purposes and in case of shortfall it will be met out of internal accruals or through debt funds. No part of the issue proceeds will be paid as consideration to Promoters, Directors and Key Managerial Personnel. Our capital expenditure plans are subject to various factors including but not limited to possible cost overrun; construction /development delays or defects; receipt of critical governmental approvals.

I. Expansion/ Modernisation of the existing production facilities

At present the Company has production facilities in Gudur and Ponneri with installed capacities of 30,000 MT per annum and 42000 MT per annum, respectively, totalling to 72,000 MT per annum. The Company is on the verge of completing its capacity expansion from 72,000 MT per annum to 1,02,000 MT by the end of the current financial year. The Company is planning to further expand the production capacities at both the existing plants to achieve a total capacity of 1,50,000 MT per annum by FY09. The Company also plans to provide the infrastructure and space to facilitate fettling and core making by its outsourcing partners.

Value addition:

Currently, of the total production, the composition of the Company’s machined castings is about 10%. The Company plans to increase this to form 20-25% of total production over the next 2 years. This would lead to an improvement in the margins.

Machining is the process which involves correction of dimensional defects by grinding, drilling holes, polishing for surface finish. Such process would lead to ready to use components. These machined components can be further assembled to sub-assemblies. For machined products, the incremental pricing would be Rs 5- 6 per kg, which will yield incremental operating profit of Rs 1.8- 2.0 per kg.

Expansion

Unit	Existing capacity (MT)	Proposed capacity (MT)		
		FY 2005-06	2006-07	2007-08
Gudur	30,000	42,000	54,000	72,000
Ponneri	42,000	60,000	66,000	78,000
Total	72,000	1,02,000	1,20,000	1,50,000

The total fund requirement is estimated at Rs. Rs.6145.54 lakhs, the break up is given below

S.No.	Particulars	Cost (Rs. in Lakhs)
a)	Land	190.24
b)	Buildings	701.96
c)	Plant & Machinery	5253.34
	TOTAL	6145.54

Details of the Major Heads of Expenditure

The detailed break up of the cost under each of the major heads of expenditure such as land and site development, building, plant and machinery are given below.

a) Land and Site Development

We have two plants located at Gudur and Ponneri respectively. The land area at our Gudur facility is presently only 9.32 acres while the the plant at Ponneri is spread over a land area admeasuring 30.69 acres. Therefore we propose to acquire about 33 acres of additional land in close proximity to the existing unit at Gudur. It is estimated to cost about Rs.190.24 lakhs(approx Rs 5.15 per acre +12% registration charges). The Company is in the process of identifying land and is negotiating with land owners for purchasing the same. This land will be mainly used for the setting up of fettling and core making facilities to support the expanded capacity of 1,50,000 MT p a. These activities are outsourced to third parties. By providing the land, requisite infrastructure and space in close proximity to the factory the Company can ensure timely deliveries, close monitoring of quality of the work, and assured services at competent costs.

b) Building

The estimated built up area of the buildings to be erected for the expansion facilities at Gudur and Ponneri is estimated to be 9367 square metres and 5428 square metres, respectively. The total cost of construction is estimated at Rs.701.96 lakhs. The Break up of the total estimated cost, as given by M/s. Srinivasa Enterprises, Architects and Engineers, in their certificate dated 4 September, 2006 is given below:

(Rs. in lakhs)

Unit At Gudur		
Particulars	Amount	Total Amount
Factory Building Constructed area of 7,344 square metres @ Rs.5,000 / square metres	367.20	
Improvement to the existing buildings 1453 square metres @ Rs.4000 / square metres	58.12	
Miscellaneous structures and foundations Constructed area of 570 square metres @ Rs.4000 / square metre	22.80	448.12
Unit At Ponneri		
Particulars	Amount	Total Amount
Factory Building Constructed area of 3,672 square metres @ Rs.5,000 / square metres	183.60	
Improvement to the existing buildings 1236 square metres @ Rs.4000 / square metres	49.44	
Miscellaneous structures and foundations Constructed area of 520 square metres @ Rs.4000 / square metre	20.80	253.84
TOTAL COST		701.96

The improvements to the existing buildings have already been carried out.

C) Plant And Machinery

The total cost of plant and machinery required for expansion, modernisation and machining to be installed at both the units is estimated at Rs. 5253.34 lakhs. The break up of the total cost, unit wise, is as follows.

Unit	Amount (Rs. In lakhs)*
Gudur	2219.29
Ponneri	3034.05
TOTAL	5253.34

The Company has already begun the implementation of the expansion process and has already purchased plant and machinery worth Rs 829.35 lakhs. For the above estimates, the Management has relied upon the purchase orders for the equipment already bought, the quotations invited for the equipment for which final purchase orders are yet to be placed and its own experience.

The Company has identified the major equipment required, separately for foundry and machine shop at both the units. A detailed break up of the plant and machinery, unit wise, is given below.

Gudur- Plant & Machinery - Foundry						Rs. In Lakhs	
S.No	Particulars	Basic	Taxes & Duties	Freight	Insurance	Total Cost	Remarks
1	3T/2500 Kw Dual Track Furnace	188.80	39.60	0.70	0.46	229.56	Qtn. QCO060195 Dt. 04.11.2006 from Inductotherm
2	ARPA 900 Moulding Machine 1 Pair	45.50	9.54	0.35	0.11	55.50	Qtn. Dt. 25.10.2006 from F Care/Disa
3	Moulding Line for ARPA 900 Moulding Machine	8.82	1.85	0.10	0.02	10.79	Qtn.SSEC-235 Dt. 04.10.2006 from Sree Sakthi Equipments
4	Moulding Boxes for ARPA 900 Moulding Machine	17.64	3.70	0.05	0.04	21.43	Qtn.RME/A-2507 Dt. 12.10.2006 from Rotoenvior Equipments

5	ARPA 450 Moulding Machine 2 Pairs	67.40	14.14	0.40	0.16	82.10	Qtn. DISA/FC/001 Dt. 05.04.2006 from Disa India Limited
6	Moulding Line 2 Sets for ARPA 450 Moulding Machine	17.64	3.70	0.10	0.04	21.48	Qtn.SSEC-235Dt. 04.10.2006 from Sree Sakthi Equipments
7	Moulding Boxes for ARPA 450 Moulding Machine	17.64	3.70	0.05	0.04	21.43	Qtn. RME/A-2507 Dt. 12.10.2006 from Rotoenvior Equipments
8	Sand Plant	201.92	42.35	1.50	0.49	246.26	Qtn.SAEW/NCL/QTN-072-A. Dt. 19.02.2006 from Sree Ayyappa Engg Works
9	Sand Mixtures 1 Nos.	27.10	5.68	0.30	0.07	33.15	Qtn. Dt. 05.12.2005 from FAME (P) Ltd
10	Cold Box Core Machines 4 Nos.	132.00	27.68	0.60	0.32	160.60	Qtn.No.293 Dt. 27.05.2006 from Susha Founders & Enggs
11	Fork Lifts 1 No.	7.10	1.49	0.30	0.02	8.91	Qtn.No.MHE-1617 Dt. 12.09.2006 from Voltas Ltd
12	Shot blasting machines 2 Nos.	119.10	24.98	0.30	0.29	144.67	Qtn.FC/NL/2006-07 Dt. 18.05.2006 from F Care/Disa
13	Electification	53.82	-	-	-	53.82	Qtn.ANP/MA/16/2006 Dt. 27.09.2006 from A.N.Power Engg
14	Vaccum Spectrometer Emmission	33.05	8.93	-	-	41.98	Qtn.CHE/256/3460/2K 610/01 Dt. 26.10.2006 from Hinditron Services Private Limited
15	5T EOT Crane 2 Nos.	35.10	9.48	0.50	0.09	45.17	Qtn.No.SZ/06/CR/Q41 2/JK5423 Dt.13.09.2006 from Elmech Engineers
16	ARPA 900 Moulding Machine 1 No.					47.62	Already purchased from DISA INDIA LIMITED vide bill no.649/12.09.2006 and installed
17	Flameless Furnace 1 No					19.36	Already purchased from PILLAR INDUCTION (INDIA) PVT. LTD. vide bill no.044/27.06.2006 and installed
18	Flameless Furnace 1 No					19.36	Already purchased from PILLAR INDUCTION (INDIA) PVT. LTD. vide bill no.054/14.07.2006 and installed

19	Jolt Squeeze Moulding Machine 2 Nos					17.90	Already purchased from SARVAMANGALA ENGINEERS (P) LTD. vide bill no.007/06.07.2006 and installed
20	Shot blasting machines 1 No					16.74	Already purchased from DHANALAKSHMI CONTROLS & EQUIPMENTS vide bill no.139/06.09.2006 and installed
21	Core Shooter 1 No					7.66	Already purchased from SPAN MET TECH ENTERPRISES P.LTD vide bill no.010/14.05.2006 and installed
22	Core Baking Oven					7.43	Already purchased from THERMO ELECTRIC FURNACES INDIA P LTD vide bill no.020/24.07.2006 and installed
23	Sand Cooler					4.82	Already purchased from SRI NAVA INDUSTRIES vide bill no.024/25.04.2006 and installed
24	Other supporting Equipment					68.06	Already purchased from various suppliers and installed
(A)	SUB TOTAL	972.63	196.82	5.25	2.15	1,385.80	

Plant & Machinery - Machine Shop

S.No	Particulars	Basic	Taxes & Duties	Freight	Insurance	Total Cost	Remarks
1	Horizontal Machining Centre 2 Nos	198.00	41.53	1.40	0.48	241.41	Qtn.MT600029 RO Dt. 24.11.2006 from TAL Mfg Solutions Limited
2	Vertical Machining Centre 8 Nos.	387.20	81.21	1.80	0.94	471.15	Qtn.SM/SR/600107 RO Dt. 24.11.2006 from TAL Mfg Solutions
3	CNC Lathes 1 Nos	61.00	12.79	0.20	0.15	74.14	Purchase Order No.CG0024 dt.05.06.06 Lokesh Machine Tools Ltd and expected date of supply is 05.01.2006

4	Radial Drilling Machine					3.94	Already purchased from BATLIBOI LTD vide bill no.036/19.04.2006 and installed
5	Universal Pattern Milling Machine 1 No					12.90	Already purchased from BATLIBOI LTD vide bill no.142/31.05.2006 and installed
6	Lathes 3 Nos					5.08	Already purchased from HASU INDUSTRIES vide bill no.018/12.06.2006 and installed
7	Vertical Machining Centre 1 No					24.87	Already purchased from BHARAT FRITZ WERNER LTD vide bill no.596/29.07.2006 and installed
(B)	SUB TOTAL	646.20	135.53	3.40	1.57	833.49	
	TOTAL (A) + (B)					2,219.29	

Ponneri- Plant & Machinery - Foundry

Rs. In Lakhs

S.No.	Particulars	Basic	Taxes & Duties	Freight	Insurance	Total Cost	Remarks
1	KW Line modifications	680.00	183.75	-	1.73	865.48	Qtn.20206-1 Dt. 28.11.2006 from Kunkel Wagner Germany
2	3T/2500 Kw Dual Track Furnace	188.80	39.60	0.70	0.46	229.56	Qtn.QCO060195 Dt. 04.11.2006 from Inductotherm
3	Electification	117.82	-	-	-	117.82	Qtn. ANP/MA/16/2006 Dt. 27.09.2006 from A.N.Power Engg
4	ARPA 900 Moulding Machine 1 Pair	45.50	9.54	0.35	0.11	55.50	Qtn. Dt. 25.10.2006 from F Care/Disa
5	Moulding Line for ARPA 900 Moulding Machine	8.82	1.85	0.10	0.02	10.79	Qtn. SSEC-235 Dt. 04.10.2006 from Sree Sakthi Equipments
6	Moulding Boxes ARPA 900 Moulding Machine	17.64	3.70	0.05	0.04	21.43	Qtn. RME/A-2507 Dt. 12.10.2006 from Rotoenvior Equipments
7	Sand Plant	201.92	42.35	1.50	0.49	246.26	Qtn.SEW/NCL/QTN-072-A Dt. 19.02.2006 from Sree Ayyappa Engg Works

8	Sand Mixtures 1 Nos.	27.10	5.68	0.30	0.07	33.15	Qtn. Dt. 05.12.2005 from FAME (P) Ltd
9	Cold Box Core Machines 4 Nos.	132.00	27.68	0.60	0.32	160.60	Qtn.No.293 Dt. 27.05.2006 from Susha Founders & Enggs
10	Cold Box Core Machines (H) 2 Nos.	54.50	11.43	0.50	0.13	66.56	Qtn.CISPL/7.2.2 Dt. 18.10.2006 from Compax Ind. Systems
11	Fork Lifts 1 Nos.	7.10	1.49	0.30	0.02	8.91	Qtn. Dt. 06.09.2005 from Voltas Ltd
12	Shot blasting machines 2 Nos.	119.10	24.98	0.30	0.29	144.67	Qtn.FC/NL/2006-07 Dt. 18.05.2006 from F Care/Disa
13	Dual Track Furnace 1 No					65.67	Already purchased from INDUCTOTHERM (INDIA) PVT. LTD. vide bill no.3582/12.09.2006 and installed
14	Dual Track Furnace 1 No					28.26	Already purchased from INDUCTOTHERM (INDIA) PVT. LTD. vide bill no.3617/14.09.2006 and installed
15	Dual Track Furnace 1 No					24.07	Already purchased from INDUCTOTHERM (INDIA) PVT. LTD. vide bill no.3614/13.09.2006 and installed
16	Transformers 1 No.					22.50	Already purchased from MADHYA PRADESH TRANSFORMERS vide bill no.225/19.09.2006 and installed
17	Shot blasting machines 1 No					18.14	Already purchased from SREE SAKTHI EQUIPMENTS CO. vide bill no.345/25.09.2006 and installed
18	Shakeout vibrating Screen Machine 1 No					17.27	Already purchased from INTERNATIONAL COMBUSTION (INDIA) LTD vide bill no.215/04.09.2006 and installed

19	Shell Core Shooter Machine 1 No					14.13	Already purchased from SUSHA FOUNDERS & ENGINEERS vide bill no.012/16.05.2006 and installed
20	Rotary Screw Compressor 2 Nos					12.19	Already purchased from EQUIPMENTS & SPARES vide bill no.162/30.06.2006 and installed
21	Shell Core Shooter Machine 1 No					10.47	Already purchased from SUSHA FOUNDERS & ENGINEERS vide bill no.134/28.03.2006 and installed
22	EOT Crane 1 No					11.63	Already purchased from ELMECH ENGINEERS vide bill no.030/11.09.2006 and installed
23	Casting Cooling Conveyor 1 No					9.44	Already purchased from TAL MANUFACTURING SOLUTIONS LTD vide bill no.0971300205/01.02.2006 and installed
24	Casting Cooling Conveyor 1 No					7.08	Already purchased from TAL MANUFACTURING SOLUTIONS LTD vide bill no.0971300195/01.02.2006 and installed
25	Casting Cooling Conveyor 1 No					6.48	Already purchased from TAL MANUFACTURING SOLUTIONS LTD vide bill no.0971300196/01.02.2006 and installed
26	DG Gen Set					15.00	Already purchased from Genlite Engeneering vide bill no.735 Dt.23.10.2006 and installed
27	Other supporting Equipment					156.05	Purchased and installed from various suppliers
(A)	SUB TOTAL	1,600.30	352.05	4.70	3.68	2379.11	

Plant & Machinery - Machine Shop

S.No.	Particulars	Basic	Taxes & Duties	Freight	Insurance	Total Cost	Remarks
1	Horizontal Machining Centre 1 Nos	99.00	20.76	0.70	0.24	120.70	Qtn.MT 600029 RO Dt. 24.11.2006 from TAL Mfg Solutions
2	Vertical Machining Centre 4 Nos.	193.60	40.60	0.90	0.47	235.57	Qtn.SM/SR/600107 RO Dt. 24.11.2006 from TAL Mfg Solutions
3	CNC Lathes 4 Nos	118.00	24.75	0.40	0.29	143.44	Purchase Order No.CG0024 dt. 05.06.2006 Lokesh Machine Ltd and expected date of supply is 05.01.2006
4	Radial Drilling Machine 1 No					6.84	Already purchased from BATLIBOI LTD vide bill no.775/25.03.2006 and installed
5	Radial Drilling Machine 1 No					6.63	Already purchased from BATLIBOI LTD vide bill no.066/29.04.2006 and installed
6	Lathes 6 Nos					9.93	Already purchased from HASU INDUSTRIES vide bill no.013/17.05.2006 and installed
7	Vertical Machining Centre 1 Nos					21.19	Already purchased from BHARAT FRITZ WERNER LTD vide bill no.270/03.06.2006 and installed
8	Vertical Machining Centre 1 Nos					21.19	Already purchased from BHARAT FRITZ WERNER LTD vide bill no.265/03.06.2006 and installed
9	Lathes 2 Nos					3.31	Already purchased from HASU INDUSTRIES vide bill no.017/12.06.2006 and installed
10	Lathe Machines 1 Nos					1.54	Already purchased from TECHNO MACHINE TOOLS vide bill no.115/01.07.2006 and installed

11	Foot Mounted Induction Motors 1 Nos					0.42	Already purchased from BHARATH ENGINEERING CO MADRAS vide bill no.11883/14.09.2006 and installed
12	Vertical Machining Centre 1 Nos					21.19	Already purchased from BHARAT FRITZ WERNER LTD vide bill no.514/15.07.2006 and installed
13	CNC Lathe 1 Nos					20.41	Already purchased from LOKESH MACHINES LTD vide bill no.043/29.09.2006 and installed
14	CNC Lathe 1 Nos					10.47	Already purchased from LOKESH MACHINES LTD vide bill no.044/29.09.2006 and installed
15	CNC Lathe 1 Nos					20.41	Already purchased from LOKESH MACHINES LTD vide bill no.047/29.09.2006 and installed
16	CNC Lathe 1 Nos					10.47	Already purchased from LOKESH MACHINES LTD vide bill no.048/29.09.2006 and installed
17	Chip Conveyor 2 Nos					1.23	Already purchased from MIVEN MAYFRAN CONVEYORS P. LTD. vide bill no.501 Dt.14.08.2006 and installed
(B)	SUB TOTAL	410.60	86.11	2.00	1.00	654.94	
	TOTAL (A) + (B)					3034.05	

Additional manpower and utility requirement for the proposed expansion

Power: Ponneri: 3000 KVA
Gudur: 4500 KVA

Man power: Ponneri: 60
Gudur: 100

II. Working Capital Requirement

The Company is presently enjoying working capital facilities with State Bank of India to the tune of Rs.4000 lakhs (Fund Based), Rs.90 Lakhs (Non –Fund Based) apart from Rs.500 lakhs as stand by line of credit. The summarized position of utilisation as at 31 March, 2006 and 30 September, 2006 is as under.

(Rs. in lakhs)		
Particulars	As at 30.09.2006 (Audited)	As at 31.03.2006 (Audited)
CURRENT ASSETS, LOANS & ADVANCES		
a) Inventories		
- Raw Materials	810.75	707.00
- Work-In-Progress	778.58	1083.19
- Finished Goods	1119.17	1724.00
- Consumable Stores & Spares	285.28	257.00
	4376.62	3848.00
b) Receivables	44.16	76.60
c) Cash & Bank Balances	722.98	288.00
d) Loans & Advances		
TOTAL –A	8137.54	7985.00
CURRENT LIABILITIES & PROVISIONS		
a) Sundry Creditors	2495.88	2508.00
b) Other Current liabilities	1257.01	1628.00
c) Provisions		
TOTAL - B	3752.89	4136.00
NET WORKING CAPITAL (A-B)	4384.65	3849.00
FUNDING PATTERN		
A) BANK FINANCE	3481.38	3613.00
B) INTERNAL SOURCES	903.27	236.00

In the envisaged project, an amount of Rs.2500 lakhs is being estimated as the additional Margin Money requirements for future working capital borrowings. The growth in the operations necessitates the company to infuse additional margins in to Current assets, which would enable it to access the required working capital support from the Banks. In addition the nature of industry is such that the working capital requirement is huge and it requires long term funds for meeting working capital needs.

(Rs.In Lakhs)			
S.No	Particulars	2005-06	2006-07
A.	Total Current Assets	7985	11441
B.	Other Current Liabilities other than Bank Borrowings	4136	4358
C.	Working Capital Gap (A-B)	3849	7083
D.	Bank Borrowings	3613	4347
E.	Internal Accruals	236	236
	Additional Working Capital Requirement		2500

Assumptions underlying the projections

- 1) Raw Material stocks at 1.50 Months, Work-In-Progress and Finished Goods stocks at 1 months holding assumed.
- 2) Receivables have been assumed at 1.50 months sales.
- 3) Creditors 1.75 months purchases.

All the above projections are based on the management's estimate and have not been appraised by any bank. Rs 2500 lakhs from the issue proceeds will be used to fund the incremental working capital requirement for FY07. For the subsequent financial years the Company plans to fund the incremental working capital requirement through Bank financing and internal accruals.

III. Issue Expenses

The expenses for this Issue includes underwriting and management fees, selling commission, distribution expenses, legal fees, fees to advisors, stationery costs, advertising expenses and listing fees payable to the Stock Exchanges, among others. The total expenses for this Issue are estimated at Rs. [●] lakhs, which will be paid by the Company.

S.No.	Preliminary and preoperative expenses	Amount (Rs. in lakhs)
1.	Issue Management	[●]
2.	Registrars fee	[●]
3.	Printing of stationery	[●]
4.	Advertising and marketing expenses	[●]
5.	Underwriting, brokerage and selling commission	[●]
6.	Other expenses	[●]
	TOTAL	[●]

Raw Materials

Ferro alloys, steel scrap, carbon additives, silica sand and inoculants constitute the major raw material used by the Company for the manufacture of castings. For further details on the raw materials and the manufacturing process, please refer to the section on “Business Overview” on page no.[●] of this DHRP.

Utilities and Manpower

For details on the requirement of utilities and manpower please refer to the section on “Business Overview” on page no [●] of this DRHP.

Government Approvals/Licensing Arrangements for the Project

For details of licences/ approvals/ permissions obtained/ applied for the proposed expansion plans kindly refer to the section titled ‘Licences and Approvals’ on page no [●] of this DHRP.

Schedule of Implementation for expansion of production facilities at both the units

Activity	Expected Commencement	Expected Completion
Acquisition of Land	February, 2007	March, 2007
Development of Land	March, 2007	May, 2007
Civil Works	July, 2006	Jan, 2008
Orders Placements for Plant and Machinery	June, 2006	April, 2007
Delivery of Plant and Machinery	July, 2006	March, 2008
Erection of Plant and Machinery	August, 2006	June, 2008
Trial Runs	November, 2006	August, 2008
Commercial Production		
72,000 MT to 1,02,000 MT	Expected to commence in December 2006	
1,02,000 MT to 1,20,000 MT	Expected to commence in September 2007.	
1,20,000 MT to 1,50,000 MT	Expected to commence in September 2008.	

Deployment of funds by Nelcast Limited for the proposed Project

The Statutory Auditors, M/s. J.B.Reddy & Co., Chartered Accountants have issued a certificate dated 8 December, 2006 for the deployment of funds in the proposed Project, the extracts from which are reproduced below:

“We have examined the books of accounts and records of Nelcast Limited having its registered office at 34, Industrial Estate, Gudur 524 101 and on the basis of such examination and information and explanations

furnished to us, we certify that a sum of Rs.962.91 lakhs (Rupees nine crores and sixty two lakh and ninety one thousand only) has been spent on its new project(expansion) till 30 November, 2006 as per the details given below:

Particulars	Gudur	Ponneri	Total Amount (Rs. In Lakhs)
Building	58.13	49.43	107.56
Plant and Machinery	255.74	573.61	829.35
Issue expenses			26.00
TOTAL			962.91

The above amount has been spent by the Company out of internal accruals of the Company.”

Yours faithfully,
J.B.Reddy & Co.,
Chartered Accountants
Sd/-
A.V.Reddy
(Partner)
Membership No: 23983.

Place: Hyderabad.
Date: 8 December, 2006

Year Wise Break Up of Utilisation of Issue Proceeds

The Company plans to utilise the entire Issue Proceeds as follows

(Rs. in lakhs)					
S.No.	Particulars	Year Wise Deployment Of Funds			Total
		2006-07	2007-08	2008-09	
1	Land	190.24	--	--	190.24
2	Buildings	200	501.96	--	701.96
3	Plant & Machinery	1200.34	3622.00	431	5253.34
5	IPO Expenses	[●]			[●]
6	Working Capital requirement	2500	--	--	2500.00
	Total	[●]	[●]	[●]	[●]

Deployment of funds pending utilisation

Pending any use as described above, the proceeds of this Issue will be kept in fixed deposits with Scheduled Commercial Banks. These investments would be authorised by Board of Directors of the Company or a duly authorised committee thereof.

Monitoring of utilisation of funds

The utilisation of issue proceeds will be monitored by our Audit Committee appointed by the Board of Directors, and no independent monitoring agency has been appointed for the purposes. We will disclose the utilization of the proceeds of the Issue under a separate head in the balance sheet clearly specifying the purpose for which such proceeds have been utilized. No part of the issue proceeds will be paid by us as consideration to our Promoters, Directors and Key Managerial Personnel except in the normal course of business.

BASIS FOR ISSUE PRICE

The Price Band for the Issue Price will be decided by us in consultation with the BRLM. The Issue Price will be determined by our Company in consultation with the BRLM on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs. 10/- and the Issue Price is [●] times the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band.

Qualitative Factors

- The present combined manufacturing capacity of 72,000 MT p a at both our plants in Gudur and Ponneri is poised to reach 1,02,000 MT p a by the end of the current financial year.
- TS 16949 Quality certification from Underwriter Laboratories Inc., has been awarded to both the manufacturing units at Gudur and Ponneri.
- State-of-the-art CNC machines and the Kunkel Wagner Automatic Moulding line, imported from Germany, are installed at the unit in Ponneri.
- The promoter of the Company and management team is well qualified, well versed and have wide experience in this area of business
- The Company manufactures a wide range of products catering to the requirements of Automobile, HCVs and farm equipment in particular, and autocomponent industries.
- The Company has a reputed client base, Tafe, Ashok Leyland, TATA Cummins, Tata Motors, Mahindra &Mahindra to name a few.
- The Company has maintained harmonious labour relationships with its staff and workers.

Quantitative Factors

1. Restated Earnings Per Equity Share

Year Ended	Earnings Per Share (Rs.)	Weight
31.03.2004	2.15	1
31.03.2005	3.80	2
31.03.2006	5.32	3
Weighted Average	4.29	

- The earnings per share have been computed on the basis of the adjusted profits / losses for the respective years as per the statement of profits and losses as restated.
- EPS calculations have been done in accordance with Accounting Standard 20-“Earnings per Share” issued by the Institute of Chartered Accountants of India.

2. Price / Earning (P/E) ratio in relation to the Issue Price of Rs [●]

a. Based on the year ended 31 March, 2006 EPS: Rs.[●]

c. Based on weighted average EPS: Rs. [●]

d. Industry P/E

Highest	37.00
Lowest	3.50
Industry Composite	23.70

(Source: Capital Market Vol.XXI/20, Dec 04 –17, 2006, Segment: Castings & forgings)

3. Return on Networth

Year Ended	RoNW %	Weight
31.03.2004	13.61	1
31.03.2005	22.83	2
31.03.2006	27.02	3

Weighted Average	23.39	
------------------	-------	--

The Return on Net Worth has been computed on the basis of the adjusted profits / losses for the respective years as per the statement of profits and losses as restated.

4. Minimum Return on Increased Net Worth required to maintain Pre-Issue EPS [●]

5. Net Asset Value per Share (NAV) after Issue and Comparison with the Issue price.

	Adjusted NAV (Rs.)
As of 31 March, 2006	19.68
After the Issue	[●]

6. Comparison with Industry Peers.

Company	Year ended	EPS (Rs.)	P/E	RoNW%	Book Value (Rs.)
Amtek Auto Limited	31.03.2006	13.30	23.40	20.30	108.40
Rico Auto Industries Limited	31.03.2006	2.70	24.30	21.70	18.00
Ennore Foundries Limited	31.03.2006	7.30	16.20	24.10	48.50
Bharat Forge Limited	31.03.2006	8.80	37.00	26.10	52.40
ISSUER COMPANY					
Nelcast Limited	31.03.2006	5.32	-	27.02	19.68

(Source: Capital Market Vol.XXI/20, Dec 04 -17, 2006, Segment: Castings & forgings, Auto Ancillaries)

The BRLM believes that the issue price of [●] is justified in view of the above qualitative and quantitative parameters. The investors may also want to peruse the risk factors and the financials of the company including important profitability and return ratios, as set out in the Auditors Report in this DRHP to have a more informed view about the investment proposition.



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

Nelcast Limited
Chennai

Dear Sirs,

I hereby report that the enclosed statement states the possible tax benefits available to the Company and to the shareholders of the Company 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 provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed statement 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 and the fact that the Company will not distinguish between the shares offered for subscription and the share offered for sale by the Selling shareholders, 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.

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

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

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

For **J.B.Reddy and Co.,**
CHARTERED ACCOUNTANTS

A.V.REDDY
Partner
Membership No.23983

Place: Hyderabad
Date: 2 December, 2006

STATEMENT OF TAX BENEFITS

Statement of Possible Tax Benefits available to the Company and its Shareholders.

TAX BENEFIT TO THE COMPANY:

There is no additional benefit arising to the company under the Income tax act, 1961, by proposed Initial Public Offer of equity shares to the public and institutions of India.

TAX BENEFITS TO THE SHAREHOLDERS OF THE COMPANY

I. UNDER THE INCOME TAX ACT

(A) Residents

1. In accordance with section 10(34), dividend income declared, distributed or paid by the Company(referred to in section 115-o) on or after April 1, 2003 will be exempt from tax.
2. Shares of the Company held as capital asset for a period of more than twelve months preceding the date of transfer will be treated as a long term capital asset.

In accordance with Section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includable in the total income if the transaction is chargeable to securities transaction tax.

3. In accordance with section 112, the tax on capital gains on transfer to listed shares where the transaction is not chargeable to securities transaction tax, held as long term capital asset will be lower of :
 - (a) 20 percent (plus applicable surcharge and Education Cess) of the capital gains as computed after indexation of the cost.
 - or
 - (b) 10 percent (plus applicable surcharge and Education Cess) of the capital gains as computed without indexation.
4. in accordance with section 111A capital gains arising from the transfer of a short term asset being an equity share in a company and such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be at the rate of 10 percent (plus applicable surcharge and Education Cess).
5. in accordance with section 54EC, long term capital gains arising on transfer of the shares of the company on which securities transaction tax is not payable shall be exempt from tax if the gains are invested within six months fro the date of transfer in the purchase of a long term specified asset.

If only a part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head 'Capital Gains' of the year in which the specified asset is transferred.

6. Under section 54F of the Act, where in the case of an individual or HUF capital gain arise from transfer of long term assets (other than a residential house and those exempt u/s 10(38) of the act) then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilized for purchase of residential house

property within a period of one year before or two year after the date of the transfer or for construction of residential house property within a period of three years after the date of transfer.

(B)Non Residents

1. in accordance with section 10(34) , dividend income declared distributed or paid by the company (referred to in section 115-O) on or after April 1, 2003 will be exempt from tax.
2. In accordance with section 48, capital gains arising out of transfer of capital assets being shares in the company and such transaction is not chargeable to securities transaction tax shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer into the same foreign currency as was initially utilized in the purchase of the shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing, arising from every reinvestment thereafter and the sale of shares or debentures of an Indian company including the company.
3. In accordance with section 112 , the tax on capital gains on transfer of listed shares where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be at the rate of 20% (plus applicable surcharge and Education Cess)

A non resident will not be eligible for adopting the indexed cost of acquisition and the indexed cost of improvement for the purpose of computation of long term capital gain on sale of shares

4. In accordance with section 111A capital gains arising from the transfer of a short term asset being an equity share in a company and such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be at the rate of 10 percent (plus applicable surcharge and Education Cess).
5. In accordance with section 54EC, long term capital gains arising on transfer to of the shares of the company and on which securities transaction tax is not payable, the tax payable on the capital gains shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long term specified asset.

If only a part of the capital gain is so invested, the exemption would be limited to the amount of capital gain so invested.

If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition the mount of capital gains on which tax was not charged earlier shall be deemed to be the income chargeable under head 'Capital Gains' of the year in which the specified asset is transferred.

6. Under section 54F of the Act, where in the case of an individual or HUF capital gain arise from transfer of long term assets (other than a residential house and those exempt u/s 10(38) then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilized for purchase of residential house property within a period of one year before or two year after the date of transfer or for construction of residential house property within a period of three years after the date of transfer.

C) Non Resident Indians

Further, a non resident Indian has the option to be governed by the provisions of chapter XII A of the income ax act, according to which:

1. In accordance with section 115E, income from long term capital gains on transfer of shares of the company acquired out of convertible foreign exchange and on which securities transaction tax is not payable , shall be taxed at the rate of 10 % (plus applicable surcharge and Education Cess).



2. In accordance with section 115F, subject to the conditions and to the extent specified therein, long term capital gains arising from the transfer of shares of the company acquired out of convertible foreign exchange and on which securities transaction tax is not payable, shall be exempt from capital gains tax if the net consideration is invested within six months from the date of transfer in any specified asset.
3. in accordance with section 115G, it is not necessary for a non resident Indian to file a return of income under section 139(1) , if his total income consists only of investment income earned on shares of the company acquired out of convertible foreign exchange or long term capital gains earned on transfer of shares of the company acquired out of convertible foreign exchange and the tax has been deducted at source from such income under the provisions of chapter XVII-B of the income tax act.
4. In accordance with section 115 I where a non resident Indian opts not to be governed by the provisions of Chapter XII-A of any assessment year , his total income for that assessment year(including income arising from the investment in the company) will be computed and tax will be charged according to the normal provisions of the income tax act.

D) Foreign Institutional Investors

1. In accordance with section 10(34), dividend income declared, distributed or paid by the company (referred to in section 115-O) on or after April 1, 2003 will be exempt from tax in the hands of foreign institutional investors(FIIs).
2. In accordance with section 115AD, FIIs will be taxed at 10% (plus applicable surcharge and Education Cess) on long – term capital gains, if securities transaction tax is not payable on the transfer of the shares and at 10%(plus applicable surcharge and Education Cess) on short term capital gains arising on the sale of the shares of the company which is subject to securities transaction tax. Short term capital gains on the transfer of shares/debentures other than those mentioned above would be taxable @30% (plus applicable surcharge and Education Cess)

E)Persons Carrying On Business Or Profession In Shares And Securities

In accordance with section 88E where the total income includes income chargeable under the head “profits and gains of business or profession “ arising from taxable securities transaction, an amount equal to the securities transaction tax paid will be available as deduction from the amount of income tax on which income arising from the transaction s subject to other applicable conditions.

F)Mutual Funds

In accordance with section 10(23D), any income of :

- (i) A mutual fund registered under the Securities And Exchange Board Of India Act, 1992 or regulations made thereunder;
- (ii) such other mutual fund set up by a public sector Bank or a public financial institution or authorized by the Reserve Bank Of India subject to such conditions as the Central Government may be notification in the official gazette, specify in this behalf will be exempt form income tax.

G) Venture Capital Companies / Funds

As per the provisions of section 10(23FB) of the Act, income of

- Venture capital company which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette; and
- Venture Capital Fund, operating under a registered trust deed or a venture capital scheme made by Unit Trust of India, which has been granted a certificate of registration under the Securities and Exchange Board of India act, 1992 and notified as such in the Official Gazette



set up for raising funds for investment in a Venture Capital Undertaking is exempt from income tax.

H)Infrastructure Capital Companies/Funds or Co-operative Bank

As per the provisions of Section 10(23G) of the Act, income by way of dividends, interest or long term capital gains of

- Infrastructure Capital Company;
- Infrastructure Capital Fund; and
- Co-operative Bank

From investment made in share or long term finance in any enterprise or undertaking specified therein shall be exempt from tax. However, such income earned by an Infrastructure Capital Company shall not be exempt for the purpose of computing tax on book profits u/s 115JB of the Act.

II. UNDER THE WEALTH TAX ACT, 1957

Shares in a company held by a shareholder will not be treated as an “Asset” within the meaning of Section 2(ea) of Wealth-Tax Act, 1957; wealth tax is not leviable on shares held in a company.

Notes

- a) All the above benefits are as per the current tax law and will be available only to the sole /first named holder in case the shares are held by joint holders.
- b) In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefit available under the Double Taxation Avoidance Agreement, if any between India and the Company in which the non-resident has fiscal domicile.
- c) In view of the individual nature of tax consequence, each investor is advised to consult his/her own tax adviser with respect to specific tax consequences of his/her participation in the scheme.

SECTION IV – ABOUT US

INDUSTRY OVERVIEW

Introduction

A casting is a metal part formed by pouring molten metal into a sand mould or metal die. The mould or die consists of two halves that, when mated together, form a cavity into which the molten metal is poured. The mould or die forms the external surface of the casting. If an internal cavity is required in the casting, a core is placed inside the mould cavity. After the metal solidifies, the mould is broken, the cores removed and the part is readied for finishing operations. The sand is then remolded and used again. When a metal die is used, the two halves of the die are separated and the solidified casting is removed. The die is then reused. Virtually any metal that can be melted can be cast.

The most common method for small-medium-sized castings is the green sand moulding, which accounts for approximately 60 per cent of castings produced. Other methods include die-casting, shell moulding, permanent moulding, investment casting etc.

Sometimes these castings are used as produced but mostly after machining and used as components of assembled products. Automobiles, other transportation equipment and Tractors use a major part of all castings produced. Engine blocks and heads, brake drums and suspension components are just a few of the cast parts used in motor vehicles. In addition to the many iron castings used in autos, usage of Aluminum castings such as pistons and cylinder heads in motor vehicles continues to grow at a rapid rate. Usage of Aluminium has helped to reduce overall vehicle weight, thus improving gas mileage. Castings are also an essential component of construction equipment. Every home contains a number of castings from bathtubs, pipes, sinks and fixtures, air conditioners and other home appliances, furniture etc.

Types of Cast Irons

Depending on the desired properties of the product, castings can be formed from many types of metals and metal alloys. Iron and steel (ferrous) castings are categorised according to the type of iron or steel as follows:

Grey and Ductile Iron

Grey and Ductile iron generally make up approximately over 75% of all castings by weight. Grey iron contains a higher percentage of carbon in the form of flake graphite and has a lower ductility than other types of iron. It is used extensively in the auto, tractor, agricultural, heavy equipment, engine, pump, and power transmission equipment industries.

Spheroidal Graphite Iron (SG Iron) or also known as ductile cast iron is a mid twentieth century development, but its usage has rapidly grown. Carefully controlled amounts of Magnesium or Cerium are added to molten iron to slow down the growth of Graphite precipitates. This allows the Carbon to separate into spheroidal particles. Further heat treatment and annealing cause the carbon to precipitate into further small graphite particles, which gives the castings even greater ductility. With the micro structural transformation, the metal acquires superior ductility, elongation characteristics, and machinability.

The raw materials used for SG iron must be of high purity. The sands and moulding equipment used for SG iron castings must provide rigid moulds of high density and good heat transfer attributes. The formation of graphite during solidification causes an attendant increase in volume, which can counteract the loss in volume due to the liquid-to-solid phase change in the metallic constituent.

The casting yield of SG iron castings (the ratio of the weight of usable castings to the weight of metal poured) is not as high as grey iron. Most SG iron castings are used as cast, but a few are heat-treated. Heat treatment varies according to the desired properties holding at sub critical, 705C for no more than 4 hours improves fracture resistance. Heating castings above 790 C followed by fast cooling (oil quench or air quench) significantly reduces fatigue strength and above-room-temperature fracture resistance. Ferritising by heating to 900 C and slow cooling also reduces fatigue strength and above-room-temperature fracture resistance. Some castings are also given hardening treatments.

In the past 40 years or so the use of ductile (SG) iron has grown rapidly, mainly through conversions from grey and malleable iron castings and steel castings, forgings and fabrications but also through its use in new components. SG Iron, is presently mainly used in General Engineering, Automobile, Earthmoving, Railways, Mining Equipment, Switchgear, Machine Tools, Power Transmission, Textile Machinery & most Heavy Equipment Applications.

Advantages of S G Iron castings

The advantages of ductile iron are its versatility, cost efficiency and the best combination of overall properties viz. high ductility and high tensile strength, excellent machinability, internal soundness, and close grain structure.

Other types of Iron Castings

Malleable iron form a small percentage of all castings. Malleable iron contains small amounts of carbon, silicon, manganese, phosphorus, sulphur and metal alloys to increase strength and endurance. Malleable iron has excellent machinability and a high resistance to atmospheric corrosion.

Steel castings make up a sizeable portion of all castings. They are more expensive to produce compared to grey & ductile iron castings. The investment casting method produces high-precision castings, usually small in size. Examples of steel investment castings range from machine tools and dies to golf club heads.

The Global Foundry Scenario

In the developed world the production of castings has become expensive due to rising labour costs and difficult, due to shortage of skilled labour and increasingly stricter environmental norms. The number of foundries in the USA has declined by about one- third over the last 20 years. Over 8,000 foundries have shut down in Europe due to non-availability of skilled manpower and difficulties in compliance with environmental norms. Both USA and EU have a cost disadvantage against developing countries. As a result many foreign automotive manufacturers and their Tier I suppliers have started tapping the developing countries. According to the American Foundry Society, US imports are forecast to rise 5% per year for the next 7 years to reach 3.0 million tons. A similar situation exists in EU as well.

China continues to be the leader, in foundries, even ahead of developed countries like US, Russia, Japan and Germany, while India was ranked sixth in the production of castings. The details of production of the top ten countries along with their CAGRs during 2000-04 are as follows:

Country	(in Million tons)					CAGR(%)
	2000	2001	2002	2003	2004	
China	10.955	14.888	16.261	18.145	22.420	19.61
USA	13.129	11.871	11.811	12.069	12.314	-1.59
Russia	6.200	6.200	6.200	6.200	6.300	0.40
Japan	6.276	5.841	5.751	6.111	6.386	0.44
Germany	4.542	4.643	4.595	4.722	4.984	2.35
India	3.120	3.155	3.509	4.038	4.623	10.33
France	2.665	2.527	3.018	2.484	2.466	-1.92
Italy	2.425	2.393	2.440	2.441	2.441	0.16
Mexico	1.761	1.880	2.030	1.822	2.185	5.54
Brazil	1.810	1.760	2.030	2.249	2.830	11.82

Source Indian Foundry Directory, 2005, The Institute of Indian Foundry, 39th Census of World Casting Production 2004, thewfo.com

According to the 39th Census of world casting production—2004, the global tonnage appears to have increased by 8.4%, with nine of the top 10 producers revealing increased production. The total casting production was 79.75 million metric tons of which India's contribution was only 4.6 million metric tons. India is ranked fourth in the year 2004 in the production of grey iron.

Growth In World Casting Production (Metric Tons)

TYPE OF CASTING	INDIA			USA			CHINA			OTHER COUNTRIES		
	2003	2004	Grth%	2003	2004	Grth(%)	2003	2004	Grth(%)	2003	2004	Grth(%)
Grey Iron	2840000	3180000	12	4329063	4255603	-1.7	10800000	11267366	4.33	22063265	21732258	-1.5
Ductile Iron	363000	442000	21.8	3828300	4014292	4.86	3630000	5603410	54.36	7771717	8646722	11.26
Malleable Iron	39000	40000	2.56	105233	163293	55.2	400000	570620	42.66	396446	348991	-12
Steel	465000	581000	25	949817	1030561	8.5	1770000	2727897	54.12	2035743	2255332	10.78
Copper-Base				276690	285763	3.28	156966	327636	108.7	707909	625884	-11.6
Aluminum	331000	380000	14.8	1952251	1964054	0.6	1249000	1699099	36.03	5808147	6314611	8.72
Magnesium				73482	79832	8.64				61770	54374	-12
Zinc				344728	326586	-5.26	140000	224424	60.3	418663	356831	-14.8
Other Non-ferrous				209999	194137	-7.55				37437	52891	41.28
TOTAL	4038000	4623000	14.5	12069563	12314121	2.02	18145966	22420452	23.55	39301097	40387894	2.76

Source: 38th and 39th Census Of World Casting production, thewfo.com

The above table shows that while the world casting production has only grown by 2.76% the growth in India and China have been at 14.5% and 23.55% respectively. The US, which is the second largest producer of castings, has grown at only 2.02%

The Indian Foundry Scenario

The foundry sector in India was given the required boost with the establishment of the jute industry in Bengal and the cotton industry in Mumbai in the late 19th century. The watershed in the foundry industry came with the shift of governmental policy towards deregulation and open economy since 1990-91 with import of equipment and assimilation of latest technology becoming easy, leading to the emergence of several large scale players. However, the recessionary period of 2001-02 led to consolidation with the weaker foundries being taken over by more agile players. The entry of multinational units in the nineties particularly in automotive sector, helped the shift to medium and large scale units, with foundry professionals and skilled labour involved at all levels in moulding, methoding, melting, production etc. The contribution of the Indian foundry industry towards the indigenisation effort in engineering industries in India has been commendable.

There are over 4500 foundries in India out of which over 80% are small and medium enterprises (SMEs). There are only 10 foundries in the country with a scale of production comparable to world players. Presently the estimated built up capacity in India is around 7 million metric tons annually, but the current production level is around 4.6 million metric tons. India, at its current levels of production, occupies the 6th place under the category of 'largest producers of castings'.

In terms of demographic distribution most of the foundries are situated in Kolhapur, Belgaum, Pune, Greater Mumbai, Ahmedabad, Baroda, Rajkot, Agra, Batala, Ludhiana, Jalandhar, Howrah, Kolkata, Coimbatore, Chennai, Bangalore. These cities house both SMEs and large foundries. Most of them are located near the consuming centres Over 400 foundries in the country have acquired quality certification of ISO 90001.

The trend in the production of the Indian foundry industry is given below: (in million metric tons)

Type of Castings	1999-2000	2000-01	2001-02	2002-03	2003-04	CAGR(%)
Grey Iron	2.4	2.3	2.3	2.47	2.84	4.30
S.G. iron	0.235	0.25	0.285	0.316	0.363	11.48
Malleable	0.05	0.04	0.03	0.039	0.039	-6.02
Steel	0.31	0.32	0.31	0.388	0.465	10.67
Non Ferrous	0.22	0.21	0.23	0.296	0.331	10.75
Total	3.215	3.12	3.155	3.509	4.038	5.86

Source: Indian Foundry Directory, 2005, The Institute of Indian Foundrymen

While Grey iron castings production increased from 2.4 million tonnes in FY 2000 to 2.84 million metric tons in FY 04 recording a CAGR of only 4.3%, the highest growth rate was witnessed in ductile iron castings which grew at a CAGR of 11.48%. Likewise the production of non-ferrous castings grew at a CAGR of 10.75%. These trends seen in both ductile iron and non-ferrous castings are in line with happenings elsewhere in the world. During, 2003-04 India produced 4.03 million tons of castings according to The Institute of Indian Foundrymen. The turnover of foundries in the country reached an all time high of Rs 15,000 crs (\$3.5 billion). Exports touched Rs 2,000 crs (\$0.46 billion)

Exports of Castings: (Rs. In Crores)

Year	Sanitary	Industrial	Total
1998-99	275.02	427.24	702.26
1999-00	341.93	532.08	874.01
2000-01	430.95	812.66	1243.61
2001-02	523.33	879.45	1402.78
2002-03	572.70	976.16	1548.85
2003-04	719.00	1289.50	2008.50
2004-05	1242.62	1383.14	2625.76
CAGR(%)	28.58	21.63	24.58

Source: Indian Foundry Directory, 2005, The Institute of Indian Foundrymen

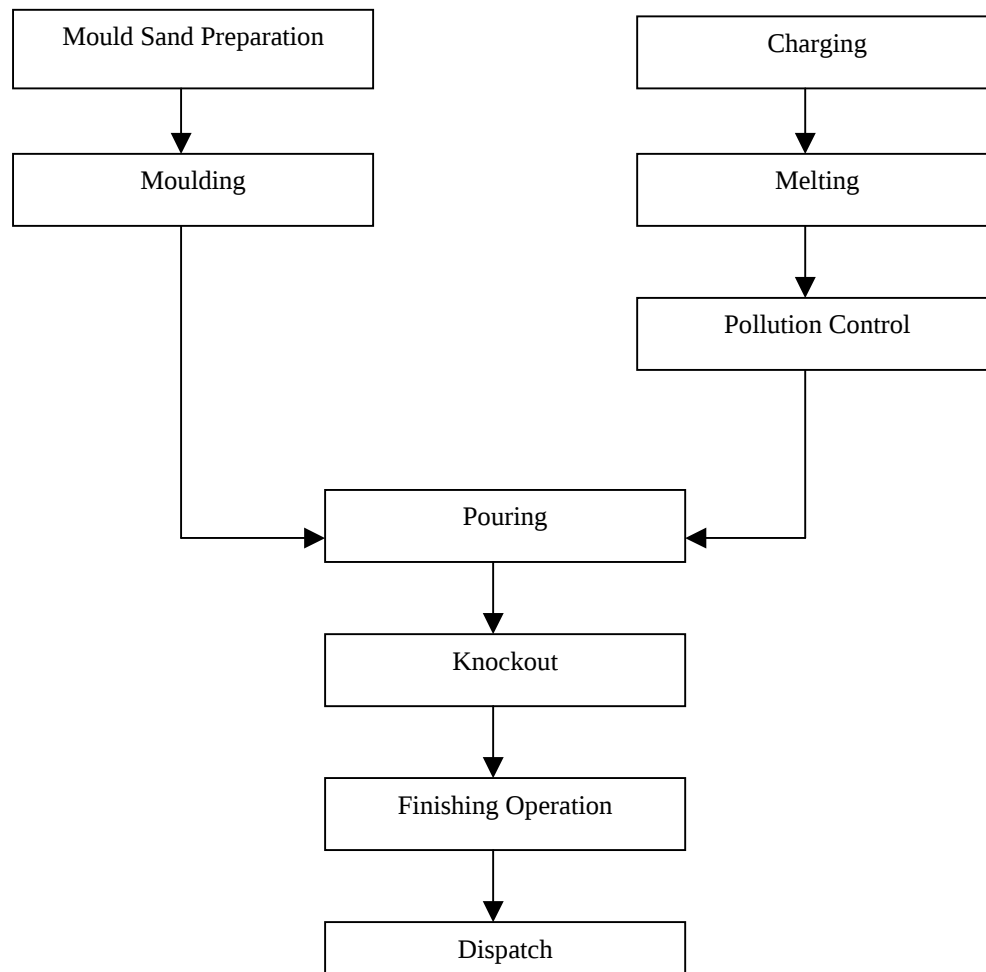
Exports have more than doubled from Rs 700 crs in 1998-99 to Rs2000 crs in 2003-04. The major increase on the export front has been in industrial castings. Overall exports have grown at a CAGR of 24.58% from 1998-99 to 2004-05.

