



**DRAFT RED HERRING PROSPECTUS**  
Please read Section 60B of the Companies Act, 1956  
The Draft Red Herring Prospectus will be updated  
and become Red Herring Prospectus upon RoC filing  
Dated [●]  
**100% Book Building Issue**

## TALBROS AUTOMOTIVE COMPONENTS LIMITED

Incorporated as Payen Talbros Private Limited, on September 8, 1956 under the Companies Act, 1956 and became a public Company by name Payen Talbros Limited on December 4, 1975. The name of the Company was subsequently changed to Talbros Automotive Components Limited on April 7, 1979.

**Registered Office :** 14/1, Delhi Mathura Road, Faridabad – 121 003, Haryana

**Tel No. :** 91 129 2275434; **Fax No :** 91 129 2277240

**Website:** www.talbro's.com; **Email:** shares@talbro's.com

**Contact person:** Mr. Pankaj Dhawan, Company Secretary

**Public Issue of [●] Equity Shares of face value of Rs. 10 each at a price of Rs. [●], for cash at a premium, aggregating Rs. 5,000 lacs ("the Issue"). The Issue comprises of Promoters Contribution of [●] Equity Shares aggregating Rs. 250 lacs ("Promoters contribution") and the Net Offer to the Public of [●] Equity Shares aggregating Rs. 4,750 lacs ("Net Issue"). The Issue would constitute [●] % of the post issue paid-up capital of Talbros Automotive Components Limited**

**PRICE BAND: Rs. [●] TO Rs. [●] PER EQUITY SHARE OF FACE VALUE OF Rs. 10 EACH**

**ISSUE PRICE IS [●] TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND [●] TIMES OF THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND**

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after such revision, subject to the Bidding/Issue Period not exceeding 13 days. Any revision of Price Band and the revised Bid/Issue Period, if applicable will be widely disseminated by notification to The Stock Exchange, Mumbai (BSE) and the Delhi Stock Exchange Association Limited (DSE) where the Equity Shares of our Company are proposed to be listed and to The National Stock Exchange (NSE), whose online IPO system will only 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.

This Issue is being made through a 100% Book Building Process wherein up to 50% of the Net Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Net 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 ISSUE

The Issue Price (as determined by the Company in consultation with the Book-Running Lead Manager on the basis of the assessment of market demand for the Equity Shares offered by way of book-building) should not be taken to be the indicative market price of the Equity Shares after the Equity Shares are listed. The market price of the existing Equity Shares could affect the price discovery through book building and vice-versa. 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 RISK

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk 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 the SEBI guarantee the accuracy or adequacy of this document.

Specific attention of the investors is invited to the statement of Risk Factors on Page No. [●] to [●] of this draft Red Herring Prospectus.

### ISSUER'S ABSOLUTE RESPONSIBILITY

Talbros Automotive Components Limited, having made all reasonable enquiries, accepts responsibility for, and confirms that this draft Red Herring Prospectus contains all information with regard to the Company 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 document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

### LISTING

The existing Equity Shares of the Company are listed on The Stock Exchange, Mumbai (BSE) and the Delhi Stock Exchange Association Limited (DSE). The Equity shares through this Issue are also proposed be listed on BSE and DSE. The in-principle approvals have been received from BSE and DSE for listing of the Equity Shares vide their letters dated [●] and [●] respectively.

### BOOK RUNNING LEAD MANAGER TO THE ISSUE



#### UTI Securities Limited

1<sup>st</sup> Floor, Dheeraj Arma, Anant Kanekar Marg,  
Station Road, Bandra (East), Mumbai – 400 051

**Tel :** 91-22- 5551 0804 / 5551 0809

**Fax :** 91-22- 5551 5825

**Website :** www.utisel.com

**Email :** talbro's@utisel.com

**Contact Person :** Mr. Jinesh Mehta

### REGISTRAR TO THE ISSUE



#### Karvy Computershare Private Limited

Karvy House, 46, Avenue 4,  
Street No.1, Banjara Hills, Hyderabad 500 034

**Tel. :** 91 40 2331 2454/2332 0251/751

**Fax :** 91 40 2331 1968

**Website :** www.karvy.com

**Email :** talbro'sipo@karvy.com

**Contact Person :** Mr. K.S. Reddy

### ISSUE PROGRAMME

**ISSUE OPENS ON :** ....., 2005

**ISSUE CLOSSES ON :** ....., 2005

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## I: DEFINITIONS AND ABBREVIATIONS

| Term                                                                                                                     | Description                                                                                               |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| “Talbro” or “the Company” or “our Company” or “Talbro Automotive Components Limited” or “TACL” or “we” or “us” and “our” | Talbro Automotive Components Limited, a public limited company incorporated under the Companies Act, 1956 |