The rate of growth of the Foundry Industry since 2003-04, has been even better and the present level of production is over 5 million tons annually.

Assimilation of modern technology like simulation software, 3-D modeling of drawings, use of computers in solidification simulation, has brought the Industry at par with the best in the world. Better understanding of the drawings, modern equipment, lower labor costs etc., has also made the Indian casting industry globally competitive. The global opportunity for exports has also been well exploited by the Indian foundry industry due to its inherent advantages of quality, flexibility volume and cost competitiveness.

Typical Foundry operation

The following diagram depicts the basic operation that takes place in a foundry:



Source: www.indianfoundry.com

Technological Transition

To meet the exacting demands of its global and domestic clientele, the Indian foundry industry has come a long way and taken bold decisions to modernize the infrastructure facilities in terms of melting, molding, tool development, quality systems, core making etc. Some of the major steps taken are listed below:

- Transition from Cupola to Duplexin / Induction-melting, leading to improved metallurgy
- From Jolt Squeeze process to high pressure molding-for better dimensional control and higher productivity
- Pattern and Die development with CAD/CAM process and CNC Machines.
- Sustained effort towards yield and productivity improvement
- Increased awareness on quality systems and exposure to global manufacturing practices-acquired TS/QS certifications
- Automation undertaken to eliminate hazardous operations and secure precision
- Core making towards Hot Box, Cold Box and shell
- Commitment to pollution control-ISO 14000

Strong domestic demand from the Indian automobile and tractor sectors and the global trend towards off-shoring casting activities have driven Indian foundries towards capacity addition and product value addition. The key factors contributing to the growth of foundry industry could be broadly classified as follows:

- I. Growth of end user markets.
- II. Increasing export opportunities.
- III. Technological shift towards castings.

I. Growth Of End User Markets

The dominant end user is the Automobile industry, followed by Tractors and Farm Equipment, Pipes and Fittings, Construction and Mining, Rail Road, Internal Combustion Engine etc.

Automobiles

Source: www.ibef.org

The Indian auto industry, worth US\$ 34 billion in 2006, has grown at a CAGR of 14 per cent over the last five years with total sales of vehicles reaching around 9.7 million vehicles in FY 06. That number is likely to see a significant boost, given that the first half of FY 07 has already witnessed a staggering growth rate of 17.12 per cent. Domestic sales during the April-September 2006 stood at an impressive 4.86 million vehicles, including cars, two-wheelers and commercial vehicles. According to industry experts, this trend will continue, clocking an annual growth rate of 20 per cent. In addition, the Government's announcement to cut excise duty on small cars will soon see India emerging as the world's largest manufacturing hub for small or compact cars.

India is on every major global Automobile player's roadmap, and it isn't hard to see why:

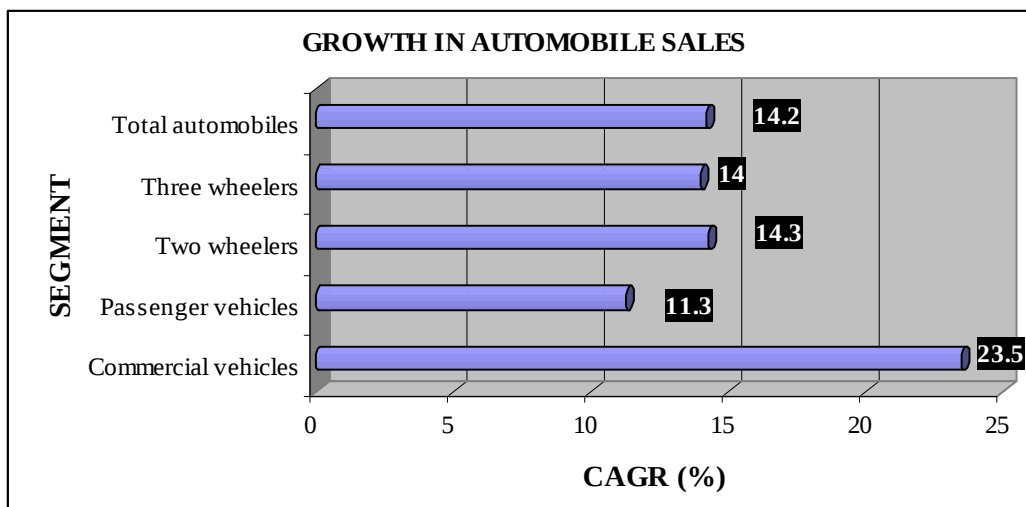
- India is the second largest two-wheeler market in the world
- Fourth largest commercial vehicle market in the world
- 11th largest passenger car market in the world
- Expected to be the seventh largest by 2016

Automobile Production Trends

Category Period	Units Produced (nos)	
	2004-05	2005-06
M&HCVs	214,807	219,297
LCVs	138,896	171,781
Total CVs	353,703	391,078
Passenger Cars	960,487	1,045,881
Utility Vehicles	182,018	196,371
MPVs	67,371	66,661
Total Passenger vehicles	1,209,876	1,308,913
Scooters	987,498	1,020,013
Motorcycles	5,193,894	6,201,214
Mopeds	348,437	379,574
Total Two Wheelers	6,529,829	7,600,801
Three Wheelers	374,445	434,424
Grand Total	8,467,853	9,735,216

Source: Society of Indian Automobile Manufacturers (SIAM)

The production and domestic sales of the automobiles in India have been growing strongly. A positive trend in the domestic market is that growth is consistent across all key segments with sales growing at a CAGR of 14.2 % over the whole spectrum of vehicles.



Source: www.ibef.org

Given below are a few examples of castings used by commercial vehicles and tractors:

- Engine Blocks and Heads Flywheels
- Flywheel Housing
- Differential Carriers
- Wheel Hubs
- Brake Drums
- Shackles
- Brackets
- Transmission Case
- Centre Housing
- Clutch Housing
- Axle Housing
- Hydraulic and Lift Cover

Factors driving the growth in the passenger car / utility vehicle segment

- Car penetration in India is 7 per 1000 persons. The growth in this segment is being driven by lower excise duties, rising disposable incomes, easy availability of finance along with lower interest rates and ongoing improvement in urban and rural infrastructure.
- According a study done by ACMA, passenger vehicle production grew at 17% CAGR between FY 2000 and FY 2005 while that for multi-utility vehicles grew at 9% CAGR in the same period resulting in an overall compounded growth of 15%. For the period 2005 to 2014 ACMA has projected a CAGR of 10% for passenger cars between a 4% CAGR for multi-utility vehicles and an overall compounded growth of 9%.
- India's car production capacity is in for boost. World auto majors have announced massive investment plans, which will push the country's car production past the 2 million annual rate by FY 2008, up 70 per cent from 1.4 million units now. Even at 2 million, India, which stand at No.11 among global car producing nations, will move only two steps ahead, past UK (1.6 million) and Canada (1.35 million).

Factors driving the growth in commercial vehicles segment

The CAGR recorded by the total commercial segment during FY 2001- 2006 was 20.8%. The M&HCV (including buses) segment accounts for 56% of the total commercial vehicle market.

- The steady growth in the economy and beneficial policy changes by Government have combined to stimulate the growth of the Indian auto industry. Apart from the pull of a vibrant economy imposing Euro norms for vehicles and the restriction on maximum age of vehicles have been stimulating demand for vehicles. Currently there are nearly a million commercial vehicles on Indian roads which are over 10 years old which present an opportunity for early replacement. The enforcement of loading norms / emission regulations would noticeably boost the HCV sector.
- The ongoing focus on infrastructure would continue and will result in a vastly improved road network spanning the length and breadth of India and this would result in faster and increased road movement of passenger and freight, adding to the growth of light and heavy commercial vehicles.
- The unprecedented growth in freight traffic due to the growing economy compel a rapid increase in the vehicle fleet.

Factors driving the growth in the tractor segment

According to data sourced from ACMA, the production of tractors increased from 166,889 units in FY 2003 to 296,080 units FY 2006, which is a CAGR of 21%. The growth has been driven by:

- Better availability of credit and focus on retail tractor financing by the banking sector and the good monsoons. Easier availability and reduction in interest rates on tractor loans is one of the key factors driving the tractor demand in the Southern States. Several irrigation projects initiated by Government and greater thrust on agricultural credit have also enabled the average farmer to commit resources on farm automation.
- Increase in the area under irrigation under the Bharat Nirman Project and micro irrigation schemes is also stimulating tractor sales growth.
- The Tractor has evolved into a multifunctional vehicle and its usage is no longer confined to farming. Accordingly the demand for and usage of tractors has now a wider base and broader platform of usage.

The Auto Component Sector

Source: [www. ibef.org](http://www.ibef.org)

The Indian automotive component industry has witnessed a CAGR of 20 per cent in the last five years (between 2000-2005), according to a McKinsey-ACMA report on the Status of the Indian Auto industry. In 2005, the auto components industry was worth over US\$ 10 billion, which is expected to nearly double in four years, to 18.7 billion in 2009, and reach US\$ 40 billion by 2014.

Global auto majors source critical components from India, with engine parts making up nearly a third of all exports:

- Engine parts (31 per cent)
- Drive transmission and steering parts (19 per cent)
- Body and chassis (12 per cent)
- Suspension and braking parts (12 per cent)
- Equipment (10 per cent)
- Electrical parts (9 per cent)
- Others (7 per cent)



Steered by the country's high engineering skills, established production lines, a thriving domestic automobile industry and competitive costs, global auto majors are rapidly ramping up the volume of components they source from India. The Auto Component industry is poised to jump its exports of US\$ 1.8 billion in FY 04-05 to US\$ 5.9 billion in FY 08-09.

According to the Automotive Component Manufacturers Association of India, more than a third (36 per cent) of Indian auto component exports head for Europe, with North America a close second at 26 per cent.

II. Export Opportunities For Castings

Automotive Industry is the largest consumer of Castings in India as well as globally. The overall size of the Global auto component Industry is about US\$1.2 trillion with about US\$45 billion being sourced from low cost countries like India.

In the developed world the production of castings has become unattractive due to rising costs, shortage of skilled foundry people and environmental restrictions.. The US foundry population has declined by about one- third over the last 20 years. During the same period over 8000 Foundries has shut down in Europe. As a result many foreign Automotive manufacturers and their Tier I suppliers are increasingly tapping the Developing countries for castings. The American Foundry Society projects the demand for castings to rise at a rate of 5% per year till 2011.

In the last few years, a lot of large MNCs like GM, Ford, etc. have opened their sourcing offices in India. The Indian casting industry which has distinct advantages in terms of cost and quality is witnessing accelerated exports. India has large pool of Engineering man power able to clearly understand, fluently speak and write English. The modernization of equipment following import liberalization by the Indian Government has spurred the incorporation of modern technology along with modern foundry equipment like High pressure moulding lines, core making equipments, automatic sand plants and latest in NDT like those required for element scanning, magnetic particle testing, ultrasonic & X-ray examination etc. Indian foundries have now modern equipment and technology as well as skilled man power. On the other hand the wage costs are low. The wage cost percentage to sales in India is about 8% as compared to 38% in USA and 24% in Europe.

Climbing up the value chain

In the 1990s, the Indian auto components export were dominated by supplies to the aftermarket, with only 35 per cent of exports being sourced by Tier 1 OEMs. The Indian automotive component industry has since, made a sustained shift to the global Tier 1 market for their products. Presently, Indian automobile component manufacturers direct 75 per cent of their exports to Tier 1 OEMs (Original Equipment Manufacturers) and only 25 per cent, to the aftermarket.

Indian component suppliers have displayed a healthy capability to cater to the engineering and production needs of the world's biggest auto companies. This is largely due to:

- Engineering and manufacturing skills.
- Proficiency in understanding technological requirements and implementing technical drawings.
- Growing IT capability for design, development and simulation
- Being well conversant in all global automotive standards: American, Japanese, Korean and European.
- Adequate manufacturing facilities, appropriate automation leading to economies in scale of production and therefore attractive prices.
- Flexibility for small batch and large volume production

Striking the growth chart, Indian companies are:

- Increasing investments in production capacity
- Establishing partnerships in India and abroad
- Investing in or acquiring companies overseas
- Establishing greenfield manufacturing footprints overseas

III. Technological Shift Towards Castings

The automotive and general engineering Industry is exploiting the technological and economic advantage of castings over other forms of metal components like forgings or steel weldments. SG Iron Castings strike a golden median between the rigidity and tensile strength of Iron and the ductility of Steel. Castings can satisfy the design requirements for strength and density and offer complex shapes not possible in forged parts, with thinner sections held to closer tolerances. A new generation of metal matrix composites, squeeze cast, and semisolid cast parts can offer significant cost savings over forgings at substantial weight reductions.

Superior Physical Properties

The chemical composition of the output castings could easily be controlled as against forgings. Physically Castings are isotropic and homogenous the strength is uniform in all directions as against rolled steel which has directional properties. Further Castings present better weldability and easier machining than forgings and resist post welding cold cracking.

Superior Design flexibility

The cost of modifying a casting core box or mould pattern is a relatively lesser than cost of design. The Chemical composition of castings could also be controlled faster and better. The thickness of walls could easily be controlled to suit functional requirements.

Reduced Cost Of Manufacturing

The rough parts have to be machined before assembly. As parts become more complex, Castings provide a distinct advantage in cost of machining.

Spin Off In Other Sectors

The growth of the foundry industry has been amply supported by the corresponding growth of the industry supplying vital inputs. India is endowed with vast natural resources like iron ore, manganese ore, coal, limestone etc., which are vital for making foundry inputs like pig iron. Pig iron manufacturers have been continuously expanding their capacities to meet the increasing demand from the foundries and steel mills. The refractory industry in India is well placed in terms of technology and capacity to meet increased demands. The explosion in capacity in the petrochemical sector has resulted in increased production of petrofractions, vital to the growth of the foundry chemical industry. India has world-class technology for production of binders for modern core making methods. India is also fortunate to have some of the best deposits of bentonite essential for green sand moulding. With the growth of the foundry industry, simultaneous expansion has also taken place in the foundry equipment sector. The foundry chemical sector and the foundry equipment sector have been exporting their products for quite some time, which is ample testimony for their quality. Thus, advances in these two supporting sectors have enabled a smooth evolution of the foundry industry in technology and capacity.

Source: Indian Foundry Directory 2005

Outlook for the Foundry Industry

There are exciting and challenging opportunities over the next decade for India based automotive component manufacturers. In the global automotive industry sourcing of automotive components from low cost countries (LCCs) is likely to accelerate because of both the increasing cost pressures on OEMs in developed countries, such as those in North America and Western Europe and emergence of skilled, cost competitive suppliers in LCCs such as China, Brazil, India and Thailand. As far as India based players are concerned, they already have a foundation of strong engineering skills and an emerging culture of cost competitiveness that will help them effectively target parts of this opportunity. Indian Foundries, especially the larger ones can look forward to quantum growth in production, sales and margins.

Indian Foundry Industry Projections

	2003-04	2004-05	2005-06	2006-07	2007-08
Tonnage in Million Tons	4.0	4.29	4.63	5.00	5.50
Exports (Rs. In Crores)	2000	2500	3000	3750	4700

Source: Indian Foundry Directory, 2005, The Institute of Indian Foundrymen

BUSINESS OVERVIEW

Incorporated in 1982, Nelcast Limited established its first factory in 1985 at Gudur, Andhra Pradesh to produce 1200 MT p a of Iron Castings. Later in 1996, Nelcast extended its operations to Ponneri, Tamilnadu by establishing a factory with an installed capacity of 12,000 MT p a, for the manufacture of Grey Iron and Ductile Iron castings. Having started as a small ancillary supplier to Ashok Leyland Ltd, the Company has through rapid strides grown to possess an installed capacity of 72,000 MT p a which is being increased to 1,02,000 MT p a during the current Financial Year. A TS 16949 accredited organization, Nelcast is today one of the largest manufacturers of Spheroidal Graphite (SG) Iron Castings in India.

The Company was founded by Mr.P.Radhakrishna Reddy, a metallurgical engineer from Regional Engineering College, Nagpur. Although he did not possess any previous experience, his talent and commitment has helped the Company become a 893 people strong organisation. The fact that the Company has not suffered any production loss in the last 21 years is reflective of Mr.P.Radhakrishna Reddy's achievement on the Human Resources Management front. Mr.P.Radhakrishna Reddy presently concentrates on the export markets by taking care of the Company's overseas operations from Chicago in USA.

The Company manufactures around 200 different castings in SG and Grey Iron. Cylinder Blocks, Flywheels, Flywheel Housings, Housings, Hubs, Spring Shackles, Brackets, Transmission Case, Axle Housings, Exhaust Manifolds etc. are some of the items that find application in the commercial vehicle and in the Tractor segments. The Company is a major supplier of auto components castings to Automobile and Tractor industry majors like TATA Motors, Ashok Leyland, TAFE, Mahindra & Mahindra, TATA Cummins etc.

Apart from having the distinct locational advantage of proximity to the Chennai Port, the Company's two units at Gudur, Andhra Pradesh and Ponneri, Tamilnadu are well connected by both rail and road. Besides catering to the domestic markets the Company is also exporting to USA, Europe and Australia. Professionally managed, Nelcast has qualified persons heading its various departments.

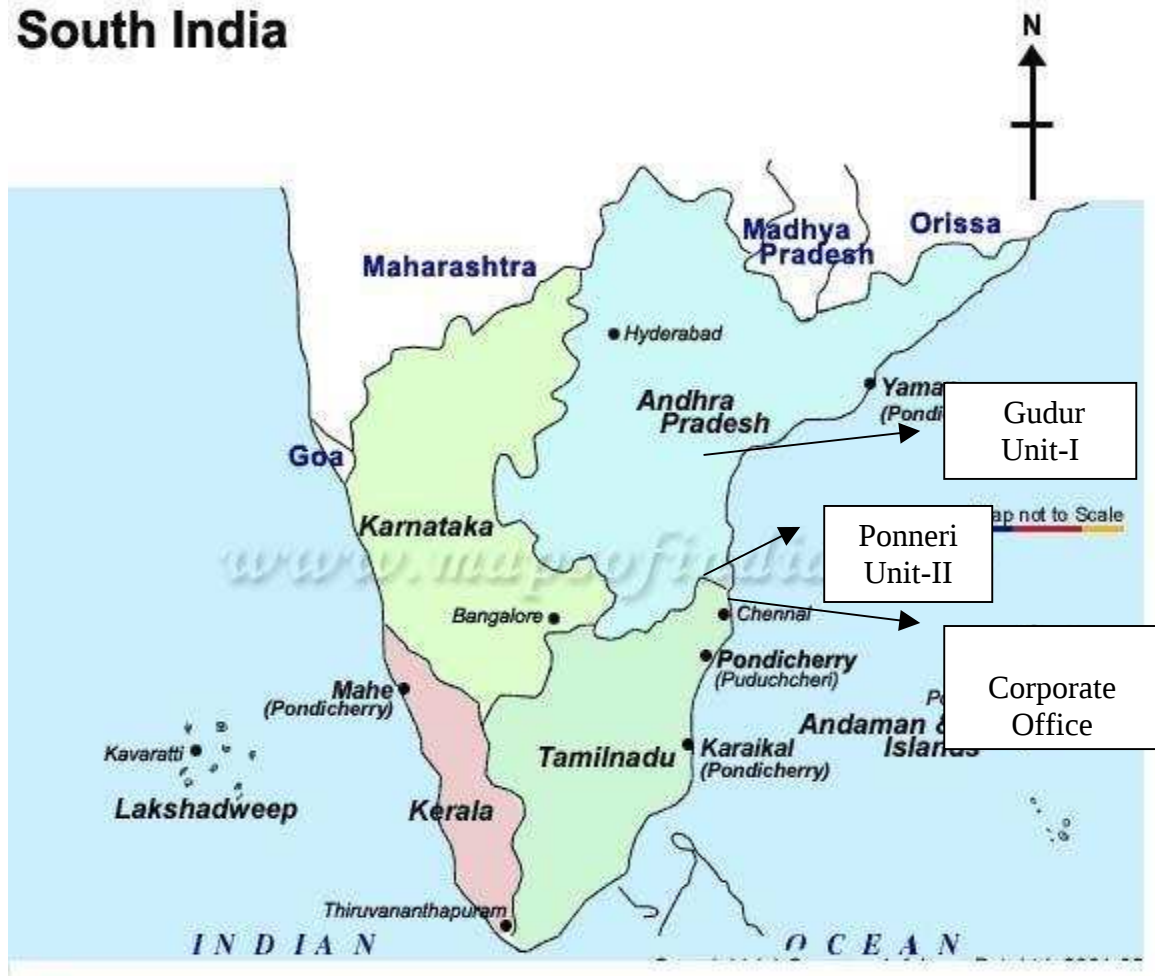
The Company has the following distinct achievements:

- Grown from a 1200 MT p a capacity unit in 1985 to one of the largest manufacturers of SG Iron Castings in India with a capacity of 72,000 MT p a as at 31 March, 2006 which is being increased to 1,02,000 MT p a during the current Financial Year.
- No production due to labour unrest during its 21 years of operations.
- Been awarded best vendor award by TAFE Limited and also rated as outstanding supplier for 2006 by Eicher Motors Ltd.
- Weight-wise the largest supplier of components per tractor to TAFE Ltd.
- Meeting the stringent quality standards of Arvin Meritor the Tier I supplier to Volvo, Sweden.
- Supplying to Sigma Pipes, USA one of the leading manufacturers of cast iron pipes in USA.
- Obtained ISO 9002 accreditation as early as 1994.
- One of the early birds to implement TS16949 quality standard
- The Company houses the Kunkel Wagner fully automatic high pressure molding line and is among the first foundries to implement fully automatic moulding technology in India.

The Company caters to the requirements of almost all the major HCV and Tractor manufacturers in India namely Tata Motors Limited, Ashok Leyland, Eicher Motors Limited, TAFE, Mahindra & Mahindra etc.

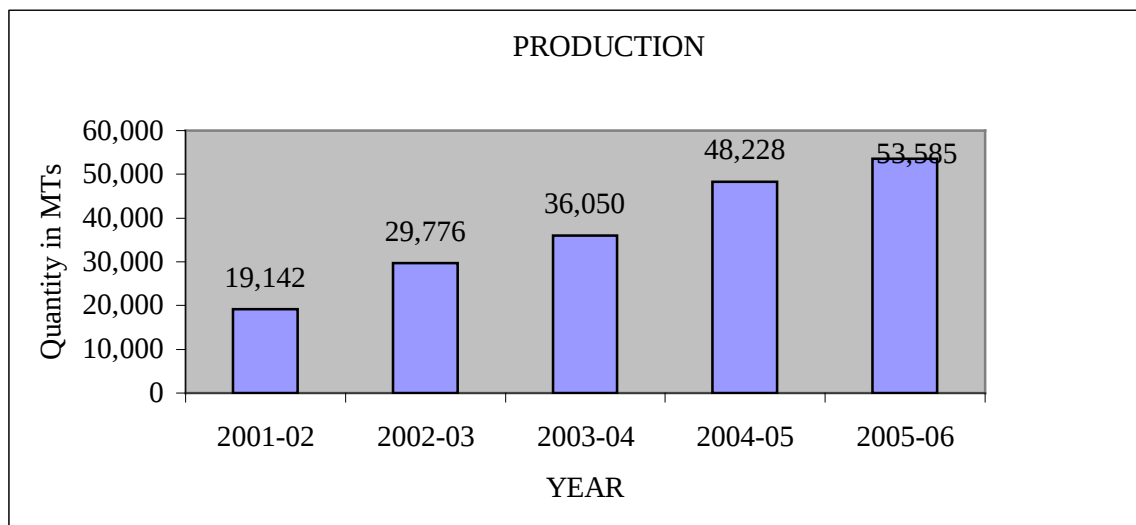
Our Presence

South India



Note : The map above is solely illustrative and has no claim to political or geographical accuracy.

Production Trend



Rejections Trend:

While making the castings we may face rejections at either the start of the process or at even the customers end if it has not met their requirements. We are continuously in the process to reduce this. As is evident from the figures below, though there is an overall slight increase in 2005-06 overall the rejections have shown a declining trend.

Rejections (%)

	2005-06	2004-2005	2003-2004	2002-2003	2001-2002
Foundry stage*	7.20	6.88	8.94	9.31	9.38
Customer End**	3.67	3.97	3.72	3.02	3.79
Total	10.87	10.85	12.66	12.33	13.17

* % of rejected castings to gross production, both measured in MT.** % of rejections to total sales, both valued in Rupees.

Our Casting Types

SG Iron Castings

At present almost 75% of the Company's output is SG Iron Castings which are more versatile and particularly suitable to automotive parts. Through the years the Company has evolved and sharpened its production methodology and quality systems enough to provide the controlled process and quality refinement required for the production of SG Iron castings. With its state-of-the-art machine shop comprising CNC machines and special and general purpose machines, many of the SG Iron Castings are machined and finished into ready to use components as required by customers.

Grey Iron Castings

About 25% of the output at present is Grey Iron castings directed towards applications that specifically require the properties of grey iron castings.

Production Facilities

Plant location	Area
Unit-I 34, Industrial Estate, Gudur, Andhra Pradesh	Freehold area of 9.32 acres
Unit-II Madhavaram Village, Amur Post, Ponneri Taluk, Tiruvallur District, Tamil Nadu	Freehold area of 30.69 acres
TOTAL	

a) Existing Capacity & Capacity Utilization

Details	2003-04	2004-05	2005-06
GUDUR UNIT-I			
Licensed Capacity (MT)	15,000	30,000	30,000
Installed Capacity (MT)	15,000	20,000	30,000
Production (MT)	13,801	19,189	22,312
Capacity Utilisation (in %)	92.01	95.94	74.37
PONNERI UNIT-II			
Licensed Capacity (MT)	45,000	45,000	45,000
Installed Capacity (MT)	33,000	40,000	42,000
Production (MT)	22,249	29,039	31,273
Capacity Utilisation (in %)	67.42	72.60	74.46

b) Proposed Capacity And Capacity Utilisation For The Next Three Years

Details	2006-07	2007-08	2008-09
GUDUR UNIT-I			
Installed Capacity (MT)	42,000	54,000	72,000
Effective capacity(MT)	36,000	48,000	66,800
Production (MT)	30,000	38,400	52,800
Capacity Utilisation (in %)*	83	80	80
PONNERI UNIT-II			
Installed Capacity (MT)	60,000	66,000	78,000
Effective capacity (MT)	48,000	60,000	69,000
Production (MT)	38,880	48,000	55,200
Capacity Utilisation (in %)*	81	80	80

* As a percentage of effective capacity.

Product Range And Customers

Nelcast has a wide range of products that meet the specific requirements of different industries. Beginning as low as 0.5 kg, Nelcast offers parts upto 250 kgs in weight and in a choice of several grades of Grey & Ductile Iron. Nelcast manufactures parts to be used in various applications in automobiles, tractors, auto components.

Customer Relationships

The Company continues to enjoy the patronage of many of its customers for years. Nelcast caters to the requirements of most of the HCV and Tractor manufacturers in India. In the Foundry Industry, long term partnership with customers is imperative since considerable investment is required to set up foundry capacity. The customers have to share the designs of the components that they have developed, step by step, and define the exact requirements in regard to composition, other specifications, functionality, quantity and the time and volume schedules. The Foundry on its part develops patterns, core boxes and moulds to suit the customers requirements and at times even sets up special purpose machinery suitable only for the specific product to meet the customers demand. Consequent upon customer loyalty and supplier performance, Nelcast is shaping to be key supplier to Auto component makers like Automotive Axles Ltd, Axles India Limited, Tata Cummins Ltd, Rane Steering, ZF Steering etc.

The Company is able to meet the large schedules for SG Iron Components from known manufacturers of commercial vehicles and tractors who in turn have to comply with stringent quality and safety standards. Nelcast takes pride in its partnership with its customers towards meeting their quality standards which are constantly upgraded. The customer give weekly, monthly and yearly supply schedules. The orders involve price commitment and suitable escalation provisions. Compensation for any rise in power or raw material costs are negotiated with the customers and prices are revised as per mutual agreement.

The list of the Company's customers in different segments are as follows

S.No	Particulars	List of Customers
1	HCV Manufacturers	Tata Motors Ltd Ashok Leyland Ltd Eicher Motors Ltd
2	Tier I Suppliers To Automobile Manufacturers	Automotive Axles Ltd. Axles India Limited Tata Cummins Ltd ZF Steering Gear (I) Ltd Rane Group

3	Tractor Manufacturers	Tafe Ltd Mahindra & Mahindra Ltd International Tractors Ltd New Holland India
4	Exports	Arvinmeritor, Sweden Sigma Corporation, USA Dobbie Dico Meter Co., Australia

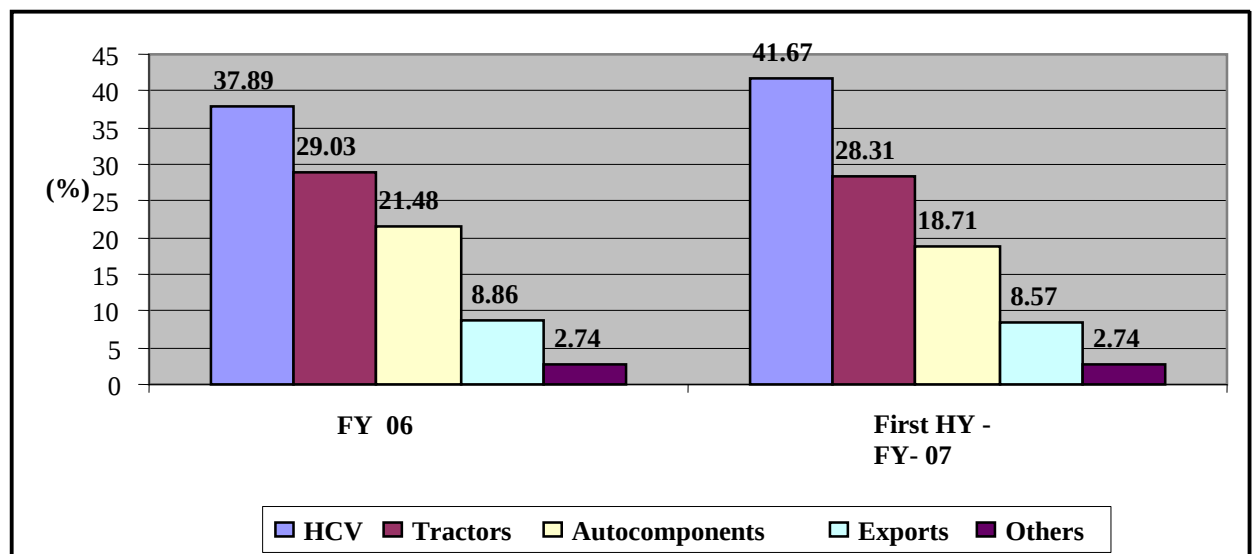
Top Customer Contribution In The Last 3 Years(Amount Rs. in lakhs)

FY ended	30 September, 2006	31 March, 2006	31 March, 2005	31 March, 2004
Top 3 contribution (%)	55	53	57	61
Top 5 contribution (%)	74	75	79	86
Top 10 contribution (%)	88	90	96	95

All percentages are rounded off to the nearest percentage point.

Customer Mix

We derive almost 70% of our revenues from the HCV and Tractors segments. The next major contributor is auto component industry. The following depicts the customer mix for the FY 2005 – 06 and for the half year ended 30 September, 2006.



The Current Market Demand Position

Many of the Company's customers follow Just In Time delivery schedules and the Company has to cater to the needs of the long standing local customers with the scheduled timelines. The customers are willing to take up fully finished components direct from Nelcast instead of being routed to machining intermediaries hence Nelcast is shaping its manufacturing pattern accordingly.

Meanwhile the demand for castings from abroad is on the increase and Nelcast is planning to dedicate 25% of its capacity for exports, though domestic demand rides high.

Competition

The casting Industry in India comprise many layers. In spite of having a large number of foundries, the majority are producers of Grey Iron castings in small scale which are used by small engineering works like those for motor housings, sanitary ware etc. Only a small number of foundries have a large scale of production using modern technologies like high pressure moulding, induction furnaces and CAD / CAM facilities and to certified quality standards. Even fewer are capable of producing SG Iron Castings in large volumes with consistent quality standards. These large players are the most sought after by Automobile, Tractor, Components and general engineering industry. The growth of the Automobile industry in the past five years has led to a situation of high demand for sophisticated castings which can only be met by high volume foundries. At present due to the large market size the competition is not predatory. But there is marked demand pressure from the Automobile industry which is growing fast. There is significant competition to take on larger share of this demand for which many of the large scale foundries are on expansion modes. That Company, which adds capacity the earliest, would continue to retain its customers and get a larger share of the market. Besides capacity, quality and pricing are also key drivers. The Company needs to rapidly add capacity and improve technology and delivery to retain and increase its share in the market. It has already established a reputation, is pricing friendly and expansion of its capacity would generate higher margins and volumes. Significant advantages in technology and quality accreditation help the Company to cross entry barriers in export market. The Company has presence in international market and is presently hard pressed to meet demand and is awaiting capacity expansion.

Existing Competitors

Castings are used in diverse products. Almost 90% of all manufactured goods contain one or more metal castings. Certain segments of castings are pure commodity products where competition is driven more by the price factor rather than quality or value addition. This competitor analysis is on those players who possess a critical size and focus on product segments which are of a complex nature and therefore require technical skills & capability. In this context some of the key players are:

Product type	Name
SG Iron	Ductron
Grey iron	DCM Foundry
Grey iron	Kirloskar Ferrous
Mainly SG Iron	Brakes India
SG Iron	Shakthi Auto Components
SG Iron	DGP Hinoday
Grey iron	Gadge Patil
Grey iron and Aluminium	Ennore Foundries
Grey, SG & Aluminium	Rico Auto Industries

The dynamics of existing competition (Domestic) could be analysed from the following perspectives:

- i) **Industry growth rates:** Currently due to the upturn in the Automobile and Tractor industries, demand is outstripping capacity and also with exports becoming a serious option, most of the players are operating almost at full capacity. Credible players in the industry maintain price discipline and price volatility is usually avoided.
- ii) **Equally balanced competitors:** From a size perspective the key players are of similar sizes and thus none of them individually has the capability to change the rules/economics of the industry. This in turn brings a certain discipline among the firms in making commitments to customers. However consistent expansion in capacity of foundry industry could create unhealthy competition sooner or later.
- iii) **Switching costs:** Large customers such as major truck and tractor manufactures look at supplier relationships from multiple dimensions due to which volatile competition such as price warfare is generally not evidenced.

- iv) **Expansion of Market:** With the advancement of technology castings offer cost advantages over other types of products such as fabrications, forgings etc without compromising quality. Therefore new opportunities are opening up for the casting industry.

In the context of this background of a growing & expanding market and customers selecting suppliers on the basis of multiple dimensions such as quality & reliability and not purely on the basis of price, rivalry within the industry is quite balanced and unsustainable methods such as price wars are usually avoided.

Exports And Export Obligations

Due to globalization India has become a major source for the world auto giants. The Company has already made in roads in to the export market and has been exporting to USA, Australia, Europe for many years. In order to increase its presence in the export markets Company has opened an office in USA. The company's exports have been increasing for the last 3 years and reached to around 10% of the total turnover. The expansion in capacity will add to Company's exports.

Top three customers for the FY 2006 and for the half year ended September 2006 are given below:

Customer	Rs in lakhs	%	Rs in lakhs	%
	2005 – 06		April-September 2006	
No 1, USA	991.06	41.72%	429.49	26.41%
No 2, Sweden	702.58	29.57%	776.93	47.77%
No 3, Australia	427.29	17.99%	317.86	19.54%

There are no export obligations pending to be fulfilled as on date.

Manufacturing Process

A description of the manufacturing process followed by the Company is discussed hereunder:

Designing

The drawings of the component / equipment are generally supplied by the customers who also give their technical requirements. The drawings are converted into 3D simulations for estimation and production planning purposes using CAD techniques. The design is then suitably modified to provide for necessary allowances in the manufacturing process. This includes determining the number of feeders, spruce, runners, risers, in – gates, required in the pattern, which allows additional molten metal to flow into the moulds, helping to compensate for the shrinkages in the castings caused by the process of cooling of the metal in the moulds. This is a crucial step and takes effort and time to perfect.

Tooling

Tooling is the process of making patterns and core boxes of the moulds which gives the desired shapes to the castings, by using them in moulding boxes into which green sand is filled. After finalizing the designs, patterns are made out of Aluminium, or cast iron through programmed machining using CNC. If the casting is required to be hollow, as in the case of Engine Blocks, Housings, pipe fittings, additional material known as cores, are used to make the desired cavities. Core Boxes are also made out of aluminium which are used to make cores or cast iron again by CAD / CAM process.

The process of core making depends on the customer's requirements of the attributes of the castings. The three most commonly known methods are:

a) CO₂ core making

The process involves mixing Silica sand with Sodium Silicate in a Core Sand Mixer pressing mixed sand into needed shape, and passing CO₂ gas for hardening the Cores, coating them suitably.

b) Nobake cores

The process involves mixing Silica Sand with Resins and catalyst, setting to shape required, allowing adequate hardness to take place, dressing, coating with paint and drying in oven.

c) Cold box / shell cores

These are made by shooting sand mixed with chemicals into core boxes, passing suitable gases to harden cores, dressing, painting and drying.

The adoption of the method for core making depends on the technical requirement of the products such as the grade, size, quantity etc. It is clear that increasingly cold box cores will be used and the Company is expanding capacity in this regard.

Melting

Steel scrap and foundry returns are charged and melted in a Medium Frequency Electric Induction Furnace along with carburisers and ferro alloys. A sample of the molten metal is taken for analysis with a spectrometer which determines the additional amounts of inoculants required to be added to the molten metal to reach the correct composition. The Liquid Metal is heated to the required temperature (around 1500° C) after which the metal is ready for pouring into moulds. Since the induction furnaces melt the charge by electromagnetic flux instead of heating crucible through external heating, it guarantees quality melt with minimal emissions.

Innoculants' treatment

For obtaining SG Iron castings, the molten metal is treated with Innoculants like Ferro Silicon Magnesium and Ferro silicon barium with careful timing and precision in a Treatment ladle. The graphite flakes are rendered into graphite nodules, which is a salient feature of SG Iron. Production of large quantities of quality SG Iron comes from continuous process refinement and quality control.

Moulding

Moulding is a critical activity for a foundry. The most widely accepted process for moulds making is green sand mould process. The advantage of the green sand process is that it enables mass production of castings at a low cost, especially for cast irons.

Silica sand is mixed with predetermined quantities of Bentonite, coal dust and water. The mixed sand is then fed through conveyors to the moulding machines. Match plates with the required patterns, designed according to the Customers' requirements, are mounted on the moulding machine. The moulds are made by 2 halves Cope and Drag by applying pressure to the green sand and then the shaped moulds are moved onto the mould tracks and 2 halves are closed before pouring the molten iron into mould box. Depending on the requirement, cores are placed in the moulds before closing the moulding boxes. The Company makes mostly cored castings.

Nelcast is equipped with many jolt squeeze moulding machines as well as the Kunkel Wagner automated high pressure moulding line installed in the unit at Ponneri which yields castings with improved dimensional accuracy, surface finish and soundness.

Knock-Out

The sand in mould boxes, after allowing sufficient time for the cooling of the liquid metal poured into the moulds, is knocked out, thus separating the castings from the sand. The hot castings are kept separately for quality checks. After the quality clearance the runners, risers, feeders, in – gates etc., are removed from the castings. These are called foundry returns and are recycled for the process of melting and casting. The separated silica sand is cooled by using water sprayer and blow air techniques and the cooled sand along with new silica sand, bentonite and coal dust is mixed in a Muller, resulting in green sand, which is again used for the process of moulding.

The Castings are decored and shot blast using power full shot blasting machines and steel shots to remove the sand and other adhering materials and also increase the tensile strength. The good castings are separated through visual inspection and are taken for fettling and finishing operations while the defective



ones are scrapped and are sent back for re-melting. Heat treatment and annealing are also used to increase the tensile strength or balance the hardness where required.

Fettling and Grinding

Fettling is the process by which excess of metal is removed from the castings by using cutting, chipping and grinding tools. Grinding is done using Pedestal or Swing Frame grinding machines having grinding stones made out of Aluminum Oxide or Silicon Carbide. Some of the castings are averaged to facilitate machining at the customer end.

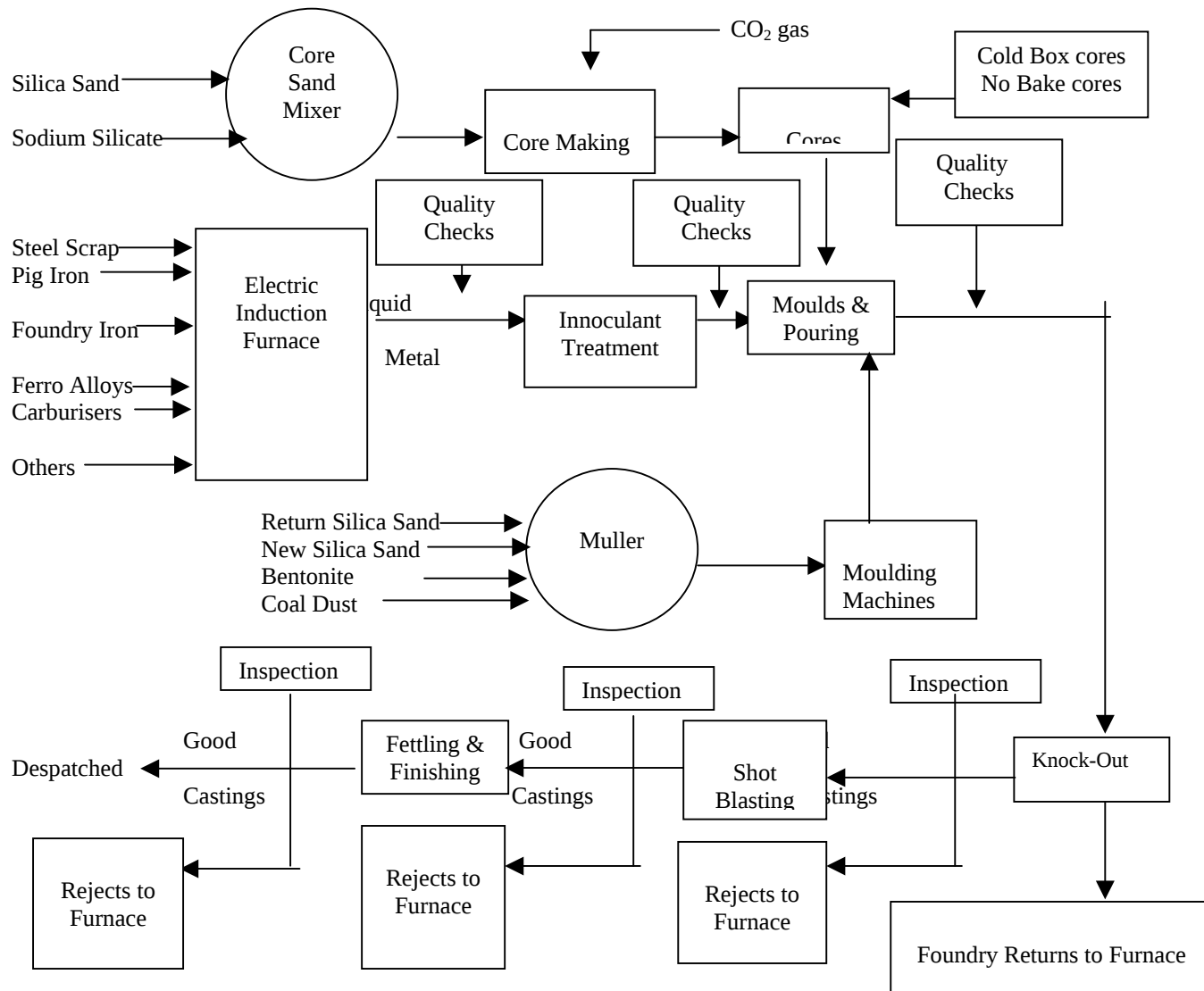
Inspection and Despatch

All casting products are carefully inspected for defects and also randomly checked for dimensions. The good ones are moved to the despatch yard along with Test Certificates.

Machining and Finishing

Machining of castings involves usage of sophisticated machine tools to make the castings into components for ready usage in equipment and machinery at customer end. The ready to use components can be used as such or can be further assembled into sub assemblies.

Nelcast Machine Shop houses in addition to special purpose and general purpose machines, CNC Machines capable of automatically performing machining activities based on pre programmed parameters like required dimensions, size, number of bores etc., The machined castings are then given a Protectivecoat before and despatch.



Quality Management

Nelcast is one of the first foundries in India to be certified with TS16949 quality standard. The Company follows Total Quality Management.

Incoming Material Inspection

In order to produce castings of good quality, the quality of raw materials is important. Consequently at Nelcast, great emphasis is laid on the quality of not only the finished product, but the materials that go into the manufacture of a product as well. As per policy, Nelcast conducts a high precision quality control procedure to check every input material at various intervals. This procedure ensures that Nelcast's products are made with raw materials that are inspected and cleared for production.

In Process Checks

The various stages of manufacturing are closely monitored and controlled in order to produce quality castings.

Liquid metal



- Chemistry of liquid metal checked by spectrometer - cleared by chemical lab.
- Tapping temperature checked by immersion pyrometer- cleared by chemical lab
- Additions of nodulariser & inoculant done- by chemical lab.
- First box pouring temperature checked in every ladle.
- Count down timer set at 540 sec used to avoid fading & low temp.
- Micro coupon poured on last box checked for nodularity for the heat.
- Chill depth checked for grey iron for machinability.
- Mould filling time checked

Mixed sand

- Properties checked every hour: Green compressive strength, gss, compactability, moisture, permeability.
- Properties checked every shift: Loss on ignition, active clay, total clay, dead clay.
- Additional checks are carried out when item being produced is changed.

On mould

- Mould hardness on C-scale is checked every hour (run chart maintained) and for the first mould every item.
- Set up sample verification is done for first mould of every item for the day.
- Core setting checking gauges are used for every mould.