### Conventional/General Terms

|                                       |                                                                                                                                                                                                                                               |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Act                                   | The Companies Act, 1956                                                                                                                                                                                                                       |
| Depository                            | A Depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 as amended from time to time                                                                                                                |
| Directors                             | The directors of the Company, unless the context otherwise requires                                                                                                                                                                           |
| Equity Shares                         | The equity shares of face value of Rs. 10/- each of the Company                                                                                                                                                                               |
| Indian GAAP                           | Generally accepted accounting principles in India                                                                                                                                                                                             |
| Insurance Act                         | Insurance Act, 1938, as amended from time to time                                                                                                                                                                                             |
| IRDA                                  | Insurance Regulatory and Development Authority constituted under the IRDA Act                                                                                                                                                                 |
| IRDA Act                              | Insurance Regulatory and Development Authority Act, 1991, as amended from time to time                                                                                                                                                        |
| IT Act                                | The Income Tax Act, 1961, as amended from time to time                                                                                                                                                                                        |
| Memorandum/ Memorandum of Association | The Memorandum of Association of Talbro Automotive Components Limited                                                                                                                                                                         |
| Non Resident                          | A person who is not an NRI, an FII and is not a person resident in India                                                                                                                                                                      |
| NRI/ Non-Resident Indian              | A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000                             |
| SEBI Act                              | Securities and Exchange Board of India Act, 1992 as amended from time to time.                                                                                                                                                                |
| SEBI Guidelines                       | Means the extant Guidelines for Disclosure and Investor Protection issued by Securities and Exchange Board of India, constituted under the Securities and Exchange Board of India Act, 1992 (as amended), called SEBI (DIP) GUIDELINES, 2000. |
| Stock Exchanges                       | BSE and DSE                                                                                                                                                                                                                                   |

### Issue related terms

| Term                                           | Description                                                                                                                                                                                                                                                                  |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Allotment/ Allotment of Equity shares          | Unless the context otherwise requires, issue of Equity Shares pursuant to this Issue                                                                                                                                                                                         |
| Banker(s) to this Issue/Escrow collection bank | [•]                                                                                                                                                                                                                                                                          |
| Bid                                            | An offer made during the Bidding Period by a prospective investor to subscribe to the Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto                                                                       |
| 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 for this Issue                                                                                                                           |
| Bid/ Issue Closing Date                        | The date after which the Syndicate Member will not accept any Bids for this Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a local newspaper with wide circulation at the Registered Office of the Company |

| <b>Term</b>                          | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bid-cum-Application Form             | The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of the Company and which will be considered as the application for allotment in terms of this Draft Red Herring Prospectus                                                                                                                                                                                                                                                                                         |
| Bid/ Issue Opening Date              | The date on which the Syndicate Member shall start accepting Bids for this Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper with wide circulation at the Registered Office of the Company                                                                                                                                                                                                                                                               |
| Bidder                               | Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus                                                                                                                                                                                                                                                                                                                                                                                                            |
| Bid/ Issue Period                    | The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids                                                                                                                                                                                                                                                                                                                                                 |
| Book Building Process                | Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which this Issue is made                                                                                                                                                                                                                                                                                                                                                                                                  |
| Brokers to this Issue                | Brokers registered with any recognised Stock Exchange, appointed by the Syndicate Member                                                                                                                                                                                                                                                                                                                                                                                                                       |
| BRLM                                 | Book Running Lead Manager to this Issue, in this case being UTI Securities Limited                                                                                                                                                                                                                                                                                                                                                                                                                             |
| CAN/ Confirmation of Allocation Note | The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process                                                                                                                                                                                                                                                                                                                                                         |
| Cap Price                            | The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted                                                                                                                                                                                                                                                                                                                                                                                   |
| Cut-off                              | The Issue Price finalized by the Company in consultation with the BRLM                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Depository                           | A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time                                                                                                                                                                                                                                                                                                                                                                                |
| Depositories Act                     | The Depositories Act, 1996, as amended from time to time                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Depository Participant               | A depository participant as defined under the Depositories Act                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Designated Date                      | The date on which funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall transfer Equity Shares to successful bidders                                                                                                                                                                                                                                                               |
| Draft Red Herring Prospectus         | Means 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 number of Equity shares offered through this Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with the RoC at least three days before the opening of this Issue. It will become a Prospectus after filing with the RoC after the pricing and allocation |
| Equity Shares                        | Equity shares of the Company of face value of Rs. 10/- each unless otherwise specified in the context thereof                                                                                                                                                                                                                                                                                                                                                                                                  |
| Escrow Account                       | Account opened with an Escrow Collection Bank(s) and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid                                                                                                                                                                                                                                                                                                                                                 |
| Escrow Agreement                     | Agreement entered into amongst the Company, the Registrar to this Issue, the Escrow Collection Banks, the BRLM and the Syndicate Member 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 Banker to the Issue at which the Escrow Account for the Issue will be opened                                                                                                                                                                                                                                                                                                                                                                  |
| First Bidder                         | The Bidder whose name appears first in the Bid cum Application Form or Revision Form                                                                                                                                                                                                                                                                                                                                                                                                                           |