Core making

- Resin additions are audit checked.
- Scratch hardness testing is done on initial run.
- Viscosity of core wash is checked.
- Gauging of cores wherever required is performed.
- Visual inspection of all cores

Final product validation

- There is a defined inspection plan for every item
- Annual layout inspection plan is made & followed
- Hardness checking done for 100% of critical components of pearlitic - ferritic grade nodular iron.
- Dock audit done for every product at least once in a month.
- Non destructive testing is also performed:
- Crack detection using permanent yoke magnet.
- Ultrasonic checking for detection of sub-surface defects

Troubleshooting & Problem Solving

In order to effectively deal with problems, Nelcast uses an approach that involves a Cross-Functional Team comprising members from Quality, Development & Production

Inputs

Raw material for Molten Metal

The most predominant raw materials are metal steel scrap, cast iron scrap, pig iron and Ferroalloys.

A majority of Steel Scrap is sourced at prevailing market prices from vendors based in Chennai, Hyderabad and Bangalore, against periodical requirement schedules. Some of the scrap in the form of metal cuttings and shavings, is obtained directly from manufacturing units in Andhra Pradesh and Tamilnadu.

Process material

For the preparation of moulds and cores which are essential for manufacturing process, material like Sand, Sodium Silicate, Coal dust, Bentonite, mould coats, adhesives like araldite, foundry fluxes Co2 Gas, Amine Gas, Resins and other chemicals are required. River and Silica Sand are sourced locally and Bentonite from Gujarat. Sand carburizers are sourced from northern India. Steel Shots for finishing of cast components are sourced indigenously and at times imported depending on price factors.

The Inoculants for manufacturing SG Iron is sourced from suppliers in Pondicherry and other parts of India. Depending on price factors they are also imported.

Most of the raw materials for melting are available locally.

The details of supplier contribution is given here under:

FY Ended	30 Sep, 2006	31 March 2006	31 March 2005	31 March 2004
Top 3 (%)	32	32	40	36
Top 5 (%)	41	43	53	46
Top 10 (%)	55	53	67	62

All percentages are rounded off to the nearest percentage point.

Consumables

The consumables like ladle and furnace linings, filters, sleeves, physical and chemical lab consumables, coolant oils, drill bits, abrasives and blades, fettling consumables like wedges and hammers, paint shops consumables like thinners and brushes, belts, hoses and cotton wastes are all available in close proximity to the manufacturing units in and around Chennai either from direct manufacturers or through their authorized selling agents.

Equipment

The Company's Critical manufacturing machines like furnaces, ladles, lifts and hoists, moulding machines, core making machines, CNC lathes are sourced from reputed manufacturers in India. Large capacity machines like the Automatic moulding line core making equipments is sourced from Germany. The quality control equipments are sourced from Germany and Switzerland. The made to design plants like sand mixers, electricals, conveyor systems are erected through known contractors in India.

Power

Most of the requirements of the Company is met from power drawn from the Grid at 33KV from the Andhra Pradesh and Tamil Nadu Electricity Boards. The Company uses Diesel Generator Sets at both the factories when required, in emergency. The Company also has installed two wind energy generators at Kavalkinaru, Thirunelveli district, Tamil Nadu which meet a small portion of the power requirements. The Company has efficient electricity transmission systems and is enjoying incentives from the electricity board for efficient use of power.

Unit wise details of the sanctioned load, captive power generation and stand by arrangement is given as under

Unit	Sanctioned load	Captive generation	Stand by arrangement
Gudur	7490 KVA	--	1985 KVA (DG Set)
Ponneri	9460 KVA	820 KW from Wind Energy Generators	1817.50 KVA (DG Set)

Water

The manufacturing process does not involve large quantities of water. The water requirements are met by ground water sources and also from external sources.

Human Resources

One of the greatest strengths of Nelcast is its human resources. The Company follows a policy of participative management at all levels which is the reason why the Company has not lost even one day of production due to labour unrest in all its 21 years of operations. The Company is lead by a professional team at levels right from the Board to the shop floor.

No. of Employees Break up unit wise

Location	Staff	Workmen (Company)	Workmen (Contract)	TOTAL
Gudur (Unit-I)	121	219	47	387
Ponneri (Unit-II)	292	219	80	591
Corporate office	42	--	--	42
TOTAL	455	438	127	1,020

Recruitment policy

The Company's aim is to attract the best available talent and effectively deploy the resources to meet the business requirements. The recruitment sources targeted by the Company include a mix of campus recruitments, referenced applications and recruitment through advertisements and placement agencies.

Training & Development

The Company organizes regular training of employees for upgrading technical and interpersonal skills. All new recruits are inducted through a structured training programme involving technical training by a qualified HR Team and technical team in soft skills. Executive development courses are held for staff with supervisory responsibilities. Managerial employees undergo training for management, development and project management skills. Senior managers are also sponsored for advanced management development programmes in leading training institutions in India.

Employee Evaluation

The Company utilize the employee evaluation as a tool for managing performance planning and motivating, evaluating and enhancing the performance of the employees to achieve the goals. Performance management seeks to establish and maintain an environment that supports the business processes and ensures that employee performance is evaluated against the achievement of objectives aligned to the goals.

Employee Retention and care

The Company endeavours to provide the employees with a challenging work environment aimed at developing their individual potential and providing multiple opportunities for growth and fulfillment.

Property

We have two plants located at Gudur and Ponneri respectively. The built up area of the plant at Gudur is 9873 Square Metres spread over a land area of 9.32 acres while the the plant at Ponneri has a built up area of 10089.92 square metres and is spread over a land area admeasuring 30.69 acres. The building for the corporate office located in Chennai has been taken on lease.

Details of Plant & Machinery

Equipment – Ponneri Unit

Process / Equipment	Description	Nos.
Melting	5 MT capacity, 2500 KW furnace	1
	3 MT capacity, 3000 KW Dual rack furnaces	2
Innoculant treatment	Pouring and Treatment ladles	19
Moulding	Fully Automatic High Pressure Moulding Line from Kunkel Wagner Germany, with computerized control systems; 240 Kg/sq. cm pressure with a capacity of making 110 Moulds per hour	1
	Jolt Squeeze Moulding Lines	1 + 1
	Kunkel Wagner Sand Plant 100 MT/hr with knock out and recycling	1
	Conventional Line sand plant 30 MT/hr with knock out and recycling facility	1
Core Making	Core sand mixers 250-500 kg	13
	Cold Box Core shooters 40 litre capacity	2
	Cold Box Core shooters 50 litre capacity	3
	Sand dryers - 3 MT/hr capacity	2
	Core drying oven	2
Support Equipment	Hoists - Material handling	25
	Weigh Bridges	1
	DG Sets giving a total power of 1817.50 KVA	4
	EOT Cranes - 5- 10 MT capacity	13
Air Pollution Control Equipment	Wet Scrubber	1
	Fume Exhaust system	2
Finishing	Shot Blasting Machines – 1 MT capacity	3
	Shot Blasting Machines – 0.5 MT capacity	3
	Paint Booths	2
Machine Shop	Lathes - Conventional for machining	11
	Grinding Machines - For surface finishing	1
	CNC Machines	7
	CNC Vertical machining Centres	4
	Special Purpose Machines - Milling	8
	Special Purpose Machines - Radial Drills	12
	Special Purpose Machines - Balancing machine	1
Quality	Spectrometer	1
	Ultrasonic Equipment - For crack detection	1
	Microscopes	2
	Hardness Testers	2

Equipment – Gudur Unit

Process / Equipment	Description	Nos
Melting Furnaces	Dual rack 3 MT capacity, 3000 KW furnace	1
	1.2 MT capacity, 1000 KW furnace	1
	1.5 MT capacity, 1300 KW furnaces	2
Innoculant treatment	Pouring and Treatment ladles	12
Moulding	Jolt Squeeze Moulding Lines	
	ARPA 300 line	1
	ARPA 450 line	3
	ARPA 900 line	1
	40 Ton CML sand plant with knock out and recycling facility	1
	60 Ton CML sand plant with knock out and recycling facility	1
Core Making	Core Sand Mixers 250 Kg Range	6
	Cold Box Core shooters - 50 litre capacity	4
	Sand dryers – 3 MT/hour capacity	1
	Core drying oven	1
Support Equipments	Hoists - Material handling	21
	Weigh Bridges - Weighing	1
	DG Sets giving a total power of 1985 KVA	4
	EOT Cranes - 5- 10 MT capacity	3
Air Pollution Control Equipments	Wet Scrubber	3
	Fume extraction system	4
	Dust collector bags	4
Finishing	Shot Blasting Machines – 1 Ton capacity	3
	Shot Blasting Machines – 500 kg capacity	2
	Shot Blasting Machines – 250 kg capacity	2
Machine Shop	Lathes - Conventional for machining	12
	Grinding Machines - For surface finishing	1
	CNC machines	2
	Vertical machining Centers - CNC	1
	Balancing machine	1
	Milling Machines – Conventional Milling	10
Quality	Spectrometer	1
	Ultrasonic Equipment - For crack detection	1
	Microscopes	1
	Hardness Testers	5

Insurance

S.No.	Class of insurance and Policy No.	Description of the asset	Sum insured (Rs.)	Period	
				From	To
1.	Workmen Compensation policy for Ponneri Workmen	Employees	As per Workmen Compensation Act	05.10.2006	04.10.2007
2.	Group Gratuity Cash Accumulation of LIC Master Policy No.GGCA 40317 for the employees of the plant in Gudur.	Employees	40,66,433	01.04.2006	31.03.2007
3.	Standard Fire and Special Perils Policy from the New India Assurance Company Limited Policy No. 621100/11/06/11/00000221	The stocks located in the plant at Gudur, consisting of Paints, Lubricants, Red Oxide etc.,	40,00,000	19.07.2006	18.07.2007
4.	Standard Fire and Special Perils Policy from the New India Assurance Company Limited Policy No. 621100/11/05/00370	Building, Plant, machinery and accessories, located in the plant at Gudur	24,00,00,000	30.12.2005	29.12.2006
5.	Standard Fire and Special Perils Policy from Royal Sundaram Alliance Insurance Company Limited Policy No. FM00035797000100	Building, Plant, Machinery, Accessories, Furniture, Fixtures and Fittings located in the plant at Ponneri.	60,55,56,574	22.04.2006	21.04.2007
6.	Standard Fire and Special Perils Policy from Royal Sundaram Alliance Insurance Company Limited Policy No. FM00035800000100	Stocks of consumables including lubricants, production consumables etc., in the plant at Ponneri.	1,60,00,000	22.04.2006	21.04.2007
7.	Machinery break down Insurance from the New India Assurance Company Limited Policy No. 712900/44/06/51/30000013	Two Aban Kentech Windmill Turbo Generators located in Kavalkinaru	3,05,00,000	03.07.2006	02.07.2007
8.	Standard Fire and Special Perils Policy from the New India Assurance Company Limited Policy No. 712900/11/06/11/00000103	Building, plant, machinery, accessories (two windmills) at Kavalkinaru	3,10,00,000	13.05.2006	12.05.2007
9.	Private Car Package Policy of Royal Sundaram Alliance Insurance Company Limited Policy No. XP00018284000100	Toyota Qualis of the Company	3,75,000	27.06.2006	26.06.2007
10.	Personal Accident Policy from the New India Assurance Company Limited	For the employees of the Company	As per Individual limits	23.11.2006	22.11.2007

Support Service Providers

A large number of Heat Treatment, Fetting and Machining service providers are available in the highly industrialized northern part of Chennai and in the Industrial Estate of Gudur cater to the needs of the Company. The Company utilizes their services subject to inspection and regular quality clearance.

Safety, Health and Environmental Measures

Safety

Safety measures and safety training are provided at the plants to mitigate potential hazards. Training on safety is imparted to employees at the time of joining. The Company also conducts refresher courses at regular intervals. Audits on safety measures are also undertaken at defined intervals by competent persons as approved by the Department of Factories.

Health

Welfare and medical facilities are also being provided to the workers. The Company is having an occupation health center with qualified doctor with qualified medical staff. Pro active medical checkups of the employees and of the citizens of the neighbouring villages are carried out at regular intervals.

Environment

Nelcast is economizing the use of resources and minimizing wastage in order that the environment is protected and pollution is limited. Flameless Induction furnaces and dust collectors inside the factory are used to control particulate air pollution. Adequate green belts covering has been provided around the factory. Solid waste is mostly inert and is not of significant quantity. Water is required only for limited purpose of the workers consumption and sanitary needs.

Marketing Arrangements / Tie Up

The Company has been in mainstream casting market since inception. The castings are highly specific components in automotive manufacturing with little scope of interchangeability or substitution. It can neither be substituted by any other item nor it can be manufactured by any another supplier in the market, because each casting is produced according to the specific requirement of the customers, which is taken care of in the designs supplied by them. Hence, the marketing strategy is customer centric.

The Company has a full - fledged marketing team, comprising 18 personnel, operating from the Corporate Office at Chennai with coordinators at each of the plants and also at the premises of each of its customers. The entire customer base is divided amongst the Managers; on a geographical basis The manager is supported by a team of technical personnel and staff members from the factories, who then together coordinate with the customers to assess their requirements.

The Company's strategy is poised towards maintaining a mutually fruitful relationship with its customers by continuous servicing and product refinement. The schedules, design modifications, quality and grade modifications of the castings, as desired by the customers, are looked with utmost care. Periodical supply schedules and pricing revisions are obtained from the customers according to the market demand and costs. Timely adherence and effective redressal of customer grievances has enabled us to maintain a cordial relationship with all our customers.

Swot Analysis

Strengths

Market

- Long presence in the market
- Wide range of products / markets / sectors
- Economies of scale translating to competitive prices
- Machining facilities to deliver ready to use components
- Presence in USA through Subsidiary
- Gained recognition as supplier to Multinational Automotive Companies.

Technology & Innovation

- TS16949 Certification
- Expertise in SG Iron Castings

- Inhouse physical and chemical labs and standardized quality procedures
- Computerized design and development; tools production
- Latest moulding and core making technology
- Automatic Moulding line
- Versatile product range - products from 0.5 kg to 250 kgs
- Well equipped machine shop with CNC machines.
- High capacity for SGI and Grey Iron

Inputs Availability

- Raw material like scrap, pig iron and sand are commoditized and freely available
- Major scrap markets are concentrated around Chennai, Hyderabad and Bangalore which are easily accessible.
- Power provided by the grid instead of inhouse production

Locational

- Location is suited ideally since Chennai is major hub for the Auto industry and port.

Skills

- Retention of skilled expertise.
- Professional management from the Board level to the shop floor level.

Weaknesses

Markets

- Customer design changes - implementation lead time is more
- Existing capacity is less than demand.
- Brand reach is limited due to supply to Original Equipment Manufacturer

Technology

- Higher degree of automation required
- Development time and sunk costs are high for developing new products for customers
- Internal rejections are more due to process deviations.
- Breakdown recovery time for imported machinery interfering with production.

Skills

- Concentration on heavy castings leads to long learning curve for new products particularly smaller castings.
- Shortage of well qualified staff resulting from competition by IT / IES

Financial

- The promoters being first generation entrepreneurs and lack of other group business, influx of funds for long term projects is limited.

Opportunities

Market

- Commercial Vehicle industry is growing fast, spurred by a resurgent, consumption oriented economy, new roads and increasing road freight.
- Tractor Industry is on the upswing with growing emphasis on agriculture
- Export Opportunity due to outsourcing by developed countries

Technology

- SG Iron castings gaining more acceptance
- Newer processes evolving to make SG Iron share properties of steel.

Others

- Government policy supportive, promoting infrastructure and private enterprise, assuring liquidity and stable interest rates

- Good quality power availability.
- Government deregulation is promoting use of foreign technology
- General Economic Growth

Threats**Markets**

- HCV and tractor markets are cyclical in nature
- Pricing is closely guarded since customer relationships are long term.
- Competition is also going for expansions. New units are emerging
- Chinese competition in Export markets.
- High demands from local market is limiting exports

Inputs availability

- Scrap markets are subject to price fluctuations.
- Power cost is dependant on government policy.

Quality

- Quality Control on outsourced activities need to be strengthened

Business Strategy

The Company sees a major opportunity in the growing automotive market, comprising both vehicles and auto components, resulting in incremental usage of SG Iron Castings which is a core strength of the Company. There is also an increasing export opportunity as a large number of multinationals are turning to the Asian region due to the cost and environmental concerns in their own countries. The projections for the general Indian economic growth and the government policy on the automotive industry is set to propel this Industry in the near future. The renewed emphasis by Government of India on Agriculture and easy credit for farmers are pushing up the demand for Tractors.

The Company needs to capitalize on the opportunity and aggressively pursue expansion to cater to the growing demand. The Company already has the basic infrastructure in terms of space and the requisite expertise built over the past 21 years. The Company has been continuously expanding and upgrading its products and technology during the past. Executing its expansion plans would not be a problem for the Company even with the existing manpower. The Company has been keeping track of the technological upgradation continuously taking place in the global foundry industry, to cope with intense internal competition and the environmental improvements sought by Governments/ society. The Company aims to continuously upgrade its manufacturing techniques and technology to meet these growing demands and plans to undertake more measures, to meet requirements of closer tolerances, better finish and reduced rejections by customers. The Company plans to expand its existing customer base, improve cost effectiveness, achieve higher operational efficiency and move up the value chain in order to further improve margins, provide value addition to customers, enhance the quality of castings and to exploit export markets.

To Move up the Value Chain

Apart from expanding capacity for castings, the Company's thrust will be making value added components vis-a-vis rough Castings. As of now the Company makes a small percentage of its output as components ready for use, but this proportion needs to be rapidly increased, since the added revenue due to machining and finishing exceeds the incremental cost by a proportion more than the existing margin for castings. The raw casting when machined becomes a ready to use components and be further into sub-assemblies. This not only leads to giving value addition to retain customers but also is a margin accretive business, since the realization on machined products is much higher than the incremental cost associated with it. Currently nearly 10% of total production is machined, and the Company expects the same to be in the range of 20-25% by FY09.

Furthermore the manufacturers in the Auto Industry are asking for Just In Time assembly and are also inclined to distribute most of the sub assembly jobs to reliable Tier I suppliers. This would present an opportunity for the Company and doing these activities inhouse would give better quality and economies of

scale. The long standing relationships of the Company with many of the leading Auto manufacturing Companies, would enable it to garner a share in the market for value added components and sub assemblies. Further the Company is expected to have better brand promotion if it evolves into a supplier of components and sub assemblies. The Company plans to upgrade the machine shop inducting trained personnel and state of art machines to effectively meet the demands of the industry.

To Widen Product Range

To reduce excessive dependence on the HCV industry, which is subject to cyclical trends, although less marked in the last few years, the Company needs to diversify and widen its product range towards small castings also to cater to more applications like passenger cars and Light Commercial Vehicles. The Company is already supplying a sizeable portion of castings to the Tractor industry. However further widening of the product base would provide better market presence. For developing a product line the cost and time involved is considerable, hence a dedicated team of personnel and resources needs to be apportioned towards this effort.

To Increase Exports

The Company ultimately would like to be the Preferred Full Service Supplier to OEMs Across the Globe. The Company has already established a presence in the US Market through its subsidiary and has begun supplies to Volvo Sweden through its Tier I supplier Arvin Meritor. The trend needs to be further improved and by 2010 a share of 30% of Exports in the sale is to be aimed. Since the transportation costs and reputational stake involved is high for exports, stringent quality Control needs to be ensured.

To Gain Quality And Environmental Certifications

Further Quality Certifications and environmental certifications like ISO 14001 of international recognition needs to be strived for by the Company.

Improving On R& D

Today our R&D center is equipped with design and analysis capabilities around structural, thermal, vibration & hardness analysis. We are continuously engaged in research and development activities in close association with our customers and have plans to invest in various testing and validation equipments which we will finance out of our internal accruals generated over the next few years. Our teams have started working with both Indian and Global OEMs.. The Company plans to utilize dimensional accuracy provided by modern design and development methods, since correcting quality at the development stage is much easier and cost effective also. We plan to needs to be thoroughly modernized The Development phase using:

The utilization of Magnasoft software for better simulation of complex castings.
Mandatory use of CAD, CAM facilities for pattern and tool making.
The installation of Rapid prototyping and Image Analysing systems.

This would result in components that would satisfy the expectations of the growing Automobile industry.

Better Cost Control And Improved Manufacturing Technology

The existing plant material movement needs to be thoroughly automated by extensively using automatic conveyor belts for movement between processes and of the raw material. The moulding line needs to be further automated by installing an additional Automatic Moulding lines. This would result in faster production cycles as well as higher dimensional accuracy. More core shooters are to be added to remove bottlenecks in manufacturing cores.

Integration Of Multi Disciplinary Operations

Although most of the operations of the Company are computerized on a stand alone basis there is weakness in the integration of the various computerized processes. The integration of multi disciplinary operations need to be carried out at the virtual level by implementing uniform and scalable solutions. Real time

information flow needs to be facilitated for fast and accurate decision making. Further efforts need to be made towards involving business associates and partners in the information flow chain.

REGULATIONS AND POLICIES

Apart from the regulations applicable to all industries, there are no special industry – specific regulations applicable to the company.

HISTORY AND CERTAIN CORPORATE MATTERS

Overview

Our Company was incorporated on 7 June, 1982 as Nelcast Private Limited at Nellore, AP under the Companies Act, 1956 vide Registration No. 01-3518. Subsequently, it was converted into a public limited company and the name was changed to Nelcast Limited on 20 September, 1995. The Registered Office of the Company which was originally located at 24/398, Dargamitta, Nellore, was shifted to the present location at 34, Industrial Estate, Gudur 524 101 on 12 July, 1994. We also have a corporate office in Tamil Nadu located at 159, TTK Road, Alwarpet, Chennai.

Promoted by Mr.P.Radhakrishna Reddy, Nelcast is engaged in the manufacture of castings that find application in the Automobile sector such as engine, transmission, suspension, axle, brake, steering, housings etc., farm equipment industry, railways and pipe fitting industries.

The first unit set up in Gudur, AP, with an installed capacity of 1200 MT p a for manufacturing ductile iron parts, commenced commercial production in the year 1985, to serve as an ancillary unit to meet the requirements of Ashok Leyland Ltd. Subsequently, it started to cater to the requirements of farm equipment manufacturers and other heavy commercial vehicle manufacturers like Tata Motors, Mahindra & Mahindra, Tata Cummins, Tafe, to name a few. In less than a decade, the unit was awarded ISO 9002-1994 / EN ISO 9002-1994 Quality certification by the Indian Register Quality Systems, which was valid from 23 August, 1995 to 11 September, 2001

In the year 1996, a new manufacturing unit was established in Ponneri, Tamil Nadu with an installed capacity of 12,000 MT p a, for the manufacture of Grey Iron and Ductile Iron parts, wherein the state-of-the-art machine shop, consisting of CNC and special purpose machines, and the Kunkel Wagner Moulding line were installed. Both the units have a distinct locational advantage of having proximity to the Chennai Port and also being well connected by both the railways and roadways.

In the year 2001, the units were awarded the QS 9000:1998 Quality certification by Underwriters Laboratories Inc., Melville, New York, USA for motor vehicle parts and accessories, which was valid from 10 January, 2001 till 10 January, 2006 and then again ISO/TS 16949:2002 Quality certification for grey and ductile iron foundries, in the year 2005, valid till date. In the year 2003 a subsidiary Nelcast USA Inc. was set up in the USA for managing the marketing, customer care service and coordinating with the overseas clients of Nelcast, particularly those located in the US.

After witnessing three consecutive years of growth by over 50% in turnover (2003, 2004 and 2005), the year 2006 saw the Company's turnover cross Rs.25,000 lakhs and winning the Best Vendor Award from Tafe Limited and also the Outstanding Supplier Award from Eicher Motors Limited.

Today, the combined manufacturing capacity of both the manufacturing units stands at 72,000 MT p a, geared to reach 1,02,000 MT p a by the end of the current financial year. Apart from servicing the domestic requirement, the Company is also exporting to USA, Europe and Australia.

Milestones

Year	Event
1985	First unit in Gudur - Commenced Commercial production. Supply to HCV manufacturers.
1990	Started supply to farm equipment manufacturers.
1994	ISO 9002 Quality Certification awarded to the unit at Gudur, valid till the September, 2001.
1995	Exports to US commenced.
1996	New Unit in Ponneri Started Commercial production.
1997	Turnover crossed Rs.5000 lakhs.
2000	State of art machine shop consisting of CNC machines and special purpose machines commissioned at the plant at Ponneri.
2001	- State of the art Kunkel Wagner Moulding Line, installed at the Ponneri Unit. - Exports to Australia commenced. - QS 9000 Quality certification received for both the units, valid till January, 2006.

2003	- Wholly Owned Subsidiary Nelcast USA Inc., incorporated in USA - Turnover crossed Rs.10,000 lakhs.
2004	Exports to Europe commenced
2005	- Turnover crossed Rs.20,000 lakhs. - TS 16949 Quality certification received. - Third consecutive year of growth in turnover by 50%.
2006	- Turnover crossed Rs.25,000 lakhs. - Exports cross USD 5 Million. - Awarded the best vendor award by Tafe limited and outstanding supplier by Eicher Motors Limited.

Main Objects of the Company

The main objects contained in our Memorandum of Association are:

- To carry on all or any of the business of designing, manufacturing, developing, improving, hiring, repairing, buying, selling dealing in forgings and castings of ferrous and non-ferrous materials and in any weight for any industry whatsoever, including chilled and malleable castings, Ductile Iron, castings; gunmetal castings, steel castings, gunmetal, copper, brass and aluminium castings and foundry work.
- To carry on the business of iron-founders, mechanical engineers manufacturers of machinery and implements, tool makers, brass-founders, metal workers, boiler-workers, mill-wrights, iron and steel converters, smiths, wood workers, pattern-makers, builders, painters, metallurgists, electrical engineers, water-work engineers.
- To carry on business as manufacturers and makers of and dealers in metal, enamel, aluminium, alloys, and any other products, substances, articles and things and to carry on and conduct workshop and foundries of iron, brass and other metals.
- To undertake heat treatment of all varieties of steel.

The main objects clause, the objects incidental or ancillary to the main objects of our Memorandum of Association enable us to undertake our existing activities and the activities for which the funds are being raised through this Issue.

Since incorporation of the Company, the following changes have been made to the authorised capital:

Increase in authorised capital	Date of Amendment
Increase from Rs.20 lakhs to Rs.25 lakhs	2 May, 1983
Increase from Rs.25 lakhs to Rs.50 lakhs	25 January, 1985
Increase from Rs.50 lakhs to Rs.5 crores	25 September, 1992
Increase from Rs.5 crores to Rs.15 crores	26 July, 2000
Increase from Rs.15 crores to Rs.25 crores	21 November, 2006

Apart from the above-mentioned alterations in the authorised capital of the Company, the following alterations have been made in the Memorandum of Association

Amendment	Date of Shareholders Resolution
Change in the name of the Company from Nelcast Private Limited to Nelcast Limited pursuant to conversion of our Company from Private Limited Company to Public Limited Company	22 July, 1995
Sub-division of Equity Shares of face value of Rs.100/ each into Equity Shares of face value of Rs.10/-each	25 September, 1992



Subsidiary Company**Nelcast Inc., USA**

Nelcast Inc., was incorporated on 15 January, 2003 at Illinois, USA for managing the marketing, customer care service and coordinating with the overseas clients of Nelcast, particularly those located in the United States. Mr.P.Radhakrishna Reddy and Mr John Siepman are Directors of Nelcast Inc.

For financial information on Nelcast Inc. please refer to page [●] in the section “Financial Information”

Shareholding Pattern

Nelcast Inc., is a 100% wholly owned subsidiary of Nelcast.

Shareholders Agreements

There are no shareholders agreements entered into by the Company with any of its shareholders.

Strategic Partners

We have not entered into any strategic partners’ agreement.

Financial Partners

We have not entered into any financial partners’ agreements.

OUR MANAGEMENT

Board of Directors

As per our Articles of Association we cannot have less than 3 Directors or more than 12 Directors. Presently we have 7 Directors managing the day-to-day affairs of our Company under the overall supervision and control of Mr.J.Joseph Managing Director in coordination with Mr.P.Vijaya Bhaskar Reddy, Deputy Managing Director

The following table sets forth current details regarding our Board of Directors:

Name, Designation, Fathers name, Address, Occupation and Term	Nationality	Age	Other Directorship
Mr.R.V.Ramani Chairman – Non-Executive (Independent Director) S/o K.Ramanathan 45, Kalakshetra Road, Chennai – 41 Occupation :-Business Term:- Liable to retire by rotation	Indian	83	• Asian Peroxides Limited • Mount Mettur Pharmaceuticals Limited • Nelcast Energy Corporation Limited • Trichy Distilleries & Chemicals Ltd • Tuticorin Alkali Chemicals & Fertilizers Limited • Seshasayee Brothers Private Limited • PSI Engineering Systems Pvt Ltd • Chemasia Industries Limited
Mr.P.Radhakrishna Reddy Deputy Chairman - Non-Executive (Promoter Director) S/o.Mr.Penchala Reddy 54, Kasturirangan Road, Alwarpet, Chennai – 600018 Occupation :- Business Term :- Liable to retire by rotation	Indian	52	• Nelcast USA Inc., • Nelcast Energy Corporation Limited • Ponnas Infrastructure Private Ltd
Mr.J.Joseph Managing Director S/o Mr.P.V.Joseph No.9, 10 th Cross Street, Shastri Nagar, Chennai Occupation :-Employed Term:- For a period of five years from 8 May, 2005 to 7 May, 2010	Indian	76	Nil
Mr.P.Vijaya Bhaskar Reddy Deputy.Managing Director S/o Late Mr.P.Chandra Shekar Reddy 21,Seethammal Colony III-Main Road, Alwarpet, Chennai – 600018 Occupation: Employed Term :- For a period of five years from 31 March, 2003 to 31 March, 2008	Indian	51	Nelcast Energy Corporation Limited
Mr.T.R.Prasad Non-Executive Independent Director S/o Late Mr.T.V.Subbiah 18, Ocean View Layout, Beach Road,Visakapatnam-530003 Occupation :-Businessman	Indian	65	• TVS Motor Company Limited • Suven Life Sciences Limited • Taj GVK Hotels & Resorts Limited



Term :- Liable to retire by Rotation			GMR Infrastructure Limited
Mr.R.Mohan Reddy Non-Executive Independent Director S/o Mr.R.Sai Reddy No.247, Kalyan Nagar, Behind Vengal Rao Nagar, Hyderabad – 500 038 Occupation :- Businessman Term :- Liable to retire by Rotation	Indian	67	Lokesh Machines Limited
Mr.D.Sesha Reddy Non-Executive Independent Director S/o Chenchu Rami Reddy 18,Bishop Wallers Road, CIT Colony, Chennai- 600004 Occupation :-Industrialist Term :- Liable to retire by Rotation	Indian	64	Dodla Dairy Products Limited

Brief profile of the Directors

- Mr.R.V.Ramani aged 83 years is the Non-Executive Independent Chairman of the Company. He is a Post Graduate in M.A, M.Sc (Engg) and M.Sc. (Chemical Engineering) A Padma Bhushan Awardee, he has been associated with Nelcast Limited, since 1984 and is the Chairman of the Board.
- Mr.P.Radhakrishna Reddy is the Promoter Cum Deputy Chairman of the Company. His profile is mentioned under the head 'Our Promoters'. Please refer to page no [●] of this DRHP for further Details
- Mr.J.Joseph aged 76 years is a Science Graduate and is the Managing Director of the Company. In a career spanning over five decades in senior management, he has been the Deputy Managing Director of Ashok Leyland Ltd., and Finance Director of India Oil Corporation. He has also served the Central Government in various capacities. He was Director-in-charge of Ennore Foundries Ltd. before joining Nelcast Ltd.
- Mr.P.Vijaya Bhaskar Reddy aged 51 years is the Deputy Managing Director of the Company. He is a graduate in Law and a Member of the Institute of Chartered Accountants of India. He has been with the Company since inception and has grown in the ranks to become Deputy Managing Director. Previously he was employed with M/s Pennar Steels Limited as Accounts Officer. He has around 26 years of experience in finance and accounts and also in business management.
- Mr.T.R.Prasad aged 65 years is a Non-Executive Independent Director of the Company. He is a postgraduate in Physics and also a Fellow of Institute of Engineers of India. He joined the Indian Administration Service in 1963, eventually rose to occupy the highest civilian post i.e., Cabinet Secretary Government of India on 1 November, 2000. He is presently a corporate analyst. After retirement from the Indian Administrative Service he served as Member, 12th Finance Commission (in the rank of Minister of State, Government of India) till 31 December 2004. Prior to his appointment as Cabinet Secretary, he held the following posts under Government of India
 - Defence Secretary, Government of India,
 - Secretary, Industrial Policy and Promotion, Ministry of Industry
 - Chairman, Foreign Investment Promotion Board
 - Secretary, Heavy Industry
 - Chairman Maruti Udyog Ltd.

Presently he is on the Board of TVS Motor Company Limited, Suven Life Sciences Limited, Taj GVK Hotels & Resorts Limited and GMR Infrastructure Limited

- Mr.R.Mohan Reddy aged 67 years is a Non-Executive Independent Director of the Company. He graduated in Engineering and has completed his Masters in Business Management from Osmania



University. He was a General Manager in Andhra Pradesh Industrial Development Corporation in charge of project appraisals, revival of sick units, monitoring assisted units etc., He was also the Managing Director of Hyderabad Allwyn Limited. Apart from Nelcast Limited, he is also a Director of Lokesh Machines Limited.

- Mr.D.Sesha Reddy aged 64 years, is a Non-Executive Independent Director of the Company. An arts graduate and one of the leading industrialists in Nellore, Mr.Sesha Reddy is on the Board of Nelcast since its inception. He is and presently he is also on the Board of Dodla Diary Products Limited.

Borrowing Powers of the Board

The shareholders of the Company pursuant to the provisions of section 293(1)(d) of the Companies Act, 1956, at the EGM held on 21 November, 2006 authorised the Board of Directors to borrow a maximum of Rs.100 Crores. The section titled Main provisions of the Articles of Association on page no [●] in this DRHP sets out the borrowing powers of the Directors of the Company.

Details of appointment of the Managing Directors/Whole Time Directors and the compensation payable

Mr.J.Joseph, Managing Director

Mr.J.Joseph was appointed as Managing Director of the Company at the AGM held on 4 June, 2005 for a period of five years with effect from 8 May, 2005. The appointment was made pursuant to the provisions of sections 198, 269, 309, 316 of the Companies Act, 1956 read with the provisions of parts I, II & III of Schedule XIII of the Companies Act, 1956.

Remuneration

Subject to the maximum limits prescribed under Schedule XIII of the Companies Act, 1956, the remuneration shall be payable, as may be determined from time to time by the Board of Directors.

The Board of Directors in their Meeting held on 15 May, 2006 fixed the remuneration payable to Mr.J.Joseph, by way of Commission of 5% of the profits of the Company for each financial year from 2005-06 onwards calculated in accordance with the provisions of sections 198 and 349 of the Companies Act, 1956.

Perquisites

Rent Free accommodation/leased/rented by the Company, telephone at residence, car with driver and such other facilities, as may be determined by the Board of Directors subject to Schedule XIII of the Companies Act, 1956.

Terms and conditions

In case the Company has no or inadequate profits, the remuneration shall be payable subject to the limits in Schedule XIII - Part II - Section II of the Companies Act, 1956

Mr.P.Vijaya Bhaskar Reddy, Deputy Managing Director

Mr.P.Vijaya Bhaskar Reddy was reappointed as Deputy Managing Director of the Company at the AGM held on 6 September, 2003 for a period of five years with effect from 31 March, 2003. The appointment was made pursuant to the provisions of sections 198, 269, 309, 316 of the Companies Act, 1956 read with the provisions of parts I, II & III of Schedule XIII of the Companies Act, 1956.

Remuneration

For the financial year ended 31st March 2006 his total drawings as remuneration was Rs.20,26,136/-. The details of his remuneration components and terms of appointment are as follows

Salary	Rs 43,000 - 75,000 p.m. (Rupees forty-three thousand to Rupees seventy five thousand per month)
Perquisites	Rent Free accommodation/Leased/Rented by the Company or Housing allowance in lieu thereof subject to a maximum of 50% of consolidated salary
	Contribution to Provident Fund/superannuation Fund and Gratuity as per rules of the Company
	Medical reimbursement and leave travel concession for self & family as per rules of the company
	Perquisites like gas, electricity, water, furnishing including club membership
	Telephone at residence
Commission	1% of the Net Profit as per Section 309(5) of the Companies Act, 1956
Terms and Conditions	The appointment is being made for a period of five years from 31 March 2003 to 31 March 2008. In the case of Company has no or inadequate profits, the remuneration shall be payable subject to the limits in Schedule XIII Part II Section II of the Companies Act, 1956

Corporate Governance

Our Company stands committed to good Corporate Governance practices based on the principles such as accountability, transparency in dealings with our stakeholders, emphasis on communication and transparent reporting. These vital initiatives extend beyond mandatory corporate governance requirements and are in accordance with our aim of establishing voluntary best practices for good corporate governance.

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to Corporate Governance and the SEBI Guidelines in respect of Corporate Governance will be applicable to our Company at the time of seeking in-principle approval from the Stock Exchanges. Our Company undertakes to adopt the Corporate Governance code as per clause 49 of the listing agreement to be entered into with the stock exchange prior to the listing of our equity shares. We have already complied with such provisions with respect to constitution of the various Board Committees viz., the Audit Committee, Shareholders/Investor Grievance, Share Transfer Committee and Remuneration Committee.

Composition of the Board

The Board has 7 Directors of which 4 are independent in accordance with the requirements of clause 49 of the listing agreement entered into with the stock exchanges. The Chairman of the Board is a Non-Executive Independent Director. The Constitution is as follows:

Sl No	Name of the Director	Designation	Category
1	Mr.R.V.Ramani	Chairman	Non-Executive Independent Director
2	Mr.J.Joseph	Managing Director	Executive
3	Mr.T.R.Prasad	Director	Non-Executive Independent Director
4	Mr.R.Mohan Reddy	Director	Non-Executive Independent Director
5	Mr.D.Sesha Reddy	Director	Non-Executive Independent Director
6	Mr.P.Radhakrishna Reddy	Deputy Chairman	Non Executive - Promoter Director
7	Mr.P.Vijaya Bhaskar Reddy	Deputy Managing Director	Executive

Committees of the Board have been constituted in order to look into matters in respect of Audit, Remuneration and Shareholders / Investors Grievance Redressal and Share Transfers.

Audit Committee

Constitution of Committee

Sl No	Name of the Director	Designation	Category
1.	Mr.T.R.Prasad	Chairman	Non-Executive Independent Director
2.	Mr.R.Mohan Reddy	Member	Non-Executive Independent Director
3	Mr.J.Joseph	Member	Executive Director

The Company Secretary is the Secretary of the Committee.

The terms of the Audit Committee is to comply with the requirements of section 292A of the Companies Act and Clause 49 of the listing agreement to be entered into with the stock exchange(s). The Scope of Audit Committee shall include but shall not be restricted to the following

The Audit Committee can:

1. Investigate any activity within its frame work and scope of activity which can refer to finance, accounts, management strategies, internal systems and procedures, delegation of authority, etc;
2. Seek any information from any employee within its terms of reference and in connection with execution of its powers;
3. Can obtain legal or professional advices from third parties in connection with carrying out its objectives, but within the frame work of the terms of reference; and, not the least;
4. Secure the attendance of outsiders which relevant expertise, if it considers necessary for carrying out the objectives for which the Committee is formed.

Role of Audit Committee

The Audit Committee will:

- Examine, inter-alia, the entire financial reporting process;
- Examine the veracity of disclosure of financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommend to the Board, the appointment, the re-appointment and, if required, the replacement or the removal of Statutory Auditors and fixation of the Audit Fees;

- Be in charge of approval of payment to Statutory Auditors for any other services rendered by them;
- Review with the management, the annual financial statement before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;
 - Changes, if any, in accounting policies and practices and reasons for same;
 - Major accounting entries involving estimates based on the exercise of judgment by Management;
 - Significant adjustments made in the financial statements arising out of audit findings;
 - Compliance with listing and other legal requirements relating to financial statements;
 - Disclosure of any related party transactions
 - Qualifications in the draft audit report.
- Review with the management, the quarterly financial statements before submission to the Board for approval;
- Review with the management, performance of statutory and internal auditors, adequacy of internal control systems;
- Review the internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- Have discussions with internal auditors any significant findings and follow up thereon;
- Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discuss with the Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- Look into the reasons for substantial defaults in the payment of the depositors, debenture holders, shareholders and creditors;
- Review the functioning of the Whistle Blower mechanism, in case the same is existing;
- Carry out any other function as is mentioned in the terms of reference of the Audit Committee;

Review of information by Audit Committee

The Audit Committee will also review:

- the Management Discussion and Analysis of financial conditions and results of operations;
- the statement of significant related party transactions, submitted by management;
- management letters / letters of internal control weaknesses issued by the statutory auditors;
- internal audit reports to internal control weaknesses; and
- the appointment, removal and terms of remuneration of the Chief internal auditor.
- the financial statements of the subsidiary companies, in particular, the investments made by the unlisted subsidiary company.

Remuneration Committee

S. No.	Name of Director	Designation	Category
1	Mr.R.V.Ramani	Chairman	Non-Executive Independent Director
2	Mr.T.R.Prasad	Member	Non-Executive Independent Director
3	Mr.P.Radhakrishna Reddy	Member	Non-Executive Director

The Company Secretary is the Secretary of the Committee

The Committee has been formed to decide and approve the terms and conditions for appointment of executive directors and/or whole time directors and remuneration payable to other directors and other matters related thereto.

Shareholders' Grievance Committee

Sl. No.	Name of Director	Designation	Category
1	Mr.T.R.Prasad	Chairman	Non-Executive Independent Director
2	Mr.J.Joseph	Member	Executive Director
3	Mr.D.Sesha Reddy	Member	Non-Executive Independent Director

The Company Secretary is the Secretary of the Committee.

The committee has been constituted to look into the redressal of shareholders and investors' complaints like non-receipt of share certificates sent for transfer, non receipt of balance sheets, non receipt of declared dividends etc.

Share Transfer Committee

Sl. No.	Name of Director	Designation	Category
1	Mr.R.V.Ramani	Chairman	Non-Executive Independent Director
2	Mr.D.Sesha Reddy	Member	Non-Executive Independent Director
3	Mr.R.Mohan Reddy	Member	Non-Executive Independent Director

The Company Secretary is the Secretary of the Committee.

The committee approves issue of share certificates/duplicate share certificates and matters connected with the transfer of securities.

Shareholding of the Directors in our Company

Names	No. of Shares held	% of shareholding
Mr.P.Radha Krishna Reddy	50,52,300	38.71%
Mr.P.Vijaya Bhaskar Reddy	4,43,190	3.40%

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

The provisions of Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 will be applicable to our Company immediately upon the listing of its Equity Shares on the Stock Exchanges. We shall comply with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 1992 prior to listing of our Equity Shares.

Interest of Promoter and / or Directors

All the Directors of our Company may be deemed to be interested to the extent of sitting fees and/or other remuneration if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of reimbursement of expenses if any payable to them under our Articles of Association. The Managing Director/Deputy Managing Director will be interested to the extent of remuneration, if any, paid to him for services rendered by him as an officer or employee of the Company.

All our Directors may also be deemed to be interested in the Equity Shares in our Company, if any, held by them, their relatives or by the companies and firms in which they are interested as directors / members / partners or that may be subscribed for and allotted to them, out of the present Issue in terms of the DRHP and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

For further information on transactions, which our Company has entered into with companies in which our Promoter and / or Directors are interested please refer to 'Related Party Transactions' of section titled on 'Financial Information' on page no. [•] in this DRHP.

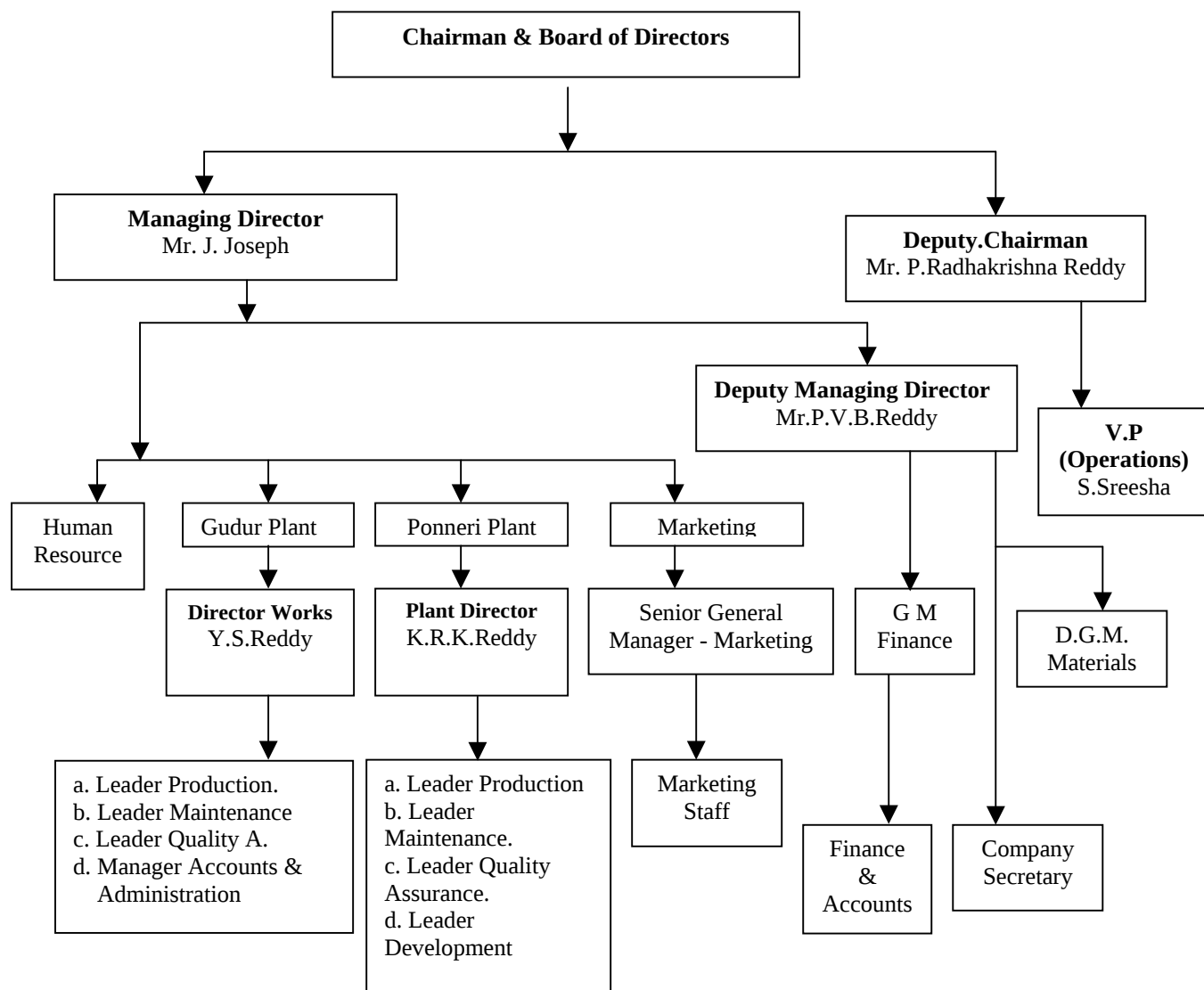
All the Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by us with any company in which they have direct /indirect interest or any partnership firm in which they are partners.

Changes in the Board of Directors during the last three years

The changes in our Board of Directors during the last three years are as follows:

Name	Change (Ceased/Appointed)	Date of Change	Reason for change
Mr.T.V.Subba Rao	Ceased	06.09.2003	Vacation of office at AGM
Mr.Vatsala Krishnakumar	Ceased	07.06.2004	Withdrawn by IDBI
Mr.Vasudevan Ramesh Babu	Appointed	07.06.2004	Nominated by IDBI
Mr.Vasudevan Ramesh Babu	Ceased	03.05.2005	Withdrawn by IDBI
Mr.Y.Sanjeeva Reddy	Ceased	07.05.2005	To Induct Independent Director
Mr.P.Radhakrishna Reddy	Change in designation	07.05.2005	Resigned as Managing Director and continues to be Director to streamline the Board
Mr.J. Joseph	Appointed	08.05.2005	To strengthen the Board
Mr.T.R.Prasad	Appointed	11.02.2006	To strengthen the Board

Organisation Chart



Key Managerial Personnel

The details of our Key Managerial Personnel are as follows.