| <b>Term</b>                            | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Floor Price                            | The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Issue                                  | The fresh issue of [●] Equity Shares of Rs. 10/- each fully paid up at the Issue Price determined by the Company in terms of this Draft Red Herring Prospectus                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Issue Management Team                  | The team managing this Issue as set out in the section titled "General Information" in this Draft Red Herring Prospectus                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Issue Price                            | The final price at which Equity Shares will be issued and allotted in term of this Draft Red Herring Prospectus. The Issue Price will be decided by the Company in consultation with the BRLM on the Pricing Date                                                                                                                                                                                                                                                                                                                                                                          |
| Issue Period                           | The Issue period shall be [●] being the Bid/Issue Opening date, to [●], being the Bid/Issue Closing date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Margin Amount                          | The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Non Institutional Bidders              | All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs.50,000                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Non Institutional Portion              | The portion of this Issue being not less than 25% of this Net Issue i.e. [●] Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Pay-in Date                            | Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% margin money at the time of bidding, as applicable                                                                                                                                                                                                                                                                                                                                                                                                                |
| 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/ Issue Opening Date and extending until the Bid/Issue 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/Issue Opening Date and extending until the closure of the Pay-in Date                                                                                                                                                                                           |
| Price Band                             | Being the price band of a minimum price (Floor Price) of Rs. [●] and the maximum price (Cap Price) of Rs. [●] and includes revisions thereof                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Pricing Date                           | The date on which the Company in consultation with the BRLM finalizes the Issue Price                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Promoters                              | Mr. Naresh Talwar, Chairman, Mr. Umesh Talwar, Vice-Chairman and Managing Director and Mr. Nikhil Talwar, Joint Managing Director of our Company                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Prospectus                             | The Prospectus, filed with the RoC containing, <i>inter alia</i> , this Issue Price that is determined at the end of the Book Building Process, the number of Equity shares offered through this Issue and certain other information                                                                                                                                                                                                                                                                                                                                                       |
| Public Issue Account                   | Account opened with the Banker(s) to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Qualified Institutional Buyers or QIBs | Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, Scheduled Commercial banks, Mutual Funds 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 Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of Rs. 250 million and Pension Funds with minimum corpus of Rs. 250 million |
| QIB Portion                            | The portion of this Issue being up to 50% of the Net Issue, i.e., [●] Equity Shares of Rs.10 each available for allocation to QIB's                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Registrar/ Registrar                   | Karvy Computershare Private Limited, as indicated on the cover                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

| <b>Term</b>                          | <b>Description</b>                                                                                                                                                |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| to this Issue                        | page of this Draft Red Herring Prospectus                                                                                                                         |
| Retail Individual Bidders            | Individual Bidders (including HUFs and NRIs) who have not Bid for an amount more than Rs. 50,000 in any of the bidding options in this Issue                      |
| Retail Portion                       | The portion of this Issue being not less than 25% of this Net Issue i.e. [●] Equity Shares of Rs. 10 each 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)  |
| Syndicate                            | The BRLM and the Syndicate Members                                                                                                                                |
| Syndicate Agreement                  | The agreement to be entered into between the Company and the Syndicate Members, in relation to the collection of Bids in this Issue                               |
| Syndicate Member                     | Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Member is appointed by the BRLM, in this case being [●]                        |
| TRS or Transaction Registration Slip | The slip or document issued by the Syndicate Member to the Bidder as proof of registration of the Bid on the online system of BSE/NSE                             |
| Underwriters                         | The BRLM and the Syndicate Member                                                                                                                                 |
| Underwriting Agreement               | The Agreement among the Underwriters and the Company to be entered into on or after the Pricing Date                                                              |

#### **Company/ Industry-related Terms**

| <b>Term</b>                       | <b>Description</b>                                                                                                                                                                                                                                                                 |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Auditors                          | The statutory auditors of the Company namely M/s. S. N. Dhawan & Co., Chartered Accountants.                                                                                                                                                                                       |
| Articles/ Articles of Association | The Articles of Association of Talbros Automotive Components Limited                                                                                                                                                                                                               |
| Board / Board of Directors        | Board of Directors of Talbros Automotive Components Limited unless otherwise specified                                                                                                                                                                                             |
| Federal Mogul                     | Federal Mogul Sealing Systems, U. K.                                                                                                                                                                                                                                               |
| Financial Year / Fiscal Year      | The 12 months ended March 31, of a particular year unless otherwise specified                                                                                                                                                                                                      |
| Ishikawa/ Ishikawa Gaskets        | Ishikawa Gaskets Company Limited, Japan                                                                                                                                                                                                                                            |
| Nippon Leakless/ NLK              | Nippon Leakless Corporation, Japan                                                                                                                                                                                                                                                 |
| Project                           | The proposed expansion project of the Company for: <ul style="list-style-type: none"> <li>• Setting up a forging unit</li> <li>• Investment in a Joint Venture with Nippon Leakless Corporation, Japan</li> <li>• Expansion of existing gasket manufacturing facilities</li> </ul> |
| RoC                               | Registrar of Companies, NCT of Delhi & Haryana at New Delhi unless otherwise specified                                                                                                                                                                                             |
| Registered Office of the Company  | 14/1, Delhi Mathura Road, Faridabad – 121 003, Haryana                                                                                                                                                                                                                             |