S.No	Name	Age	Designation & Functional area	Qualification	Industry Experience (years)	Date of joining
1	Mr.J.Joseph	76	Managing Director	B.Sc., (Hons)	50	08.05.2005
2	Mr.P.Vijaya Bhaskar Reddy	51	Deputy Managing Director	B.Com, B.L, F.C.A	26	01.07.1983
3	*Mr.Y.Sanjeeva Reddy	60	Director-Works	D.M.E	33	11.05.1985
4	*Mr.K.RamaKrishna Reddy	56	Plant Director	B.Tech (IIT)	32	01.05.2003
5	Mr.V.P.Prem Kumar	50	Senior General Manager-(Marketing)	M.E	25	21.10.1998
6	Mr.P.Divakar	57	Senior General Manager-(Production)	B.Tech (Mechanical)	32	19.07.2000
7	Mr.V.Subramaniam	46	General Manager-Finance	ACA, ACS, Grad CWA.	16	11.05.2005
8	Mr.R.B.Prem Ganesh	27	Company Secretary	B.Com, B.L., ACS	4	28.09.2002

* Designated as Director but does not form part of the Board of Directors of Nelcast

Brief Details of the Key Managerial Personnel

Mr.J.Joseph - Managing Director:

For details please refer to the section titled 'Our Management' beginning on page no[●] of this DRHP

Mr.P.Vijaya Bhaskar Reddy – Deputy Managing Director

For details please refer to the section titled 'Our Management' beginning on page no[●] of this DRHP

Mr.Y.Sanjeeva Reddy - Director Works is the in charge of Gudur Plant. He has 33 years of experience in the Foundry industry. He had worked in Pioneer Alloy Castings and Ductron Castings (Owned by Ashok Leyland) before joining Nelcast. He has been with Nelcast for the past 21 years. He is a Mechanical Engineer. His Gross Annual Remuneration is Rs.16.50 lakhs p.a.

Mr.K.Ramakrishna Reddy- Plant Director is in charge of the Ponneri unit. He is a B.Tech in Metallurgy from IIT and also a post graduate in foundry technology from IIT. He has 32 years of experience in the foundry industry. He has worked in India Cements, Brakes India and TVS Autolec. He had established green field foundry plants for Nelcast Limited, Pioneer India Limited and Brakes India Limited. He has also worked as a Research scientist for NASA. He has been with Nelcast for the past seven years and was responsible for setting up the Ponneri unit. His Gross Annual CTC is Rs.16.50 lakhs p.a.

Mr.V.P.Premkumar-Senior General Manager-Marketing is a B.E in Mechanical engineering and a M.E. in production. He has around 25 years experience in the Foundry industry. He has worked in leading foundries such as Ennore foundries Limited, Brakes India Limited, Magna foundries Limited and Rane Group. He interacts with the production team for continuous enhancement of customer's schedule and also assists them in planning their production schedules. His gross annual CTC is Rs.14.20 lakhs p.a.

Mr.P.Divakar - Senior General Manager - Production has 32 years of foundry experience of which 18 years have been in production of medium and large sized SG and Grey Iron castings on high pressure moulding lines. Before Nelcast he has worked in companies such as; Bharat Earth Movers, Ashok Leyland and DCM Engineering. He is a graduate in mechanical engineering with advanced diploma in Foundry technology from National Institute of Foundry Technology, Ranchi. His gross annual CTC is Rs.8.58 lakhs p.a.

Mr.V.Subramaniam- General Manager – Finance has 20 years of experience in finance and secretarial functions. He is a Member of the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India and a graduate from the Institute of Cost and Works Accountants of India. He has



experience in raising term loans, working capital arrangements and in Direct taxes. Previously he was employed with Sundaram fasteners Limited-Autolec Division as Senior Manager Finance. His gross annual CTC is Rs.8.60 lakhs p.a.

Mr.R.B.Prem Ganesh – Company Secretary has been associated with the Company for the past 4 years. He is a Law Graduate and also a Member of Institute of Company Secretaries of India. He has been in charge for the Corporate and Secretarial Affairs. His gross annual CTC is Rs.3.41 lakhs p.a.

All the persons named above as our Key Managerial Personnel are the permanent employees of our Company. All the persons whose name appears, as Key Managerial Personnel are not employed by any of our Group Concerns. Further none of the key personnel mentioned above are related to the Promoter/Directors of the Company. None of the above has been selected pursuant to any arrangement/understanding with major shareholders/customers/suppliers.

Changes in Key Managerial Personnel during last three years

S.No	Name	Designation	Date of Change	Reasons for change
1	Mr.J.Joseph	Managing Director	08.05.2005	Appointed
2	Mr.V.Subramaniam	General Manager-Finance	11.05.2005	Appointed
3	Mr.K.Ramakrishna Reddy	Plant Director	01.05.2003	Appointed

Shareholding of Key Managerial Personnel in our Company

The shareholding of our key managerial personnel as on date of this DRHP is as under

S. No.	Name	No. of shares	% of shareholding
1.	Mr.P.Vijaya Bhaskar Reddy	4,43,190	3.40
2	Mr.Y.Sanjeeva Reddy	1,24,440	0.95

Bonus or Profit Sharing Plan for the Key Managerial Personnel

There is no Bonus or profit sharing plan for the key managerial personnel except to Mr.J.Joseph, Managing Director and Mr.P.Vijaya Bhaskar Reddy, Deputy Managing Director of the Company. For details of commission payable as a percentage of profits to Mr.J.Joseph, Managing Director and Mr.P.Vijaya Bhaskar Reddy, Deputy Managing Director of the Company, please refer to the section titled 'Our Management' beginning on page no[●] of this DRHP under the heading 'Details of appointment of Managing Director/Whole Time Director and their Compensation payable'.

Employees

We believe that a motivated and empowered employee base is the key to our competitive advantage.

Description	Number
Managers, Junior Managers and above	67
Office Staff Members	388
Plant Workers	438
Total	893

Disclosures regarding the Employee Stock Option Scheme

There is no Employee Stock Option Scheme as on date in the Company.

Payment or benefit to employees/key managerial personnel of the Company

There is no other payment or benefit given to the employees/key managerial personnel of the Company other than salary.

OUR PROMOTERS

Mr.P.Radhakrishna Reddy is the Promoter of our Company.



Voter ID Number	TN/02/010/0276014
PAN	ALGPP4053R
Passport Number	Z082935
Driving License Number	R/TN/007/00063/2004
Bank Account Number	10061104856 with State Bank of India, Alwarpet, Chennai 600018

Profile

Mr.P.Radhakrishna Reddy, a Metallurgical Engineer from Regional Engineering College, Nagpur, founded the Company with a small plant in Gudur with an installed capacity of 1200 MT p a, which started its commercial production in the year 1985. He started at a young age of 28 and during the formative years, he handled all the functions like production, marketing, materials and human resources. As a result of his excellent business acumen, today Nelcast has got two manufacturing units at Gudur, Andhra Pradesh and Ponneri, Tamil Nadu with a combined production capacity of 72,000 MT p a and employs a workforce of 893 people. Presently Mr.P.Radhakrishna Reddy is also the President of Nelcast Inc., USA, a 100% subsidiary of Nelcast, wherein he is concentrating on the export markets.

The permanent account number, bank account number and passport number of Mr.P.Radhakrishna Reddy will be submitted to the Stock Exchanges at the time of filing of this DRHP.

Common Pursuits

Our Promoter does not have interest in any venture that is involved in any activities similar to those conducted by our Company or any of its subsidiaries.

Interest of Promoter / Payment or benefit to Promoter of the Company.

Mr.P.Radhakrishna Reddy, may be deemed to be interested to the extent of shares held by him, his friends or relatives, and benefits arising from his holding directorship/employment, in the Company/its subsidiary. He is also interested in the transactions entered into by the Company and the ventures where he is interested either as a Promoter, Director, Partner, or otherwise. For details please refer to the section titled Related Party Transactions on Page No. [●].

Further Mr.P.Radhakrishna Reddy is also interested to the extent of monthly lease rent of Rs.1,44,000 being paid by the Company for its corporate office to Ms.P.Jamuna, Ms.P.Divya and Mr.P.Deepak being his immediate relatives.

The Promoter does not have any interest in any property acquired by the Company within two years of the date of this DRHP or proposed to be acquired by it.

There are no other payments or benefits payable to our Promoter.

CURRENCY OF PRESENTATION

In this DRHP all references to “Rupees” and “Rs” and “Indian Rupees” are to the legal currency of the Republic of India and “USD” to the legal currency of the United State of America.

RELATED PARTY TRANSACTIONS

For related party transactions, please refer to paragraph titled 'Related Party Transactions' under the section titled 'Financial Information' on page no. [●] of the DRHP.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders. Declaration of dividend will also depend on a number of factors, including but not limited to our Company's earnings, capital requirements and overall financial condition. Our Company has no stated dividend policy. With regard to the last five financial years we have declared equity dividend in all except the year 2001-02.

The details of the dividend paid by our Company during the last five financial years are presented below:

Particulars	Financial Year				
	2001-02	2002-03	2003-04	2004-05	2005-06
Equity Share Capital	1185.00	1185.00	1185.00	1285.00	1285.00
Face Value (Rs.)	10	10	10	10	10
No. of Shares(In Lakhs)	118.50	118.50	118.50	128.50	128.50
Rate of Dividend (%)	--	2	5	15	20
Amount of Dividend	--	2.37	5.93	19.28	25.70

Note: Interim dividend declared at 12.5 % as per board meeting held on 17 November,2006

The amounts paid as dividends in the past are not necessarily indicative of the Company's dividend policy in the future.



SECTION V - FINANCIAL INFORMATION

AUDITORS REPORT AND UNCONSOLIDATED RESTATED FINANCIAL STATEMENTS OF NELCAST LIMITED

The Board of Directors,
Nelcast Ltd,
Chennai.

Dear Sirs,

We have examined the attached financial information of M/s Nelcast Ltd. for the years ended 31st March 2002, 2003, 2004, 2005, 2006 and for the six months ended 30th September, 2006 being the last date up to which the accounts have been audited by us. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these accounts based on our audit. These accounts were approved by the board of directors for the purpose of disclosure in the offer document in connection with the public issue of its equity shares.

The said financial information has been prepared in terms of the requirements of

- a) Paragraph B (1) of Part II of Schedule II to the Company's Act 1956 (the "Act").
- b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (the "Guidelines") issued by the Securities and Exchange Board of India ("SEBI") on 19th January 2000 in pursuance of Section 11 of the Securities and Exchange Board of India Act 1992 read with related clarifications issued by SEBI.
- c) The letter dt. 17th November 2006 received from the Company requesting us to issue a report for the purpose of inclusion in the Offer Document being issued by the Company in connection with the proposed Public Issue of Equity Shares of the Company.

A. Financial information as per audited financial statements:

We report that

- i) the attached "Summary statement of Profit and Losses, as restated" of the Company for the period ended 30.09.2006 and Financial Year ended 31st March of 2006, 2005, 2004, 2003 and 2002 – Enclosed in Annexure I
- ii) the attached "summary statement of Assets and Liabilities as restated" as at the said dates – enclosed in Annexure II

together referred to as "summary statement", have been extracted from the financial statements of the respective period / years audited by us and adopted by the Board of Directors / Members for the respective period / years.

Based on our examination of these summary statements, we further state that

- The restated profits assets and liabilities have been arrived at after making such adjustments and regrouping which in our opinion are appropriate in the period / years to which they relate, as shown in Annexure III to this report.
- The summary statements of the Company have been restated wherever required with retrospective effect to reflect the significant accounting policies adopted by the Company as at 30th September 2006 as given in the Annexure IV to this report.
- There were no extraordinary items that need to be disclosed separately in the summary statements.

B. Other Financial Information:

We have also examined the following financial information relating to the Company, which is proposed to be enclosed in the Offer Document, as approved by the Board of Directors of the Company.

- a) Summary Statement of Cash flows, as restated – Annexure V
- b) Summary of accounting ratios – Annexure VI
- c) Principal terms of Secured loans and Statement of Unsecured Loans – Annexure VII
- d) Statement of Debtors – Annexure VIII
- e) Statement of loans and advances – Annexure IX
- f) Statement of Capitalisation of the Company – Annexure X
- g) Statement of Tax Shelter Annexure XI
- h) Related party disclosures– Annexure XII
- i) Details of Contingent Liabilities – Annexure XIII
- j) Statement showing rates and amount of Dividend– Annexure XIV
- k) Statement of other income – Annexure XV
- l) Details of Reserves and Surplus – Annexure XVI
- m) Statement of Investments– Annexure XVII

In our opinion the financial information of the Company, attached to this report as mentioned in Paragraph A & B above read with notes (Annexure III) and significant Accounting Policies (Annexure IV) to this report and after making adjustments and regrouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the Companies Act and “the Guidelines issued by SEBI”.

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

**For JB Reddy and Co,
Chartered Accountants**

A.V. REDDY
Partner
Membership No.23983



SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED

The Profit and Loss Statements of the Company for five financial years ended 31 March of 2002 to 2006 and for the period ended 30 September, 2006 read with significant accounting policies, notes on accounts and the notes to adjusted accounts are set out below:

Annexure I
Rs. in lakhs

Particulars	Period ended	Year ended 31 March				
	30 September, 2006	2006	2005	2004	2003	2002
Income						
Sales	16642.29	27032.01	24086.58	15241.59	10069.36	6178.36
Less: Excise Duty	2083.60	3401.12	3056.81	1976.05	1279.14	743.65
Net Sales	14558.69	23630.89	21029.77	13265.54	8790.22	5434.71
Other Income	101.92	106.22	116.54	55.50	89.43	67.46
Increase / (decrease) in inventories	(909.44)	33.54	284.60	459.55	292.48	459.94
Total Income	13751.17	23770.65	21430.91	13780.59	9172.13	5962.11
Expenditure						
Materials consumed	5589.81	10659.71	10587.95	5671.03	3400.89	1948.47
Consumable Stores & Spares	1852.12	3083.60	2187.81	1483.04	1039.60	579.80
Power and Fuel	1852.91	3433.67	3110.95	2455.70	2097.08	1357.00
Staff Costs	523.04	842.55	651.94	528.37	437.36	371.49
Other manufacturing expenses	1292.51	2117.92	1629.90	1176.49	853.33	569.83
Administrative, selling and distribution expenses	827.68	1423.56	1259.01	828.52	457.55	407.67
Interest	375.17	765.75	896.51	844.08	574.17	523.08
Depreciation	219.86	400.26	353.18	331.21	197.97	183.70
Total Expenditure	12533.10	22727.02	20677.25	13318.44	9057.95	5941.04
Net Profit before tax	1218.07	1043.63	753.66	462.15	114.18	21.07
Tax expense - Current tax	307.80	303.60	78.50	35.53	9.00	1.60
Tax expense - Deferred tax	101.60	(12.32)	140.72	176.93	-	-
Fringe Benefit Tax	7.50	19.50	-	-	-	-
Prior Year Adj	-	30.61	5.44	4.39	-	2.58
Net Profit after tax (A)	801.17	702.24	529.00	245.30	105.18	16.89
Impact of material adjustments for restatement in corresponding years (net of tax) (B)	-	(19.17)	(40.76)	9.27	(33.76)	(10.39)
Net Profit after adjustments (A) + (B)	801.17	683.07	488.24	254.57	71.42	6.50
The accompanying Statement of Adjustments to Audited Profit and Loss Account (Annexure III) and Significant Accounting Policies and Notes on Accounts (Annexure IV) are an integral part of this statement.						

SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED						
Annexure II						
Assets and Liabilities of the Company at the end of each financial period/year regrouped wherever necessary and read with significant accounting policies, notes on accounts and the notes to adjusted accounts are set out below.						
Particulars	As at	As at 31 March				
	30 September, 2006	2006	2005	2004	2003	2002
A. Fixed Assets						
Gross block	9442.90	8627.05	7608.27	6865.12	6814.79	3938.79
Less: Depreciation	2537.77	2317.91	1928.26	1575.08	1248.43	1053.41
Net Block	6905.13	6309.14	5680.01	5290.04	5566.36	2885.38
Capital Work-in-Progress	-	-	-	-	-	2550.28
TOTAL	6905.13	6309.14	5680.01	5290.04	5566.36	5435.66
B. Investments	27.59	27.59	27.59	23.59	7.20	-
C. Current assets, loans and advances						
Inventories	2993.79	3771.45	3653.50	3044.85	2354.71	1983.52
Receivables	4764.15	3847.95	3665.91	2681.24	2130.49	1644.11
Cash and bank balances	44.16	76.60	28.62	25.80	27.23	22.08
Loans and advances	730.38	865.95	651.66	366.18	380.97	371.74
TOTAL	8532.48	8561.95	7999.69	6118.07	4893.40	4021.45
D. Total assets (A + B + C)	15465.20	14898.68	13707.29	11431.70	10466.96	9457.11
E. Liabilities and provisions						
Loan funds						
Secured loans	5789.01	6209.71	5639.30	4825.51	4702.74	4506.10
Unsecured loans	1395.58	1229.89	1918.81	1624.31	1606.45	1461.32
TOTAL	7184.59	7439.60	7558.11	6449.82	6309.19	5967.42
F. Deferred Tax Liability	1042.66	941.06	900.60	744.67	574.50	542.76
G. Current liabilities and provisions						
Current liabilities	3752.89	3638.25	2869.48	2282.64	1968.19	1409.43
Provisions	338.57	351.30	240.65	84.58	32.83	-
TOTAL	4091.46	3989.55	3110.13	2367.22	2001.02	1409.43
H. Total Liabilities and provisions (E + F + G)	12318.71	12370.21	11568.84	9561.71	8884.71	7919.61
I. Net worth (D - H)	3146.49	2528.47	2138.45	1869.99	1582.25	1537.50
Represented by						
Shareholders funds						
Share capital	1285.00	1285.00	1285.00	1185.00	1185.00	1185.00
Share Application Money		-	-	100.00	-	-
Reserves and surplus	1861.49	1243.47	853.45	584.99	397.25	352.50
TOTAL	3146.49	2528.47	2138.45	1869.99	1582.25	1537.50
The accompanying Statement of Adjustments to Audited Profit and Loss Account (Annexure III) and Significant Accounting Policies and Notes on Accounts (Annexure IV) are an integral part of this statement.						

Annexure III

NOTES TO ADJUSTED ACCOUNTS
STATEMENT OF ADJUSTMENTS TO AUDITED PROFIT AND LOSS ACCOUNTS

Rs. in lakhs

Particulars		Period ended	Year ended 31 March				
		30 September, 2006	2006	2005	2004	2003	2002
Profit for the year / period		801.17	702.24	529.00	245.30	105.18	16.89
Add / (Less) adjustment for							
A	Prior Year adjustment to be provided in the respective years:	-					
a	Short provision for tax for the year		-	(28.03)	(3.10)		(0.38)
b	Provision for Tax made excess		-		-	1.26	
c	Short provision for prior year adjusted in the year	-	28.03	2.22	-	-	2.58
d	Excess provision in previous year adjusted in this year	-	-	-	-	-	-
e	MAT credits written off		3.01		4.39		
f	Adj. For dividend tax balance liability	-		0.26	(0.18)	(0.08)	
g	TDS written off in subsequent yrs		3.98		-	(3.20)	
h	Delayed claim of adv tax		(1.40)		1.40		
B	Deferred tax liability to be provided in respective years	-	(52.79)	(15.21)	6.76	(31.74)	(12.59)
a	Adjustments to Profit before tax		-	-	-	-	-
	Rate of Tax		33.66%	36.59%	35.87%	36.75%	35.70%
	Effect of above on current tax		-	-	-	-	-
	Effect of above on deferred tax						
	Total Adjustments (net of tax)	-	(19.17)	(40.76)	9.27	(33.76)	(10.39)
Adjusted Profit after tax		801.17	683.07	488.24	254.57	71.42	6.50

STATEMENT OF ADJUSTMENTS TO AUDITED ASSETS AND LIABILITIES

Rs. in lakhs

Particulars		Period ended	Year ended March 31				
		Sept.30,2006	2006	2005	2004	2003	2002
1)	Share Capital		-	-	-		
	General Reserve DTA prov	105.57	105.57	105.57	105.57	(530.17)	(530.17)
	Profit and Loss Account	(94.81)	(94.81)	(75.64)	(34.88)	(44.15)	(10.39)
2)	Reserves and Surplus	10.76	10.76	29.93	70.69	(574.32)	(540.56)
3)	Provisions	(3.36)	(3.36)	27.25	1.70	(0.18)	(2.20)
4)	Adjustment to Current Assets	7.40	7.40	(21.70)	(19.20)	(7.20)	0.10
5)	Deferred tax liability	-	-	(52.79)	(68.00)	574.50	542.76
6)	Investment	-	-	26.09	23.59	7.20	(0.10)
7)	Fixed Assets		-	-	-	2841.74	-
8)	Capital Work-in-Progress		-	-	-	(2841.74)	-

Figures in brackets represent decrease in the respective item compared to the audited accounts

NOTES ON RESTATED ACCOUNTS

1. Prior year adjustment:
Prior year adjustment in the audited accounts represent excess or short provision of Taxes of earlier years. Though these adjustments do not involve material amounts in these restated accounts, these amounts were adjusted in the year they relate to.
2. Adjustments or rectification for failure to make provisions which resulted in Audit Qualification.
Accounting Standard 22 (AS 22) i.e. Accounting for taxes on income (deferred tax) issued by the Institute of Chartered Accountants of India is applicable from the accounting year starting from 1.4.2001 and mandatory for the Company from the accounting year commencing on 1.4.2002. No provision for such deferred tax liability has been made by the Company for the financial year 2002-03 and the Auditors have made qualification in this regard in their report. However in the next financial year the Company has incorporated the deferred tax liability till 31st March 2003 of Rs.635.74 lakhs by reducing the said amount from reserves. In these restated accounts deferred tax liability till 31.3.2001 and thereafter each year has been worked out considering the current tax rates and necessary adjustments have been made.
3. Investments:
Investments in the audited accounts were shown basing on the allotments and intimations. In these restated accounts the said investments were taken to respective years basing on the dates on which the amounts were invested.
4. Non recurring items:
The Company derived profit / suffered loss on sale of used fixed assets. Following are the details:
(Amount Rs. In lakhs)

<u>FINANCIAL YEAR</u>	<u>LOSS</u>	<u>PROFIT</u>
2001-02	4.07	--
2002-03	1.87	--
2003-04	31.03	0.01
2004-05	--	--
2005-06	2.45	--

Though such sale is non- recurring, they are not extraordinary in nature.
5. In these restated accounts, the figures from the audited accounts for the respective years, have been regrouped / reclassified wherever required for proper comparison.

ANNEXURE IV

ACCOUNTING POLICIES

Fixed Assets	:	All depreciable fixed assets are valued at cost less depreciation. Other fixed assets are taken at cost.
Depreciation	:	Depreciation for the year on fixed assets is provided under the Straight Line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.
Inventories	:	Finished goods and stocks-in-process are valued at lower of the cost and net realisable value. Raw materials are taken at cost (under FIFO method) which is either equal to or less than the realisable value. Moulding boxes and patterns are valued at lower of cost (estimated) and net realisable value.
Foreign Currency Transactions	:	Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Current assets and current liabilities are translated at the year end rate. The difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of current assets and current liabilities at the end of the year is recognised as income or expense as the case may be.
Retirement Benefits	:	Liabilities for gratuity to all employees and for superannuation to the eligible employees are determined in accordance with the schemes administered by Life Insurance Corporation of India and contributions payable under the said schemes are charged to revenue. Liability for leave encashment is provided on actuarial basis.
Borrowing Costs	:	The Company capitalizes interest and other costs incurred by it in connection with funds borrowed for the acquisition of fixed assets. Where specific borrowings are identified to a fixed asset, the Company uses the interest rates applicable to that specific borrowing as the capitalisation rate. Where borrowings cannot be specifically identified to fixed assets, the capitalisation rate applied is the weighted average of the interest rates applicable to all borrowings of the Company. Capitalisation of borrowing costs ceases when all the activities necessary to prepare the fixed assets for their intended use are substantially complete.
Investments	:	Investments, which are Long-term in nature, are stated at cost after providing for decline in value, if any, other than temporary.
Leases	:	Leases, where the Lessor retains substantially all the risks and rewards incidental to the ownership are classified as operating leases. Operating lease payments are recognised as an expense in Profit & Loss Account on straight-line basis over the lease term.

- Term Loans from Punjab National Bank and Industrial Development Bank of India are secured by equitable mortgage of land, building and hypothecation of plant and machinery, both present and future, ranking pari passu in charge among themselves. The said loans are further guaranteed by personal guarantee of the Deputy Chairman.
- Working Capital Loan from State Bank of India is fully secured by hypothecation of raw materials, stocks in process, finished goods, stores and book debts and second charge on fixed assets. The said loan is further guaranteed by personal guarantee of two Directors of the Company including the Deputy Chairman.

4.

DETAILS OF CONTINGENT LIABILITIES							
Sl. No.	Particulars	As at	Rs. in lakhs				
		30September, 2006	As at 31 March				
			2006	2005	2004	2003	2002
1)	Letters of Credit and Bank Guarantees	46.39	46.80	122.00	123.75	142.31	131.46
2)	Estimated amount of contracts remaining to be executed	-	-	-	-	-	55.44

5. Travelling expenses include out of pocket expenses reimbursed to the Auditors as per the following details:

Schedule of Travelling Expenses reimbursed to Auditors:

(Rs. Lakhs)

Travelling Expenses reimbursed to Auditors	30September	31 March				
	2006	2006	2005	2004	2003	2002
	0.33	0.55	0.14	0.34	0.20	0.08

6. Deferred Tax is provided on all timing differences on the Balance Sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purpose.

Composition of Deferred Tax Liabilities (Rs. Lakhs)

particulars	30September	31 March					TILL 31 MARCH.
	2006	2006	2005	2004	2003	2002	2002
On Account of DeprEciation	(159.92)	9.41	(189.81)	(200.14)	(54.11)	(30.13)	(534.61)
On Account of Others	58.33	(49.86)	33.87	29.97	22.37	17.54	4.44
TOTAL	(101.59)	(40.45)	(155.94)	(170.17)	(31.74)	(12.59)	(530.17)

7.

(a) Remuneration to Directors:

(Rs. Lakhs)

particulars	30September.	31 March				
	2006	2006	2005	2004	2003	2002
Remuneration to Directors						
Managing Director		-	-	-	-	-
Salary & Allowance		-	10.80	10.80	10.08	10.08
Perquisites		-	6.70	6.70	2.41	2.41
commission	65.19	56.31	23.98	9.82	-	-
Whole time Director						-
Salary & Allowance	4.50	9.60	12.00	9.36	7.92	7.92
Perquisites	2.26	4.64	5.82	5.60	4.37	3.60
commission	13.04	11.26	16.59	10.93	2.87	4.86

(b) Computation of net profits Under Section 198/349 of the Companies Act, 1956

(Rs.

Lakhs)

Profits computed under Section 198/349	30September	31 March				
	2006	2006	2005	2004	2003	2002
profits as per books	1,218.07	1,043.63	753.66	462.15	114.18	21.07
Additions	-	-	-	-	-	-
Managing Directors. Remuneration	-	-	17.50	17.50	12.49	10.08
Wholtime Directors remuneration	6.76	14.24	17.82	14.96	12.29	11.52
Commissson to whole time dir	13.04	11.26	16.59	10.93	2.87	-
Loss on Sale of Asset	-	-	-	31.02	1.87	-
Sitting fees	0.70	0.71	0.01	0.01	0.01	-
Commissson to MD	65.19	56.31	23.98	9.82	-	-
Profits under Section 198/349	1,303.76	1,126.14	829.57	546.39	143.72	42.67

8. Installed and Licenced Capacity and production:-

Iron Castings:

in (MT)

Particulars	30September	31 March				
	2006	2006	2005	2004	2003	2002
Licenced Capacity	75000	75000	75000	60000	48000	36000
Installed Capacity	72000	72000	60000	48000	48000	36000
Production	30545	53585	48228	36050	29776	19142

Wind Energy:

Particulars	30September	31 March				
	2006	2006	2005	2004	2003	2002
Installed Capacity	820KW	820KW	820KW	820KW	820KW	820KW
Production (Value in Rs. Lakhs)	9.05	12.81	14.83	6.16	17.12	12.14

9. Details of Raw Materials consumed :

Details of Raw Materials	30September.	31 March				
	2006	2006	2005	2004	2003	2002
Steel Scrap						
MT	31,767.04	55,714.18	51,226.94	37,569.00	31,007.00	19,900.00
Rs. Lakhs	4,880.81	9,389.90	9,153.83	4,859.42	2,787.36	1,597.43
Others						
Rs. Lakhs	709.00	1,269.81	1,434.12	811.61	613.53	351.04
total (Rs. Lakhs)	5,589.81	10,659.71	10,587.95	5,671.03	3,400.89	1,948.47

10. Value of Imported and Indigenous raw materials consumed and their percentage to consumption:

Imported and Indigenous raw material	30September	31 March				
	2006	2006	2005	2004	2003	2002
Imported						
Rs. Lakhs	5,509.69	10,453.73	10,576.83	5,671.03	3,400.89	1,948.47
%	98.57	98.07	99.90	100.00	100.00	100.00
Indegenous						
Rs. Lakhs	80.12	205.98	11.11	-	-	-
%	1.43	1.93	0.10	-	-	-
Total						

11. C.I.F.Value of Imports

(Rs.
Lakhs)

CIF value of imports	30September	31 March				
	2006	2006	2005	2004	2003	2002
Machinery Spares	13.55	65.89	34.15	18.40	1.41	0.64
Raw Materials	80.12	205.98	11.11	-	-	-
Total						

12. F.O.B. Value of Exports:

(Rs.
Lakhs)

FOB VALUE EXPORTS	30September	31 March				
	2006	2006	2005	2004	2003	2002
Finished Goods	1,567.11	2,099.30	1,964.68	827.12	704.93	706.82

13.Expenditure in Foreign Currency
(Rs. Lakhs)

Expenditure In Foreign Currency	30September	31 March				
	2006	2006	2005	2004	2003	2002
Travel	3.92	5.77	3.55	35.57	15.00	18.62
Professional Fees & subscription	-	9.39	4.90	11.03	-	0.22
Others	120.69	266.09	227.78	72.14	-	49.81

13. Balances of Sundry Debtors, Sundry Creditors, Loans & Advances or receivables are subject to confirmations to be obtained from the parties.

14. (Rs. Lakhs)

Amount due to SSI	30September	31 March				
	2006	2006	2005	2004	2003	2002
	113.59	74.89	*	*	*	*

* Details regarding dues to SSI units could not be given since the Company was yet to receive necessary information from its suppliers regarding their SSI Status.

15. SEGMENT INFORMATION

The Company is principally engaged only in the business of manufacture and sale of Iron Castings , there are no reportable segments as per Accounting Standard No.17 issued by The Institute of Chartered Accountants of India on “Segmental Reporting”.

16. RELATED PARTY DISCLOSURE

Disclosure as required by the Accounting Standard 18 on “Related Party Disclosures” are given below:

A) List of related parties and relationships 31 March 2002

Sl. No.	Related Party	Nature of relationship
1) 2) 3) 4) 5) 6) 7) 8)	R.V.Ramani P.Vijaya Bhaskar Reddy D.Sesha Reddy R.Mohan Reddy Vatsala Krishnakumar P.Radhakrishna Reddy Y.Sanjeeva Reddy P.Divakar	Key Management Personnel and Directors
1)	DD Enterprises	Entities owned or significantly influenced by Key Management Personnel
1) 2) 3) 4) 5) 6) 7) 8) 9) 10) 11)	Mrs. P.Jamuna Ms.P.Divya Mr P.Deepak Ms P Veena Mrs P Viraja Mrs P.Rajalakshamma Mrs T.Sujathamma & Ms Veena Mrs Shakuntala Ramani Mr Srikrishna Sekar Mrs K.Malini Ms Y.Suguna	Relatives of Key Management Personnel & Directors

B) Transactions with related parties during the period ended 31 March , 2002

Rs. in lakhs

Sl. No.	Particulars	Key Management Personnel/ Director	Entities owned or significantly influenced by Key Management Personnel/ Director	Relatives of Key Management Personnel/Director	Associate and Subsidiary Companies
A)	Sitting Fees				
	Mr.R.V.Ramani	0.004	-	-	-
	Mr.R.Mohan Reddy	0.004	-	-	-
	Mr.D.Sesha Reddy	0.003	-	-	-
	Ms.Vatsala Krishnakumar	0.003	-	-	-
B)	Rent paid				
	Mrs. P.Jamuna	-	-	2.73	-
	Ms.P.Divya	-	-	5.94	-
	Mr P.Deepak	-	-	5.94	-
	Mrs P Viraja	-	-	1.68	-
	Ms Y.Suguna	-	-	1.08	-
C)	Payment for Services	-	-	-	-
	DD Enterprises	-	3.09	-	-
D)	Interest paid				
	P.Vijaya Bhaskar Reddy, Deputy. Managing Director	0.14	-	-	-
	Mr P.Deepak	-	-	3.18	-
	Ms P Veena	-	-	0.31	-
	Mrs P.Rajalakshamma	-	-	0.29	-
	Mrs K.Malini	-	-	0.78	-
	Y.Srinivasa Reddy			0.14	
	Y.Suguna			0.82	
	R.V.Ramani			0.49	
	Mr.Sriram Sekhar			0.66	
E)	Remuneration				
	P.Radhakrishna Reddy, Managing Director	12.49	-	-	-
	P.Vijaya Bhaskar Reddy, Deputy. Managing Director	8.44	-	-	-
	Y. Sanjeeva Reddy, Director Works	7.94	-	-	-
	P.Divakar	2.14	-	-	-

A) List of related parties and relationships 31 March 2003

Sl. No.	Related Party	Nature of relationship
1) 2) 3) 4) 5) 6) 7) 8) 9)	R.V.Ramani P.Vijaya Bhaskar Reddy D.Sesha Reddy R.Mohan Reddy Vatsala Krishnakumar P.Radhakrishna Reddy Y.Sanjeeva Reddy P.Divakar R.B.Prem Ganesh	Key Management Personnel and Directors
1)	DD Enterprises	Entities owned or significantly influenced by Key Management Personnel
1) 2) 3) 4) 5) 6) 7) 8) 9) 10) 11) 12) 13)	Mrs. P.Jamuna Ms.P.Divya Mr P.Deepak Ms P Veena Mrs P Viraja Mrs P.Rajalakshamma Mrs T.Sujathamma & Ms Veena Mrs Shakuntala Ramani Mr Srikrishna Sekar Mr.Sriram Sekhar Y.Srinivasa Reddy Mrs K.Malini Ms Y.Suguna	Relatives of Key Management Personnel & Directors
1)	Nelcast USA Inc	Subsidiary Company
1)	Nelcast Energy Corporation Ltd	Associate Company

B) Transactions with related parties during the period ended 31 March, 2003

Rs. in lakhs

Sl. No.	Particulars	Key Management Personnel/ Director	Entities owned or significantly influenced by Key Management Personnel/ Director	Relatives of Key Management Personnel/Director	Associate and Subsidiary Companies
A)	Sitting Fees				
	Mr.R.V.Ramani	0.004	-	-	-

	Mr.R.Mohan Reddy	0.003	-	-	-
	Mr.D.Sesha Reddy	0.003	-	-	-
	Ms.Vatsala Krishnakumar	0.002	-	-	-
B)	Rent paid				
	Mrs. P.Jamuna	-	-	2.73	-
	Ms.P.Divya	-	-	5.88	-
	Mr P.Deepak	-	-	5.88	-
	Mrs P Viraja	-	-	1.68	-
	Ms Y.Suguna	-	-	1.08	-
C)	Payment for Services	-	-	-	-
	DD Enterprises	-	6.12	-	-
D)	Interest paid				
	P.Vijaya Bhaskar Reddy, Dy. Managing Director	0.14	-	-	-
	Mr P.Deepak	-	-	3.65	-
	Ms P Veena	-	-	0.31	-
	Mrs P.Rajalakshamma	-	-	0.29	-
	Mrs K.Malini	-	-	0.61	-
	Y.Srinivasa Reddy			0.13	
	Y.Suguna			0.66	
	Mr.Sriram Sekhar			0.26	
	Mr. Srikrishna sekhar	-	-	0.26	-
E)	Remuneration				
	P.Radhakrishna Reddy, Managing Director	12.49	-	-	-
	P.Vijaya Bhaskar Reddy, Dy. Managing Director	7.94	-	-	-
	Y. Sanjeeva Reddy, Director Works	7.21	-	-	-
	P.Divakar	2.13	-	-	-
	R.B.Prem Ganesh	0.84	-	-	-
F)	Share Capital Contribution				
	Nelcast USA Inc.	-	-	-	12.21
	Nelcast Energy Corporation Ltd	-	-	-	1.50
G)	Share Money Deposit				
	Nelcast Energy Corporation Ltd	-	-	-	3.50

A) List of related parties and relationships 31 March 2004

Sl. No.	Related Party	Nature of relationship
1) 2) 3) 4) 5) 6) 7) 8) 9) 11) 12)	R.V.Ramani P.Vijaya Bhaskar Reddy D.Sesha Reddy R.Mohan Reddy Vatsala Krishnakumar P.Radhakrishna Reddy Y.Sanjeeva Reddy K.Ramakrishna reddy P.Divakar V.P.Prem Kumar R.B.Prem Ganesh	Key Management Personnel and Directors
1)	DD Enterprises	Entities owned or significantly influenced by Key Management Personnel
1) 2) 3) 4) 5) 6) 7) 8) 9) 10) 11) 12)	Mrs. P.Jamuna Ms.P.Divya Mr P.Deepak Ms P Veena Mrs P Viraja Mrs P.Rajalakshamma Mrs T.Sujathamma & Ms Veena Mrs Shakuntala Ramani Mr Srikrishna Sekar Mr.Sriram Sekhar Mrs K.Malini Ms Y.Suguna	Relatives of Key Management Personnel & Directors
1)	Nelcast USA Inc	Subsidiary Company
1)	Nelcast Energy Corporation Ltd	Associate Company

B) Transactions with related parties during the period ended 31 March, 2004

Rs. in
lakhs

Sl. No.	Particulars	Key Management Personnel/ Director	Entities owned or significantly influenced by Key Management Personnel/ Director	Relatives of Key Management Personnel/Direct or	Associate and Subsidiary Companies
A)	Sitting Fees				
	Mr.R.V.Ramani	0.004	-	-	-

	Mr.R.Mohan Reddy	0.004	-	-	-
	Mr.D.Sesha Reddy	0.003	-	-	-
	Ms.Vatsala Krishnakumar	0.003	-	-	-
B)	Rent paid	-	-	-	-
	Mrs. P.Jamuna	-	-	10.08	-
	Ms.P.Divya	-	-	9.36	-
	Mr P.Deepak	-	-	9.36	-
	Mrs P Viraja	-	-	2.28	-
	Ms Y.Suguna	-	-	1.92	-
C)	Payment for Services	-	-	-	-
	DD Enterprises	-	10.42	-	-
D)	Interest paid	-	-	-	-
	P.Vijaya Bhaskar Reddy, Deputy. Managing Director	0.16	-	-	-
	Mr P.Deepak	-	-	0.49	-
	Ms P Veena	-	-	0.35	-
	Mrs P.Rajalakshamma	-	-	0.33	-
	Mrs K.Malini	-	-	0.67	-
	Mr.Sriram Sekhar			0.28	
	Mr. Srikrishna sekhar	-	-	0.28	-
E)	Remuneration	-	-	-	-
	P.Radhakrishna Reddy, Managing Director	27.32	-	-	-
	P.Vijaya Bhaskar Reddy, , Deputy. Managing Director	13.55	-	-	-
	Y. Sanjeeva Reddy, Director Works	12.36	-	-	-
	K.Ramakrishna Reddy, Plant Director	3.52	-	-	-
	V.P.Prem Kumar	3.35			
	P.Divakar	2.30	-	-	-
	R.B.Prem Ganesh	1.08	-	-	-
F)	Sale of Goods				
	Nelcast USA Inc.	-	-	-	83.76
G)	Export Promotion Expenses	-	-	-	-
	Nelcast USA Inc.	-	-	-	247.52
H)	Share Capital Contribution				
	Nelcast USA Inc.	-	-	-	23.59
	Nelcast Energy Corporation Ltd	-	-	-	1.50
I)	Share Money Deposit				
	Nelcast Energy Corporation Ltd	-	-	-	3.50

A) List of related parties and relationships 31 March 2005

Sl. No.	Related Party	Nature of relationship
1) 2) 3) 4) 5) 6) 7) 8) 9) 11) 12)	R.V.Ramani P.Vijaya Bhaskar Reddy D.Sesha Reddy R.Mohan Reddy Vatsala Krishnakumar P.Radhakrishna Reddy Y.Sanjeeva Reddy K.Ramakrishna reddy P.Divakar V.P.Prem Kumar R.B.Prem Ganesh	Key Management Personnel and Directors
1)	DD Enterprises	Entities owned or significantly influenced by Key Management Personnel
1) 2) 3) 4) 5) 6) 7) 8) 9) 10) 11)	Mrs. P.Jamuna Ms.P.Divya Mr P.Deepak Ms P Veena Mrs P Viraja Mrs P.Rajalakshamma Mrs T.Sujathamma & Ms Veena Mrs Shakuntala Ramani Mr Srikrishna Sekar Mrs K.Malini Ms Y.Suguna	Relatives of Key Management Personnel & Directors
1)	Nelcast USA Inc	Subsidiary Company
1)	Nelcast Energy Corporation Ltd	Associate Company

B) Transactions with related parties during the period ended 31 March, 2005

Rs. in lakhs

Sl. No.	Particulars	Key Management Personnel/ Director	Entities owned or significantly influenced by Key Management Personnel/ Director	Relatives of Key Management Personnel/ Director	Associate and Subsidiary Companies
A)	Sitting Fees				
	Mr.R.V.Ramani	0.003	-	-	-
	Mr.R.Mohan Reddy	0.002	-	-	-

	Mr.D.Sesha Reddy	0.002	-	-	-
	MRs.Vatsala Krishnakumar	0.002	-	-	-
B)	Rent paid	-	-	-	-
	Mrs. P.Jamuna	-	-	10.86	-
	Ms.P.Divya	-	-	10.92	-
	Mr P.Deepak	-	-	10.92	-
	Mrs P Viraja	-	-	2.44	-
	Ms Y.Suguna	-	-	2.88	-
C)	Payment for Services	-	-	-	-
	DD Enterprises	-	2.88	-	-
D)	Interest paid	-	-	-	-
	P.Vijaya Bhaskar Reddy, Deputy. Managing Director	0.18	-	-	-
	Mr P.Deepak	-	-	0.51	-
	Ms P Veena	-	-	0.67	-
	Mrs P.Rajalakshamma	-	-	0.34	-
	Mrs K.Malini	-	-	0.71	-
	Mr.Sriram Sekhar			0.15	
	Mr. Srikrishna sekhar	-	-	0.32	-
E)	Remuneration				
	P.Radhakrishna Reddy,Managing Director	41.48	-	-	-
	P.Vijaya Bhaskar Reddy, Deputy. Managing Director	17.74	-	-	-
	Y. Sanjeeva Reddy, Director Works	16.69	-	-	-
	K.Ramakrishna Reddy, Plant Director	5.16	-	-	-
	P.Divakar	2.40	-	-	-
	R.B.Prem Ganesh	1.13	-	-	-
F)	Export Promotion Expenses				
	Nelcast USA Inc.	-	-	-	220.99
G)	Share Capital Contribution				
	Nelcast USA Inc.	-	-	-	23.59
	Nelcast Energy Corporation Ltd	-	-	-	1.50
H)	Share Money Deposit				
	Nelcast Energy Corporation Ltd	-	-	-	3.50

A) List of related parties and relationships 31 March 2006

Sl. No.	Related Party	Nature of relationship
1) 2) 3) 4) 5) 6) 7) 3) 4) 5) 6) 7) 8)	R.V.Ramani J.Joseph P.Vijaya Bhaskar Reddy D.Sesha Reddy R.Mohan Reddy T.R.Prasad P.Radhakrishna Reddy Y.Sanjeeva Reddy K.Ramakrishna reddy P.Divakar V.Subramanian V.P.Prem Kumar R.B.Prem Ganesh	Key Management Personnel and Directors
1)	DD Enterprises	Entities owned or significantly influenced by Key Management Personnel
1) 2) 3) 4) 5) 6) 7) 8) 9) 10) 11)	Mrs. P.Jamuna Ms.P.Divya Mr P.Deepak Ms P Veena Mrs P Viraja Mrs P.Rajalakshamma Mrs.T.Sujathamma & Ms.P.Veena Mrs Shakuntala Ramani Mr Srikrishna Sekar Mrs K.Malini Ms Y.Suguna	Relatives of Key Management Personnel & Directors
1)	Nelcast USA Inc	Subsidiary Company
1)	Nelcast Energy Corporation Ltd	Associate Company

B) Transactions with related parties during the period ended 31 March, 2006

Rs. in lakhs

Sl. No.	Particulars	Key Management Personnel/ Director	Entities owned or significantly influenced by Key Management Personnel/ Director	Relatives of Key Management Personnel/Director	Associate and Subsidiary Companies
A)	Sitting Fees				

	Mr.R.V.Ramani	0.20	-	-	-
	Mr.R.Mohan Reddy	0.20	-	-	-
	Mr.D.Sesha Reddy	0.20	-	-	-
	Mr.T.R.Prasad	0.10	-	-	-
B)	Rent paid	-	-	-	-
	Mrs. P.Jamuna	-	-	11.02	-
	Ms.P.Divya	-	-	11.23	-
	Mr P.Deepak	-	-	11.23	-
	Mrs P Viraja	-	-	3.10	-
	Ms Y.Suguna	-	-	1.92	-
C)	Payment for Services				
	DD Enterprises	-	2.28	-	-
D)	Interest paid				
	P.Vijaya Bhaskar Reddy, Dy. Managing Director	0.18	-	-	-
	R.V.Ramani, Chairman	0.97	-	-	-
	Mr P.Deepak	-	-	0.55	-
	Ms P Veena	-	-	0.90	-
	Mrs P.Rajalakshamma	-	-	0.58	-
	Mrs Shakuntala Ramani	-	-	0.61	-
	Mrs K.Malini	-	-	0.75	-
	Mr. Srikrishna sekhar	-	-	0.32	-
E)	Remuneration	-	-	-	-
	J.Joseph, Managing Director	56.31	-	-	-
	P.Vijaya Bhaskar Reddy, Dy. Managing Director	24.90	-	-	-
	Y. Sanjeeva Reddy, Director Works	7.20	-	-	-
	K.Ramakrishna Reddy, Plant Director	7.20	-	-	-
	P.Divakar	2.15	-	-	-
	V.P.Prem Kumar	5.62			
	V.Subramanian	4.32	-	-	-
	R.B.Prem Ganesh	1.44	-	-	-
F)	Sale of Goods				
	Nelcast USA Inc.	-	-	-	83.76
G)	Export Promotion Expenses				
	Nelcast USA Inc.	-	-	-	247.52
H)	Share Capital Contribution				
	Nelcast USA Inc.	-	-	-	23.59
	Nelcast Energy Corporation Ltd	-	-	-	1.50
I)	Share Money Deposit				
	Nelcast Energy Corporation Ltd	-	-	-	3.50

A) List of related parties and relationships 30 September 2006

S.N o.	Related Party	Nature of relationship
1) 2) 3) 4) 5) 6) 7) 3) 4) 5) 6) 7) 8)	R.V.Ramani J.Joseph P.Vijaya Bhaskar Reddy D.Sesha Reddy R.Mohan Reddy T.R.Prasad P.Radhakrishna Reddy Y.Sanjeeva Reddy K.Ramakrishna reddy P.Divakar V.Subramanian V.P.Prem Kumar R.B.Prem Ganesh	Key Management Personnel & Directors
1)	DD Enterprises	Entities owned or significantly influenced by Key Management Personnel
1) 2) 3) 4) 5) 6) 7) 8) 9) 10) 11)	Mrs. P.Jamuna Ms.P.Divya Mr P.Deepak Ms P Veena Mrs P Viraja Mrs P.Rajalakshamma MRs.T.Sujathamma and Ms.P.Veena Mrs Shakuntala Ramani Mr Srikrishna Sekar Mrs K.Malini Ms Y.Suguna	Relatives of Key Management Personnel & Directors
1)	Nelcast USA Inc	Subsidiary Company
1)	Nelcast Energy Corporation Ltd	Associate Company

B) Transactions with related parties during the period ended 30 September, 2006
Rs. in lakhs

Sl. No.	Particulars	Key Management Personnel/ Director	Entities owned or significantly influenced by Key Management Personnel/ Director	Relatives of Key Management Personnel/Director	Associate and Subsidiary Companies	TOTAL
A)	Sitting Fees					
	Mr.R.V.Ramani	0.20	-	-	-	-
	Mr.R.Mohan Reddy	0.20	-	-	-	-
	Mr.D.Sesha Reddy	0.10	-	-	-	-
	Mr.T.R.Prasad	0.20	-	-	-	-

B)	Rent paid					
	Mrs. P.Jamuna	-	-	5.51	-	-
	Ms.P.Divya	-	-	5.62	-	-
	Mr P.Deepak	-	-	5.62	-	-
	Mrs P Viraja	-	-	1.55	-	-
	Ms Y.Suguna	-	-	0.96	-	-
C)	Payment for Services					
	DD Enterprises	-	1.14	-	-	-
D)	Interest paid					
	P.Vijaya Bhaskar Reddy, Dy. Managing Director	0.10	-	-	-	-
	R.V.Ramani, Chairman	0.48	-	-	-	-
	Mr P.Deepak	-	-	0.29	-	-
	Ms P Veena	-	-	0.63	-	-
	Mrs P.Rajalakshamma	-	-	0.42	-	-
	Mrs Shakuntala Ramani	-	-	0.30	-	-
	Mrs K.Malini	-	-	0.41	-	-
	Mr. Srikrishna sekhar	-	-	0.17	-	-
E)	Remuneration					
	J.Joseph, Managing Director	65.19	-	-	-	-
	P.Vijaya Bhaskar Reddy, Dy. Managing Director	4.50	-	-	-	-
	K.Ramakrishna Reddy, Plant Director	3.96	-	-	-	-
	P.Divakar	2.20	-	-	-	-
	V.Subramanian	2.33	-	-	-	-
	R.B.Prem Ganesh	0.84	-	-	-	-
F)	Sale of Goods					
	Nelcast USA Inc.	-	-	-	83.76	-
G)	Export Promotion Expenses					
	Nelcast USA Inc.	-	-	-	114.30	-
Balances on account of:						
H)	Share Capital Contribution					
	Nelcast USA Inc.	-	-	-	23.59	23.59
	Nelcast Energy Corporation Ltd	-	-	-	1.50	1.50
I)	Share Money Deposit					
	Nelcast Energy Corporation Ltd	-	-	-	3.50	3.50

SUMMARY STATEMENT OF CASH FLOWS AS RESTATED

Annexure V
Rs. in Lakhs

The cash flows of the Company for the five financial years ended on 31 March of 2002 to 2006 and for the period ended September 30, 2006 read with significant accounting policies, notes on accounts are set out below.