#### **ABBREVIATIONS**

| <b>Term</b> | <b>Description</b>                                          |
|-------------|-------------------------------------------------------------|
| ACMA        | The Automotive Component Manufacturers Association of India |
| ACC         | Asphaltic Cement Concrete                                   |
| AGM         | Annual General Meeting of the Company                       |
| AS          | Assessment Year                                             |
| A. Y./ AY   | Assessment Year                                             |

| <b>Term</b> | <b>Description</b>                                                                                                                                                                                                                                                                           |
|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| BVQI        | Bureau Veritas Quality International                                                                                                                                                                                                                                                         |
| CAGR        | Compounded Annual Growth Rate                                                                                                                                                                                                                                                                |
| CII         | Confederation of Indian Industries                                                                                                                                                                                                                                                           |
| CMD         | Chairman and Managing Director                                                                                                                                                                                                                                                               |
| CKD         | Completely Knocked Down                                                                                                                                                                                                                                                                      |
| CLB         | Company Law Board                                                                                                                                                                                                                                                                            |
| CDSL        | Central Depository Services (India) Limited                                                                                                                                                                                                                                                  |
| DCA         | Department of Company Affairs                                                                                                                                                                                                                                                                |
| DG          | Diesel Generator                                                                                                                                                                                                                                                                             |
| DSE         | The Delhi Stock Exchange Association Limited                                                                                                                                                                                                                                                 |
| DP          | Depository Participant                                                                                                                                                                                                                                                                       |
| EGM         | Extra-ordinary General Meeting of the Company                                                                                                                                                                                                                                                |
| EMS         | Environmental Management System                                                                                                                                                                                                                                                              |
| EXIM        | Export Import Policy, 2002-2007                                                                                                                                                                                                                                                              |
| EPCG        | Export Promotion & Credit Guarantee Scheme                                                                                                                                                                                                                                                   |
| EPS         | Earnings Per Share                                                                                                                                                                                                                                                                           |
| EU          | European Union                                                                                                                                                                                                                                                                               |
| FEMA        | Foreign Exchange Management Act, 1999, as amended from time to time and the rules and regulations framed thereunder.                                                                                                                                                                         |
| FIIs        | Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investors) Regulations, 1995 and registered with SEBI and as required under FEMA (Transfer or Issue of Security by a person resident outside India) Regulations, 2000 and under other applicable laws in India. |
| FVCI        | Foreign Venture Capital Investor registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000                                                                                                                                                                    |
| FIPB        | Foreign Investment Promotion Board, Ministry of Finance, Government of India                                                                                                                                                                                                                 |
| FI          | Financial Institution                                                                                                                                                                                                                                                                        |
| FICCI       | Federation of Indian Chambers of Commerce and Industry                                                                                                                                                                                                                                       |
| F.Y / FY    | Financial Year                                                                                                                                                                                                                                                                               |
| GENCO       | Haryana Power Generation Corporation Limited                                                                                                                                                                                                                                                 |
| GOI         | Government of India                                                                                                                                                                                                                                                                          |
| GIC         | General Insurance Corporation                                                                                                                                                                                                                                                                |
| HSIDC       | Haryana State Industrial Development Corporation                                                                                                                                                                                                                                             |
| HUDA        | Haryana Urban Development Authority                                                                                                                                                                                                                                                          |
| HUF         | Hindu Undivided Family                                                                                                                                                                                                                                                                       |
| IDBI        | Industrial Development Bank of India                                                                                                                                                                                                                                                         |
| ICICI Bank  | ICICI Bank Limited                                                                                                                                                                                                                                                                           |
| IPO         | Initial Public Offer                                                                                                                                                                                                                                                                         |
| ISO         | International Standards Organization                                                                                                                                                                                                                                                         |
| KVA         | Kilo Volt Ampere                                                                                                                                                                                                                                                                             |
| L/C         | Letter of Credit                                                                                                                                                                                                                                                                             |
| LIC         | Life Insurance Corporation of India                                                                                                                                                                                                                                                          |
| MBA         | Masters in Business Administration                                                                                                                                                                                                                                                           |
| MF          | Mutual Fund                                                                                                                                                                                                                                                                                  |
| MFA         | Multi Fibre Arrangement                                                                                                                                                                                                                                                                      |
| MOU/ MoU    | Memorandum of Understanding                                                                                                                                                                                                                                                                  |
| MNC         | Multi National Company                                                                                                                                                                                                                                                                       |
| NAV         | Net Asset Value                                                                                                                                                                                                                                                                              |
| NCT         | National Capital Territory of Delhi                                                                                                                                                                                                                                                          |
| NLK         | Nippon Leakless Corporation, Japan                                                                                                                                                                                                                                                           |
| NRIs        | Non Resident Indians as defined under FEMA                                                                                                                                                                                                                                                   |
| NSDL        | National Securities Depository Limited.                                                                                                                                                                                                                                                      |
| NSE         | National Stock Exchange                                                                                                                                                                                                                                                                      |
| OEM         | Original Equipment Manufacturer                                                                                                                                                                                                                                                              |