Particulars	Period ended 30 September, 2006	Year ended March 31				
		2006	2005	2004	2003	2002
Cash flow from operating activities						
Net Profit before tax	1218.07	1077.25	728.11	464.66	112.16	23.27
Adjustment for						
Depreciation	219.86	400.26	353.18	331.21	197.97	180.55
Interest expense	375.17	765.75	896.51	844.09	574.17	523.08
Loss on sale of fixed assets	-	2.46	-	-	1.87	4.08
Interest income	(14.12)	(29.27)	(25.30)	-	(12.64)	(6.28)
Operating profit before working capital changes	1798.98	2216.45	1952.50	1639.96	873.53	724.70
Adjustment for changes in						
Trade and other receivables, as restated	(479.22)	(572.95)	(1335.54)	(535.97)	(495.49)	(228.20)
Inventory	777.66	(117.95)	(608.65)	(690.13)	(371.20)	(477.15)
Trade and other payables, as restated	219.60	688.17	499.08	247.79	506.40	732.17
Other Current Liabilities	(301.40)	50.00	113.31	52.77	50.86	14.63
Cash generated from operations	2015.62	2263.72	620.70	714.42	564.10	766.15
Direct taxes paid	(323.10)	(78.50)	(35.53)	(9.00)	(1.60)	(20.50)
Adjustment of depreciation on sale of asset	-	-	-	(4.57)	-	3.15
Extraordinary/Prior period Items	-	(30.61)	(5.44)	(4.39)	-	(2.58)
Net cash generated from operating activities (A)	1692.52	2154.61	579.73	696.46	562.50	746.22
Cash flow from investing activities						
Purchase of fixed assets and other capital/deferred expenditure	(815.85)	(1036.52)	(743.16)	(50.32)	(334.02)	(723.07)
Sale of fixed assets	-	4.67	-	-	3.47	4.60
Increase in Investments	-	-	(4.00)	(16.39)	(7.30)	2.20
Interest received	14.12	29.27	25.30	-	12.64	6.28
Net cash used in investing activities (B)	(801.73)	(1002.58)	(721.86)	(66.71)	(325.21)	(709.99)
Cash flow from financing activities						
Loans taken	-	-	1108.29	-	341.76	709.45
Loans repaid	(255.03)	(118.50)	-	140.64	-	(248.73)
Proceeds from issue of shares and share application money	-	-	-	100.00	-	60.00
Dividend paid	(293.05)	(219.78)	(66.84)	(26.66)	-	(35.58)
Interest paid	(375.16)	(765.75)	(896.51)	(845.16)	(573.90)	(523.07)
Net cash used in financing activities (C)	(923.24)	(1104.03)	144.94	(631.18)	(232.14)	(37.93)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(32.45)	48.00	2.81	(1.43)	5.15	(1.70)
Opening balance of cash and cash equivalents	76.61	28.61	25.80	27.23	22.08	23.78
Closing balance of cash and cash equivalents	44.16	76.61	28.61	25.80	27.23	22.08

**ANNEXURE VI
SUMMARY OF KEY ACCOUNTING
RATIOS**

Amount in Rupees

Particulars	Period ended -30 September, 2006	Year ended 31 March				
		2006	2005	2004	2003	2002
Basic EPS	6.23	5.32	3.80	2.15	0.60	0.05
Cash EPS	7.95	8.43	6.55	4.94	2.27	1.61
Return on Net Worth (%) *annualised	*25.46	27.02	22.83	13.61	4.51	0.42
Net Asset value per share	24.49	19.68	16.64	15.78	13.35	12.97
Number of equity shares	12,850,000	12,850,000	12,850,000	11,850,000	11,850,000	11,850,000

The ratios have been computed as below:

Earnings per share

Net Profit after adjustments attributable to equity shareholders divided by number of equity shares outstanding at the end of the period/year

Cash earning per share represents Net Profit after adjustments plus non cash charges divided by the number of equity shares as at the end of the period/year

Return on Net worth

Net Profit after adjustments as restated divided by equity share holders' funds at the end of the period/year.

Net Asset Value per share

Net worth at the end of the period/year divided by the weighted average number of equity shares at the end of the period/year.

**ANNEXURE VII
STATEMENT OF SECURED LOANS**

(Rs. in lakhs)

S. No.	Name of the lender	Facility	Sanctioned Amount	Balance as on 30.09. 2006	Balance as on March 31, 2006	Rate of Interest p a	Repayment Schedule	Prepayment Clause
1)	Industrial Development Bank of India Limited ^(a)	Term loan	1500.00	975	1125.00	11%	Twenty quarterly installments of Rs.75 lakhs each upto 31 st March, 2010	Prepayment is subject to prior approval of IDBI & conditions as may be stipulated by IDBI including payment of premium.
2)	Punjab National Bank ^(b)	Term Loan 1	65.42	18.21	28.54	PNB-BPLR+ 0.5%-1.75% currently 10%	13 Quarterly installments of Rs.5.26 lakhs each and last installment of Rs.2.3 lakhs upto 1st October, 2007	Prepayment charges @ 2% on the outstanding.
3)	Punjab National Bank ^(c)	Term Loan 2	128.69	61.06	75.63	PNB-BPLR+ 0.5%-1.75% currently 10%	17 quarterly installments of Rs.7.57 lakhs each upto October 2008	Prepayment charges @ 2% on the outstanding.
4)	Punjab National Bank ^(d)	Term Loan 3	107.38	53.98	66.99	PNB-BPLR+ 0.5%-1.75% currently 10%	16 Quarterly installment of Rs.6.73 lakhs upto July, 2008	Prepayment charges @ 2% on the outstanding.
5)	Punjab National Bank ^(e)	Term Loan 4	489.75	216.17	275.46	PNB-BPLR+ 0.5%-1.75% currently 10%	16 Quarterly installments of Rs.30.61 lakhs upto June 2008	Prepayment charges @ 2% on the outstanding.

6)	Punjab National Bank (f)	Term Loan 5	500.00	378.16	425.11	PNB-BPLR+ 0.5%-1.75% currently 10%	15 Quarterly installments of Rs.25.00 lakhs each and 4 quarterly installments of Rs.31.25 lakhs each upto March 2010	Prepayment charges @ 2% on the outstanding.
7)	Punjab National Bank (g)	Term Loan 6	600.00	605.05	600.00	PNB-BPLR+ 0.5%-1.75% currently 10%	16 Quarterly installments of Rs.37.5 lakhs upto September, 2011	Prepayment charges @ 2% on the outstanding.
8)	State Bank of India (h)	Various Facilities like CC/WC DL, EPC, FBDN & DDP	Fund based limit of Rs.4000 lakhs	3481.38	3612.98	As negotiated from time to time	As per nature of facility	NA
				5789.01	6209.71			

- (a) Secured by pari passu first charge on the whole of the moveable properties of the Company including its moveable plant and machinery, machinery spares, tools and accessories and other moveables, both present and future (save and except book debts) howsoever and wheresoever in the possession of the Company. Further secured by mortgage by way of deposit of title deeds by constructive delivery of the Company's immovable properties.
- (b) Pari passu first charge on all the movable and immovable assets of the Company both present and future on pari passu basis with IDBI Ltd., subject to charges already created/ to be created on specific movables for working Capital loan in favour of working capital bankers.
- (c) Pari passu first charge on all the movable and immovable assets of the Company both present and future on pari passu basis with IDBI Ltd., subject to charges already created/ to be created on specific movables for working Capital loan in favour of working capital bankers.
- (d) Pari passu first charge on all the movable and immovable assets of the Company both present and future on pari passu basis with IDBI Ltd., subject to charges already created/ to be created on specific movables for working Capital loan in favour of working capital bankers.
- (e) Pari passu first charge on all the movable and immovable assets of the Company both present and future on pari passu basis with IDBI Ltd., subject to charges already created/ to be created on specific movables for working Capital loan in favour of working capital bankers.
- (f) Pari passu first charge on all the movable and immovable assets of the Company both present and future on pari passu basis with IDBI Ltd., subject to charges already created/ to be created on specific movables for working Capital loan in favour of working capital bankers.
- (g) Pari passu first charge on all the movable and immovable assets of the Company both present and future on pari passu basis with IDBI Ltd., subject to charges already created/ to be created on specific movables for working Capital loan in favour of working capital bankers.
- (h) First charge by hypothecation of the Company's entire current assets, present and future, including documents of title to goods and other assets such as book-debts, outstanding moneys, receivables, claims, bills, invoices, documents, contracts, engagements, securities, investments and rights and a second charge on buildings and all machinery, present and future.

STATEMENT OF UNSECURED LOANS

(Rs. in lakhs)

Borrowed from	As on 30 September, 2006	As on 31 March, 2006	Terms	Remarks
From Promoters/Group Companies and Associate Companies	-	-		
TAFE Ltd	300.00	-	The loan will be recovered by deduction of Rs.12.50 lakhs each month in 24 months from December 2006 to November 2008 from the amount due against supplies.	The loan was obtained for costs towards increasing Supplies to them.
Deposits from Public	70.66	65.51	The Deposits are accepted at interest of 11.57% p.a at various tenures between 1 and 3 years.	Deposits are accepted to meet the operational requirements of the Company in a limited scale.
Kotak Mahindra Bank	-	100.00	The loan sanctioned carrying a rate of interest of 9.5%	Obtained for working capital purpose
Interest Free Sales Tax Loan	1024.92	1064.38	Interest Free Sales Tax loan given by Tamil Nadu Government for the original unit in 1996 repayable from 2005-06 through 2012-13.	Obtained under TamilNadu Government Industrial Promotion scheme
TOTAL	1395.58	1229.89		

Annexure VIII

STATEMENT OF DEBTORS

Rs. in lakhs

Particulars	As at 30 September, 2006	As at 31 March				
		2006	2005	2004	2003	2002
Sundry Debtors						
(Unsecured)						
a) Outstanding for more than six months						
Considered good						
Nelcast USA inc	-	11.25	-	-	-	-
Nelcast Energy Corporation Ltd	-	-	-	-	-	-
from related parties	-	11.25	-	-	-	-
from Others	387.53	306.72	68.55	129.54	-	-
Considered Doubtful	-	-	-	-	-	-
Less: Provision for doubtful debts	-	-	-	-	-	-
		317.97	68.55	129.54	-	-
b) Other Debts - Considered good	4376.62	3529.98	3597.36	2551.70	2130.49	1644.11

TOTAL	4764.15	3847.95	3665.91	2681.24	2130.49	1644.11

Annexure IX

STATEMENT OF LOANS AND ADVANCES

Rs. in lakhs

Particulars	As at Sept 30,2006	As at March 31				
		2006	2005	2004	2003	2002
Given to affiliates /group companies /related promoter or director	-					
Advances recoverable in cash or in kind or for value to be received	-					
Nelcast USA Inc	-	-	23.59	6.61	7.21	-
Nelcast Energy Corporation Ltd	3.50	3.50	3.50	5.00	5.00	5.00
P.Jamuna, P.Deepak & P.Divya	28.08	28.08	28.08	12.90	12.90	12.90
DD Enterprises						
TOTAL	31.58	31.58	55.17	24.51	25.11	17.90
To others						
For purchases	17.12	-	-	-	-	-
For expenses	17.32	10.50	8.92	6.44	4.53	4.12
Others	-	1.26	1.07	1.27	1.31	16.88
Prepaid expenses	-	1.15	3.11	2.71	2.42	1.58
Security and Tax Deposits	495.20	678.46	450.32	273.48	262.23	291.58
Claims receivable		-	26.75	-	-	-
Incentives receivable	154.45	119.28	97.50	49.90	79.46	33.64
interest receivable	14.01	23.72	8.82	7.87	5.91	4.57
Advance tax (net of provision)	0.70	-	-	-	-	-
Tax provision reversed on account of regrouping	-	-	-	-	-	1.47
TOTAL	698.80	834.37	596.49	341.67	355.86	353.84
Of the above						
Unsecured - Considered good	730.38	865.95	651.66	366.18	380.97	371.74
Unsecured - Considered doubtful	-	-	-			
Less: Provision for doubtful claims	-	-	-			
Net Loans and Advances	730.38	865.95	651.66	366.18	380.97	371.74

**ANNEXURE X
CAPITALISATION STATEMENT**

(Rs. in lakhs)

Particulars	Adjusted for Issue (2)		Pre Issue	
	30.09.2006	31.03.2006	30.09.2006	31.03.2006
Borrowing				
Short Term Debt			3703.20	3826.63
Long Term Debt (A)			3481.38	3612.98
Total Debts			7184.58	7439.61
Equity (Share Holders' Funds)				
Equity Share Capital			1285.00	1285.00
Share Application money			-	-
Share Premium			-	-
Reserves and Surplus (excluding share premium)			1861.49	1243.47
Total Equity (B)			3146.49	2528.47
Long term Debt / Equity Share Holders' Funds ((A) / (B))			1.11	1.43

Notes:

- 1) Long term debt is debt with tenure of more than one year.
- 2) Share Capital and Reserves and Surplus after the issue can be calculated only on the conclusion of the issue process.

**ANNEXURE XI
STATEMENT OF TAX SHELTER**

(Rs. in lakhs)

Particulars	Year ended 31 March				
	2006	2005	2004	2003	2002
Profit before tax as per books of accounts	1043.63	753.66	462.15	114.18	21.07
Normal tax rates	33.66%	36.59%	35.87%	36.75%	35.70%
Minimum alternative tax rates	8.41%	7.84%	7.68%	7.87%	8.62%
Notional tax at normal rates (A)	351.29	275.78	165.80	41.96	7.52
Permanent Differences					
Other adjustments - Disallowances	2.26		31.03	1.87	4.65
80 HHC		-	(2.37)		
Total (B)	2.26	-	28.66	1.87	4.65
Timing Differences					
Difference between tax depreciation and book depreciation	(220.47)	(468.36)	(432.70)	(371.83)	(59.03)
Difference due to Section 43B	80.60	71.85	83.64	68.51	29.63
Other adjustments	-	(0.37)	(0.07)	-	(0.08)
Total (C)	(139.87)	(396.88)	(349.13)	(303.32)	(29.48)
Net Adjustments (B+C)	(137.61)	(396.88)	(320.47)	(301.45)	(24.83)
Tax expense / (savings) thereon (D)	(46.32)	(145.23)	(114.97)	(110.78)	(8.86)
Total taxation (E=A+D)	304.96	130.55	50.83	-	-
Brought forward losses set off (Depreciation)	-	82.01	141.69	-	-

Tax effect on the above (F)	-	30.00	50.83	-	-
Net tax for the year / period (E-F)	304.96	100.55	-	-	-
Tax payable as per MAT	87.82	59.10	35.35	8.99	1.82
Tax expense recognized	303.60	78.50	35.53	9.00	1.60
Tax as per return of income	304.96	100.55	35.35	8.99	1.82

The statement of tax shelter has been prepared based on return of income fixed by the Company with the Income tax Authorities / Assessment Order except for period ended 30 September, 2006 and not based on restated profits as per Annexure I. The statement of tax shelter for the period ended 30 September, 2006 is based on computation of tax under the Income tax Act, 1961 since the return of income is filed for the whole year.

ANNEXURE XII

RELATED PARTY DISCLOSURES

List of related parties and relationships

Please refer to Related Party Disclosures provided in Annexure IV.

ANNEXURE XIII

DETAILS OF CONTINGENT LIABILITIES

(Rs. in lakhs)

S.No.	Particulars	As at	As at 31 March				
		30 September, 2006	2006	2005	2004	2003	2002
1)	Letters of Credit and Bank Guarantees	46.39	46.80	122.00	123.75	142.31	131.46
2)	Estimated amount of contracts remaining to be executed	-	-	-	-	-	55.44

ANNEXURE XIV

STATEMENT OF DIVIDEND PAID

(Rs. in lakhs)

S.No.	Particulars	As at	As at 31 March				
		30 September, 2006	2006	2005	2004	2003	2002
A)	Equity Share Capital						
1)	Number of Equity Shares of Rs.10 each	12850000	12850000	12850000	11850000	11850000	11850000
2)	Rate of Dividend (%)	12.50	20.00	15.00	5.00	2.00	-
3)	Dividend Amount (Rs. in lakhs)	160.63	257.00	192.75	59.25	23.70	-
4)	Tax on Dividend (Rs. in lakhs)	22.53	36.04	27.03	7.59	2.96	-

**ANNEXURE XV
STATEMENT OF OTHER INCOME**

Particulars	Period ended 30 September, 2006	Year ended 31 March					Nature of Income	Related or not related to business
		2006	2005	2004	2003	2002		
SOURCES OF INCOME								
Interest	14.12	29.27	25.30	6.63	12.64	6.27	Recurring	Related
Export Incentives	44.78	76.72	91.24	48.87	75.18	61.06	Recurring	Related
Miscellaneous Income	-	0.23	-	-	1.61	0.13	Non recurring	Related
Foreign Currency Fluctuation	43.02							
TOTAL	101.92	106.22	116.54	55.50	89.43	67.46		

The classification of income into recurring and non-recurring is based on the current operations and business activity of the Company

**ANNEXURE XVI
DETAILS OF RESERVES AND SURPLUS**

S.No.	Particulars	As at 30 September, 2006	As at 31 March				
			2006	2005	2004	2003	2002
1)	General Reserve	1105.57	1105.57	705.57	405.57	229.83	219.83
2)	Profit and Loss Account	103.39	137.90	147.88	179.42	142.57	107.82
	TOTAL	1208.96	1243.47	853.45	584.99	397.25	352.50

ANNEXURE XVII

STATEMENT OF INVESTMENTS

A. UNQUOTED INVESTMENTS

Particulars	Period ended 30 September, 2006	Year ended
		31 March, 2006
INVESTMENT		
Nelcast Energy Corporation Ltd		
No. of Shares	15000	15000
Rate	10.00	10.00
Amount (Rs. Lakhs)	1.50	1.50
Saheli Exports P. Ltd		
No. of Shares	25000	25000
Rate	10.00	10.00
Amount (Rs. Lakhs)	2.50	2.50
Nelcast USA Inc.,		
No. of Shares	10000	10000
Rate	235.90	235.90
Amount (Rs. Lakhs)	23.59	23.59
TOTAL	27.59	27.59

Rate of Exchange for US\$ to Rs. Taken - 47.18

B. QUOTED INVESTMENTS - NIL



AUDITORS' REPORT AND RESTATED FINANCIAL STATEMENTS OF NELCAST USA INC.,**The Board Of Directors**

December 2, 2006

Dear Sirs,

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by Nelcast Ltd., in connection with the initial offer of the Equity Shares, we state as follows:

- i. We have prepared the restated financial statements of Nelcast USA Inc. incorporated in accordance with the laws of Illinois, USA, as wholly owned subsidiary of Nelcast Ltd for the financial years ended March 31, 2004, 2005, 2006 and the half year ended 30th September, 2006 being the last date up to which the accounts have been made in accordance with the auditing standards generally accepted in USA.
- ii. The figures included in the annexed statement of Profit and Loss Account for the period March 31, 2004, 2005, 2006 and the half year ended 30th September, 2006 as Annexure I, the annexed statement of assets and liabilities as at the end of respective periods as Annexure II, the annexed statement of cash flows for the periods ended on the above mentioned dates as Annexure III, along with the notes to accounts and summary of significant accounting policies as Annexure IV, are prepared from the audited financial statements of Nelcast USA Inc audited by Lipschultz, Levin & Gray L.L.C , Certified Public Accountants, 425, Huehl Road, Bldg. 7, Northbrook, Illinois 60062-2322 which have been furnished to us and is based solely on the report of the said auditor. The figures have been restated from US Dollars to Rupees at the prevailing rates at the end of the respective periods i.e., as on 30th September, 2006 1 USD = Rs. 45.99; as on 31st March 2006 1 USD = Rs. 44.62; as on 31st March 2005 1 USD = Rs. 43.79; as on 31st March 2004 1 USD = Rs. 44.13.
- iii. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed Public Issue of Nelcast Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For JB Reddy and Co,
Chartered Accountants**

A.V. REDDY

Partner

Membership No.23983

SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED (Annexure I)

Rs.in lakhs

Particulars	Period ended 30 September, 2006	Year ended 31March		
		2006	2005	2004
Income				
Sales				
Of Products	87.42	56.02		
Less: Taxes and Duties	-	-	-	-
Net Sales	87.42	56.02	-	-
Other Income	115.49	242.14	217.80	81.95
Increase / (decrease) in inventories	-	-	-	-
Total Income	202.91	298.16	217.80	81.95
Expenditure				
Materials consumed	92.73	62.07	-	-
Staff Costs	87.84	168.69	155.57	48.41
Administrative, selling and distribution expenses	34.21	63.75	62.46	30.53
Depreciation	0.33	0.64	0.62	0.31
Total Expenditure	215.11	295.15	218.65	79.25
Net Profit before tax	(12.20)	3.01	(0.85)	2.70
Net Profit after tax (A)	(12.20)	3.01	(0.85)	2.70
Impact of material adjustments for restatement in corresponding years (net of tax) (B)	-	-	-	-
Net Profit after adjustments (A) + (B)	(12.20)	3.01	(0.85)	2.70
	-	-	-	-

SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Annexure II

Rs. In Lakhs

Particulars		As at 30 September, 2006	As at 31 March		
			2006	2005	2004
A.	Fixed Assets				
	Gross block	4.59	4.45	4.37	4.40
	Less: Depreciation	1.97	1.59	0.94	0.31
	Net Block	2.62	2.86	3.43	4.09
	Capital Work-in-Progress				
	TOTAL	2.62	2.86	3.43	4.09
B.	Investments	-	-	-	-
C.	Current assets, loans and advances				
	Inventories	22.10	48.46	22.32	-
	Receivables	23.84	8.67	-	17.41
	Cash and bank balances	4.62	0.59	2.70	4.13
	Loans and advances	23.90	18.83	28.81	0.18
	TOTAL	74.46	76.55	53.83	21.72
D.	Total assets (A + B + C)	77.08	79.41	57.26	25.81
E.	Liabilities and provisions				
	Loan funds				
	Secured loans	-	-	-	-
	Unsecured loans	-	4.46	-	0.81
	TOTAL	-	4.46	-	0.81
F.	Current liabilities and provisions				
	Current liabilities	61.25	47.65	33.05	0.25
	Provisions	0.02	0.14	0.51	-
	TOTAL	61.27	47.79	33.56	0.25
G.	Total Liabilities and provisions	61.27	52.25	33.56	1.06
	(E + F)				
H.	Net worth (D - G)	15.81	27.16	23.70	24.75
	Represented by				
	Shareholders funds				
	Share capital	23.00	22.31	21.90	22.07
	Reserves and surplus	(7.19)	4.86	1.81	2.69
	Total	15.81	27.17	23.71	24.76

SUMMARY STATEMENT OF CASH FLOWS AS RESTATED (ANNEXURE III)

Rs. lakhs

Particulars	Period ended 30 September, 2006	Year ended 31 March		
		2006	2005	2004
Cash flow from (used by) operating activities				
Net Income(Loss)	(12.20)	3.02	(0.86)	2.69
Adjustment for				
Depreciation	0.33	0.64	0.62	-
Interest expense	0.04	-	-	-
Operating profit before working capital changes	(11.83)	3.66	(0.24)	2.69
Adjustment for changes in				
Trade and other receivables, as restated	(14.90)	(8.67)	-	-
Reimbursements receivable from parent Company	(1.33)	9.26	(9.31)	(17.03)
Inventory	27.85	(25.72)	(22.32)	-
Prepaid expenses and others	(3.15)	1.26	(2.05)	(0.01)
Trade and other payables, as restated	12.14	13.96	32.26	-
Other Current Liabilities	(0.13)	(0.38)	0.26	0.02
Net cash generated from operating activities (A)	8.65	(6.63)	(1.40)	(14.33)
Cash flow from investing activities				
Purchase of fixed assets	-	-	-	(4.40)
Increase in Capital /Share Application Money	-	-	-	22.07
Net cash used in investing activities (B)	-	-	-	17.67
Cash flow from financing activities				
Loans taken	(4.60)	4.46	-	0.81
Interest paid	(0.04)	-	-	-
Net cash used in financing activities (C)	(4.64)	4.46	-	0.81
Net increase/(decrease) in cash and cash equivalents (A+B+C)	4.01	(2.16)	(1.39)	4.13
Opening balance of cash and cash equivalents converted to the current year's rate	0.61	2.75	4.09	-
Closing balance of cash and cash equivalents	4.62	0.59	2.70	4.13

Annexure IV**NELCAST USA INC.- NOTES TO FINANCIAL STATEMENTS****INCORPORATION AND NATURE OF BUSINESS**

NELCAST USA INC. (the “Company”) was incorporated on January 15, 2003 and is a wholly owned subsidiary of Nelcast, Ltd., a corporation formed and operating in India as a designer , manufacturer and distributor of casting, primarily for the transportation industry. The Company conducts marketing and customer relationship management on behalf of the parent company to customers in the United states, Europe and Australia. Through March 31, 2006, the Company’s main sources of financing were payments received from the parent company as reimbursement for expenses incurred. Sales of merchandise are to one customer and began during the year ended March 31, 2006.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash:

For the purpose of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. There were no cash equivalents at March 31, 2006 and 2005.

The Company maintains its cash accounts in what it believes are highly-quality banks. Nevertheless, there may be exposure where balances exceed federally insured limits.

Accounts Receivable:

The Company extends unsecured credit to its customer from sales in the normal course of business and mitigates the associated credit risk by performing credit checks on the customer. Management reviews the customer’s receivables and writes off or provides an allowance, based on their knowledge of the customer and historical experience, for those amounts that it considers may be uncollectible. Management considers all accounts receivable at September 30, 2006 to be fully collectible and, no allowance for doubtful accounts is required. The actual amount of uncollectible receivables may differ from that estimated by management.

Inventories:

Inventories, which consist of merchandise held for sale, are valued at the lower of specific cost or market.

Property, Equipment and Depreciation:

Property and equipment are stated at cost. Depreciation is provided by the use of the straight-line method over the estimated useful lives of the assets.

Reimbursement from Parent:

Every month, the Company provides its parent with statements of expenses incurred and the parent remits to the Company a reimbursement based on the information submitted. The Company records the reimbursement on an accrual basis.

Revenue Recognition:

Sales are recorded when merchandise is shipped to the customer.

Concentration Of Risk And Related Party Transactions

The Company's operations are dependent upon the continued financial support of its Parent. All of the Company's inventories are purchased from its Parent.

During 2005, the Company's president loaned the Company \$10,000 (Rs. 4,59,900 at 1 USD = Rs.45.99) which was repaid during 2006 with interest at 12%.

Operating Leases

The Company rents its facilities under a lease which expires on January 31, 2007 at a monthly rental of \$950 (Rs.43,691 at 1 USD = Rs.45.99), which provides for a base rent plus the cost of miscellaneous operating expenses and real estate taxes. The Company also leases an Automobile under a lease with a monthly rental of \$1,254 (Rs. 57,672 at 1 USD = Rs.45.99) which expires in November 2007.

Income Taxes

The Company has net operating loss carryforward for federal income tax purposes of approximately \$10,000 (Rs.4,59,900 at 1 USD = Rs.45.99) which expires through 2018.

Employment Agreement

The company has an employment agreement with its president through 2008 at a base salary of \$288,000.(Rs. 1,32,45,120 at 1 USD = Rs.45.99).



AUDITORS' REPORT AND CONSOLIDATED RESTATED FINANCIAL STATEMENTS OF NELCAST LIMITED AND ITS SUBSIDIARIES

The Board of Directors
Nelcast Ltd
Chennai.

December 2, 2006

Dear Sirs,

We have examined the attached consolidated financial information of M/s Nelcast Ltd. and its subsidiary Nelcast USA Inc., collectively referred to as the group, for the years ended 31st March 2002, 2003, 2004, 2005, 2006 and for the six months ended 30th September, 2006 being the last date up to which the accounts have been audited by us.

The said financial information includes the accounts of the following Companies:

- a) For Nelcast Limited: for the years ended 31st March, 2002, 2003, 2004, 2005 and the six month period ended 30th September, 2006.
- b) For Nelcast USA Inc for the years ended 31st March 2004, 2005, 2006 and the six month period ended 30th September, 2006.

The information is based on the accounts audited by us of Nelcast Limited for the above mentioned periods.

However, we have not audited the financial statements of the subsidiary Nelcast USA Inc. for the above mentioned periods. These financial Statements audited by Lipschultz, Levin & Gray L.L.C , Certified Public Accountants, 425, Huehl Road, Bldg. 7, Northbrook, Illinois 60062-2322 whose report have been furnished to us and in our opinion in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditor.

These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these accounts based on our audit. These accounts were approved by the Board of Directors of the Company for the purpose of disclosure in the Offer Document being issue by the Company in connection with the Public Issue of Equity Shares by the Company (referred to as "the issue").

The said financial information has been prepared in terms of the requirements of

- a) Paragraph B (1) of Part II of Schedule II to the Company's Act 1956 (the "Act").
- b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (the "Guidelines") issued by the Securities and Exchange Board of India ("SEBI") on 19th January 2000 in pursuance of Section 11 of the Securities and Exchange Board of India Act 1992 read with related clarifications issued by SEBI.
- c) The letter dt. 17th November 2006 received from the Company requesting us to issue a report for the purpose of inclusion in the Offer Document being issued by the Company in connection with the proposed Public Issue of Equity Shares of the Company.

We have examined the following financial information relating to the Group proposed to be included in the Offer Document and annexed to this report.

- a) Restated Consolidated Profits/Losses of the Company for the above-mentioned periods are as set out in Annexure I to this report. These profits/losses have been arrived at after charging all expenses including depreciation and after making such adjustments, restatements and regrouping as in our opinion are appropriate and subject to the accounting policies and notes thereon appearing in Annexure IV to this report.
- b) The restated consolidated assets and liabilities of the Company for the above mentioned periods are as set out in Annexure II to this report after making such adjustments/ restatements and



regrouping as in our opinion are appropriate and subject to the accounting policies and notes thereon appearing in Annexure IV to this report.

c) Statement of Restated Consolidated Cash Flow enclosed as Annexure III to this report.

We report that the summarized restated consolidated financial statement have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21- Consolidated Financial Statements issued by the Institute of Chartered Accountants of India,

In our opinion the financial information of the Company as stated above read with significant accounting policies attached in Annexure IV to this report, after making adjustments/restatements and regroupings as considered appropriate and has been prepared in accordance with Part II of schedule II of the Act and the SEBI guidelines.

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

**For JB Reddy and Co,
Chartered Accountants**

A.V. REDDY

Partner

Membership No.23983

SUMMARY STATEMENT OF CONSOLIDATED PROFITS AND LOSSES AS RESTATED

The Profit and Loss Statements of the Company for five financial years ended 31 March of 2002 to 2006 and for the period ended 30 September, 2006 read with significant accounting policies, notes on accounts and the notes to adjusted accounts are set out below.

Rs. in lakhs

Particulars	Period ended	Year ended 31 March				
	30 September, 2006	2006	2005	2004	2003	2002
Income						
Sales	16642.29	27032.01	24086.58	15241.59	10069.36	6178.36
Of Products manufactured by the Company	16642.29	27032.01	24086.58	15241.59	10069.36	6178.36
Less: Excise Duty	2083.60	3401.12	3056.81	1976.05	1279.14	743.65
Net Sales	14558.69	23630.89	21029.77	13265.54	8790.22	5434.71
Other Income	101.92	106.22	116.54	55.50	89.43	67.46
Increase / (decrease) in inventories	(909.44)	33.54	284.60	459.55	292.48	459.94
Total Income	13751.17	23770.65	21430.91	13780.59	9172.13	5962.11
Expenditure						
Materials consumed	5595.12	10665.76	10587.95	5671.03	3400.89	1948.47
Consumable Stores & Spares	1852.12	3083.60	2187.81	1483.04	1039.60	579.80
Power and Fuel	1852.91	3433.67	3110.95	2455.70	2097.08	1357.00
Staff Costs	610.88	1011.24	807.51	576.78	437.36	371.49
Other manufacturing expenses	1292.51	2117.92	1629.90	1176.49	853.33	569.83
Administrative, selling and distribution expenses	746.40	1245.17	1103.67	777.10	457.55	407.67
Interest	375.17	765.75	896.51	844.08	574.17	523.08
Depreciation	220.19	400.90	353.80	331.52	197.97	183.70
Total Expenditure	12545.30	22724.01	20678.10	13315.74	9057.95	5941.04
Net Profit before tax	1205.87	1046.64	752.81	464.85	114.18	21.07
Tax expense - Current tax	307.80	303.60	78.50	35.53	9.00	1.60
Tax expense - Deferred tax	101.60	(12.32)	140.72	176.93	-	-
Fringe Benefit Tax	7.50	19.50	-	-	-	-
Prior Year Adj	-	30.61	5.44	4.39	-	2.58
Net Profit after tax (A)	788.97	705.25	528.15	248.00	105.18	16.89
Impact of material adjustments for restatement in corresponding years (net of tax) (B)	-	(19.17)	(40.76)	9.27	(33.76)	(10.39)
Net Profit after adjustments (A) + (B)	788.97	686.08	487.39	257.27	71.42	6.50

SUMMARY CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED							
Assets and Liabilities of the Company at the end of each financial period/year regrouped wherever necessary and read with significant accounting policies, notes on accounts and the notes to adjusted accounts .							
Rs. in lakhs							
Particulars	As at	As at 31 March					
	30 September, 2006	2006	2005	2004	2003	2002	
A. Fixed Assets							
Gross block	9447.49	8631.50	7612.64	6869.52	6814.79	3938.79	
Less: Depreciation	2539.74	2319.50	1929.20	1575.39	1248.43	1053.41	
Net Block	6907.75	6312.00	5683.44	5294.13	5566.36	2885.38	
Capital Work-in-Progress	-	-	-	-	-	2550.28	
TOTAL	6907.75	6312.00	5683.44	5294.13	5566.36	5435.66	
B. Goodwill	0.59	1.28	1.69	1.52	-	-	
C. Investments	4.00	4.00	4.00	-	7.20	-	
D. Current assets, loans and advances	-						
Inventories	3015.89	3819.91	3675.82	3044.85	2354.71	1983.52	
Receivables	4787.99	3856.62	3665.91	2698.65	2130.49	1644.11	
Cash and bank balances	48.78	77.19	31.32	29.93	27.23	22.08	
Loans and advances	754.28	884.78	680.47	366.36	380.97	371.74	
TOTAL	8606.94	8638.50	8053.52	6139.79	4893.40	4021.45	
E. Total assets (A + B+ C+D)	15519.28	14955.78	13742.65	11435.44	10466.96	9457.11	
F. Liabilities and provisions	-						
Loan funds							
Secured loans	5789.01	6209.71	5639.30	4825.51	4702.74	4506.10	
Unsecured loans	1395.58	1234.35	1918.81	1625.12	1606.45	1461.32	
TOTAL	7184.59	7444.06	7558.11	6450.63	6309.19	5967.42	
G. Deferred Tax Liability	1042.66	941.06	900.60	744.67	574.50	542.76	
H. Current liabilities and provisions	-						
Current liabilities	3814.14	3685.90	2902.53	2282.89	1968.19	1409.43	
Provisions	338.59	351.43	241.15	84.57	32.83	-	
TOTAL	4152.73	4037.33	3143.68	2367.46	2001.02	1409.43	
I. Total Liabilities and provisions (F + G+H)	12379.98	12422.45	11602.39	9562.76	8884.71	7919.61	
J Net worth (E - I)	3139.30	2533.33	2140.26	1872.68	1582.25	1537.50	
Represented by							
Shareholders funds							
Share capital	1285.00	1285.00	1285.00	1185.00	1185.00	1185.00	
Share Application Money	-	-	-	100.00	-	-	
Reserves and surplus	1854.30	1248.33	855.26	587.68	397.25	352.50	
Total	3139.30	2533.33	2140.26	1872.68	1582.25	1537.50	

CONSOLIDATED STATEMENT OF CASH FLOWS AS RESTATED

Annexure III

The cash flows of the Company for the five financial years ended on 31 March of 2002 to 2006 and for the period ended September 30, 2006 read with significant accounting policies, notes on accounts are set out below.

Rs. in lakhs

Particulars	Period ended 30 September, 2006	Year ended 31 March				
		2006	2005	2004	2003	2002
Cash flow from operating activities						
Net Profit before tax	1205.87	1080.27	727.25	467.35	112.16	23.27
Adjustment for						
Depreciation	220.19	400.90	353.80	331.21	197.97	180.55
Interest expense	375.21	765.75	896.51	844.09	574.17	523.08
Loss on sale of fixed assets	-	2.46	-	-	1.87	4.08
Interest income	(14.12)	(29.27)	(25.30)	-	(12.64)	(6.28)
Operating profit before working capital changes	1787.15	2220.11	1952.26	1642.65	873.53	724.70
Adjustment for changes in						
Trade and other receivables	(495.45)	(572.35)	(1344.84)	(553.02)	(495.49)	(228.20)
Inventory	805.51	(143.67)	(630.97)	(690.13)	(371.20)	(477.15)
Trade and other payables	231.74	702.13	531.34	247.79	506.40	732.17
Other Current Liabilities	(304.68)	50.88	111.52	52.78	50.86	14.63
Cash generated from operations	2024.27	2257.10	619.31	700.07	564.10	766.15
Direct taxes paid	(323.10)	(78.50)	(35.53)	(9.00)	(1.60)	(20.50)
Adjustment of depreciation on sale of asset	-	-	-	(4.57)	-	3.15
Extraordinary/Prior period Items	-	(30.61)	(5.44)	(4.39)	-	(2.58)
Net cash generated from operating activities (A)	1701.17	2147.99	578.34	682.11	562.50	746.22
Cash flow from investing activities						
Purchase of fixed assets and other capital/deferred expenditure	(815.85)	(1036.52)	(743.16)	(54.72)	(334.02)	(723.07)
Sale of fixed assets	-	4.67	-	-	3.47	4.60
Changes in Investment	-	-	(4.00)	(16.39)	(7.30)	2.20
Interest received	14.12	29.27	25.30	-	12.64	6.28
Net cash used in investing activities (B)	(801.73)	(1002.58)	(721.86)	(71.11)	(325.21)	(709.99)
Cash flow from financing activities						
Loans taken	(4.60)	4.46	1108.29	0.81	341.76	709.45
Loans repaid	(255.07)	(118.50)	-	140.64	-	(248.73)
Proceeds from issue of shares and share application money	-	-	-	122.07	-	60.00
Dividend paid	(293.05)	(219.78)	(66.84)	(26.66)	-	(35.58)
Interest paid	(375.16)	(765.75)	(896.51)	(845.16)	(573.90)	(523.07)
Net cash used in financing activities (C)	(927.88)	(1099.57)	144.94	(608.30)	(232.14)	(37.93)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(28.44)	45.84	1.42	2.70	5.15	(1.70)
Opening balance of cash and cash equivalents	77.19	31.35	29.93	27.23	22.08	23.78
Closing balance of cash and cash equivalents	48.75	77.19	31.35	29.93	27.23	22.08

ANNEXURE IV

NOTES TO ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES:

1. Basis for preparation of the consolidated accounts:
 - a. The financial Statements of the subsidiary used in the consolidation are drawn up to the same date as that of the parent Company.
 - b. The Consolidated financial statements have been prepared under the historical cost convention and on accrual basis of accounting. The accounts of the group have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India and generally accepted accounting principles.
 - c. The consolidated financial statements related to Nelcast Limited and its subsidiary Nelcast USA inc has been prepared on the following basis.
 - i. The financial statements of the parent, Nelcast Ltd and the subsidiary Nelcast USA Inc., have been combined on a line by line basis by adding together like items of assets, liabilities, income and expenses.
 - ii. The cost to the parent of its investment in each subsidiary at the date on which investment in the subsidiary is made has been eliminated and the excess of the cost to the parent of its investment in the subsidiary at the date has been described as goodwill in the consolidated financial statements.
 - iii. Intragroup balances and intragroup transactions has been eliminated in full.
2. The subsidiary Company considered in the consolidated financial statement is

(i) Name	Nelcast USA Inc
(ii) Country of Incorporation	USA
(iii) % of voting rights held as at 30 th September, 2006	100%
3. Investments are stated at cost.
4. Previous years figures have been regrouped wherever necessary to confirm to current years classification.

Annexure V

SUMMARY ACCOUNTING RATIOS

Amount in Rupees

Particulars	Period ended 30-Sep-06	Year ended March 31				
		2006	2005	2004	2003	2002
Basic EPS	6.14	5.34	3.79	2.17	0.60	0.05
Cash EPS	7.85	8.46	6.55	4.97	2.27	1.61
Return on Net Worth (%) *annualised	*25.13	27.08	22.77	13.74	4.51	0.42
Net Asset value per share	24.43	19.71	16.66	15.80	13.35	12.97
Number of equity shares	12,850,000	12,850,000	12,850,000	11,850,000	11,850,000	11,850,000

The ratios have been computed as below:

Earnings per share

Net Profit after adjustments attributable to equity shareholders divided by number of equity shares outstanding at the end of the period/year

Cash earning per share represents Net Profit after adjustments plus non cash charges divided by the number of equity shares as at the end of the period/year

Return on Net worth

Net Profit after adjustments as restated divided by equity share holders' funds at the end of the period/year.

Net Asset Value per share

Net worth at the end of the period/year divided by the weighted average number of equity shares at the end of the period/year.

FINANCIAL INFORMATION OF GROUP COMPANIES / VENTURES PROMOTED BY THE PROMOTERS.

1. Nelcast Energy Corporation Limited (NECL)

NECL was incorporated on 24 October, 2000 and having its registered office situated at 159, T.T.K. Road, Chennai-600 018. The Company was incorporated to carry on the business to generate, accumulate, distribute, supply, receive, produce, improve, buy, sell, re-sell, acquire, employ, develop, handle, protect, use, transmit electricity and other power by conventional or non conventional methods. However, the Company is yet to commence operations.

The Board of Directors of NECL consists of

Mr.R.V.Ramani, Chairman
Mr.P.Radhakrishna Reddy, Director
Mr.P.Vijaya Bhaskar Reddy, Director

Shareholding Pattern

The Shareholding pattern of NECL is as follows:

S.No	Name	No. of Equity Shares	% of Total
1	Nelcast Limited	15000	29.24
2	P.Radhakrishna Reddy	35700	69.59
3	Others	600	1.17
	Total	51300	100.00

2. Ponnas Infrastructure Private Limited (PIPL)

PIPL was incorporated on 1 June, 2006 and having its registered office situated at 159, T.T.K Road, Chennai-18. The Company was incorporated to carry on the business of developing and providing infrastructure projects for use in particular as Software Technology parks, Knowledge Parks, Cyber parks, Intelligent Buildings, Communication infrastructure, Hospitals, Medical Centers, Hotels, Roads, Bridges, Highway Projects, Irrigation projects, ports, waterways and or other complexes as service, research stations for commercial or public utility and turn to account in and outside India. However the Company is yet to commence the business.

The Board of Directors of PIPL consists of

Mr.P.Radhakrishna Reddy, Director
Ms P. Jamuna, Director

Shareholding Pattern

The Shareholding pattern of NECL is as follows:

S.No	Name	No. of Equity Shares	% of Total
1	P.Radhakrishna Reddy	5000	50
2	P.Jamuna	5000	50
	Total	10000	100

3. DD Enterprises

DD Enterprises, a partnership firm, was constituted on 6 November, 1996 at Chennai with the main object of carrying on the business of buying and selling of land, land development, flat promotion and civil construction, machining, casting, financing hire purchase, leasing, agriculture and estate development and also carry on such other business as the partners may mutually agree from time to time.

The partners of the firm are Mr.P.Radhakrishna Reddy, Mrs.P.Jamuna, Mr.P.Deepak and Ms..Divya. The profit sharing ratio is as follows:

S.No.	Name of partner	Profit (%)	Loss (%)
1.	Mr.P.Radhakrishna Reddy	25	50
2.	Mrs.P.Jamuna	25	50
3.	Mr.P.Deepak	25	--
4.	Ms.P.Divya	25	--

Financial Highlights

Particulars	(Rs. in lakhs)		
	2003-04	2004-05	2005-06
Total income	5.67	2.88	2.88
Total expenditure	5.28	2.85	2.49
Net Profit	0.39	0.03	0.39
Partner's capital	1.44	1.44	1.44

The Equity Shares of all the above Group Companies/Ventures are not listed on any stock exchange. The above Group Companies/firm have not made any public or rights issue in the preceding three years.

None of the companies forming part of the Promoter group of companies has been struck off from the records of the RoC in the last three years. None of the companies forming part of the Promoter group of companies has a negative net worth or has become sick companies.

Related Business transactions within the Group

Except as mentioned in the section titled "Financial Statements" beginning on page [•] of the DRHP there are no related business transactions within the group.

Sales or Purchases between Companies in the Promoter Group

There have been no sales or purchases between companies in the Promoter Group exceeding in value in the aggregate 10% of the total sales or purchases of our Company, except those transactions mentioned under the section titled "Financial Statements" on page [•] of the DRHP.



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

Please read the following discussion of our financial conditions and results of operations together with our audited financial statements for the years ended 31 March, 2002, 2003, 2004, 2005, 2006 and for the half year ended 30 September, 2006, including the notes thereto and the reports thereon, which are appearing under the head 'Financial Information' on page no. [●] in this DRHP. These financial statements are prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and restated as described in the Auditor's Report of M/s.J.B.Reddy & Co., Chartered Accountants in the section titled "Financial Information". Our past financial performance may not be considered as indicative of future financial performance.

Business Overview

Our Company was founded in 1982, by Mr.P.Radhakrishna.Reddy, a Metallurgical Engineer from Regional Engineering College, Nagpur. Nelcast Limited established its first factory in 1985 as a small plant in Gudur with an installed capacity of 1200 MT pa. Mr.P.Radhakrishna.Reddy did not possess any previous experience in Industry, but his talent and commitment have resulted in the Company becoming one of the large producers of Iron Castings in India. Today, it is a 893 people strong Company with an installed capacity of inching towards 102,000 MT p.a. operating at Gudur in Andhra Pradesh and Ponneri in Tamil Nadu. Our Company is a TS 16949 accredited organization and manufactures around 200 items in SG and Grey Iron. Our products cover a wide range such as Engine blocks, Flywheel Housings, Flywheels, Manifolds, Transmission Cases, Clutch Housings, Axle Housings, Hubs, Brake drums Suspension Shackles and Brackets, Steering Gear parts etc., which meet the requirements of the automotive, tractor and pipe fittings industry, weighing as low as 0.5 kg and up to 250 kgs. TATA Motors, Ashok Leyland, Eicher Motors, Tafe, M & M, TATA Cummins, Automotive Axles, AIL, Rane, ZF are some of our prominent customers. The plants at Gudur and Ponneri, have distinct locational advantages, having proximity to the Chennai Port and being well connected by both rail and road. Apart from servicing the domestic requirement, the Company is also exporting to USA, Europe and Australia and is steadily increasing its exports.

Significant Developments Subsequent to the Last Financial Year

In November 2006, the Company declared an interim dividend of 12.5% which has been paid to the shareholders. Other than this, the Directors of our Company confirm that in their opinion, no circumstances have arisen since the date of the last financial statements as disclosed in the Prospectus, which materially and adversely affects or is likely to affect our business or profitability, or value of our assets, or our ability to meet our liabilities within the next twelve months.

Discussion on Results of Operations

The following discussion on the financial operations and performance should be read in conjunction with the audited unconsolidated financial results of the Company for the years ended 31 March 2004, 2005, 2006 and for the six months period ended 30 September 2006.

Factors that may affect the Results of Our Operations

- Increase in the prices of raw materials both in the domestic and international markets
- Availability of High Tension Power and its costs.
- Slowdown in the growth of Indian economy and in particular, that of the Automobile and Auto-components industries.
- Inadequate Monsoons, which may affect the Tractor industry.
- Changes in buying patterns of some of our key customers.
- Unhealthy competition in the foundry industry.
- Our Company's ability to successfully implement our manufacturing and marketing strategy and growth and expansion plans.
- Changes in tax structure of income tax, sales tax, entry tax, etc..

Results Of Operations

The table below sets forth various items from our restated financial statements for 2003-04, 2004-05 and 2005-06 and the six month period ended 30 September 2006 as a percentage of Total Income

(Amount Rs. In lakhs)

Period ended on	30.09.2006	31.03.2006	31.03.2005	31.03.2004
Income				
Sales:				
Of Products manufactured by the Company	16,642.29	27,032.01	24,086.58	15,241.59
Less: Excise Duty	2,083.60	3,401.12	3,056.81	1,976.05
Net Sales	14,558.69	23,630.89	21,029.77	13,265.54
% Increase in Net Sales	23.22%	12.37%	58.53%	-
Other Income	101.92	106.22	116.54	55.50
Increase / (Decrease) in Inventory	(909.44)	33.54	284.60	459.55
Total Income	13,751.17	23,770.65	21,430.91	13,780.59
% Increase in Total Income	15.70%	10.92%	55.52%	-
Expenditure				
Raw Materials & Goods Consumed	7,441.93	13,743.31	12,775.76	7,154.07
As % to Net Sales	51.12%	58.16%	60.75%	53.93%
Staff Costs	523.04	842.55	651.94	528.37
Power and Fuel	1852.91	3,433.67	3110.95	2455.7
Other Manufacturing Expenses	3,145.42	5,551.59	4,740.85	3,632.19
Admin, Selling & Distribution Expenses	827.68	1,423.56	1,259.01	828.52
Interest	375.17	765.75	896.51	844.08
Depreciation	219.86	400.26	353.18	331.21
Total Expenditure	12,533.10	22,727.02	20,677.25	13,318.44
% Of increase in Total Expenditure	10.29%	9.91%	55.25%	-
Profit before Tax & before				
Extraordinary items	1,218.07	1,043.63	753.66	462.15
PBT as % of net sales	8.37%	4.42%	3.58%	3.48%
Provision for Taxation	307.80	303.60	78.50	35.53
Provision for Deferred Taxation	101.60	(12.32)	140.72	176.93
Provision for Fringe Benefit Tax	7.50	19.50	-	-
Prior year Adjustments	-	30.61	5.44	4.39
PAT	801.17	702.24	529.00	245.30
As a % of Net Sales	5.50%	2.97%	2.52%	1.85%

All percentage comparison has been done on annualizing results of Half yr ended 30.09.2006

Performance during the half year ended 30 September 2006.

For the half year ended 30th September 2006, the Company has achieved total income of Rs.13751.17 lakhs with a profit of Rs.1218.07 lakhs. Net profit after tax is Rs.801.17 Lakhs. The Raw material consumption (Raw Material and goods consumed / Net Sales) was at 51.12% during April – September '06 as compared to 58.16% in 2005-2006. The Company was able to procure better quality raw materials at competitive



prices which resulted in an increase in yield and consequently higher profits. Also, due to economies of scale the increase in power cost is less than proportionate, power cost being semi variable in nature. Due to good order booking position, following steady demand, a better mix of castings and increased machining activity the price realization from the market has increased, from an average of 44205.42 per MT during 2005-06 to 45348.52 per MT in the half year ended 30.09.2006.

Administration and Other Manufacturing and Staff costs/expenses were also lower at 18.66% of Net Sales during April – September '06 as compared to 19.91% in 2005-06, due to the higher scale of operations and streamlining of costs. Due to the factors discussed above, the Profit before tax to Net Sales of the Company was at 8.37% during the half year of 2006-07 as compared to 4.42% in 2005-06.

Comparison of Performance and Analysis for the Financial Year (FY) ended 31 March, 2005 vis-à-vis 31 March, 2006

Sales Revenues : Total sales for FY06 was Rs. 27,032.01 Lakhs as compared to Rs. 24086.58 Lakhs for FY05; a rise of 12.23%. The production during FY06 was 53,585 MT as against 48,228 MT during FY05; an increase of 11.10%. Growth in total sales is attributed to steady growth of the Commercial Vehicle and Tractor sector driven by the overall industrial growth, good monsoons and easier credit on softer terms.

Raw Materials and Goods Consumed : In the FY 05, the value of materials consumed was Rs.12775.76 Lakhs which increased to Rs. 13743.31 Lakhs (i.e. by 7.57%) during FY06 against an increase in production by 11.10%. The proportionate cost of raw materials to sales came down from 60.75% in FY05 to 58.16% in FY06 due to leveling off of raw material prices and a better mix of products and increased machining activity.

Power Cost: Power cost as a percentage of sales has remained almost constant in FY05 and FY06 though the actuals rose to Rs.3433.67 lakhs in FY06 as compared to Rs. 3110.95 lakhs in FY05.

Manufacturing Expenses: Other manufacturing expenses during FY06 totalled to Rs. 5551.59 Lakhs as compared to Rs. 4740.85 Lakhs in FY05. The percentage to sales increased in FY06 due to increase in machining cost as a result of the increase of machined components in the Company's sales

Administrative, Selling & Distribution Expenses : During FY06 the administration selling & distribution expenses were Rs. 1423.56 Lakhs whereas it was Rs. 1259.01 Lakhs during FY05; a rise of 13.07% slightly higher than the increase of 12.37% in sales.

Staff Costs : The Company's staff costs in FY06 increased by 29.24% to Rs.842.55 lakhs, over Rs.651.94 lakhs incurred in FY05 due to higher wages paid to the staff reflecting market conditions and better results.

Interest Cost : During the period Company's interest cost decreased by Rs.130.76 Lakhs, which was due to reorganization of the loan portfolio seeking competitive interest rates.

Depreciation : Depreciation has increased by 13.33% in FY06 i.e. from Rs. 353.18 lakhs in FY05 to Rs. 400.26 lakhs, primarily due to additional fixed assets installed during the FY06.

Profit Before Tax (PBT) : During FY06 PBT and extraordinary items together totalled to Rs.1043.63 lakhs as against Rs.753.66 lakhs during FY05, an increase of 38.47%. The increase is mainly due to leveling off of raw material costs, better product mix and more efficient operations.

Profit After Tax (PAT) : PAT for FY06 increased by 32.75% to Rs. 702.24 Lakhs from Rs. 529 Lakhs in FY05, following PBT and tax liability.

Comparison of Performance and Analysis for the Financial Year ended 31 March 2004 vis-à-vis 31 March 2005

Sales Revenues : Total sales for the FY05 was Rs. 24,086.58 Lakhs as compared to Rs. 15,241.59 Lakhs for FY04, a rise of 58.03% over previous fiscal. The production during the FY05 was 48,228 MT as against 36,050 MT during the previous year. The production capacity increased in FY05, from 48,000 MT p a of FY04 to 60,000 MT p a. The marked growth in total sales during FY05 is attributed to the Indian Automobile Industry, posting a record growth of 31% inspite of poor monsoons and also to the timely



increase in the production capacity of the Company. The per ton realization increased from Rs. 36,428 to Rs.43,693 in FY05 due to support from customers in response to the increase in raw material costs in FY05.

Raw Materials Consumed: The materials consumed in FY04 were worth Rs.7,154.07 Lakhs, which increased to Rs. 12,775.76 Lakhs in FY05. Raw material prices saw a dramatic increase during FY05 increasing the percentage of raw material costs to sales from 53.93 % in FY04 to 60.75% in FY05.

Power and Fuel: The Power cost increased from Rs.2,455.70 lakhs in FY04 to Rs.3,110.95 lakhs in FY05, but the cost per tonne of production fell from Rs.6,812.12 to 6,450.64, a decrease of 5.31% mainly due to economies of scale.

Manufacturing Expenses: Other manufacturing expenses during FY05 totalled to Rs. 4,740.85 Lakhs as compared to Rs.3,632.19 Lakhs in FY04, an increase of by 30.52%, primarily due to increase in production by 33.78%.

Administrative, Selling & Distribution Expenses : During FY05 the administration selling & distribution expenses were higher by 51.95% at Rs.1259.01 Lakhs compared to Rs. 828.52 Lakhs in FY04.

Staff Costs : The Company's staff costs FY05 increased by 23.38% due to higher wages paid to the staff. Staff costs stood at Rs. 651.94 Lakhs during FY05 as compared to Rs. 528.37 Lakhs in FY04.

Interest Costs : In FY05 interest costs increased by Rs.52.43 Lakhs, up by 6.21%, due to increase in working capital arising from higher business volumes.

Depreciation : Depreciation increased from Rs.331.21 lakhs in FY04 to Rs.353.18 lakhs in FY05 i.e. by 6.63%, due to fixed assets added during the year.

Profit Before Tax (PBT) : For FY05 PBT together with extraordinary items totaled to Rs.753.66 lakhs as against Rs.462.15 lakhs in FY04. The major contributors to this increase of 63.07% in profits, was higher production prices off setting raw material cost increases, efficiency in operation and economies.

Profit After Tax (PAT) : PAT for FY05 period increased by 115.65% over Rs.529 Lakhs for FY04 following the PBT increase as aforesaid.

Risk and Concerns

Our Company expects business risk in terms of fluctuations in customer demand for quantity and delivery terms, as well as increased competition. Other domestic foundries are expanding and new ones are emerging. Chinese casting manufacturers are competitors in the international market. The Company expects increased competition but is relying on an established and expanding capacity and a sound reputation.

The current order book position is strong but it depends on continued growth in the Automobile and Tractor sectors. The HCV sector is prone to cyclic trends and the Tractor market is dependant on good monsoons. On the other hand the Indian economy is strong and the signs are in favour of continued growth spurring demand. Meanwhile, credit availability for vehicles and tractors is adequate and not expensive encouraging buyers.

Liquidity and Capital Resources

The Company is dependent on both internal and external sources for working capital and capital requirements. We have funded our working capital and capital expenditure from internally generated funds and debt financing. In respect of the debt funding of working capital we make use of cash credit limits from banks and for capital expenditure we resort to debt financing, generally long-term borrowings in the form of term loans. However the continued expansion in capacity during FY05 and FY06 has been largely funded from internal accruals.

Secured and unsecured loan position

The Company uses secured loans from IDBI and Punjab National Bank, at competitive interest rates, for its long-term projects. The secured loans outstanding as on 30th September, 2006 is Rs.5789.01 lakhs and

unsecured loans is 1395.58 lakhs. The unsecured loans comprise mostly public deposits and Interest free Sales tax loans provided by the Governments of Tamilnadu and Andhra Pradesh.

Cash flows

Following table summarises our restated cash flow statements in the last three financial years and the six months period ended 30th September 2006

Cash Flow (Rs. in lakhs)	30.09.2006	31.03.2006	31.03.2005	31.03.2004
Net cash from operating activities	1692.52	2154.61	579.73	696.46
Net cash from Investing activities	(801.73)	(1002.58)	(721.86)	(66.71)
Net cash from financing Activities	(923.24)	(1104.03)	144.94	(631.18)
Net increase in cash and cash equivalents	(32.45)	48.00	2.81	(1.43)
Opening cash and cash equivalents	76.61	28.61	25.80	27.23
Closing cash and cash equivalents	44.16	76.61	28.61	25.80

Net Cash from Operating Activities

The cash flow from operating activities has shown an increase since FY04, due to increased profitability of operations. The tax burden during the half year ended 30.09.2006 has diminished cash flow from operations but this was off set by the reduction in inventories.

Net Cash from Investing Activities

The Company has been increasing capacity by adding new assets and replacing old equipment. This has resulted in the consistent outflow of funds towards investment.

Net cash from Financing Activities

In the year FY05 there has been an inflow from financing activities due to additional loan financing towards capacity expansion to meet the growing demand. The outflow in other years is mainly towards meeting the interest commitment and the dividend payment.

Information Required As Per Clause 6.10.5.5 of SEBI Guidelines

Unusual or Infrequent Events or Transactions

There are no unusual or infrequent events or transactions having significant impact on the operations of the Company

Significant Economic Changes that Materially Affected or Are Likely to Affect Income from Continuing Operations

There are no significant economic changes that materially affected or likely to affect income from existing operations

Known Trends Or Uncertainties That Have Had or Are Expected to Have a Material Adverse Impact On Sales, Revenue or Income From Continuing Operations.

Other than general uncertainty in the macro economic growth, and unexpected fluctuations in input prices, the Company does not expect any known trends or uncertainties to adversely impact sales, revenues or income to affect its operations.

Future Relationship Between Costs And Revenues

The Company does not anticipate any unfavourable change in the near future that may have a materially adverse impact on business. Company expects that, as in the past, product prices will reflect movements in raw material price and other costs.

New Products or Business Segments

The Company has presently no plan for new products or business segments. It is however progressively increasing the proportion of machined castings in its output to move up the value chain and strengthen the margins. Similarly, the Company is steadily increasing its export commitments.

Seasonality of Business

Our Company products are mainly supplied to Automobile and Tractor industry. The Automobile industry follows a cyclical trend of around 5 years; though not very clearly defined, but is conditioned by the overall economic growth in the country. The Tractor industry also follows a cyclical pattern, but is largely influenced by monsoons, credit availability and Government policies on agriculture. Our Company's revenues are dependent on the Automobile industry and the Tractor industry.

Dependence on Single or Few Suppliers/Customers

For our manufacturing activities, the % of contribution of our top 10 customers and suppliers vis – a vis the total sales and purchases, in the last three years and for the period ended 30 September, 2006 is given below:

Customer Contribution

FY ended	30 September, 2006	31March, 2006	31March, 2005	31March, 2004
Top 3 (%)	56	53	57	61
Top 5 (%)	74	75	79	86
Top 10(%)	89	92	97	95

All percentages are rounded off to the nearest percentage point.

Supplier Contribution

FY ended	30 September, 2006	31March, 2006	31March, 2005	31March, 2004
Top 3 contribution	32	32	40	36
Top 5 contribution	41	43	53	46
Top 10 contribution	55	53	67	62

All percentages are rounded off to the nearest percentage point.

Competitive Conditions

For details of competitive conditions please refer to section titled 'Our Business' on page no. [●] of this DRHP.

SECTION VI - LEGAL AND REGULATORY INFORMATION**OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS**

There are no outstanding litigations, suits, criminal or civil prosecutions, potential disputes, labour disputes, bargains and demands, investigations, Central / State Government claims or inquiries, proceedings or tax liabilities, overdues to banks/financial institutions, defaults against banks/ financial institutions, proceedings initiated for economic/civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part I of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company or its Subsidiary or its Group Companies or its promoter or its directors and no defaults of non-payment of statutory dues against the Company including under the excise, customs, sales tax, income tax and service tax, and no disciplinary action has been taken by SEBI or any stock exchanges against the Company.

Contingent liabilities

Particulars	Period ended 30 September, 2006	Year ended 31 March, 2006
Letters of Credit and Bank Guarantees	46.39	46.80

Income Tax Liabilities

The Company has filed its income tax returns till the Assessment Year 2006-07. The contingent liability of the Company relating to income tax is Nil as of March 31, 2006 and there are no proceedings pending against the Company by the Income Tax Department and the Company is not disputing any tax demand.

Litigations / Disputes involving Securities related offences, including penalties imposed by SEBI or any other securities market regulator in India or abroad – NIL

Litigations involving statutory or other offences, including penalties imposed by any regulatory authority in India or abroad (present or past) – NIL

Outstanding litigation against the group companies and subsidiary company- NIL

Litigation in relation to labour laws, and employee related cases: Nil

Litigation involving revenue authorities (customs/excise/sales tax/income tax/service tax): Nil

Litigation involving customers/suppliers/agents : Nil

Litigation in the nature of winding up petitions/ liquidation/ bankruptcy / closure filed by / against the company: Nil

Other Litigations

- i. Non payment of statutory dues or dues to Banks / Institutions: Nil.
- ii. Overdue interest/ principal as on current date: Nil.

There have been no defaults and there are no over dues in respect of bonds, debentures and fixed deposits (placed through public or private placement) and arrears in respect of cumulative preference shares or any other liabilities as on current date.

Further, there are no litigations/disputes/penalties or any proceedings known to be contemplated by government authorities. No disciplinary action/investigation has been taken by the Securities and Exchange Board of India (SEBI)/ Stock Exchanges against the Company, its Directors, Promoters and their other business ventures (irrespective of the fact whether or not they fall under the purview of Sec 370 (1B) of the Companies Act, 1956.



The Company, promoters, directors or any of the Company's Associates or Group companies or other ventures of the promoters and companies with which the directors of Nelcast Limited are associated as directors or promoters have not been prohibited from accessing the capital markets under any order or direction passed by SEBI and no penalty has been imposed at any time by any of the regulators in India or abroad.

No penalties were ever imposed by SEBI or any other regulatory body in India or abroad.

The Company owes Rs.113.59 lakhs and above for more than 30 days to the SSI Units as on 30 September, 2006.

There are no litigations against any other company whose outcome could have materially adverse effect on the position of Nelcast Limited including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956) etc.

Litigation against Promoters

There are no pending litigations in which the promoters are involved. Further, no defaults were made to the financial institutions/ banks, non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares by the promoters and the companies/ firms promoted by the promoters.

Further, there are no cases of pending litigations, defaults, etc. in respect of companies/ firms/ ventures with which the promoters were associated in the past but are no longer associated.

Further, there are no litigations against the promoter involving violation of statutory regulations or alleging criminal offence.

There are no Pending proceedings initiated for economic offences against the promoters, companies and firms promoted by the promoters

There are no pending litigations, defaults, non payment of statutory dues, proceedings initiated for economic offences/ civil offences (including the past cases, if found guilty). Further, no disciplinary action was taken by the SEBI/ stock exchanges against the promoters and their other business ventures (irrespective of the fact whether they are companies under the same management with the issuer company as per section 370 (1B) of the Companies Act, 1956).

Litigation against Directors

There are no pending litigations against the directors involving violation of statutory regulations or alleging criminal offence.

There are no pending proceedings initiated for economic offences against the directors.

There are no past cases in which penalties were imposed by the concerned authorities on the issuer company or its directors.

There are no pending litigations, defaults, non payment of statutory dues, proceedings initiated for economic offences/ civil offences (including the past cases, if found guilty), any disciplinary action taken by the SEBI / stock exchanges against the issuer company or its Directors.

Litigation against Group Company/ Associate Concerns: Nil

The promoters, their relatives (as per Companies Act, 1956), issuer, group companies, associate companies are not detained as willful defaulters by RBI/ government authorities and there are no violations of securities laws committed by them in the past or pending against them.

Default or rescheduling of loans etc.:

There are no defaults made by the Company and there is no any reschedulement of payment of loans.

Penalties:

There are no penalties levied; show-cause notices issued by the Reserve Bank of India/Income Tax /Pension Authorities/

Sales Tax/Commissioner of Employees Provident Fund/any other regulatory authority on the Company or on its promoters and directors.

2. Material Developments

In the opinion of the Board of Directors, there has not arisen, since the date of the last financial statements disclosed in this DRHP, any circumstance that materially or adversely affect or are likely to affect the profitability of the Company and its subsidiaries taken as a whole or the value of their consolidated assets or their ability to pay their material liabilities within the next twelve months.

LICENCES AND APPROVALS

Except for pending approvals mentioned under this section, our Company has received the necessary consents, licenses, permissions and approvals from the Government/RBI and various Government agencies required for our present business. Further, except for pending approvals as detailed herein, our Company can undertake all our present activities and activities as proposed in the section titled “Objects of the Issue” beginning on page [•] of the DRHP.

I. General Approvals Received By The Company

S.No	Type of License/Approval	License/Approval No.	Date	Issuing Authority
1	Permanent Account Number	AABCN0010F	27.09.2000	Chief Commissioner of Income Tax, Andhra Pradesh
2	Tax Deduction Account Number	CHEN04907A	12.08.2004	Income Tax Department
3	Import & Export Code Number	0493027173	07.07.1994	Director General of Foreign Trade, Chennai
4	Registration cum Membership of Engineering Export Promotion Council	EPC/REG(R)/CEN/SIA/056/2004-05	19.04.2004 and valid upto 31.03.2007	Joint Directorate of Foreign Trade, Chennai
5	Professional Tax Registration for Corporate office	No.07-113-PE-0007	12.11.1997	Corporation of Chennai
6	Provident Fund & Miscellaneous. Provisions Act	Code No.AP/17774	0102.1988	Commissioner of Provident fund, Andhra Pradesh

II. Approvals Received For Gudur Unit-I

S.No	Type of License/Approval	License/Approval No.	Date	Issuing Authority	Valid Upto
1	Acknowledgement of Industrial	No. 5712\SIA\IMO\2006	10.11.2006	Secretariat of Industrial	Not Applicable

	Entrepreneur Memorandum			Assistance	
2	Factory License	I: 18144	07.02.2000	Inspector of Factories, Andhra Pradesh	Not Applicable
		II: 18198	16.02.2000		
3 *	Consent under Water (prevention and control of pollution) Act/Air (prevention and control of pollution) Act	APPCB/VJA/NLR/22/HO/W/2004/132	15.10.2004	Andhra Pradesh Pollution Control Board	31.05.2006
4	Allotment of Code under E.S.I Act	No.62-162-90	11.13.2003	Joint Director Employee State Insurance Corporation	Not Applicable
5	Certificate of Registration under Andhra Pradesh VAT Act	TIN 28200196257	31.03.2005	Assessing Authority Under Andhra Pradesh VAT Act	Not Applicable
6	Certificate of Registration under Central Sales Tax Act, 1956	No. NRE/08/1/1262	21.06.1983	Assessing Authority	Valid from 21.06.1983 until cancelled
7	Certificate of Registration under Central Excise Rules, 2002	No.AABCN0010FXM002	01.12.2001	Superintendent of Central Excise	Not Applicable
8	Certificate under Service Tax Rules	No.AABCN0010FST001	31.01.2005	Assistant Commissioner, Central Excise	Not Applicable
9	Certificate under Professional Tax	Enrolment No.141	10.02.1988	Profession Tax Officer, Gudur	Not Applicable
10	Environmental Clearance for expansion of Gray cast Iron and S G Castings from 900 TPM to 3000 TPM	No.J-11011/13/2005-IA II	01.12.2005	Ministry of Environment & Forests	Not Applicable
11.	Power Arrangement for sanction of 7490 KVA	Letter No.DN 886 / 06	13.08. 2006	Southern Power Distribution Company of Andhra Pradesh Limited	Not Applicable
12	Certificate of Registration under Contract Labour (Regulation and Abolition) Act,	No.C-149/DCLGNT/05	29.01.2005	Registering Officer under Contract Labour (Regulations	28.01.2007



	1970			& Abolition) Act, 1970 & Deputy Commissioner of labour, Gudur	
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* Pending renewal information appears under “Pending approvals for the existing business” below

Approvals Received For Ponneri Unit-II

S.No	Type of License/Approval	License/Approval No.	Date	Issuing Authority	Valid Upto
1	Acknowledgement of Industrial Entrepreneur Memorandum	No.5716/SIA/IMO/2006	10.11.2006	Secretariat of Industrial Assistance	Not Applicable
2	Factory License	TVR.4996	18.10.1995	Deputy Chief Inspector of Factories, Thiruvottiyur	31.12.2006
3	Consent under Water (prevention and control of pollution) Act/	No.19684	05.04.06	Tamil Nadu Pollution Control Board	31.03.2007
4	Consent Under Air (prevention and Control of pollution) Act	No.15733	05.04.06	Tamil Nadu Pollution Control Board	31.03.2007
5	Certificate of Registration under Tamil Nadu State Sales Tax Act	No.0701402	29/05/1995	Assessing Officer, Anna salai II, Assessment Circle, Chennai	Valid until cancelled
6	Certificate of Registration under Central Sales Tax Act, 1956	No.32192	29/05/1995	Assessing Officer, Anna salai II, Assessment Circle, Chennai	Valid until cancelled
7	Certificate of Registration under Central Excise Rules, 2002	No.AABCN0010FXM001	27.12.2001	Superintendent Central Excise	Not Applicable
8	Certificate under Service Tax Rules	No.AABCN0010FST002	09.06.2006	Superintendent Central Excise	Not Applicable
9	Certificate of Registration under Contract Labour (Regulation and Abolition) Act, 1970	Not Applicable	26.04.2005	Deputy Chief Inspector of Factories, I Division Chennai	Not Applicable
10	Environmental Clearance from Ministry of Environment	No.J-11011/74/2000-IA II (I)*	29.03.2001	Additional Director Ministry of Environment & forests	Not Applicable
11.	**Power Arrangement	Not Applicable	29.09.2006	Tamil Nadu State Electricity	Not Applicable

	Agreement for sanction of 9460 KVA			Board	
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* & ** : Pending renewal information appears under “Pending approvals for the existing business” below

Intellectual Property Rights

The Details of the registration of trademarks by the Company as under:

S.NO	Trademark	Trademark No.	Class	Valid Till
1	‘Nelcast Limited’ in respect of bracket for Gas burner, plates (hot) warmers, for export purpose, apparatus for lighting, HEATING, Cooking, Steam, Generating, Sanitary & Bathroom fittings, Electric fan& Exhaust fan, Air cooler & Devices and all other goods included in class II	683505	11	13.10.2015
2	‘Nelcast Limited’ in respect of C.P Bracket Gas, Hanging Brackets for lighting being goods included in class 11	683506	11	13.10.2015
3	‘Nelcast Limited’ in respect of IIUBS, IIUB CAPS, AXLES, CLUTCHES, BRAKE for Vehicles, Chain and shoes (Brake) for Cycle, Wheels, Tyres, Wheel Barrows, Torque Converters for land vehicles and Chassis for vehicle and all goods included in class 12.	683507	12	13.10.2015
4	‘Nelcast Limited’ in respect of plugs & chain pipes of metal, Rods of Metal for welding, mouldings of metal for cornices, aluminum, brass, copper gun metal, and steel castings, chilled and malleable casting, special alloy casting in class 6	683508	6	13.10.2015

Details of the applications made for registration of trade marks are as under:

S.No	Trademark	Provisional Nos.	Class
1	“TRANS” in respect of Machine, Machine tools, Automobile Components and ferrous and Non-ferrous castings for various	943569	07

	applications and other allied goods included in class 07		
2	“TRANS” in respect of Automobile Components and ferrous and Non-ferrous castings for various applications and other allied goods included in class 12	943570	12
3	“TRANS” in respect of ferrous and Non-ferrous castings for various applications, Automobile Components and other allied goods included in class 06	943571	06

Pending approvals for the existing business

We are yet to :

- Apply for registration under the Tamil Nadu Shops and Establishments Act, 1947 for our Corporate Office.
- Receive the renewal under Water (prevention and control of pollution) Act/Air (prevention and Control of pollution) Act at the Gudur Unit. The application was made and acknowledged vide letter dated 24.05.2006.
- Receive the environmental clearance from Ministry of Environment Applied for increase in production capacity to 4500 Tons per month. The application was made vide letter dated 30.12.2004 for the Ponneri Unit.
- Apply for approval from the Tamilnadu Electricity Board for installation of DG Set as standby arrangements for power supply for the unit in Ponneri.
- We have also submitted our applications to the Registry of Trade Marks for the registration of “TRANS” as trademarks with respect to three different classifications of products, as detailed above. We are yet to receive the approvals registering the same as trademarks in the Company’s name.

Pending licences / approvals required for the proposed activities:

With regard to our proposed expansion plans, to increase total installed capacity to 150000 MT p a by the end of FY09, we are yet to apply for the following licences / approvals for both the units.

1. Filing and Acknowledgment of Industrial Entrepreneur Memorandum from Secretariat of Industrial Assistance for installation of the required capacity.
2. Consents under Air (prevention and control of pollution) Act and Water (prevention and control of pollution) Act.
3. Clearance from the Ministry of Environment.
4. Permission from the State Electricity Department for the increase in the sanctioned load for the power connection.
5. Approval from the Chief Factories and Boilers for plan of the building layout.

In addition to the above, any further approvals, if applicable, due to any changes/amendments to existing laws or regulations, governing our units, will also have to be obtained.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Pursuant to the provisions of Section 81(1A) of the Companies Act, 1956 the Current Issue of Equity shares has been authorised vide a resolution passed by the Board of Directors at its meeting held on 17 November, 2006 and a special resolution passed at the Extraordinary General Meeting of the Company held on 21 November, 2006.

Prohibition by SEBI

Our Company, the Directors or any of our Company's associates or group companies and companies, wherein the Directors of Company are associated as Directors or Promoters have not been prohibited from accessing the capital markets under any direction or order passed by SEBI. None of the natural persons in control of the corporate bodies forming part of the promoter group have been restrained from accessing capital markets or restrained from buying / selling / dealing in securities under any direction or order passed by SEBI.

Eligibility for the Issue

As per Clause 2.2.1 of the SEBI Guidelines, an unlisted company may make an Initial Public Issue(IPO) of Equity Shares or any other securities, which may be converted into or exchanged, with Equity Shares at a later date provided that:

1.The company has net tangible assets of at least Rs. 3 crores in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets.

Provided that if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project;

2.The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years.

Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of Companies Act, 1956;

3. The company has a net worth of at least Rs. 1 crore in each of the preceding 3 full years (of 12 months each);

4. In case the company has changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name and

5. The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year.)

Our Company's net profit, dividend, net worth, net tangible assets and monetary assets as certified by M/s. J.B.Reddy & Co., vide their report dated 2 December, 2006 are set forth below:

(Rs. in lakhs)

Particulars	30.09.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Net Tangible Assets	15,465.20	14,898.68	13,707.29	11,431.70	10,466.96	9,457.11
Monetary Assets	44.16	76.60	28.62	25.80	27.23	22.08
% of Monetary assets	0.29%	0.51%	0.21%	0.23%	0.26%	0.23%
Distributable Profits	801.17	683.07	488.24	254.57	71.42	6.50

Net worth	3,146.49	2,528.47	2,138.45	1,869.99	1,582.25	1,537.50
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* “Net tangible assets” is defined as the sum of all assets of the Company excluding intangible assets.

** “Monetary Assets” shall mean cash and Bank balances.

In addition to these our Company shall ensure that the number of allottees getting Equity shares of our Company is not less than one thousand in number

DISCLAIMER CLAUSE OF SEBI

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN 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 THIS ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, KARVY INVESTOR SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURE AND INVESTOR PROTECTION AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, BOOK RUNNING LEAD MANAGER VIZ. KARVY INVESTOR SERVICES LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:-

- 1. “WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, AND DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT’S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

WE CONFIRM THAT:

- a) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THIS ISSUE;**
- b) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;**
- c) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**
- d) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID AND WHEN UNDERWRITTEN, WE**



SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.

- e) WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF ITS SECURITIES AS PART OF PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS**

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE COMPANIES ACT. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE SEBI, AP IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

DISCLAIMER FROM THE COMPANY AND THE BRLM:

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. The Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.

The Company and the BRLM accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above, mentioned entities and anyone placing reliance on any other source of information, including our website, www.nelcast.com, would be doing so at his or her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in the Underwriting Agreement to be entered into between the Underwriters and the Company and the Memorandum of Understanding between the BRLM and the Company.

The Company and the BRLM shall make all information available to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centers etc.

Neither the Company nor the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

General Disclaimer

Investors may note that the Company and the BRLM accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at the instance of the Company and that anyone placing reliance on any other source of information would be doing so at his/her own risk.



The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLM and the Company.

All information shall be made available by the Company and the BRLM 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 in research or sales reports.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorized under the constitution to hold and invest in shares) and to NRIs, FIIs and Foreign Venture Capital Funds Registered with SEBI. This DRHP does not, however, constitute an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an issue or invitation in such jurisdiction. Any person into whose possession this DRHP comes is required to inform himself or her self and to observe any such restrictions. Any dispute arising out of this issue will be subject to the jurisdiction of appropriate court(s) in Hyderabad only.

No action has been or will be taken to permit a public issuing in any jurisdiction where action would be required for that purpose, except that this DRHP has been filed with SEBI for observation and SEBI has given its observations and this DRHP has been filed with RoC as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be issued or sold, directly or indirectly, and this DRHP may not be distributed, in any jurisdiction, except in accordance with the legal requirement applicable in such jurisdiction. Neither the delivery of this DRHP nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of BSE (Designated Stock Exchange)

As required, a copy of this DRHP has been submitted to BSE. The BSE has given vide its letter dated [●] given permission to this Company to use the BSE's name in the DRHP as one of the stock exchange on which this Company's securities are proposed to be listed. The BSE has scrutinized this DRHP for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

The BSE does not in any manner:

- Warrant, certify or endorse the correctness or completeness of any of the contents of the DRHP;
- Warrant that this Company's securities will be listed or will continue to be listed on the BSE; or
- Take any responsibility for the financial or other soundness of this Company, its Promoters, its management or any scheme or project of this Company.

It should not for any reason be deemed or construed that this DRHP has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of NSE

As required, a copy of the DRHP has been submitted to NSE. NSE has given vide its letter dated [●] given its permission to the Company to use the NSE's name in this DRHP as one of the stock exchanges on which this Company's securities are proposed to be listed subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e., the paid up capital shall not be less than Rs. 1000 lakhs and market capitalization shall not be less than Rs.2,500 lakhs at the time of



listing). The NSE has scrutinized the DRHP for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the DRHP has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this DRHP nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its Promoter, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of the DRHP, along with the documents required to be filed under Section 60 of the Companies Act, would be delivered to the RoC, Second Floor, C.P.W.D. Building, Kendriya Vidyasagar, Sultan Bazaar, Koti, Hyderabad – 500 195. A copy of the DRHP has been filed with the Corporate Finance Department of SEBI at Plot no.C4-A, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

Listing

Applications have been made to the BSE (Designated Stock Exchange) and NSE for permission to list the Equity Shares and for an official quotation of the equity shares of the Company. BSE will be the Designated Stock Exchange for the purposes of this Issue.

In case, the permission for listing of the equity shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after the day from which the Company becomes liable to repay it or within seventy days from the Bid / Issue Closing Date, whichever is earlier, then 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 that money with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act, 1956.

The Company with the assistance of the BRLM shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation of basis of allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

“Any person who:

- (a) Makes in a fictitious name, an application to the company for acquiring or subscribing for, any shares therein, or**
- (b) Otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for term which may extend to five years.”**

shall be punishable with imprisonment for term which may extend to five years.”

Consents

Consents in writing of: (a) the Directors, the Company Secretary, the Auditors, Legal Advisor, Tax Auditor, Bankers to the Company, Escrow Collection Banks and Bankers to the Issue; and (b) Book Running Lead

Managers to the Issue, Syndicate Members and Registrars to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the DRHP with the RoC at Hyderabad, Andhra Pradesh as required under Section 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the DRHP for registration.

M/s J.B.Reddy & Co., Chartered Accountants, the statutory auditors of the Company have given their written consent to the inclusion of their report in the form and context in which it appears in the DRHP and such consent and report has not been withdrawn up to the time of delivery of the DRHP for registration with the RoC, at Hyderabad, AP.

M/s J.B.Reddy & Co., Chartered Accountants, the statutory auditors have given their written consent to the inclusion of the statement of tax benefits accruing to the Company and its members in the form and context in which it appears in the DRHP and have not withdrawn the same up to the time of delivery of the DRHP for registration with the RoC at Hyderabad, AP.

Expert Opinion

Our Company has not obtained any expert opinion apart from whatever is already mentioned in this Draft Red Herring Prospectus

Expenses of the Issue

The expenses of the Issue payable by the Company inclusive of brokerage, fees payable to the Book Running Lead Manager to the Issue, Registrar to the Issue, Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses are estimated as follows:

Details of Fees Payable

Particulars	Amount	(Rs. in lakhs)	
		% of total issue expenses	% of total issue size
Issue Management	[●]	[●]	[●]
Registrars fees	[●]	[●]	[●]
Printing of Stationery	[●]	[●]	[●]
Advertising and marketing expenses	[●]	[●]	[●]
Underwriting, Brokerage and Selling commission	[●]	[●]	[●]
Other expenses	[●]	[●]	[●]
Total	[●]	[●]	[●]

Will be incorporated after finalisation of issue price.

Fees payable to the Book Running Lead Managers

The total fees payable by us to the Book Running Lead Manager (including underwriting commission and selling commission) will be as per Engagement Letters dated 3 November, 2006 a copy of which is available for inspection at our registered office.

Fees payable to the Registrar to the Issue

The fees payable by us to the Registrar to the Issue for processing of Application, data entry, printing of CAN/ refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the MoU signed with our Company dated 11 December 2006. The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided by us to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post/ speed post/ under certificate of posting.



Underwriting Commission, Brokerage and Selling Commission

The underwriting commission and selling commission for the Issue is as set out in the Syndicate Agreement amongst our Company, the BRLM and Syndicate Members. The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue Price and amount underwritten in the manner mentioned in the DRHP.

Previous rights and public issues

This is an Initial Public offering by the Company. Save and except as stated under the section titled 'Capital Structure' on page no[●] of the DRHP, our Company has not made any rights issue since its incorporation.

Previous issues of shares otherwise than for cash

Save and except as stated under the section titled 'Capital Structure' on page no[●] of the DRHP, our Company has not issued any equity shares for consideration otherwise than for cash.

Commission and Brokerage on Previous Issue

Since this is an Initial Public Offering of Equity Shares, no sum has been paid or payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Companies under the Same Management

There are no listed companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956, which have made any capital issue during the last three years.

Promise vis-a-vis Performance

Our Company has not made any public issue since its inception.

Outstanding Debenture or Bond offers

As of date, the Company does not have any outstanding debenture or bond offers.

Outstanding Preference Shares

As of date, the Company does not have any outstanding preference shares.

Listed ventures of the Group Companies

There are no listed ventures in the Company's group companies

Stock Market Data for the Equity Shares of the Company

This being the Initial Public Offering by our Company no stock market data is available

Mechanism Evolved for redressal of investor grievance

The agreement between the Registrar to this Issue and us will provide for retention of records with the Registrar to this Issue for a period of at least one year from the last date of dispatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to this Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection center where the application was submitted.



We estimate that the average time required by us or the Registrar to this Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Our Company has appointed Mr.R.B.Prem Ganesh, Company Secretary as the Compliance Officer and he may be contacted at:

Nelcast Limited
159,TTK Road, Chennai-600 018
Tel No: +91 44 2498 3111, Fax No: +91 44 2498 2111
e – mail: ganesh@nelcast.com

Changes in Auditors in the last three years and the reasons thereof

There has been no change in the statutory auditors of the Company in the last three years.

Capitalisation of reserves or profits

Our Company has not capitalized its reserves or profits at any time except as stated in the Section titled “Capital Structure” on page no.[●] of this DRHP.

Revaluation of assets

Our Company has not revalued its assets since inception.

SECTION VII - ISSUE RELATED INFORMATION

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of the Company (the Constitutional Documents), conditions of RBI approval, the terms of the RHP, Bid-cum-Application Form, the Revision Form, CAN and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Constitutional Documents and shall rank pari passu in all respects with the existing Equity Shares of the Company including rights in respect of receiving dividends. The persons in receipt of allotment will be entitled to dividend or other benefits, if any, declared by our Company after the date of allotment.

Mode of payment of dividend

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each are being offered in terms of the RHP at a total price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws.

The face value of the shares is Rs. 10/- and the Floor Price is [●] times of the face value and the Cap Price is [●] times of the face value.

Compliance with SEBI Guidelines

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared.
- Right to attend general meetings and exercise voting powers, unless prohibited by law.
- Right to vote on a poll either in person or by proxy
- Right to receive offer for rights shares and be allotted bonus shares, if announced
- Right of free transferability
- Right to receive surplus on liquidation
- Such other rights, as may be available to a shareholder of a listed Company under the Companies Act and Memorandum and Articles of Association of the Company

For a detailed description of the main provisions of our Articles of Association dealing, among other things, with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting see the section titled “Main Provisions of the Articles of Association of the Company” on page no. [●] of this DRHP.

Market Lot and Trading Lot



In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. As per the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors. Since trading of our Equity Shares is in dematerialized form, the tradable lot is one Equity Share. Allocation and Allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum Allotment of [●] Equity Shares to the successful Bidders.

Jurisdiction of Courts

Any dispute arising out of this issue will be subject to the jurisdiction of appropriate court (s) in Hyderabad, India.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, in the event of death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, becoming 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 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/her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of the Company and the Registrars and transfer agents of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either : -

- a) To register himself or herself as the holder of the Equity Shares; or
- b) To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to elect/choose either to register himself or herself or to transfer the Equity Shares, and if the notice is not complied within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with the Company. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the issue to public including devolvement of Underwriters within 60 days from the date of closure of the issue, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest prescribed under Section 73 of the Companies Act, 1956.

Further in terms of Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

Application to the Issue

Equity Shares being issued through this DRHP can be applied for in the dematerialized form only.

Withdrawal of the Issue

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid/ Issue Opening Date without assigning any reason thereof.

Arrangements for Disposal of Odd Lots

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is one share. Therefore there is no possibility of odd lots.

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment of Equity Shares to the Stock Exchanges within two working days from the date of finalisation of basis of allotment of Equity Shares with the Designated Stock Exchange. Applicants having bank accounts at any of the 15 centres where clearing houses are managed by the RBI will get refunds through ECS only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or RTGS. In case of other applicants, the Company shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by 'Under Certificate of Posting', and shall dispatch refund orders of Rs. 1,500 and above, if any, by registered post or speed post. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter (refund advice) through 'Under Certificate of Posting' intimating them about the mode of credit of refund, the bank where the refunds shall be credited along with the amount and the expected date of electronic credit of refund within 15 days of closure of Issue.

The Company shall ensure despatch of refund orders/refund advice, if any, by 'Under Certificate of Posting' or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS or NEFT, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, the Company undertakes that:

- a) Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date
- b) Despatch of refund orders/ refund advice shall be done within 15 days from the Issue Closing Date; and
- c) The Company shall pay interest at 15% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made, refund orders/ credit intimation are not despatched and in case where a refund is made through electronic mode, the refund instructions have not been given to the clearing system, and demat credit within the 15-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

The Company will provide adequate funds required for the cost of despatch of refund orders/ refund advice / allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode i.e. ECS, direct credit or RTGS or NEFT, refunds will be made by cheques, pay orders or demand drafts drawn on a Bank appointed by us as a Refund Bank and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest in case of delay in Despatch of Allotment Letters/Refund Orders in case of Public Issues

The Company agrees that allotment of securities offered to the public shall be made not later than 15 days after the closure of the public issue. The Company further agrees that it shall pay interest at rate of 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 15 days from the date of closure of the Issue.

Application by Non Residents/NRIs/FIIs/ Foreign Venture Capital Funds registered with SEBI



As per the extant policy of the GoI OCBs cannot participate in this Issue. As per the current provisions of Foreign Exchange Management (Transfer or Issue of Security by a person outside India) Regulations, 2000 there exists a general permission for the NRIs, FIIs and Foreign Venture Capital Investors registered with SEBI to invest in shares of an Indian Companies by way of subscription in an IPO. However, such investments would be subject to other investment restrictions under the RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from FIPB/RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Fund applicants will be treated on the same basis as other categories for the purpose of allocation.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account of benefit of, "U.S. Persons" (as defined in the Regulations of the Securities Act), except pursuant to any exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

ISSUE STRUCTURE

The present issue of 43,50,000 Equity Shares of face value of Rs.10/- each at a premium of Rs. [●] per Equity Share for cash, aggregating to Rs. [●] (herein after referred to as the 'Issue') is being made through the 100% Book Building process. The issue would constitute 25% of the post issue paid up capital of our Company. The issue will comprise 43,50,000 Equity Shares of face value of Rs.10/- each at a premium of Rs. [●] per Equity Share, aggregating Rs. [●]

Particulars	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares	Upto 21,75,000 Equity Shares shall be available for allocation to QIBs	Not less than 6,52,500 Equity Shares shall be available for allocation	Not less than 15,22,500 Equity Shares shall be available for allocation
Percentage of Issue Size available for allocation	Upto 50% of the Issue (of which 5% shall be reserved for Mutual funds)* Mutual funds participating in the 5% reservation in the QIB portion (i.e., 1,08,750) will also be eligible for allocation in the remaining QIB portion. The unsubscribed portion if any in the Mutual fund reservation will be available to QIBs	Not less than 15% of the Issue*	Not less than 35% of the Issue*
Basis of allocation if respective category is over-subscribed	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity shares that the Bid amount exceeds Rs.1,00,000/- and in multiples of [●] Equity Shares thereafter	Such number of Equity shares that the Bid amount exceeds Rs.1,00,000/- and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity shares thereafter
Maximum Bid	Not exceeding the size of the issue subject to the regulations as applicable to the Bidder	Not exceeding the size of the issue subject to the regulations as applicable to the Bidder	Such number of Equity shares per Retail Individual Bidder so as to ensure that the Bid amount does not exceed



			Rs.100000/-
Mode of Allotment	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply**	Public financial institutions as specified in section 4A of the Companies Act: Scheduled Commercial Banks, Mutual funds, foreign institutional investor registered with SEBI, Multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with IRDA, Provident funds and Pension funds with minimum corpus of Rs.250 millions in accordance with applicable law	Resident Indian Individuals, HUF (in the name of karta), companies, corporate bodies, NRIs, Societies and trusts	Individuals (including NRIs and HUFs in the name of karta) applying for Equity shares such that the Bid amount does not exceed Rs.1,00,000/- in value.
Terms of Payment	Margin amount applicable to QIB Bidder at the time of submission of Bid cum Application form to the Member of Syndicate	Margin amount applicable to Non-Institutional Bidder at the time of submission of Bid cum Application form to the Member of Syndicate	Margin amount applicable to Retail Individual Bidder at the time of submission of Bid cum Application form to the Member of Syndicate
Margin Amount	10% of the Bid Amount in respect of bids placed by the QIB Bidder on Bidding	Full Bid amount on Bidding	Full Bid amount on Bidding

*Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category would be allowed to be met with spill over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and subject to the applicable provisions of the SEBI Guidelines.

** In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

If the aggregate demand by Mutual funds is less than 1,08,750 Equity Shares the balance Equity shares available for allocation in the Mutual fund reservation will first be added to the QIB portion and be allocated proportionately to the QIB Bidders in proportion to their bids. The unsubscribed portion if any out of the Equity shares reserved for allotment to Employees will be added back to the Issue and the same would be allocated proportionately by the Company in consultation with the BRLM.

Bidding period/Issue Period

BID/ISSUE OPENS ON	[●]
BID/ISSUE CLOSES ON	[●]

Bids and any revision in bids shall be accepted only between 10 a.m and 3 p.m (Indian Standard Time) during the Bidding period as mentioned above at the bidding centres mentioned on the Bid-cum Application form except that on the Bid/Issue Closing Date, the Bids shall be accepted only between 10 a.m and 1 p.m (Indian Standard Time) or uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

The Price Band will be decided by the Company in consultation with the BRLM

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of the Price Band, subject to the Bidding Period / Issue Period not exceeding ten working days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE by issuing a press release, and also by indicating the change on the web site and at the terminals of the members of the Syndicate.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein upto 50% of the Issue to the public shall be allotted on a proportionate basis to QIBs, of which 5% are reserved for Mutual Funds and the balance will be available for all QIBs including Mutual Funds. Further, not less than 15% of the issue to the public shall be available for allotment on a proportionate basis to Non-Institutional Bidders and not less than 35% of the issue to the public, shall be available for allotment on a proportionate basis to the Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through Syndicate members. However, the Bids by QIB shall be submitted only to the BRLM. In case of QIB Bidders, our Company in consultation with the BRLM may reject Bids at the time of acceptance of the Bid-Cum-Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Bids under the Non-Institutional Portion, Bids under the Retail Portion, Bids would not be rejected except on technical grounds listed in the RHP.