| <b>Term</b> | <b>Description</b>                           |
|-------------|----------------------------------------------|
| PAN         | Permanent Account Number                     |
| PAT         | Profit After Tax                             |
| PBT         | Profit Before Tax                            |
| PBDIT       | Profit Before Depreciation, Interest and Tax |
| PBIT        | Profit Before Interest and Tax               |
| PhD         | Doctor of Philosophy                         |
| RBI         | Reserve Bank of India                        |
| RCC         | Reinforced Cement Concrete                   |
| SBI         | State Bank of India                          |
| SEBI        | The Securities and Exchange Board of India   |
| SUV         | Sports Utility Vehicle                       |
| TNW         | Total Net Worth                              |
| TRANSCO     | Haryana Vidyut Prasaran Nigam Limited        |
| USD         | United States Dollar                         |

## **II: RISK FACTORS**

### **FORWARD-LOOKING STATEMENTS AND MARKET DATA**

In this Draft Red Herring Prospectus, the terms “we”, “us”, “our Company”, “the Company” or “TACL” or “Talbro” unless the context otherwise implies, refers to Talbro Automotive Components Limited.

This Draft Red Herring Prospectus contains certain forward-looking statements. These forward-looking statements generally can be identified by words or phrases like “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”. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements.

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

- General economic and business conditions in India;
- Our ability to successfully implement our growth strategy and expansion plans;
- Our ability to respond to technological changes;
- Changes in laws and regulations relating to the industry in which we operate;
- Changes in political and social conditions in India;
- The loss of our key employees and staff;
- Our ability to successfully launch the new products;
- Any adverse outcome in the legal proceedings in which our Company is involved; and
- The loss or shutdown of operations of our Company at any time due to strike or labour unrest.

For further discussion of factors that could cause our actual results to differ, refer to the section titled “Risk factors” beginning on page [•] of this Draft Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither we, our Directors, the BRLM, nor any of their affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date thereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, we 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.

Market data used throughout this Draft Red Herring Prospectus was obtained from internal Company reports, data, websites and industry publications. Industry publication data and Website data generally state that the information contained therein has been obtained from sources believed to be reliable, but that their accuracy and completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Although, we believe market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports and data, while believed by us to be reliable, have not been verified by any independent source.

## RISK FACTORS

### **RISKS ENVISAGED BY MANAGEMENT & MANAGEMENT PROPOSALS (MP) THEREOF**

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

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

#### **A. INTERNAL TO THE COMPANY**

1. We are involved in certain legal proceedings and claims against us in relation to certain contractual, employment, and other civil matters and also have received “show-cause” notices for alleged statutory violations. There are 10 cases filed against our Company and 10 show cause notices issued by various statutory authorities of which 5 have been issued by the Commissioner of Central Excise wherein the Company has been asked to show cause as to why their refund claims should not be rejected. The total amount of liability (excluding the 5 show cause for reply on refund claims) aggregate Rs.2,04,97,551.

All of the legal proceedings/claims are pending at different levels of adjudication before various courts, arbitrators, stock exchanges, enquiry officers, and appellate tribunals. For more information regarding litigation, please refer to the section titled “Outstanding Litigation, Material Developments and Other Disclosures” beginning on page [•] of this Draft Red Herring Prospectus.

2. Presently, we derive 27.20% (Rs. 2,235 lacs) of our revenue from sales to Honda and its associates in the domestic market. We have recently entered into a joint venture with Nippon Leakless Corporation, Japan (NLK) for catering to the Honda group's requirements wherein we have a 40% share and NLK has a 60% share. As per the terms of the joint venture agreement, the sales to Honda and its associates in India would be phased out of our Company into the joint venture over a period of three years. Consequently, there will be a loss of revenue to our Company to the extent the sales are phased into the joint venture company.

#### ***Management Proposal:***

Presently, we are not catering to the entire requirements of the Honda group in India. Further, various automotive components for vehicles such as Honda City are being imported currently. Besides, certain quantity of the production in the joint venture company would be exported. The above would result in an increase in the overall sales as against the present turnover from the Honda group. As per the terms of the Joint venture agreement, our sales would be phased out over a period of three years. Hence, our 40% share in the joint venture company may compensate the reduction in revenues.

3. Previously, asbestos was used as a raw material for manufacture of gaskets in India. In the past few years there has been a shift to non-asbestos based raw materials. Majority of the non-asbestos based raw materials have to be necessarily imported and have to be procured from countries like Germany, Japan, USA, etc. Adequate availability of the non-asbestos based raw materials at competitive prices would be a key factor for maintaining cost competitiveness. In case we are unable to source the required raw material, the profitability would be adversely affected.

#### ***Management Proposal:***

We are one of the oldest manufacturers of automotive gaskets and have been in the market since 1957. We also have technical collaborations with 3 international companies, namely Federal Mogul Sealing Systems, UK, Nippon Leakless Corporation, Japan and Ishikawa Gaskets Company Limited, Japan. We have also recently entered into a joint venture with NLK for catering to the Honda group in India. These associations and our market standing enable us to procure adequate quantities of raw materials at competitive prices.

4. The prices of one of the raw materials used by us, viz. steel has been witnessing an upward trend in prices and have increased about 35% over the past one year. Continuous price increase would impact our operating margins.

***Management Proposal:***

We use various raw materials including steel for the manufacture of gaskets. Despite the price increase in the past year, we have been able to increase our profitability in the current year as against FY04. Hence, we do not foresee significant pressure on our operating margins.

5. We supply gaskets to the automobile manufacturers including many MNCs who insist on having certain foreign technical collaborations. Presently, we have three technical collaborations with foreign companies, namely, Nippon Leakless Corporation, Japan, Ishikawa Gaskets Company Limited, Japan and Federal Mogul Sealing Systems. In case we are unable to retain the aforesaid technical collaboration, we may not be able to supply to certain automobile companies which would affect our revenue and growth potential.

***Management Proposal:***

We have been in the manufacture of gaskets since 1957 and are presently the leading manufacturer in the country. We have been associated with Federal Mogul Sealing Systems since 1957 (i.e. the past 48 years), with Nippon Leakless Corporation, Japan since 1996-97 (i.e. the past 9 years) and with Ishikawa Gaskets Company Limited, Japan since 2004. Further, we have recently entered into a joint venture with Nippon Leakless, Japan for catering to the Honda group in the country. Considering the above history, we do not foresee any difficulty in retaining the association with the said companies. These agreements are valid until 2<sup>nd</sup> November 2013, 16<sup>th</sup> August 2007 and 1<sup>st</sup> February 2009 respectively.

6. The automobile sector is characterized by continuous up-gradation in terms of technology, manufacturing process and design capability. Consequently, we have to meet with the aforesaid demands and invest continuously to upgrade technology and process and keep abreast with the latest innovations in the automobile industry. In case we are unable to keep up with the growth rate of technology improvement or process change, we may be unable to service the demand which would adversely affect the revenue.

***Management Proposal:***

Our existing technical collaborations gives us access to the latest processes and materials. Further, we have, over a period of time, shifted from asbestos based gaskets to non asbestos gaskets including those made of rubber, steel, beater, etc. Hence, we do not foresee any difficulty in adapting to the existing dynamic environment.

7. We cater to the OEM market and the replacement markets. The replacement market is price sensitive and we face competition from the unorganized sector which is able to compete at lower prices. We may not be able to match the price provided by the unorganized sector which would limit our growth potential.

***Management Proposal:***

The OEMs procure only from authorized sources to which we have been supplying since inception. The replacement markets over a period of time are being gradually replaced

with greater share of OEs spares. This trend has always been prevailing in the replacement market and is not expected to change substantially.

8. The auto components market has become a buyers market during the past decade, which has led to significant pressure on operating margins of the auto component suppliers.

### **Relating to the Project**

1. About 65% of sales of the proposed forging unit would be to an associate concern, QH Talbros Limited as per an MoU dated 23.12.2004. Any events adversely affecting QH Talbros Limited would also affect our performance. Also, termination of the MoU would lead to a fall in the revenue of the forging unit and would impact our performance.

#### ***Management Proposal:***

QH Talbros has been existing since 1980 and has been sourcing its forging requirements from external manufacturers. QH Talbros has an average turnover of Rs. 60 crores in the past three years. A major part of the production is currently proposed to be sold to QH Talbros. In view of the above, in the normal course, we do not envisage any events significantly affecting the business of QH Talbros. Besides, about 35% of turnover of the proposed forging unit would be exported for which we are in various stages of negotiation.

2. We are yet to firm up marketing arrangements for the products manufactured at the forging unit excluding the sales to QH Talbros Limited. Our ability to effectively market the products manufactured at the forging unit would impact the revenues.

#### ***Management Proposal:***

We are in various stages of negotiation with potential foreign buyers and would be firming up supply agreements in due course and do not envisage shortfall in demand.

3. We are a new entrant in the forging industry and are yet to establish ourselves on quality and price parameters. Inability to meet the required quality standards and supply at competitive price would significantly affect the performance of the project.

#### ***Management Proposal:***

We have appointed a technical consultant with 25 years of experience who has already setup two forging plants and would be responsible for implementation and training aspects. The requirements of QH Talbros constitute non precision forging where the quality requirements are not stringent. Besides, sales to QH Talbros would be at the prevailing market prices. Hence we would be able to meet the required quality at competitive prices.

4. The total cost of setting up the forging unit is Rs. 3,182 lacs. We are yet to place orders for plant and machinery and other equipment forming part of the equipment pertaining to the forging unit aggregating Rs. 1,883 lacs.

#### ***Management Proposal:***

We have already received quotations from the proposed suppliers for all the major plant and machinery and other equipment and orders would be placed as per the schedule of implementation as stated in this Draft Red Herring Prospectus.

5. We have not appointed all the key managerial personnel for the forging unit. The appointment of the key personnel for the forging unit is critical to its timely and successful implementation.