Investors should note that Equity Shares would be allotted to all successful allottees only in the dematerialised form. Bidders will not have the option of allotment of Equity Shares in physical form. The Equity Shares, on allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the RHP. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allotment of Equity Shares, dispatch of CAN, and filing of the Prospectus with the RoC, AP, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in the RHP and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC, AP and as would be required by RoC, AP after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories is as follows:

Category	Colour of Bid Cum Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Eligible Non residents, NRIs, FIIs, Foreign venture Capital Fund, Multilateral and Bilateral	Blue

Development Financial Institutions applying on a repatriation basis	
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Who can Bid?

1. Indian nationals resident in India who are major, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: ABC Hindu Undivided Family applying through ABC, where ABC is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, scheduled commercial banks, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations, as applicable); as defined in Section 4A of Companies Act;
6. Venture Capital Funds registered with SEBI;
7. Foreign Venture Capital Investors registered with SEBI;
8. State Industrial Development Corporations;
9. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ Societies and who are authorised under their constitution to hold and invest in Equity Shares;
10. Eligible non-residents including NRIs and FIIs on a repatriation basis or a non- repatriation basis subject to applicable laws;
11. Insurance companies registered with the Insurance Regulatory and Development Authority;
12. Provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in Equity Shares;
13. Pension funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in Equity Shares;
14. Multilateral and bilateral development financial institutions;
15. Scientific and/ or industrial research organizations authorised to invest in Equity Shares; and

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

Note: The BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation. However, associates and affiliates of the BRLM and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

Application by Mutual Funds

As per the current regulations, the following restrictions are applicable for investments by mutual funds:



Under the SEBI Guidelines 5% of the QIB portion i.e., 1,08,750 Equity shares shall be available for allocation on a proportionate basis for Mutual funds only.

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund portion. In the event that the demand is greater than 1,08,750 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB portion, after excluding the allocation in the Mutual Fund portion.

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds.

No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights. These limits would have to be adhered to by the Mutual Funds for investment in the Equity Shares.

In case of a Mutual Fund, a separate bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple bids provided that the bids clearly indicate the scheme concerned for which the bid has been made. The applications made by the asset management companies or custodians of mutual fund shall clearly indicate the name of the concerned scheme for which the application is being made.

Application by NRIs

Bid cum Application forms have been made available for NRIs at the corporate office of the Company or Registrar to the Issue or Syndicate Member.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) Account shall use the form meant for Resident Indians (white in colour.).

Application by FIIs

As per current regulations, the following restrictions are applicable for investment by FIIs:

No single FII can hold more than 10% of the post-issue paid-up capital of the Company. In respect of an FII investing in the Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company, in case such sub-account is a foreign corporate or an individual.

As of now, the aggregate FII holding in the Company cannot exceed 24% of the total issued 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 100%. However, as on this date no such resolution has been recommended to the shareholders of the Company for adoption.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended an Foreign Institutional Investor or sub-account ("FIIs) may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of 'know your client' requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Bids by NRIs or FIIs on Repatriation Basis

Bids and revision to bids must be made:



- On the bid cum application form or Revision Form, as applicable, (Blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single or joint names (not more than three).
- Bids by NRIs for a Bid amount of up to or less than Rs 1,00,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid amount of more than Rs. 1,00,000 would be considered under Non-Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity shares and in multiples of [●] Equity Shares thereafter so that the Bid amount exceeds Rs. 1,00,000. For further details please refer to the sub-section titled “Maximum and Minimum Bid size” on page no. [●] of the RHP.
- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Financial Institutions but not in the names minors, firms or partnerships, foreign nationals or their nominees or OCBs.
- Refunds, dividends and other distributions, if any, will be payable in India Rupees only and net of bank charges and / or commission, in case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision form through INR drafts purchased abroad, such payments in INR will be converted into USD or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by the space provided for this purpose in the Bid Cum Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations 2000, prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25 % of the Company’s paid-up capital. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100 % of the Company’s paid-up equity capital.

The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modifications or changes in applicable laws or regulations, which may happen after the date of the RHP. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

For Retail Individual Bidders

The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, subject to maximum Bid amount of Rs. 1,00,000/-. In case of revision of Bids, the Retail bidders have to ensure that the Bid amount does not exceed Rs. 1,00,000/-. In case the maximum Bid amount is more than Rs. 1,00,000/- due to revision of the Bid or revision of the Price Band or on exercise of the option, then the same would be considered for allocation under the Non-Institutional Bidders category. The cut-off option is an option available only to the Retail Individual Bidders indicating their agreement to bid and purchase the Equity Shares at the final issue price as determined at the end of the Book Building process.

For Non-Institutional Bidders and QIBs Bidders

The Bid must be for a minimum of such number of Equity Shares, so as to ensure that the minimum Bid amount exceeds Rs.1,00,000/-. Above this minimum Bid Amount, the Bid should be in multiples of [●] Equity Shares. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory



authorities governing them. **Under the existing SEBI guidelines a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.**

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000/-. In case the Bid Amount reduces to Rs 1,00,000/- or less due to a revision in Bids or revision of the Price Band, the same would be considered for allocation under Retail portion.

Non-Institutional Bidders and QIB Bidders are not allowed to Bid at Cut-Off Price.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this DRHP.

Right to Reject Bids

In case of QIB bidders, our Company, in consultation with the BRLM / Syndicate Members may reject bids at the time of submission of the bid provided that the reasons for rejecting the same shall be provided for such bidder in writing. In case of Non Institutional Bidders and Retail Individual Bidders who bid, the Company has the right to reject bids only on technical grounds. Consequent refunds shall be made as set out in 'Letter of Allotment or refund' and "Mode of making refunds" on page [●] of the RHP.

Information for the Bidders

(a) Our Company will file the RHP with the RoC, AP at least three days before the Bid/ Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the RHP along with the Bid-cum-Application Form to potential investors.

(c) Any investor (who is eligible to invest in the Equity Shares of the Company) who would like to obtain the RHP and/ or the Bid-cum-Application Form can obtain the same from the corporate office of the Company or from any of the BRLM or Syndicate Members.

(d) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

(e) Investors who are interested in subscribing to our Company's Equity Shares should approach the BRLM or Syndicate Members or their authorised agent(s) to register their Bid.

Method & Process of Bidding

- a) The Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date at the time of filing the RHP with RoC, AP and publish the same in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated. This advertisement shall be in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- b) Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLM, or Syndicate Member or their authorised agent(s) to register their Bid.
- c) The Bidding Period shall be open for atleast 3 working days and not more than 7 working days. In case the price band is revised, the revised price band will be published in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated and the Bidding period will be extended for a further period of three working days, subject to the total Bidding period not exceeding 10 working days. During the bidding period, the Bidders may approach the Syndicate to



submit their Bid. Every Member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the bids.

- d) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” on page no. [●] of the RHP) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- e) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph “Build up of the Book and Revision of Bids” on page no.[●] of the RHP.
- f) The BRLM, and Syndicate Members will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Bidders should make sure that they ask for a copy of the computerized TRS for every Bid Option from the Syndicate Member. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.
- g) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph “Terms of Payment and Payment into the Escrow Collection Account” on page no. [●] of the RHP.

Bids at Different Price Levels

- a) The Price Band has been fixed at Rs. [•] to Rs. [•] per Equity Share, Rs. [•] being the lower end of the Price Band and Rs. [•] being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Rs. 1 (Rupee One).
- b) In case of revision in the Price Band, the Issue Period will be extended for three additional working days after revision of Price Band subject to a maximum of ten working days. Any revision in the Price Band and the revised Bidding / Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional language newspaper, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate Members.
- c) The Company in consultation with the BRLM can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- d) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders may bid at “Cut off”. However, bidding at “Cut-off” is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.**
- e) Retail Individual Bidders who bid at the Cut-Off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders who bid at cut-off price shall receive the refund of the excess amounts from the respective refund account.



f) In case of an upward revision in the Price Band announced as above, the Retail Bidders or who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 1,00,000/- for Retail Bidders or, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 1,00,000 for retail Bidders the Bid will be considered for allocation under the Non-Institutional portion in terms of the RHP. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

g) In case of downward revision in the Price Band announced as above, Retail Bidders who have bid at Cut-Off Price could either revise their Bid or the excess amount at the time of bidding would be refunded from the refund account.

h) In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application shall remain [●] Equity Shares irrespective of whether the Bid Amount payable on such Minimum Application is not in the range of Rs.5,000/- to Rs.7,000/-.

Option to subscribe

Equity Shares being issued through the RHP can be applied for in the dematerialized form only. Bidders **will not have** the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialized segment of the Stock Exchanges.

Escrow Mechanism

Escrow Account for the Issue

Our Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of the RHP and an Escrow Agreement. The monies in the Escrow Account for the Issue shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company. Payments of refunds to the Bidders shall also be made from the Refund Bank account as per the terms of the Escrow Agreement with the Company and the RHP.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar to the Issue and BRLM, and Syndicate Members to facilitate collection from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

In case of Non-institutional Bidders and Retail Individual Bidders, each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his Bid in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph "Payment Instructions on page no. [●] of the RHP) and submit the same to the members of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash and Stock invest shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account. The balance amount after transfer to



the Issue Account shall be transferred to a refund account and held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date / Issue Closing Date, the Refund Bank shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment to the Bidders.

Each category of Bidders i.e. QIB Bidders, Non Institutional Bidders, Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled “Issue Structure” beginning on page no. [●] of the RHP. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder not later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid cum Application Form. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which and the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

- (a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted.
- (b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) Aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centres. A graphical representation of consolidated demand and price would be made available at the bidding centres during the bidding period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:
 - Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form).
 - Investor Category –, Individual, Corporate, NRI, FII, or Mutual Fund, etc.
 - Numbers of Equity Shares bid for
 - Bid price
 - Bid-cum-Application Form number
 - Whether payment of margin amount has been made upon submission of Bid-cum-Application Form

- Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) The members of the Syndicate have the right to review the Bid. The Syndicate Members have right to reject a bid received from a QIB at the time of receipt of Bids. However, Syndicate Members shall disclose the reason for not accepting the Bid to the Bidder in writing. In case of Non-Institutional Bidders, Bids under the Retail Individual Bidders, Bids shall not be rejected except on the technical grounds listed on page no. [●] in the RHP.
- (h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company, and BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of the Company.
- (i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this DRHP has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this DRHP; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.
- (j) Bids not uploaded to the online IPO system of NSE / BSE shall not be considered for allocations / allotment.

Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on an on-line basis. Data would be uploaded on a regular basis.
- (b) The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding ten working days.
- (c) Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper and also indicating the change on the relevant websites and the terminals of the members of the Syndicate.
- (d) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- (e) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum- Application Form.
- (f) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. The Bidder must complete his or her Bid cum Application Form, the details of all the options in his or her Bid cum Application Form or earlier Revision Form and revisions for all the options as per his Bid cum Application Form or earlier Revision Form. For example, if a



Bidder has bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

- (g) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form.
- (h) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this DRHP. In case of QIBs, the members of the Syndicate shall collect the payments in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (i) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (j) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLM based on the physical records of Bid cum Application forms shall be final and binding to all concerned.

Price Discovery and Allocation / Allotment

After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss pricing strategy with our Company.

- (a) Our Company in consultation with the BRLM shall finalise the "Issue Price", the number of Equity Shares to be allotted.
- (b) The allocation for QIBs would be upto 50%, of the Issue of which 5% shall be reserved for Mutual Funds on a proportionate basis. The allocation to Non-Institutional Bidders would be not less than 15% of the Issue Size and allocation for Retail Individual Bidders will be not less than 35% of the Issue Size on proportionate basis, subject to valid Bids being received at or above the Issue Price.
- (c) Under subscription, if any, in the Non-Institutional Portion and / or Retail Portion, would be allowed to be met with spill over of demand from any of the other categories, at the sole discretion of the Company and BRLM. However, if the aggregate demand by Mutual Funds is less than 1,08,750 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange.
- (d) Allocation to Non-Residents, FIIs, NRIs, Foreign Venture Capital Funds, Multilateral and Bilateral Development Financial Institutions registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by the RBI while granting permission for Allotment of Equity Shares to them.
- (e) The BRLM, in consultation with the Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders
- (f) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.



(g) The allotment details shall be put on the website of the Registrar to the issue

Signing of Underwriting Agreement and RoC Filing

- (a) The Company, the BRLM and the Syndicate Members shall enter into an underwriting agreement on finalisation of the Issue Price and allocation(s)/allotment to the Bidders
- (b) After signing the Underwriting Agreement, the Company will update and file the Prospectus with RoC, AP which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects

Filing of the Prospectus with the RoC

The Company will file a copy of the Prospectus with the RoC, Andhra Pradesh at Hyderabad in terms of Section 56, Section 60 and Section 60B of the Companies Act, 1956

Announcement of Pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on this DRHP from SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines in an English National Daily with wide circulation, one Hindi National Newspaper and a regional language Newspaper with wide circulation in Andhra Pradesh.

Advertisement regarding Issue price and Prospectus

We will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of RHP and the date of Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note (CAN)

- (a) The BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail Individual and Non-Institutional Bidders. However, Bidders should note that the Company shall ensure that the date of Allotment of the Equity Shares to all Bidders, in all categories, shall be done on the same date.
- (b) The BRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed to be valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account of the Company at the time of bidding shall pay in full the amount payable into the Escrow Account of the Company by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account of the Company at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account of the Company. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/ NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to



them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be required to be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

- (a) The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders' depository account within two working days of the date of Allotment
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. Equity Shares will be offered only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act
- (c) After the funds are transferred from the Escrow Account to the Public issue Account on the Designated Date, The Company would allot the Equity Shares to the allottees. The Company would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees' depository accounts within two working days from the date of allotment. In case the Company fails to make allotment within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.
- (d) Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue

GENERAL INSTRUCTIONS

Do's:

- a. Check if you are eligible to apply;
- b. Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour), as the case may be;
- c. Ensure that the Bid is only within the Price Band;
- d. Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be transferred in the dematerialized form only;
- e. Ensure that the DP account is activated;
- f. Investors must ensure that the name given in the bid cum application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- g. Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- h. Ensure that you have been given a TRS for all your Bid options;
- i. Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS;
- j. Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects; and



- k. Ensure that you mention your Permanent Account Number (PAN) allotted under the Income Tax Act, 1961 where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more and attach a copy of the PAN Card and also submit a photocopy PAN Card(s) or a communication from the Income Tax authority indicating allotment of PAN along with the application for the purpose of verification of the number, with the Bid-cum-Application Form. In case you do not have a PAN, ensure that you provide a declaration in Form 60 prescribed under the I.T. Act along with the application.
- l. If you have mentioned “Applied For” or “Not Applicable” in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof.

Dont's:

- Do not Bid for lower than the minimum Bid size;
- Do not Bid/ revise Bid to a price that is less than the Floor of the Price Band or higher than the Cap of the Price Band;
- Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- Do not pay the Bid amount in cash or money order or postal order;
- Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
- Do not bid at Cut-off price for Non-institutional and QIB Bidders;
- A Bid from any investor should not exceed the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws or regulations;
- Do not submit Bids accompanied by Stockinvest;
- **Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM, or Syndicate Members.

Bids and Revisions of Bids

Bids and revisions to Bids must be:

- a. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRI or FII or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis.)
- b. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, the Bid cum Application Form and Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- c. For Retail Individual Bidders, the Bids must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Amount of Rs. 1,00,000.
- d. For Non Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- e. In single name or in joint names (not more than three).



- f. In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCBs.
- g. Thumb impressions and signatures other than in the languages specified in the Eight Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his or her official seal.

Bidders Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant's Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details including the nine digit Magnetic Ink Recognition (MICR) Code, for printing on refund orders and occupation (herein after referred to as Demographic Details). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid -cum application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or is 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 Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Our Company in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order / CANs / allocation advice / refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the



Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid-cum-Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by provident funds with minimum corpus of Rs.2500 lakhs and pension funds with minimum corpus of Rs.2500 lakhs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by mutual fund registered with SEBI, Venture Capital Fund registered with SEBI and Foreign Venture Capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

The Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid cum Application form, subject to such terms that we may deem fit, in consultation with the BRLM.

Bids by NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis

- NRI, FIIs and Foreign Venture Capital funds Bidders to comply with the following: Individual NRI Bidders can obtain the Bid cum Application Forms from our Corporate Office or from members of the Syndicate or the Registrar to the Issue.
- NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allotment.
- NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid Cum Application form meant for Resident Indians (white in colour).

Bids and revision to Bids must be made:



- On the Bid-cum-Application Form or the Revision Form, as applicable, (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three).
- **By NRIs** – For a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid amount of Rs.1,00,000 for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs.1,00,000 would be considered under Non Institutional Category for the purposes of allocation. For further details see “Maximum and Minimum Bid Size” on page no. [●] of the RHP.
- **By FIIs** – for a minimum of such number of Equity Shares and in multiples of [●] that the Bid Amount exceeds Rs. 1,00,000. For further details see section titled “Maximum and Minimum Bid Size” on page no. [●] of the RHP.
- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCBs.

The Company does not require approvals from FIPB or RBI for the transfer of Equity Shares in this Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non-Residents, NRIs, FIIs and foreign venture capital funds and all Non-Residents, NRIs, FIIs and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account of benefit of, "U.S. Persons" (as defined in the Regulation S of the Securities Act), except pursuant to any exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in United States to 'qualified institutional buyers' as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulations and the applicable laws of the jurisdiction where those offers and sales occur.

PAYMENT INSTRUCTIONS

The Company shall open an Escrow Account(s) with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account to the Issue:

- (i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account of the Company and submit the same to the members of the Syndicate.
- (ii). In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the Syndicate Member by the BRLMs.



- (iii). The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
- In case of Resident Bidders: **“Escrow Account –Nelcast Public Issue”**
 - In case of Non Resident Bidders: **“Escrow Account – Nelcast Public Issue -NR”**
 - In case of Resident QIBs: **“Escrow Account – Nelcast Public Issue – QIB-R”**
 - In case of Non-Resident QIBs: **“Escrow Account – Nelcast Public Issue – QIB-NR”**
 - In case of Bids by NRIs applying on repatriation basis, the payments must be made through INR Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.
 - In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to Special Rupee Account.
- (iv). Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account of the Company.
- (v). The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders until Designated Date.
- (vi). On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Issue Account and the Refund account with the Bankers to the Issue.
- (vii). On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Refund Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

Payments should be made by cheque or demand draft drawn on any Bank (including a Co-Operative Bank), which is situated at, and is a member of or sub-member of the banker’s clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques /bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/ Money Orders/Postal Orders will not be accepted.

Payment by Stockinvest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn with immediate effect. Hence, payment through stockinvest would not be accepted in this Issue.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the Syndicate Member at the time of submission of the Bid. At the



time of submission of Bid-cum-Application Form and Revision Form, each member of the Syndicate shall collect the 10% or 100% Margin Amount as may be applicable.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the BRLM or Syndicate Member will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be despatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

Procedure for Application by Mutual Funds

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the name of scheme concerned for which the Bid has been made. The application made by the AMCs or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.

The Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

PAN

Where Bid(s) is/are for Rs.50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T.Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60(Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.

UNIQUE IDENTIFICATION NUMBER – MAPIN



With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir- 13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000, an option will be available to investors to obtain either the PAN or UIN. SEBI has stated in the press release that these changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations. Therefore, MAPIN is not required to be quoted with the Bids.

Company's Right to Reject Bids

The Syndicate Members have right to reject a Bid received from QIB at the receipt of the Bids. However, the Syndicate Members shall disclose the reasons in writing for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders and Retail Individual Bidders, The Company & BRLM have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on among others, the following technical grounds:

- a. Amount paid doesn't tally with the highest number of Equity Shares bid for;
- b. Age of First Bidder not given;
- c. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- d. PAN not given if Bid is for Rs. 50,000 or more or Copy of Form 60 or Form 61 as required not given;
- e. Bids for lower number of Equity Shares than specified for that category of investors;
- f. Bids at a price less than lower end of the Price Band;
- g. Bids at a price more than the higher end of the Price Band;
- h. Bids at cut-off price by Non-Institutional and QIB Bidders;
- i. Bids for number of Equity Shares which are not in multiples of [●];
- j. Category not ticked;
- k. Multiple bids as defined in the RHP;
- l. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- m. Bid-cum-Application Form does not have the stamp of the BRLM, or Syndicate Members;
- n. Bid-cum-Application Form does not have Bidder's depository account details;
- o. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and the RHP and as per the instructions in the RHP and the Bid cum-Application Form
- p. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations.

- q. Bids accompanied by money order/postal order/cash /Stockinvests;
- r. Signature of sole and / or joint bidders missing;
- s. Bids by OCBs;
- t. In case no corresponding record is available with the Depositories that matches the parameters namely, names of the Bidders (including the sequence of names of joint holders), the depository participant's identification number (DP ID) and beneficiary account number.
- u. Bids by U.S residents or US persons other than "qualified institutional buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.

Equity Shares in Dematerialised Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). In this context, two tripartite agreements have been signed amongst the Company, Registrars to the Issue and the Depositories:

A tripartite agreement dated [●] with NSDL, the Company and Registrars to the Issue;

A tripartite agreement dated [●] with CDSL, the Company and Registrars to the Issue;

All bidders can seek allotment only in dematerialised mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- a. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b. The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c. Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- d. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e. If incomplete or incorrect details are given under the heading 'Bidders Depository Account details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- f. The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
- g. 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. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- h. The trading of the Equity Shares of the Company would be in dematerialised form only for all investors.

Communications



All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first Bidder, Bid-cum-Application Form number, details of depository participant, number of Equity Shares applied for, date of bid cum application Form, name and address of the member of the syndicate where the bid was submitted and cheque or draft number and issuing bank thereof.

The Company has appointed Mr.R.B.Prem Ganesh as Compliance Officer. He can be contacted at the Corporate Office of the Company.

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

DISPOSAL OF APPLICATIONS AND APPLICATION MONEY

The Company shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalisation of allotment of Equity Shares. The Company shall dispatch refund orders above Rs. 1,500/-, if any, by registered post or speed post at the sole or first Bidder's sole risk, except for Bidders who have opted to receive refunds through the ECS facility or RTGS or NEFT or Direct Credit.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for allotment and trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, the Company further undertakes that:

- allotment of Equity Shares shall be made only in dematerialised form within 15 working days of the Bid/Issue Closing Date;
- refunds will be done within 15 working days of the Bid/Issue Closing Date at the sole or first Bidder's sole risk; and
- **Interest in case of delay in dispatch of Allotment Letters/ Refund Orders / demat credit in case of public issues** – we shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment or demat credits is not made, refund orders are not dispatched / or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid/Issue Closing Date.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the Syndicate Member will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

Mode of making refunds

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit MICR code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Bank shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes as given hereunder:



1. ECS - Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centres, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.

2. Direct Credit - Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.

3. RTGS - Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. NEFT (National Electronic Fund Transfer) - Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs.1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest on refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 working days from the Bid/Issue Closing Date as per the Guidelines issued by the GoI, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Basis of allotment or allocation

A. For Retail Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size, less allotment to Non Institutional Bidders, QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 15,22,500 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.



- If the aggregate demand in this category is greater than 15,22,500 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of [●] Equity Shares. For the method of proportionate basis of allotment, please refer to “method of proportionate basis of allotment” on page no.[●]- of the RHP.

B. For Non Institutional Bidders

- Bids received from Non institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non Institutional Bidders will be made at the Issue Price.
- The Issue size, less allotment to QIBs Bidders, Retail Individual Bidders shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 6,52,500 Equity Shares at or above the Issue Price, full allotment shall be made to Non Institutional Bidders to the extent of their demand.

In case the aggregate demand in this category is greater than 6,52,500 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of [●] Equity Shares. For the method of proportionate basis of allotment please refer to “method of proportionate basis of allotment” on page no.[●] of the RHP.

C. For QIBs

- Upto 50% of the Issue to the Public i.e. 21,75,000 Equity shares shall be allotted to QIBs of which 5% is reserved for Mutual Funds i.e 1,08,750 Equity Shares and balance shares will be available for allocation to all QIBs including Mutual Funds on proportionate basis.
- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.
- The Issue size, less allotment to Non Institutional Bidders, Retail Individual Bidders, shall be available for allotment to QIBs who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner

(a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

(i) In the event that Bids from Mutual Fund exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

(ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion, then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.

(iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;

(b) In the second instance allocation to all QIBs shall be determined as follows:

(i). The number of Equity Shares available for this category shall be the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.

(ii). The subscription level for this category shall be determined based on the overall subscription in the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.

(iii). Based on the above, the level of the subscription shall be determined and proportionate allocation to all QIBs including Mutual Funds in this category shall be made.

(iv) The aggregate allotment to QIB Bidders shall be upto 21,75,000 Equity Shares

Under subscription if any in the Non-Institutional and Retail Individual categories would be allowed to be met with spill over from any other category by the Company in consultation with BRLM.

Procedure and Time Schedule for Allotment of Equity Shares

The Syndicate Members have the right to reject the Bid received from QIB at the time of receipt of the Bids. However, the Syndicate Members shall disclose the reasons in writing for not accepting the Bid to the Bidder. In case of Non- Institutional Bidders and Retail Individual Bidders, the Company has a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. The Company will ensure allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date, and the Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched and/ or demat credits are not made to investors within two working days from the date of finalisation of the basis of allotment.

Method of proportionate basis of allocation in the QIB, Retail, Non-Institutional Portions

In the event of the Issue being over-subscribed, we shall finalize the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in multiples of one share, on a proportionate basis as explained below:

- (a) Bidders will be categorized according to the number of Equity Shares applied for by them.
- (b) The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (c) In case the proportionate allotment to any Bidders is in fractions, then the same would be rounded off to the nearest integer.
- (d) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.
- (e) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- (f) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:



- The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above; and
- Each successful Bidder shall be allotted a minimum of [●] Equity Shares.
- If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for Allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to NSE and BSE by issuing a press release, and also by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.

Undertakings by the Company

The Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for despatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 working days of closure of the issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within the specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this DRHP are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Issue proceeds

The Board of Directors of the Company certify that:

- 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;
- details of all monies utilized out of this Issue referred above 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; and
- details of all unutilised monies out of this 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.

The Company shall not have recourse to the Issue proceeds until approval for trading of Equity Shares from all the stock exchanges where listing is sought is received.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the industrial policy of GoI (“The Industrial Policy”) and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted,



foreign investment is freely permitted in all sectors of Indian economy to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India ("FIPB") and the RBI. Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to our Board or our shareholders for adoption.

By way of Circular No. 53 dated 17 December, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

The transfer of Equity Shares of NRIs, FIIs, and Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the Government of India or RBI while granting such approvals.

Foreign Investment

Foreign investment in India is regulated by the Foreign Exchange Management Act, 1999 (FEMA), the regulations framed by the Reserve Bank of India (RBI) and policy guidelines issued by the Ministry of Industry (through various Press Notes issued from time to time). Foreign investment in companies involved in the manufacture of Iron castings is under the automatic route (i.e., prior approval of the Foreign Investment Promotion Board (FIPB) is not required).

Foreign investment by way of subscription to equity shares in companies in the above sector currently does not require the prior approval of the RBI or the FIPB, except for a post subscription filing with the RBI in Form FC-GPR within 30 days from the issue of shares by the Company. GoI has indicated that in all cases where foreign direct investment is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment.

TRANSFERS OF EQUITY SHARES PREVIOUSLY REQUIRED THE PRIOR APPROVAL OF THE FIPB. HOWEVER, VIDE A RBI CIRCULAR DATED 4 OCTOBER, 2004 ISSUED BY THE RBI, THE TRANSFER OF SHARES BETWEEN AN INDIAN RESIDENT AND A NON RESIDENT DOES NOT REQUIRE THE PRIOR APPROVAL OF THE FIPB OR THE RBI, PROVIDED THAT (I) THE ACTIVITIES OF THE INVESTEE COMPANY ARE UNDER THE AUTOMATIC ROUTE UNDER THE FOREIGN DIRECT INVESTMENT (FDI) POLICY AND TRANSFER DOES NOT ATTRACT THE PROVISIONS OF THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997 (II) THE NON-RESIDENT SHAREHOLDING IS WITHIN THE SECTORAL LIMITS UNDER THE FDI POLICY, AND (III) THE PRICING IS IN ACCORDANCE WITH THE GUIDELINES PRESCRIBED BY THE SEBI/RBI.

RECTIFICATION OF REGISTER OF MEMBERS

The Company under Section 111A of the Companies Act, 1956 shall have right to rectify the register of members to comply with the Companies Act

SECTION VIII: DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION

RIGHTS OF MEMBERS

Rights of members regarding voting, dividend, lien on shares and the process of modification of such rights and forfeiture of shares are contained in the Articles of Association of the Company and as per the provisions of the Companies Act 1956.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

The salient features of the Articles of Association of the Company are as under:

PRELIMINARY

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| 1 | Table “A” not to apply | Save as reproduced or adopted herein, the regulations contained in Table “A” (in the first Schedule to the Act) shall not apply to the Company. |
|---|------------------------|---|

CAPITAL

- | | | |
|----|---|--|
| 4 | Authorized Share Capital | The Authorized Share Capital of the Company shall be read as is given in Clause V of the Memorandum of Association of the Company. |
| 6 | Shares to be under the control of the Board | 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 Board 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 the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Board thinks fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued shall be deemed to be fully paid shares. Provided that the option or right to call on shares shall not be given to any person or persons without the sanction of the Company in the General Meeting. |
| 7 | Return of allotments | As regards all allotments made, from time to time, the Board shall comply with the provisions of Section 75 of the Act. |
| 11 | Commission for placing shares | The Company may, subject to the compliance with the provisions of Section 76 of the Act exercise the power of paying commission. |
| 12 | Brokerage | The Company may pay on any issue of shares a reasonable sum of brokerage, as may be permitted under the law. |
| 13 | Shares at a discount | With the previous authority of the Company in General Meeting and the sanction of the Company Law Board and upon otherwise complying with the provisions of Section 79 of the Act, the Board may issue at a discount shares of a class already issued. |
| 14 | Liability of joint holders of shares. | The joint holders of Shares shall be severally as well as jointly liable for the payment of all installments and calls due in respect of such share but the person first named in the Register shall as regards notice at General Meetings, proxy, receipt of dividends or bonus, service of voting and all or any other matters connected with the Company, except the transfer of shares, be deemed the sole holder thereof. |
| 15 | Number of joint holders | Not more than three persons shall be registered as joint-holders of any share. |

CERTIFICATES OF SHARES

Subject to the provisions of the Companies (Issue of Shares Certificate) Rules, 1960 or any statutory modification or re-enactment thereof share certificates shall be issued in the following manner:

16	Certificates	The certificates of title to shares and duplicates thereof, when necessary shall be issued under the Seal of the Company which shall be affixed in the presence of (i) two Directors or a person acting on behalf of a Director under a duly registered power-of-attorney, and (ii) the Secretary or some other person appointed by the Board for the purpose. The two Directors or their attorneys and the Secretary or the other person shall sign the share certificates. Provided that, if the composition of the Board permits at least one of the aforesaid two Directors shall be a person other than a Managing Director or a Whole time Director. Every Member or allottee of shares shall be entitled, without payment, to receive certificates for the shares of the same class registered in his name. Every share certificate shall specify the name of the person in whose favor it is issued, the share certificate number and the distinctive number(s) of the shares to which it relates and the amount paid up thereon. Such share certificate shall be issued only in pursuance of a resolution passed by the Board or any committee thereof and on surrender to the Company of its letter of allotment or its fractional coupons of requisite value, save in cases of issues against letters of acceptance or of renunciation or in cases of issue of bonus shares provided that if the letter of allotment is lost or destroyed, the Board or any committee thereof may impose such reasonable terms, if any, as it thinks fit, as to evidence and indemnity and the payment of out of pocket expenses incurred by the Company in investigating the evidence.
17	To which of the joint holders certificates to be issued	Printing of blank forms for issue of share certificates and maintenance of books and documents relating to issue of Share Certificate shall be in accordance with the provisions of the Companies (Issue of Share Certificates) Rules, 1960 or any statutory modification or re- enactment thereof for the time being in force. If any share stands in the name of two or more persons, the person first named in the Register shall, as regards receipt of dividends or bonus or service of notices and all or any other matter connected with the Company except voting at General Meeting and the transfer of the shares, be deemed the sole holder thereof but the joint holders of a share shall severally as well as jointly be liable for the payment of all installment and calls due in respect of such share and for all incidents thereof according to the Company's regulations.
18	Fully paid shares for consideration other than cash.	Subject to the provisions of the Act and these Articles, the Board may allot and issue shares in the capital of the Company as payment for any property sold or transferred or for service rendered to the Company in the conduct of its business or in satisfaction of any outstanding debt or obligation of the Company and any shares which may be so issued shall be deemed to be fully paid-up shares.
19	Acceptance of shares	Any application signed by or on behalf of any applicant for shares in the Company, followed by an allotment of any shares therein, shall be an acceptance of shares within the meaning of these Articles; and every person who thus or otherwise accepts any shares and whose name is therefore placed on the register shall, for the purposes of these Articles, be a Member.
20	Issue of new certificate in place of one defaced, lost or destroyed	If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the Article shall be issued without payment of fees if the Board so decides, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Board shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is

		no further space on the back thereof for endorsement of transfer. Provided that notwithstanding what is stated above the Board shall comply with such rules or regulations or requirements of any Stock Exchange or the rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other act, or rules applicable in this behalf. The provisions of this Article shall apply mutatis mutandis to debentures of the Company.
22	Trust not recognized	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 (express, implied or constructive) or equitable, contingent, future or partial 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 limited notice thereof. The provisions of Section 153 of the Act shall apply.
23	Right of nomination	Subject to the provisions of Section 109A of the Act, every holder of shares in, or holder of debentures of, the Company may, at any time, nominate a person to whom his shares in, or debentures of the Company shall vest in the event of his death.
24	Limitation of time for issue of certificates	Every Member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Board so approves (upon paying such fee as the Board may from time to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the Board may 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 more than one certificate and such certificate shall be delivered to the person first named in the Register and such delivery shall be sufficient delivery to all such holders.

CALLS ON SHARES

25	Calls	The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (not by circular resolution); make such call as it thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the person or persons and the member(s) and place(s) appointed by the Board. A call may be made payable by installments.
27	Liability of joint holders in a call	The joint-holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
28	Board to extend time to pay call:	The Board may from time to time at its discretion extend the time fixed for the payment of any call and may extend such time to all or any of the members. No member shall be entitled to such extension save as a matter of grace and favour.
29	Restriction on power to make calls	No call shall exceed one fourth of the nominal amount of share or be made payable within one month after the last preceding call was payable.
30	Notice of call	Not less than 14 days notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid.
31	When interest on call or installment payable	(i) If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof the holder for

the time being of the share in respect of which the call shall have been made or the installment shall be due, shall pay interest as fixed by the Board, from the day appointed for the payment thereof to the time of the actual payment as the Directors may determine.

- (ii) The Directors shall be at liberty to waive payment of any such interest wholly or in part.

- 32 Amount payable at fixed time or by installments payable as call. Any sum, which by the terms of issue of a share become payable on allotment or on a fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purposes of the Articles be deemed to be call a duly made and payable on the date on which the same becomes payable and in case of nonpayment 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.

FORFEITURE AND LIEN

- 37 If call or installment not paid notice may be given If any Member fails to pay any call or installment on or before the day appointed for the payment of the same the Board may at any time thereafter during such time as the call or installment remain unpaid serve a notice on such Member requiring him to pay the same forthwith within a further stipulated period together with any interest that may have accrued thereon from the date on which the same fell due and all expense that may have been incurred by the Company by reason of such non payment.
- 38 Form of notice The notice shall name a day (not being less than 14 days from the date of notice) and a place or places on and at which such call or installment, and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of nonpayment on or before the time and at the place appointed, the shares in respect of which such call was made or installment is payable will be liable to be forfeited.
- 39 If notice not complied with, shares may be forfeited. If the requisitions of any such notice as aforesaid are not complied with any shares in respect of which such notice has been given may at any time thereafter, before payment of all calls or installment, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
- 40 Notice after forfeiture When any shares shall have been so forfeited notice of the resolution shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture with the date thereof shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.
- 41 Forfeited shares become property of Company Any share so forfeited shall be deemed to be the property of the Company and the Board may sell, re-allot or otherwise dispose of the same in such a manner as they think fit.
- 47 Company's lien on shares/debentures The Company shall have a first and paramount lien upon all the shares/debentures (other than fully-paid shares/debentures) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof for all monies (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Board may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this Article.
- 48 Notice to be given For the purpose of enforcing such lien the Board may sell the shares subject thereto in such a manner as it thinks fit but no sale shall be made

- until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such Member, his executors or, administrators or his committee, curator bonis, or other legal curator, and default shall have been made by him or them in the payment fulfillment, or discharge of such debts, liabilities or engagements until the expiry of seven days after such notice.
- 49 Application of proceeds of sale The net proceeds on any such sale after payment of the costs of such sale shall be applied in or towards satisfaction of the debts and liabilities of such Members or engagements and the residue (if any) shall be paid to such Member, his heirs, executors, administrators, committee or curator.
- 50 Certificates of forfeited shares to be void Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a new certificate of certificates in respect of the said shares to the person or persons entitled thereto.

TRANSFER AND TRANSMISSION OF SHARES

- 51 Endorsement of Transfer In respect of any transfer of shares registered in accordance with the provision of these Articles, the Board may, at their discretion direct an endorsement of the transfer and the name of the transferee and other particulars, on the existing share certificate and authorize any Director or officer of the company to authenticate such endorsement on behalf of the company or direct the issue of a fresh share certificate, in lieu of and in cancellation of the existing certificate in the name of the transferee.
- 52 No fee on transfer or transmission No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certification of death or marriage, power of attorney or similar other document.
- 53 Transmission of shares The legal representative of a deceased Member shall be entitled to be recognized by the Company as having title to the shares of the deceased Member on production of probate or letters of administration or a succession certificate from a competent court of law, provided that the Board may dispense with the production of such probate letters of administration or succession certificates on the legal representative furnishing such indemnity as the Board may require.
- 54 Rights on Transmission A person entitled to a share by transmission shall retain such dividends or money as hereinafter provided, be entitled to receive and may give discharge for any dividends or other moneys payable in respect of the share.
- 55 Instrument of transfer The instrument of transfer shall be in writing and all provisions of Section 108 of the Act and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.
- 56 Registration of transfer Every instrument of transfer duly stamped and executed shall be left at the Office of the Company for registration, accompanied by the certificates of the shares to be transferred and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the shares. The Company shall retain all instruments of transfer, which shall be registered, but any instrument of transfer, which the Board may decline to register, shall, on demand be returned to the person depositing the name.
- 57 Board may refuse to register transfer Subject to the provisions of Section 111 of the Act the Board may, at its own absolute discretion and by giving reasons thereof, decline to register or acknowledge any transfer of shares whether fully paid or not provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.

58	Title to the shares of a deceased Member	The executors or administrators of a deceased Member (not being one of several joint-holders) shall be the only persons recognized by the Company, as having any title to the shares registered in the name of such deceased Member and in the case of death of any one or more of the joint-holder of any registered share the survivors shall be the only persons recognized by the Company as having any title to or interest in such shares. Provided however, that if the deceased Member was a Member of a joint Hindu family and the Board on being satisfied that the shares standing in such name in fact belonged to the joint family may recognize the survivor or the Karta thereof as having title to the shares registered in the name of such Members. In any case it shall be lawful for the Board in their absolute discretion to dispense with production of probate or letter of administration or other legal representation upon such terms as to indemnity or otherwise as the Board may deem expedient and justified. In case of the death of any one or more of the persons named in the Register of Members as the joint holders of any share, the survivor or survivors shall be the only persons recognized by the Company, subject to the provisions of the clause on right to nomination, as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares held by him with any other person.
59	Registration of transmission	Any person, becoming entitled to shares in consequence of the death or bankruptcy of any Member upon producing such evidence that he sustains the character in respect of which he proposed to act under this Article or his title as the Board may think sufficient, may with the consent of the Board (which they shall not be under any obligation to give) be registered as a Member in respect of such shares subject to Article 47 (Transmission of Shares).
60	Board right to refuse registration of transmission	The Board shall have the same right to refuse a person entitled by transmission to any share or his nominee, as if he was the transferor named in an ordinary transfer for registration.
61	No transfer to minor etc	No share shall in any circumstances be transferred to any infant, minor, insolvent or person of unsound mind, except fully paid shares through a legal guardian.
62	Application for transfer	a) An application for registration of a transfer of the shares in the Company may be made either by the transferor or the transferee. b) Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice. c) For the purpose of clause (b) above, notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered in the ordinary course of post.
63	Execution of transfer	The instrument of transfer of any share shall be duly stamped and executed by or on behalf of both the transferor and the transferee and shall be attested, if required. The transferor shall be deemed to remain the holder of such shares until the name of the transferee shall have been entered in the Register of Members in respect thereof. The instrument of transfer shall be in respect of a specific class of shares and should be in the form prescribed under the Act.
64	Register of Members when closed.	The Board shall have the power on giving not less than seven days previous notice by advertisement in some newspaper circulating where the

		Registered Office of the Company is situated to close the Register of Members and/or Register of Debenture Holder at such time or times and for such period or periods, not exceeding thirty days at a time, and not exceeding in the aggregate forty five days in each year as it may seem expedient to the Board.
65	Company not liable for discharge of a notice prohibiting registration of a transfer	The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof as shown or appearing in the Register of Members to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice, or referred thereto in any book of the Company and the Company shall not be bound or required to regard 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 to do so, 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 Board shall so think fit.
66	Compliance with rules, regulations and requirements of stock exchanges, etc.	The Company shall comply with the rules, regulations and requirements of the Stock Exchange or the rules made under the Act, or the rules made under the Securities Contracts (Regulation) Act, 1956 or any other law or rules applicable, relating to the transfer or transmission of shares or debentures.

INCREASE, REDUCTION AND ALTERATION OF SHARE CAPITAL

67	Increase of capital	The Company may, by a resolution passed in a General Meeting, from time to time increase the share capital by the creation of new shares of such amount as may be deemed expedient and specified in the resolution, subject to compliance with the provision of the Act and of any other laws that may be in force.
68	On what conditions new shares may be issued (whether preferential or not)	New shares shall be issued upon such terms and conditions and with such rights and privileges attached thereto as are consistent with provisions of the Act and which the General Meeting, resolving upon the creation thereof shall direct and if no direction be given, as the Board shall determine, and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a special or without any right of voting.
70	How far new shares to rank with shares in original capital	Except so far as otherwise provided by the condition of issue or by these presents, any capital raised by the creation of new subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien and otherwise.
71	Power to issue preference shares	Subject to the provisions of Section 80 of the Act, the Company shall have the powers to issue preference shares, which are or at the option of the Company are liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and conditions of such redemption.
72	Rights Issue of shares and renunciation or Further issue of Capital	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 made for the first time or after incorporation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares whether out of unissued share capital or out of increased share capital, then such further shares, shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company in proportion as nearly as circumstances admit, to the capital paid up on those share at that date. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than 15 days from the date of offer within which the offer, if not accepted will be deemed to have declined. After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to

73	Issue of shares to others	whom such notice is given that he declined to accept the shares offered, the Board may dispose them off in a manner permitted by law. Notwithstanding anything contained in the preceding Articles , the Company may: a) By a Special Resolution; or By an Ordinary Resolution and with the consent of the Central Government issue further shares to any person or persons, and such person, or person may not include the persons who at the date of the offer are the holders of the equity shares of the Company, in addition that “option or right to call of shares shall not be given to any person except with the sanction of the Company in General Meeting”.
74	Rights to convert loans into capital	Notwithstanding anything contained in the Articles above, but subject, to section 81(3) of the Act , the Company may increase its subscribed capital on exercise of an option attached to the debentures or loans raised by the Company to convert such debentures or loans into shares or to subscribe for shares in the Company.
76	Consolidation, subdivision and cancellation of shares	(1) The Company may by Ordinary Resolution: (a) Consolidate and divide its shares or any of them into shares of larger amount than its existing shares (b) Subdivide its existing shares or any of them into shares of smaller amount than is fixed originally by the Memorandum of Association, so however that in the subdivision the proportion between the amount paid and the amount, if any unpaid on each reduced share be the same as it was in the case of the share from which the reduced share is derived and other conditions, if any laid down by these Articles. (c) Cancel any shares which at the date of the passing of the ordinary resolution, have not been taken or agreed to be taken by any person and also may diminish the amount of its share capital by the amount of the shares so cancelled. (2) The Company shall file with the Registrar notice of exercise of any power referred to in sub clauses (a), (b) or (c) of Clause (1) of this Article within 30 days from the exercise thereof.
77	Sub-division into preferred and ordinary share capital	The resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division one or more of such shares shall have some preference or special advantage as regards dividend, capital, voting or otherwise over or as compared with others, subject, nevertheless, to the provisions of Section 94 of the Act. The Board may, from time to time subject to the consent of the Members in General Meeting, reclassify or convert the preference share capital into equity share capital or vice versa, as may be permitted by law.
78	Reduction of capital	The Company may, from time to time, by special resolution reduce its share capital or any share premium account in any manner and with, and subject to any incident authorized and consent required by law.
80	Issue at discount etc. or with special privileges	Subject to the provisions of Section 79 of the Act any debenture, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise. Debentures with the right of conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting..

MODIFICATION OF RIGHTS OF SHARE HOLDERS

81	Power to modify rights to shareholders	If at any time the capital by reason of the issue of preference shares of otherwise, is divided into different classes of shares, all or any of the
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rights and privileges attached to each class may be raised subject to the provisions of Sections 106 and 107 of the Act and all the provisions hereinafter contained as to General Meetings, shall apply mutatis mutandis, as regards meeting, if any, to be held for the purpose.

BORROWING POWERS

82 Powers of the Board with regard to borrowing

The Board may from time to time but with such consent of the Company in General Meeting as may be required under Section 293 of the Act raise any money or sums of money for the purpose of the Company provided that the moneys to be borrowed by the Company apart from temporary loans obtained from the Company's bankers in the ordinary course of business shall not without the sanction of the Company 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 and in particular, but subject to the provisions of Section 292 of the Act the Board may from time to time at their discretion raise or borrow or secure the payment of any such sum of money for the purpose of the Company, by the issue of debentures perpetual or otherwise including debentures convertible into shares of this or any other Company or perpetual annuities and in security of any such money so borrowed, raised or received mortgage pledge or charge, the whole or any part of the property, assets or revenue of the Company present or future, including its uncalled capital by special assignment or otherwise or to transfer or convey the same absolutely in trust and give the lenders powers of sale and other powers as may be expedient and to purchase redeem or pay off any such securities. Provided that every resolution passed by the Company in General Meeting in relation to the exercise of the power to borrow as stated above shall specify the total amount up to which the Board may borrow moneys. The Board may by a resolution at its meeting delegate the above power to borrow money otherwise than on debentures to a Committee of Directors or the Managing Director, if any, within the limits prescribed.

Subject to the provisions of this Article, the Board may, from time to time, at their discretion, raise or borrow, secure the repayment of any sum or sums of money for the purpose of the Company, from time to time and in such manner and upon such terms and conditions in all respects as they think fit, and in particular, by promissory notes or by opening current accounts or by receiving deposits and advances with or without security, or by the issue of bonds, perpetual or redeemable debentures or debenture stock (both present and future of the Company) including the uncalled capital for the time being of the Company.

83 Securities may be assignable free from equities

Debentures, debenture-stock, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

84 Charge of uncalled capital

If any uncalled share capital of the Company is included in or charged by any other security the Board may, by instrument under the Company's seal, to make calls on the Members in respect of such uncalled capital and the provision herein before contained in regard to calls, shall, apply mutatis mutandis to calls made under such authority, and such authority may be made exercisable either conditionally or unconditionally and either presently or contingently and either to the exclusion of the Boards power or otherwise and shall be assignable if expressed so to be.

GENERAL MEETINGS

85 When Annual General Meeting to be held

In addition to any other meeting, General Meetings of the Company shall be held within such intervals as are specified in Section 166 (1) of the Act and subject to the provisions of Section 166 (2) of the Act, at such times and places as may be determined by the Board. Each such General Meeting shall be called an "Annual General Meeting" and shall be specified as such in the notice convening the meeting. Any other meeting of the Company shall be called an "Extraordinary General Meeting".

86	When other General Meeting to be called	The Board may, whenever it thinks fit, call an Extraordinary General Meeting, and it shall, on the requisition of such number of Members as hold, at the date of the deposit of the requisition, not less than one-tenth of such of the paid up capital of the Company as at that date carried the right of voting in regard to the matter to be considered at the General Meeting, forthwith proceed to call an Extraordinary General Meeting and in the case of such requisition the following provisions shall apply: The requisition shall state the matter for the consideration of which the General Meeting is to be called, shall be signed by the requisitionists and shall be deposited at the Office. The requisition may consist of several documents in like form each signed by one or more requisitionists. Where two or more distinct matters are specified in the requisition, the requisition shall be valid only in respect of those matters in regard to which the requisition has been signed by the Member or Members herein before specified. If the Board does not, within twenty-one days from the date of deposit of a valid requisition in regard to any matters, proceed duly to call a General Meeting for the consideration of these matters on a day not later than forty five days from the date of deposit, the requisitionists or such of them as are entitled so to do by virtue of Section 169 (6) (b) of the Act may themselves call the General Meeting but any General Meeting so called shall not be convened after three months from the date of deposit. Any General Meeting called under this Article by the requisitionists shall be called in the same manner as nearly as possible as that in which General Meetings are to be called by the Board. Where two or more persons hold any shares jointly a requisition or notice calling a General Meeting signed by one or some only of them shall, for the purposes of this Article, have the same force and effect as if it had been signed by all of them. Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to call a General 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.
87	Circulation of Members' Resolutions	The Company shall comply with the provisions of Section 188 of the Act as to giving notice of resolutions and circulating statements on the requisition of Members.
88	Notice of Meeting	Save as provided in sub-section (2) of Section 171 of the Act, not less than 21 day's notice shall be given of every General Meeting of the Company. Every notice of a General Meeting shall specify the place and the day and hour of the General Meeting and shall contain a statement of the business to be transacted thereat. Notice of every General Meeting of the Company shall be given to every Member of the Company, the Auditors of the Company and to any persons entitled to a share in consequence of the death or insolvency of a Member in any manner hereinafter authorized for the giving of notices of such persons. The accidental omission to give any such notice to or the non-receipt by any Member or other person to whom it should be given shall not invalidate the proceeding of the General Meeting.
89	Meeting by shorter notices	Notwithstanding anything contained in the preceding clauses, with the consent in writing a General Meeting may be called after giving shorter notice, in the case of an Annual General Meeting by all Members entitled to vote there at and, in the case of any other General Meeting, by Members of the Company holding not less than 95 percent of such part of the paid up share capital of Company as gives a right to vote at the General Meeting.

90	Explanatory statement and Scrutinizers at poll not to	Sub-sections (2) and (3) of Section 173 of the Act relating to explanatory statement to be annexed to notice of a General Meeting and Section 184 thereof relating to Scrutinizers at poll shall apply to this Company.
91	Quorum	Five members entitled to vote and present in person shall be quorum for General Meeting and no business shall be transacted at the General Meeting unless the quorum requisite be present at the commencement of the General Meeting. A body corporate being a Member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act or its applicable internal procedures.
92	Quorum to be present when business commenced.	No business other than the question of adjourning the General Meeting to some other day shall be transacted at any General Meeting unless the quorum requisite shall be present at the commencement of the business.
93	Chairman of General Meeting	The Chairman of the Board, if any, so appointed shall be entitled to take the Chair at every General Meeting or, if there be no such Chairman, or if at any General Meeting he shall not be present within fifteen minutes after the time appointed for holding such General Meeting or is unwilling to act the Members present shall choose another Director as Chairman, and if no Director be present or if all the Directors present decline to take the chair, then the Members present shall choose one amongst themselves to be Chairman of the General Meeting.
96	What is to be evidence of the passing of resolution where poll not demanded	At any General Meeting, unless a poll is demanded in conformity with Section 179 of the Act by the Chairman or by at least five Members or any Member or Members holding not less than one-tenth of the issued capital which carries voting rights, a declaration by the Chairman that a resolution has, on a show of hands been carried, or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book, should be conclusive evidence of the fact without proof of number or proportion of votes recorded in favor of or against the resolution.
97	Poll and Postal Ballot	If a poll is demanded as aforesaid, it shall be taken subject to Sections 180 and 185 of the Act as such in the same manner and at such time and place as the Chairman of the General Meeting directs and either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the resolution of the General Meeting at which the poll was demanded. The demand of the poll may be withdrawn. In case of any dispute as to the admission or rejection of a vote, the Chairman shall determine the same and such determination made in good faith shall be final and conclusive.
Notwithstanding anything contained in these Articles, in addition to the existing methods, the Company do adopt the mode of passing the resolution by its Members by means of a postal ballot including voting by electronic mode and/or any other means as may be prescribed by the Central Government in this behalf in respect of the following matters instead of transacting such business in a General Meeting of the Company. (a) Any business that can be transacted by the Company in General Meeting; or (b) Resolutions relating to such business as the Central Government, by notification, in this behalf declare to be conducted only by postal ballot.		
98	Power to adjourn General Meeting	The Company shall comply with the procedure for such postal ballot and/or other methods prescribed by the Central Government or any other statutory authority from time to time. The Chairman of the General Meeting may, with the consent of the General Meeting, adjourn the same from time to time and from place to place but no business shall be transacted at an adjourned General Meeting other than the business left unfinished at the General Meeting from which the adjournment took place. When the meeting is adjourned for thirty days

		or more, notice of the adjourned meeting shall be given as nearly as may be in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of adjournment of the business to be transacted at an adjourned meeting.
101	Special Notice	Where by any provision contained in the Act or in these Articles, special notice is required for any resolution, notice of the intention to move the resolution shall be given to the Company not less than 14 days before the General Meeting at which it is to be moved exclusive of the day on which the notice is served or deemed to be served and the day of the General Meeting. The Company shall immediately after the notice of the intention to move any such resolution has been received by it give its Members notice of the resolution in the same manner as it was given notice of the General Meeting, or if that is not practicable, shall give them notice thereof either by advertisement in a newspaper having an appropriate circulation or in any other mode allowed by these presents not less than seven days before the General Meeting.
VOTES OF MEMBERS		
102	Votes of Members	On a show of hands every Member present in General Meeting in person shall have one vote and upon a poll every Member present in person or by proxy shall have one vote for every share held by him Provided that the holders of preference shares shall not be entitled to vote unless a resolution is proposed affecting rights or privileges of the holders of preference shares. A Member is not prohibited from exercising his voting rights on the ground that he had not held his shares or interest in the Company for any specified period preceding the date on which the vote is taken.
105	Joint holders of any share	Where there are joint registered holders of any share the person first named in the register as the holder, may vote at any General Meeting either personally or by proxy in respect of such share as if he were solely entitled thereto. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Article be deemed joint-holders thereof.
106	Proxy permitted	Votes may be given either personally or by power of proxy/representative to vote or by a duly authorized representative under Section 187 of the Act in case of a body corporate.
107	Instruments appointing Proxy to be in writing	The instrument appointing proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing, or if such appointer is a corporation or body corporate either under its common seal or the hand of an officer at attorney so authorized. A proxy who is appointed for a specified General Meeting only shall be called a special proxy. Any other proxy shall be called a general proxy. Any person may be appointed as a proxy and need not be a Member of the Company or qualified to vote save that corporation or body corporate being a Member of the Company may appoint its proxy any officer of such corporation or body corporate whether Member of the Company or not.
108	Instrument appointing a proxy to be deposited at the Office	The instrument appointing a proxy and the power of attorney (if any) under which it is signed or notarially certified copy of that power of authority shall be deposited at the Office not less than 48 hours before the time for holding the General Meeting or adjourned General Meeting as the case may be at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution.
109	When vote shall be valid though authority revoked	A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument or transfer of the share in respect of which the vote is given provided no intimation in writing of the death or insanity, revocation or transfer shall have been received at the Office of the Company before the General Meeting. Provided never the less that the

110	Form of instrument appointing proxy	Chairman of any General Meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.
112	Representation of a body corporate	Every instrument appointing a proxy shall as nearly as circumstances admit be in either of the forms prescribed in Schedule IX to the Act.
113	Rights of Members to use votes differently.	A body corporate (whether a company within the meaning of the Act or not) may, if it is Member or creditor of the Company (including a holder of debentures), authorize such person as it thinks fit, by a resolution of its board of directors or other governing Body, of its applicable internal procedures to act as its representatives at any General Meeting of the Company or any class of Members of the Company or at any General Meeting of the creditors of the Company or debenture holders of the Company. A person authorized by resolution or its applicable internal resolution as aforesaid shall be entitled to exercise the same rights and power (including the right to vote by proxy) on behalf of the body corporate, which he represents as that body corporate, could exercise if it were an individual Member, creditor or holder of debentures of the Company. The production of a copy of the resolution or other certification of its applicable internal procedures referred above, certified by a Director or the Secretary or other officer of such body corporate before the commencement of the General Meeting shall be accepted by the Company as sufficient evidence of the validity of the said representatives appointment and his right to vote thereat.
		On a poll taken at the General Meeting of the Company a Member entitled to more than one vote or his proxy, or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

DIRECTORS

117	Board's maximum strength	Unless otherwise determined by General Meeting, the number of Directors shall not be less than three and not more than twelve.
119	Power of Board to appoint Additional Directors	The Board shall have power at any time and from time to time to appoint any person as a Director as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed by these Articles. Any Director so appointed shall hold office only until the next Annual General Meeting of the Company and shall then be eligible for re-election.
120	Qualification Shares not required	A director shall not be required to hold any qualification shares.
121	Director's fees remuneration and expenses	Unless otherwise determined by the Company in General Meeting each Director shall be entitled to receive out of the funds of the Company for his services in attending meetings of the Board or of a committee of the Board, such sum as may be fixed by the Board not exceeding the amount specified in this regard under the provisions of the Act, for each meeting of the Board or committee of the Board attended by him. All other remuneration, if any payable by the Company to each Director whether in respect of his services as a Managing Director or a Director in whole or part time employment of the Company shall be determined in accordance with and subject to the provisions of the Act. The Directors shall be entitled to be paid their reasonable traveling and hotel and actual expenses incurred in consequence of their attending at Board and committee meeting and actually incurred in the execution of their duties as Directors.
122	Remuneration for extra service	If any Director, being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his home for any of the purposes of the Company or in giving special attention to the business of the Company or as Member of a Committee of the Board then, subject to the provisions of the Act, the Board may remunerate such Director either by a fixed sum or by a percentage of profits or otherwise and such remuneration may be either in addition to or

123	Board may act notwithstanding vacancy	in substitution for any other remuneration to which he may be entitled. The continuing Directors may act notwithstanding any vacancy in their body, if the number falls below the minimum above fixed, the Board shall not, except for the purpose of filling vacancies act so long as the number is below the minimum.
125	Directors not to hold office of profit under the Company or its subsidiary	Except in accordance with provisions of Section 314 of the Act, no Director, partner or relative of a Director, firm in which a Director or his relative is a partner, private company of which a Director is a director or member and no director, secretaries manager of such a private company shall, without the previous consent of the Company accorded by a special resolution hold any office or place of profit under the Company or under any subsidiary of the Company (unless the remuneration received from such subsidiary in respect of such office or place is paid over to the Company or its holding company insofar as such remuneration is over and above remuneration to which he is entitled as a Director of such subsidiary) except that of a managing director, secretaries, manger, legal or technical adviser, banker or trustee for the holders of debentures.
126	Director may contract with the Company	(1) Subject to the provisions of the Act, Directors including the Managing Director, if any shall not be disqualified by reason of their office contracting with the Company either as vendor purchaser, lender, agent, broker, or otherwise and shall not apply to any contract or arrangement entered into by or on behalf of the Company with any Director the Managing Director or with any company or partnership of or in which any Director or Managing Director shall be a member or otherwise interested by avoided nor shall any Director or the Managing Director, so contracting or being such member or so interested be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director or the Managing Director holding that office or of the fiduciary relation thereby established, but the nature of the interest must be disclosed by him or them at the meeting of the Board at which the contract or arrangement is determined on, if the interest then exists or in any other case at the meeting of the Board after the acquisition of the interest.
127	Disclosure of a Director's interest	Every Director who is in any way whether directly or indirectly, concerned or interested in any contract or arrangement, entered into or to be entered into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board as required by Section 299 of the Act.
130	Increase or reduction in the number of Directors	Subject to the provisions of Sections 252, 255 and 259 of the Act, the Company in General Meeting may by ordinary resolution increase or reduce the number of its Directors within the limits fixed by these Articles.
131	General Meeting to fill up vacancies	The Company at the Annual General Meeting at which a Director retires by rotation in manner aforesaid may fill up the vacated office by appointing the retiring Director or some other person thereto. If the place of the retiring Director is not so filled up and the General Meeting has not expressly resolved not to fill the vacancy, the General 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. If at the adjourned General Meeting also, the place of the retiring Director is not filled up, the retiring Director shall be deemed to have been re-appointed at the adjourned General Meeting unless: (a) At the General Meeting or at the previous General Meeting a resolution for the re-appointment of such Director has been put to the vote and lost; (b) The retiring Director has by notice in writing addressed to the Company or the Board expressed his unwillingness to be

appointed;

- (c) He is not qualified or is disqualified for appointment;
- (d) A resolution, whether special or ordinary is required for his appointment or re-appointment by virtue of any provisions of the Act, or

132	Power to remove Director by ordinary resolution on special notice	The provisions of sub-section (2) of Section 263 is applicable to the case. The Company may, subject to the provisions of Section 284 of the Act, by ordinary resolution, of which special notice has been given, remove any Director before the expiration of his period of office and may, by ordinary resolution of which Special Notice has been given appoint another person in his stead, if the Director so removed was appointed by the Company in General Meeting or by the Board. The person so appointed shall hold office until the date up to which his predecessor would have held office if he had not been so removed. If the vacancy created by the removal of a Director under the provision of this Article is not so filled by the General Meeting at which he is removed, the Board may at any time thereafter, fill such vacancy.
133	Board may fill up casual vacancies	Any casual vacancy occurring in the Board of Directors may be filled up by the Directors, and the person so appointed shall hold office upto the date upto which Director in whose place he is appointed would have held office if it had not been vacated as aforesaid.
134	When Candidate for office of Director must give notice	No person not being a retiring Director shall be eligible for appointment to the office of the Director at any General Meeting unless he or some Member intending to propose him has, not less than 14 days before the General 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 to propose him as a candidate for that office, as the case may be. The Company shall inform its Members of the candidature of a person for the office of Director or the intention of a Member to propose such person as a candidate for that office, by serving individual notices on the Members not less than seven days before the General Meeting provided that it shall not be necessary for the Company to serve individual notice upon the Members as aforesaid if the Company advertise such candidature or intention not less than seven days before the General Meeting in at least two newspapers circulating in the place where the Registered Office of the Company is located, of which one is published in the English language and the other in the regional language of that place.
135	Director elected by minority shareholders	The Company may have a director elected by minority shareholders in such manner as may be prescribed in this behalf by the government or any other statutory authority from time to time.
136	Alternate Directors	The Board may appoint an alternate Director to act for a Director (hereinafter called the original Director) during the absence of the original Director from the State in which the meetings of the Board are ordinarily held for a period of not less than three months. An alternate Director so appointed shall vacate office if and when the original Director returns to the State in which meetings of the Board are ordinarily held if the term of office of original Directors is determined before he so returns to the state aforesaid, any provision for the automatic reappointment of retiring Director in default of another appointment shall apply to the original and not to the alternate Director.
137	Meeting of Directors	The Board of Directors shall meet at least once in every three calendar months for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit provided that at least four such meetings shall be held in every year.
138	Quorum	The quorum for a meeting of the Board shall be one-third of its total strength (any fraction contained in that one-third being rounded off as

- one) or two Directors, whichever is higher.
- 139 Resolution by circulation Subject to the provisions of Section 289 of the Act, a resolution by circulation signed by the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted.
- 142 Debenture Directors Any Trust Deed for securing debentures or debentures 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 stock of some person to be a Director of the Company and may empower such trustee or holders of debentures or debenture stock from time to time remove any Directors so appointed. A Director appointed under this article is herein referred to as a “Debenture Directors” and the Debenture Director means a Director for the time being in office under this Article. A debenture Director shall not be bound to hold any qualification shares 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 provision shall have effect notwithstanding any of the other provisions herein contained.
- 143 Nominee Directors
- a) So long as any moneys remain owing by the Company to any All India Financial Institutions, State Financial Corporation or any financial institution owned or controlled by the Central Government or State Government or any Non Banking Financial Company controlled by Reserve Bank of India or any such Company from whom the Company has borrowed for the purpose of carrying on its objects by themselves and each of the above has granted any loans / or subscribes to the Debentures of the Company or so long as any of the aforementioned companies of financial institutions holds or continues to hold debentures /shares in the company as a result of underwriting or by director subscription or private placement or so long as any liability of the Company arising out of any guarantee furnished by the Corporation or financial institution on behalf of the Company remains outstanding the corporation shall have a right to appoint from time to time any person or persons as a Director or Directors whole time or non whole time (which Director or Director/s is/are hereinafter referred to as “Nominee Directors/s) on the Board of the Company and to remove from such office any person or person so appointed and to appoint any person or persons in his /their place(s).
 - b) 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 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.
 - c) The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as the Corporation holds or continues to hold Debentures/shares in the company as result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the Guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall it so fact vacate such office immediately the moneys owing by the Company to the Corporation are 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 the guarantee furnished by the Corporation.
 - d) The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the Meetings of the Committee of which Nominee

Director/s is//are member/s as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes.

- e) The Company shall pay the Nominee Director/s sitting fees and expenses to 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 same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director/s
- f) Provided that if any such Nominee Director/s an officer of the Corporation, the sitting fees, in relation to such Nominee Director/s shall also accrue to the Corporation and same shall accordingly be paid by the Company directly to the Corporation.
- g) 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 powers and duties as may be approved by the Corporation and have such rights as the usually exercised or available to a whole time Director in the management of the affairs of the Company. Such whole time Director in the management of the affairs of the Company. Such whole time Director/s shall be entitled to receive such remuneration commission, and monies as may be approved by the Corporation.

146	Power to appoint Committees and to delegate	The Board may, subject to the provisions of the Act, from time to time and at any time delegate any of its powers to a committee consisting of such Director or Directors as it thinks fit, and may from time to revoke such delegation, Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.
148	Validity of Acts done by Board or a Committee:	All Acts done by any meeting of the Board or a committee thereof, or by any person Acting as a Director shall notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such Directors or of any person Acting as aforesaid or that they or any of them were disqualified be as valid as if even such Director or such person has been duly appointed and was qualified to be a Director.
149	When acts of a Director valid not withstanding defective appointment etc.	Acts done by a person as a Director shall be valid notwithstanding that it may afterwards be discovered that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provisions contained in the act or in these Articles. Provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.
150	Retirement of Directors	Not less than two-thirds of the total number of Directors shall (a) be persons whose period of office is liable to terminate by retirement of Directors by rotation and (b) save as otherwise expressly provided in these Articles be appointed by the Company in General Meeting. Subject to the provision of Section 256 of the Act at every Annual General Meeting of the Company one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three the number nearest to one-third shall retire from office.
151	Eligibility for re-election	A retiring Director shall be eligible for re-election.

POWERS OF THE BOARD

152	General power of Company vested in the Board	Subject to the provisions of the Act, the control of the Company shall be vested in the Board who shall be entitled to exercise all such powers, and
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- to do all such acts and things as the Company is authorized to exercise and do. The Board shall be entitled to pay all expenses incidental to the formation of the Company and in particular, expenses incurred by the promoters for the purpose. Provided that the Board shall not exercise any power or to do any act or thing which is directed or required whether by the Act or any other statute or by the Memorandum of the Company or by these Articles or otherwise, or be exercised or done by the Company in General Meeting. Provided further that in exercising any such power or doing any such act thing the Board shall be subject to the provisions contained in the Act or any other statute or in the Memorandum of the Company or in these Articles or in any regulations not inconsistent therewith, including regulations made by the Company in General Meeting, but no regulation made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.
- 153 Powers to be exercised by Board only by Meeting
- a) The Board of Directors shall exercise the following powers on behalf of the Company and the said powers shall be exercised only by resolution passed at the meeting of the Board:
 - (i) Power to make calls on shareholders in respect of moneys unpaid on their shares;
 - (ii) Power to issue debentures;
 - (iii) Power to borrow money otherwise than on debentures;
 - (iv) Power to invest the funds of the Company;
 - (v) Power to make loans.
 - (vi) Power to authorize the buyback of shares
 - b) The Board of Directors may by a meeting delegate to any committee of the Directors or to the Managing Director the powers specified in sub clauses (iii), (iv) and (v) above.
 - c) Every resolution delegating the power set out in sub clause (iii) above shall specify the total amount upto which moneys may be borrowed by the said delegate.
 - d) Every resolution delegating the power referred to in sub-clause (iv) above shall specify the total amount, upto which the fund may invested and the nature of the investments which may be made by the delegate.
 - e) Every resolution delegating the power referred to in sub-clause (v) above shall specify the total amount upto which the loans may be made by the delegate the purposes for which the loans may be and the maximum amount of loans which may be made for each such purpose in Individual cases.
- 156 Power of Attorney
- (3) The Board may, at any time and from time to time, by power of attorney under Seal, appoint any persons to be the attorneys of the Company for such purposes and with such powers authorities and description (not exceeding those which may be delegated by the Board under the Act) and for such period and subject to such conditions as the Board may from time to time, think fit, any such appointment may if the Board thinks fit, be made in favor of the members or any of the members of any Local Directorate established as aforesaid or in favor of any company or firm, or in favor of any fluctuating body of persons whether nominated directly or indirectly by the Board, and any such power-of-attorney may contain such provisions for the protection or convenience of persons dealing with such attorneys as the Board thinks fit.
- 157 Sub-delegation
- (4) Any such delegates or attorneys as aforesaid may be authorized by the Board to sub-delegate all or any of the powers, authorities and description for the time being vested in them.

158	Seal for use abroad	(5) The Company may exercise the powers conferred by Section 50 of the Act with regard to having an official Seal for use abroad, and such powers shall be vested in the Board and the Company may cause to be kept in any State or country outside India, as may be permitted by the Act a foreign register of Members or debenture holders resident in any such State or country and the Board may, from time to time, make such regulations as it may think fit respecting the keeping of any such foreign register, such regulations not being inconsistent with the provisions of Section 157 and 158 of the Act, and the Board may from time to time make such provisions as it may think fit relating there to and may comply with the requirements of any local law and shall in any case, comply with the provisions of Sections 157 and 158 of the Act.
159	Managing Director/Whole time Director	The Board may appoint any one or more of themselves to the office of the Managing Director/Whole time Directors, for such period at such remuneration and on such other terms and conditions as the Board thinks fit. The Managing Director shall be subject to the same provisions as to resignation and removal as the other Directors and he shall ipso facto and immediately cease to be a Managing Director if he ceased to hold the office of Director from any cause whatsoever.
160	Power of the Managing Director/Whole time Director	The Managing Director/Whole time Director shall subject to the control and supervision of the Board of Directors have generally all powers of managing and supervising the Company's business and shall <i>inter alia</i> exercise and have the following powers and duties: (a) To manage generally all concerns and affairs of the Company, to order for the supply of goods, machinery, labor and all things necessary for the Company on its behalf, to sanction payment of bills to appoint and employ on such terms and conditions as he thinks proper, manager, secretaries, under secretaries, superintendents, inspectors, engineers overseers, contractors, clerks, foremen, and other officer and labor hands, agents, organizers, brokers, canvassers and other persons for the purpose of the Company or to remove or dismiss them and appoint others in their place and to pay the persons so appointed or employed such salaries allowances, wages, commissions, traveling expenses, contribution to provident fund or other remuneration as he may deem proper and fit. (b) To receive all payments on behalf of the Company and to receive and sign all letters money orders registered or insured packets and covers, book-posts, telegrams, consignments, and parcels of all descriptions and the like forwarded to the Company and to carry on and sign all correspondences of the Company. (c) To pay the costs, charges and expenses, preliminary and incidental for the promotion, formation, establishment, carrying on, running and registration of the Company and for taking licenses from municipality or corporation or from the Government, Central or provincial for the Company, if necessary (d) To receive all expenses incurred, advanced by him for the aforesaid or any other purposes or business from the funds of the Company provided the Board sanctions such reimbursement. (e) To sign cheques, drafts, certificates, bonds, hundies and other documents and generally to sign for on and behalf of the Company. (f) To give effectual receipts and discharges of all kinds of payments either in the shape of claim interest rent, profit and other payments and dues and for non-payments for any debts, money, rent due or breaches of any covenant, agreement or condition, to take proceedings, civil, criminal or otherwise for recovery of such debts, money, rent, dues damages compensation in respect of such breaches or otherwise.

- (g) To settle, start, defend, adjust, compound submit to arbitration and compromise withdraw all actions, accounts, claims, and demands whether arising in any legal proceeding or not.
- (h) To appear and conduct cases for the Company in all courts of justice, civil criminal and revenue before any executive, judicial, revenue, forest, police, postal, excise, income-tax, railway, steamer, telegraph, municipal, government or military departments, district board, local board, union board, or other officers in any action or proceedings or matters in which the Company is interested, with a view to promote, benefit, safeguard, or defend its interest or settle or compromise or compound take action or judgment against the Company or to vote in any municipal corporation, district board, union board, or legislative bodies, electric matters on behalf of the Company.
- (i) To admit execution of documents before any district registrar, sub registrar of assurances, registrar of co-operative societies and to get basic documents from the offices of the aforesaid officers and to conduct or defend any case before them.
- (j) To sign and verify written statements, petitions pleadings, compromises, vakalatnama, warrants of attorneys, muktearnamas, and agents names in all courts civil, criminal or revenue and to pay their fees, charges and or other legal expenses and law charges and costs.
- (k) With the sanction of the Board to deposit any money in and withdraw money from all treasuries, banks, and any other person or persons for and on behalf of the Company.
- (l) To execute and do in the name of the Company all deeds and things for the welfare of the Company.
- (m) With the sanction of the Boards to institute suits including those for libel, defamation, or infringement or any right concerning the Company.
- (n) To grant and/or revoke any power of attorney general or special on behalf of the Company to any person or persons as he may think fit and proper in the best interest of the Company.
- (o) To execute and do in the name of and for and on behalf of the Company all things and deeds and documents as the Board may authorize him to do.
- (p) To keep under his care and safe custody all papers valuable securities and properties of the Company.
- (q) Subject to the approval of the Board to borrow or rise by loan or otherwise any sum as is required for the conduct of the business of the Company.
- (r) To do all acts, things and executions necessary for the day to day management of the company and in the interest of the company, subject to authorization of the same by the Board or by a General Meeting of members, wherever such authorization is required as per the provisions of the Act or any other statute

To delegate the authority/power exercised by him, to any person, unless it is specifically prohibited.

THE SECRETARY

161 Appointment of Secretary

The Board may by resolution appoint a secretary of the Company and fix his remuneration.

COMMON SEAL

162 The common seal, its custody and use

The Company shall have a common seal and the managing Director, and if there be no Managing Director for the time being the Board shall provide

for the safe custody of the seal and the seal shall never be used except by the authority of a resolution of the Board or a Committee of Directors previously given and in the presence of one Director at least who shall sign every such instrument to which the seal has been so affixed, provided nevertheless that any instrument bearing the seal of the Company and issued for valuable consideration shall be binding on the Company not withstanding any irregularity touching the authority of the Director to issue the same.

163 Seal for use out of India

The Company may, as and when the Board so decides, have an official seal for each of such territories, districts or places out of India, as the Board may deem necessary. Each such official Seal shall be the facsimile of the Common Seal of the Company, with the addition on its face the name of the territory, district or place where it is to be used.

MINUTES

164 Minutes of the meeting(s)

- a) The minutes of proceedings of every General Meeting and of the proceedings of every meeting of the Board or of every committee kept in accordance with the provisions of Section 193 of the Act shall be evidence of the proceedings recorded therein.
- b) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereof.
- c) All the appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.
- d) In the case of a meeting of the Board or of a committee of the Board the minutes shall contain:
 - i the names of the Directors present at the meeting;
 - 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.
- e) Nothing contained in clauses (1) to (5) 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:
 - i is or could reasonably be regarded as defamatory of any person;
 - ii is irrelevant or immaterial to the proceeding; or
 - iii detrimental to the interests of the Company.

The Chairman shall exercise absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the grounds specified in this sub-clause.

2) Where the minutes of the proceedings of any General Meeting of the Company or of any meeting of the Board or of a Committee of Directors have been kept in accordance with the provisions of Section 193 of the Act until the contrary is proved, the meeting shall be deemed to have been duly called and held, 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.

RESERVES

165 Reserves

The Board may, from time to time, before recommending any dividend set apart any or such portion of the profits of the Company as it thinks fit as Reserves to meet contingencies or for the liquidation of any debentures,

		debts or other liabilities of the Company for equalization of dividends for repairing, improving, or maintaining any of the property of the Company and for such other purposes of the Company as the Board in its absolute discretion thinks conducive to the interest of the Company and may, invest the several sums so set aside upon such investments (other than shares of the Company) as it may think fit, and from time to time deal with and vary such investments and dispose of all or any part thereof for the benefit of the Company and may divide the Reserves into such special funds as it thinks fit, with full power to employ the Reserves or any part thereof in the business of the Company, and that without being bound to keep the same separate from the other assets.
166	Investment of money	All moneys carried to the Reserve shall nevertheless remain and be profits of the Company applicable subject to due provisions being made for actual loss or depreciation, for the payment of dividends and such moneys and all the other moneys of the Company not immediately required for the payment of dividends and such moneys and all the other moneys of the Company not immediately required for the purposes of the Company may be invested by the Board in or upon such investments or securities as it may select or may be used as working capital or may be kept at any Bank on deposit or to otherwise as the Board may from time to time think proper.
CAPITALIZATION OF RESERVES		
167	Capitalization of reserves	Any General Meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the Reserves or any Capital Redemption Reserve Account or in the hands of the Company and available for dividends or representing premiums received on the issue of shares and standing to the credit of the share premium account be capitalized and distributed amongst such of the Members as would be entitled to receive the same if distributed by way of dividends and in the same proportion on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund be applied on behalf of such Members in paying up in full any unissued shares, debentures or debenture-stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares, and that such distribution, of payment shall be accepted by such Members in full satisfaction of their interest in the said capitalized sum. Provided that any sum standing to the credit of the Share Premium Account or a Capital Redemption Reserve Account may, for the purpose of this Article only be applied in the paying up of un-issued shares to be issued to Members of the Company as fully paid bonus shares.
168	Surplus moneys	A General Meeting may resolve that any surplus money arising from the realization of any capital assets of the Company or any investment representing the same, or any other undistributed profits of the Company not subject to charge for income-tax be distributed among the Members on the footing that they receive the same as capital.
169	Fractional certificates	For the purpose of giving effect to any resolution under the last two preceding Articles, the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates and may fix the value for distribution of any specific assets, and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest such cash or specific assets. Where requisite, a proper contract shall be filed in accordance with Section 75 of the Act, and the Board may appoint any person to sign contract on behalf of the Members entitled to the dividend or capitalized fund, and such appointment shall be effective.
170	Equitable interest not to be recognized	The Company shall not be bound by or recognize any equitable, contingent, future or partial interest in any fractional part of a share or (except only as by these presents otherwise expressly provided) any other

		right in respect of any share except an absolute right to the entirety thereof as the registered holder.
DIVIDEND		
171	Dividend to be declared in General Meeting	The Company in General Meeting may declare dividends to be paid to the Members according to their respective right and interest in the profits. No dividend shall exceed the amount recommended by the Board, but the Company may declare a smaller dividend in a General Meeting.
172	Interim dividends	The Board may from time to time pay the Members such interim dividends as appear to them to be justified.
173	Dividends out of profit only	No dividend shall be paid otherwise than out of the profits of the Company arrived at in the manner provided for in Section 205 of the Act. The declaration of the Board as to the net profits of the Company shall be conclusive.
174	Division of profits	The Profits of the Company, subject to any special rights relating thereto created or authorized to be created by these Articles and subject to the provisions of these Articles, shall be divisible among the Members in proportion of the amount of capital paid-up or credited as paid-up on the shares held by them respectively. All Dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms provided that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.
175	Debts may be deducted	The Board may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
176	Capital paid up in advance at interest not to earn dividend	Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right, to dividend or to participate in profits.
178	Effect of transfer of shares	A transfer of shares shall not pass the right to any dividend declared therein before the registration of the transfer.
179	Dividend to joint holders	Any one of several persons who are registered as joint holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such share. A person entitled to a share by transmission shall subject to the right of the Board to retain such dividends or money as is hereafter provided be entitled to receive dividend without being registered as a Member and may give a discharge for any dividends or other moneys payable in respect of the share.
180	Notice of Dividends	Notice of any dividend that may have been declared shall be given to the persons entitled to share thereto in the manner mentioned in the Act.
182	Dividend to be paid within time prescribed by the Act.	The Company shall pay the dividend or send the warrant in respect thereof to the shareholders entitled to the payment of dividend, within the time prescribed by the Act, from the date of the declaration unless: - i where the dividend could not be paid by reason of the operation of any law; - ii where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with; - iii where there is a dispute regarding the right to receive the dividend; - iv where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder, or - v where for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.
183	Unclaimed dividend	No unclaimed dividend shall be forfeited by the Board and the Board shall

comply with provisions of Sections 205A and 205B of the Act, as regards unclaimed dividends.

REGISTERS AND DOCUMENTS

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| 186 | Inspection of Registers | The minutes of all proceedings of General Meetings shall be open to inspection and extracts may be taken there from and copies thereof may be required by any Member of the Company in the same manner to the same extent and on payment of the same fees as in case of the Register of Members of the Company, provided for in the Act. Copies of entries in these Registers shall be furnished to the persons entitled to the same on such days and during such business hours as may consistently be determined by the provisions of the Act. |
| 187 | Buy Back of Shares | The Company may buy back its own shares or other specified securities subject to the provisions of Sections 77A, 77AA and 77B of the Act and any related guidelines issued in connection therewith. |
| 188 | Sweat Equity | The Company may issue sweat equity shares subject to the provisions of Section 79A of the Act and any other related provisions as may be required for the time being in force. |

DEMATERIALIZATION OF SECURITIES

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| 189 | Dematerialization of securities | Notwithstanding anything contained in the Articles, the Company shall be entitled to dematerialize its securities, rematerialize its securities held by the depositories and/or to offer its fresh securities in the dematerialized form pursuant to the Depositories Act, 1996 and the rules framed there under, if any. |
| 190 | Option given to investors | Every person shall have the option to hold the securities with a Depository. Such a person who is a beneficial owner of the securities can at any time opt out of a Depository in respect of such security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificate of securities.
If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security. |
| 191 | Securities in Depository to be in fungible form | All securities held by a Depository shall be dematerialized and shall be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187A, 187B, 187C and 372A of the Act shall apply to a Depository in respect of securities held by it on behalf of the beneficial owners. No certificate shall be issued for the securities held by the Depository. |
| 192 | Voting rights of Depository and beneficial owner | The Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of securities on behalf of a beneficial owner.
Save as otherwise provided here in above, the Depository as a registered owner shall not have any voting rights or any other rights in respect of securities held by it.
Every person holding securities and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a Member of the Company. The beneficial owner shall be entitled to all the rights and benefits and shall be subject to all the liabilities in respect of such of his securities that are held by the Depository. |
| 193 | Allotment of securities by the Depository | Notwithstanding anything contained in the Act or the Articles, where the Depository holds the securities, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities. |
| 194 | Register and Index of beneficial owners | The register and index of beneficial owners maintained by the Depository under the Depositories Act shall be deemed to be the Register and Index of Members and security holders for the purpose of these Articles except as is mentioned in the provisions of Section 150, 151 and 152 of the Act. |
| 195 | Transfer of securities | Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a Depository. |
| 196 | Beneficial owner deemed as | Except as ordered by the Court of competent jurisdiction or by law |

	absolute owner	required the Company shall be entitled to treat the person whose name appears on the register of members as the holders of any share or whose name appears as the beneficial owner of the shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognize any benami. Trust Equity, equitable contingent, future, partial interest other claim to or interest in respect of such shares or (except only as by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has expressed or implied notice thereof but the Board shall at their sole discretion register any share in the joint names of any two or more persons or the survivor or survivors of them.
197	Cancellation of Certificates upon surrender by person	Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a participant, the Company shall cancel such certificates and shall substitute in its record the name of the depository as the Registered owner in respect of the said securities and shall also inform the Depository accordingly.
198	Service of documents	Notwithstanding anything contained in the Act, or these Articles, to the contrary, where securities are held in a depository, the record of the beneficial ownership may be served by such depository on the company by means of hard copies or through Electronic mode or by delivery of floppies or discs.
199	Distinctive number of securities held in a depository	The shares in the capital shall be numbered progressively according to their several denomination, provided, however that the provisions relating to progressive numbering shall not apply to the share of the Company which are Dematerialized from. Except in the manner provided under the Articles, no share shall be sub-divided. Every forfeited or surrendered share be held in material form shall continue to bear the number by which the same was originally distinguished.
200	Provisions of Articles to apply to shares held in depository	Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares held in physical form subject to the provision of Depository Act, 1996.
201	Depository to furnish information	Every Depository shall furnish to the Company Information about the transfer of securities in the name of the beneficial owner at such intervals and in such manner as may be specified by laws and the company in that behalf.
202	Option to opt out in respect of any such security	If a beneficial owner seeks to opt out of a Depository in respect of any security, he shall inform the Depository accordingly. The Depository shall on receipt of such information make appropriate entries in its records and shall inform the Company. The Company shall within 30 (Thirty) days of the receipt of intimation from a Depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee as the case may be.
ACCOUNTS		
203	Profit and Loss Account to be laid before General Meeting at least once in every year.	Subject to Sections 210 and 166 of the Act, once at least in every year the Board shall place before the Company in General Meeting a profit and loss account for the period not more than six months before such General Meeting.
204	Balance Sheet	A Balance Sheet shall be made out in every year, audited and laid before the Company in Annual General Meeting made up-to-date not more than six months before such Meeting. The Balance Sheet together with the Auditor's Report shall be accompanied by a Report of the Directors as to the state of the Company's affairs and the amount, which they recommend to be paid by way of dividend and the amount, which they propose to carry to Reserve fund.
AUDIT		
205	Accounts to be audited	Once at least in every year one or more Auditor(s) shall examine the

206	annually Appointment and remuneration of auditors	books of account of the Company. The Company at each Annual General Meeting shall appoint an Auditor or Auditors to hold office term from the conclusion of the meeting until the conclusion of the next Annual General Meeting and shall, within seven days of the appointment, give intimation thereof to every Auditor or Auditor's so appointed, unless he is a retiring Auditor or Auditors shall be regulated by Sections 224 to 227 of the Act.
207	Audit of accounts of branch office of the Company	Where the Company has a branch office the provisions of Section 228 of the Act shall apply.
208	Right of Auditor to attend General Meeting	All notices of and other communications relating to any General Meeting of the Company which any Member of the Company is entitled to have sent to him shall also be forwarded to the Auditor of the Company and the Auditor shall be entitled to attend any General Meeting which he attends on any part of the business which concerns him as Auditor.
209	Auditors Report to be read	The Auditor's Report shall be read before the Company in General Meeting and shall be open to inspection by any member of the Company.
210	When Accounts to be deemed finally settled	Every Balance Sheet and Profit and Loss Account of the Company when audited and adopted by the Company in General meeting shall be conclusive.
SERVICE OF DOCUMENTS AND NOTICE		
211	How document is served on the members	a) A document (which expression for this purpose shall include and be deemed to include an summons, notice requisition, process order, judgment or any other document in relation to or in winding up of the Company (may be served or sent to the Company) on or to any member either personally or be sending it by post to and to his 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 the give of notice to him. b) All notice shall, with respect to any registered share to which persons are entitled jointly, be given to whichever of such persons who is named first in the Registered notice so given shall be sufficient notice to all the holders of such share. c) Where a document is send by post: (i) Service thereof shall be deemed to be effected by properly addressing paying and posting a letter containing the notice 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 without acknowledgement due and has deposited with the Company a sum sufficient to defray expenses of doing so, service of the documents shall not be deemed to effected unless it is sent in the manner intimated by the member, and (ii) Unless the contrary is provided, such service shall be deemed to have been effected. (iii) In the case of a notice of a meeting, at the expiration of forty-eight hours the letter containing the notice is posted; and In any other case, at the time at which the letter would be delivered in ordinary course of post.
212	Members to notify address in India:	Each registered holder of shares from time to time notify in writing to the Company so place in India to be registered as his address and such registered place of address shall for all purposes be deemed his place or residence.
213	Service on members having no registered address:	If a member has no registered address in India, and has not supplied to the Company and address within India, for the giving of the notices to him, a document advertised in a newspaper circulating in the neighborhood of

- 214 Service on persons acquiring shares on death or insolvency of members:
- Registered Office of the Company shall be deemed to be duly served to him on the day of which the advertisement appears.
- A document may be served by the Company on the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name or by the title or representatives of the deceased, assignees of the insolvent 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 serving the document in any manner in which the same might have been served if the death insolvency had not occurred.

RECONSTRUCTION

- 216 Reconstruction
- On any sale of the undertaking of the Company the Board or the Liquidators on a winding up may if authorized by a special resolution accept fully paid or partly paid up shares, debentures or securities of any other company whether incorporated in India or not either then existing or to be formed for the purchase in whole or in part of the property of the Company and the Board (if the profits of the Company permit) or the Liquidators (in a winding up) may distribute such shares or securities, or any other property of the Company amongst the Members without realization, or vest the same in trustees for them and any Special Resolution may provide for the distribution or appropriation of the cash, shares or other securities benefit or property otherwise than in accordance with the strict legal rights of the Members or contributories of the Company and for the valuation of any such securities or property at such price and in such manner as the General Meeting may approve and all holders of shares shall be bound to accept and shall be bound by any valuation or distribution so authorized, and waive all rights in relation there to, save only in the case the Company is proposed to be or in the course of being wound up, such statutory rights (if any) under Section 494 of the Act as are incapable of being varied or excluded by these Articles.

SECRECY

- 217 Affairs of the Company to be kept secret
- No shareholder or other person shall be entitled to visit or inspect the Company's Registered Office or place of business without the permission of the Managing Director, or any other Director in the absence of a Managing Director, or to require discovery of any information respecting any details of the Company's trading or any matter which may be in the nature of a trade secret, mystery of trade or secret process which may relate to the conduct of business of the Company and which in the opinion of the Managing Director or the Directors it will be inexpedient in the interests of the Company to communicate to the public.
- 218 Every Director to sign a declaration pledging to observe secrecy
- Every Director, Manager, Trustee, Member of the Committee, Secretary and all Officers, Servants, Agents, Accountants or other persons employed in the business of the Company shall if so required by the Managing Director or the Directors, sign a declaration pledging himself to observe a strict secrecy respecting all transaction of the Company with its customers and of accounts with individuals and in matters relating thereto and shall by such declarations pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required to do so by the Board or by Chairman at any General Meeting or by a court of law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents.

WINDING UP

- 219 Distribution of assets
- If the Company shall be wound up and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up on the shares held by them respectively. And if in a winding

- up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the paid up capital at the commencement of the winding up the excess shall be distributed amongst the Members but this Article is to be without prejudice to the rights of Member registered in respect of shares issued upon special terms and conditions.
- 220 Distributions of assets in specie If the Company shall be wound up, whether voluntarily or otherwise, the Liquidators may with the sanction of Special Resolution divided among the contributories, in specie or kind, any part of the assets of the Company and may with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories or any of them, as the liquidators, with the like sanction shall think fit.

INDEMNITY AND RESPONSIBILITY

- 221 Director's other rights to indemnity Subject to the provisions of Section 201 of the Act every Director, manager, secretary and other officer or servant of the Company shall be indemnified by the Company out of the funds of the Company for all costs charges traveling and other expenses, losses and liabilities which any such Director, manager, secretary and officer or servant may incur or become liable to pay by reason of any contract entered into, or act or deed done by him as such director, manager, secretary and other officer or servant, or in any way in the discharge of his duties (unless the same shall happen through his willful default, negligence, misfeasance, breach of duty or breach of trust) and the amount for which such indemnity as provided shall immediately attach as a lien on the property of the Company and shall have priority as between the Members over all other claims.

Subject as aforesaid the Managing Director and every Director, Manager, Secretary or other Officer or Employee of the Company shall be indemnified against any liability incurred by them or in defending any proceeding whether civil or criminal in which judgment is give in their or his favour or in which he is acquitted or discharged or in connection with any application under Section. 633 of the Act in which relief is given to him by the Court.

- 222 General clause Wherever in the Act it has been provided that any company shall have any right, privilege or authority or that any company cannot carry our any transaction unless it is so authorized by its Articles, then in that case, this Article hereby authorizes and empowers this Company to have such right, privilege or authority and to carry out such transactions as have been permitted by the Act without their being any other specific Article in the behalf herein provided.

SECTION IX-OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of filing of this RHP) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this RHP have been delivered to the RoC, Hyderabad for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company from 10.00 a.m. to 4.00 p.m. on working days from the date of filing of this RHP until the date of closure of this Issue.

MATERIAL CONTRACTS

1. Letter dated 3 November 2006 appointing Karvy Investor Services Limited as BRLM.
2. Letter dated 12 December 2006, appointing Bigshare Services Pvt. Ltd as Registrar to the Issue.
3. Memorandum of Understanding between our Company and the BRLM dated 12 December, 2006
4. Memorandum of Understanding executed by our Company and the Registrar to the Issue dated 12 December 2006.
5. Escrow Agreement dated [●] between The Company, the BRLM, Escrow Collection Bank and the Registrar to the Issue.
6. Syndicate Agreement dated [●] between The Company, the BRLM and the Syndicate Members.
7. Underwriting Agreement dated [●] between The Company, the BRLM and the Syndicate Members.

MATERIAL DOCUMENTS

1. The Memorandum and Articles of Association of the Company, as amended from time to time.
2. All the Certificates of Incorporation of the Company.
3. Resolutions passed in the Board meeting and Extraordinary General Meeting of our Company on 17 November, 2006 and 21 November, 2006 respectively authorising this Issue.
4. Copies of the Annual Reports of the Company for the years ended 31 March, 2002, 2003, 2004, 2005, 2006 and audit report of the Auditors, M/s.J.B.Reddy & Co. for the period ended 30 September, 2006. and its Subsidiary's Audited accounts for the years ended 31 March, 2004, 2005, 2006 and for the period ended 30 September, 2006
5. Copy of the Auditors' Report dated 2 December, 2006 containing the restated accounts, for consolidated and unconsolidated financial statements, for the years ended 31 March, 2002, 2003, 2004, 2005, 2006 and for the period ended 30 September, 2006.
6. Consents of Auditors, Bankers to the Company, BRLM, Syndicate Members, Legal Advisors to this Issue, Directors, Registrar to this Issue, Bankers to this Issue, Company Secretary & Compliance officer, as referred to, in their respective capacities.
7. Copy of NoC to the Issue obtained from PNB, IDBI and SBI, the Bankers to the Company
8. Resolution of the members of the Company passed at the Annual General Meeting held on 4 June, 2005, appointing Mr.J.Joseph as the Managing Director for a period of 5 years with effect from 8 May, 2005.
9. Resolution of the members of the Company passed at the Annual General Meeting held on 6 September, 2003, appointing Mr.P.Vijaya Bhaskar Reddy as the Deputy Managing Director for a period of 5 years with effect from 31 March, 2003.
10. Copy of letter dated 2 December, 2006 from the Auditors of the Company, M/s. J.B.Reddy & Co., Chartered Accountants confirming Tax benefits as mentioned in this DRHP and certificate dated 8 December, 2006 for the deployment of funds in the proposed Project.
11. Due Diligence Certificate dated 14 December, 2006 from BRLM.
12. Tripartite agreement dated [●]. between the Company, Bigshare Services Pvt. Ltd and NSDL, for offering depository services.
13. Tripartite agreement dated [●], between the Company, Bigshare Services Pvt. Ltd. and CDSL, for offering depository services.
14. SEBI Observation letter dated [●].
15. Copy of Initial listing applications dated [●] filed with NSE and BSE.
16. Copy of the In-principle listing approval dated [●] and [●] from NSE and BSE respectively.

Any of the contracts or documents mentioned in the DRHP may amended or modified at any time if so required in the interest of The Company or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.



DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by the Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this DRHP is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. Further, we certify that all the disclosures made in the DRHP are true and correct.

SIGNED BY ALL DIRECTORS

R.V.Ramani
Chairman

J.Joseph
Managing Director

T.R.Prasad
Director

R.Mohan Reddy
Director

D.Sesha Reddy
Director

P.Radhakrishna Reddy,
Deputy Chairman

P.Vijaya Bhaskar Reddy,
Deputy Managing Director

R.B.Prem Ganesh
Company Secretary & Compliance Officer

Date:

Place: Chennai