#### ***Management Proposal:***

We have appointed a technical consultant with 25 years of experience for smooth implementation of the forging unit. He would also assist us in appointing other personnel in due course.

6. The funds requirement and funding plans are as per our own estimates, and have not been appraised by any bank / financial institution. The deployment of funds in the Project is entirely at our discretion and the same will not be monitored by any independent agency.

**Management Proposal:**

We have successfully setup three plants at Faridabad, Chennai and Pune besides the raw material manufacturing facility at Sohna near Gurgaon. Further, we have been enhancing capacity continuously since inception. Hence, we would be able to meet the implementation schedule and do not envisage any cost overrun.

**Relating to the Company as a whole**

**1. Loss making ventures of the Promoter/Group companies**

Following group companies have reported losses during the past three years:

| Name of Group Company            | Rs. in Lacs                                         |          |          |
|----------------------------------|-----------------------------------------------------|----------|----------|
|                                  | For the Financial Year ended March 31 <sup>st</sup> |          |          |
|                                  | 2002                                                | 2003     | 2004     |
| Talbro Motors Private Limited    | (9.58)                                              | (30.36)  | 10.90    |
| Sunrise Medicare Private Limited | NIL                                                 | (14.86)  | (61.23)  |
| XO Infotech Limited*             | (59.25)                                             | (351.29) | (374.05) |

\*: In accordance with the provisions of section 23 of the Sick Industrial Company (Special Provisions) Act, 1985 (SICA), XO Infotech Limited had, vide its letter dated November 26, 2003, filed an application (in Form C) with the Board for Industrial & Financial Reconstruction (BIFR), stating that the accumulated losses had resulted in the erosion of more than 50% of the peak net worth during the immediately preceding four financial years mainly due to increase in the cost of the project, high interest payout ratio, devaluation of the Rupee, global software meltdown, delays in sanctions and disbursements of bank, etc.

In response to this application, XO Infotech received a letter dated January 27, 2004 from BIFR requesting for submission of certain documents, which had been submitted by XO Infotech vide their letter dated February 24, 2004.

Subsequent to this, XO Infotech has entered into a one time negotiated settlement of dues with IDBI vide letter dated October 5, 2004, whereby XO Infotech had to repay the outstanding amounts in the following manner:

- Payment of Rs. 1175 lacs in cash of which Rs. 175 lacs was to be paid up-front and the balance in four quarterly installments of Rs. 250 lacs each commencing from January 1, 2005;
- Conversion of outstanding loan to the extent of the Rs. 375 lacs into equity;
- Conversion of balance outstanding loan to the extent of Rs. 436.39 lacs into optionally convertible zero percent loan, repayable in three annual installments on April 2010, 2011 and 2012.

Consequent to the aforesaid settlement with IDBI, the net worth has improved and hence XO Infotech no longer falls within the criteria stipulated under Section 23 of SICA.

2. Our business activities, viz. Gaskets manufacturing and Forging depends on the off take of automobiles, hence any slow down in the demand in the automobile sector would affect our performance.
3. Our manufacturing process is labour oriented, cost of which has been lower than the wage rates existing in developed countries. Increase in wage costs would make us less competitive and hamper the future growth.

**Management Proposal:**

We have been cost competitive due to lower wage rates as compared to developed countries. However, increase in wage rates would put pressure on our operating margins.

4. We are yet to obtain the following approvals for the project:

| Approval / Consent                     | Agency                                     | Status                                    |
|----------------------------------------|--------------------------------------------|-------------------------------------------|
| License under Factories Act            | Chief Inspector of Factories, Haryana      | Application will be made in May 2005      |
| Power requirement                      | Dakshin Haryana Bijli Vitran Nigam Limited | Application will be made in July 2005.    |
| Consent for Establishment / Operations | Haryana Pollution Control Board            | Application will be made in October 2005. |

5. The following contingent liabilities as on December 31, 2004 have not been provided:

- a Bills discounted with Banks Rs. 172.62 Lacs
- b Excise Duty/income tax/Sales-tax demands and claims from a local authority disputed by us and not provided for Rs.41.57 Lacs.
- c During the Financial Year 2003-04 we signed a new Technical Assistance Agreement with M/s. Federal Mogul Sealing Systems (Slough) Limited for a period of 10 years starting from 3<sup>rd</sup> November 2003. One time Technical Know-How fee of Euro 3,60,000 (Rs.1,94,79,600) is payable under the agreement in three equal installment at six monthly intervals. The first two installment of Euro 1,20,000 each plus taxes thereon was due & paid during May, 2004 & Sept. 2004 respectively. The technical know-how fee has been recognized to that extent as an intangible asset during the year.

**Management Proposal:**

The above contingent liabilities, excluding the claims not acknowledged as debt as disclosed in the section titled 'Outstanding Litigation', are in the normal course of business, hence no provision is required.

**6. EXTERNAL AND BEYOND THE CONTROL OF THE COMPANY**

1. Any change in regulatory environment in relation to manufacturing in the country or for marketing its products within and outside the country will significantly impact our business.

**Management Proposal:**

We keep abreast of the various developments in relation to the regulatory environment and gear ourselves in order to comply with such regulatory appointments. Further, we have ISO 9002: 2000 for Quality Management System, ISO 14001:1996 for Environmental Management System certifications and ISO/TS 16949 certification (for Faridabad unit) and it works in the area of environment friendly products thus mitigating the risk of adverse regulatory environment.

2. The value of the USD has been depreciating vis-à-vis the Indian Rupee resulting in decrease in profit margins on export sales.

**Management Proposal:**

Exports constitute approx 14% of our total sales; hence we would not be significantly affected by decline of the USD vis-à-vis Indian Rupee. We also keep negotiating with our foreign customers to hedge against abnormal fluctuations.

- Any change in policies by the countries, in terms of tariff and non-tariff barriers, from which we import its raw material and/or export its products to, will have an impact on our profitability.

**Management Proposal:**

We export and import to/from various countries. Whenever such policy changes affect our business, we would work towards complying with or reckoning the policy changes and adopt appropriate strategies to sustain our business.

- We currently benefit from various income tax exemptions and deductions, which are applicable for companies having export income. The Government of India has announced the gradual elimination of some of the income tax exemptions that are available to Indian exporters. Non-availability of these tax exemptions will increase our future tax liabilities and reduce our profits in future.
- Our performance is linked to the stability of policies and political situation in India as well as the countries with which we have business relations.

**Notes to Risk Factors**

- Public Issue of [●] Equity Shares of Rs. 10 each at a price of Rs. [●] for cash aggregating Rs. 5,000 lacs
- The average cost of acquisition of Equity Shares of Rs. 10/- each by our Promoters, is as follows:

| Name of our Promoters | Average cost of acquisition of shares (Rs.) |
|-----------------------|---------------------------------------------|
| Mr. Naresh Talwar     | 0.10                                        |
| Mr. Umesh Talwar      | Nil*                                        |
| Mr. Nikhil Talwar     | 3.32                                        |

\*: The cost of acquisition is Nil since the value of the securities sold exceeds the aggregate cost of acquisition of the securities held as on date.

- The net worth of our Company as on December 31, 2004 is Rs. 1,506.95 lacs.
- Book value per Equity Shares was Rs. 26.21 as on December 31, 2004.
- For details on Related Party Transactions refer to the section titled "Related Party Transactions" on page no. [●] of this Draft Red Herring Prospectus.
- Investors are free to contact the BRLM for any complaints / information / clarification pertaining to this Issue. For contact details of the BRLM, please refer to the cover page of this Draft Red Herring Prospectus.
- All information shall be made available by us and the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
- Investors are advised to refer the paragraph on "Basis of Issue Price" on page no. [●] of this Draft Red Herring Prospectus before making an investment in this Issue.
- In the event of the Issue being oversubscribed, the allocation shall be on a proportionate basis to Retail Individual Bidders and Non-Institutional Bidders (Refer to the section titled "Basis of Allotment" on page [●] of this Draft Red Herring Prospectus).

### III: INTRODUCTION

#### SUMMARY

##### Summary of Industry and Business of our Company

*You should read the following summary together with the risk factors and the more detailed information about us and our financial data included in this Draft Red Herring Prospectus.*

**Unless otherwise indicated, all financial and statistical data relating to the industry in the following discussion is derived from internal Company reports & data, industry publication and estimates. This data has been reclassified in certain respects for purposes of presentation. For more information, see “Forward Looking Statements and Market Data” in this Draft Red Herring Prospectus.**

##### The Industry

(Source: ACMA)

We manufacture gaskets which fall within the industry segment of auto ancillaries. The biggest markets for automobiles globally are developed economies like the USA and Europe; however the demand from developed countries is stagnating. The major additional demand in the next few years is likely to come from developing economies like Asia. Also, globally the automobile manufacturers and OEMs are outsourcing their operations to countries with cheaper cost advantages and procure their demand locally for the respective markets.

The Indian market, after the delicensing of the automobile industry in 1993, enabled imports of automobiles and entry of global OEMs. The sales value of the automobile industry for the year 2003-2004 was approximately USD 19 billion.

The delicensing of the automobile industry in 1993 also resulted in the entry of various MNCs in India who commenced assembly within the country and resulted in good demand for auto components. As per ACMA estimates the domestic auto components industry has component production output of 6,730 million for the year 2003-2004 which is further projected to rise at a CAGR of 10% upto 2009-2010 to translate into a component production output of 11,923 million.

Of the above, the gasket industry is presently estimated at approximately Rs. 350 crores of which about Rs. 200 crores is from the organized market and the balance is from the unorganized market. Of the organized sector, Talbros has a market share of approximately 50% and the balance 50% market share is held by Banco Products (India) Limited and Victor Gaskets India Limited.

##### Our Business

We are the leading manufacturers of gaskets in India and supply to almost all the major automobile manufacturers in India. We have three gasket manufacturing facilities, one each at Faridabad, Chennai and Pune and a raw material manufacturing facility near Gurgaon. We have three technical collaborations which enable access to the latest materials and processes.

We have a track record of continuous profitability since our commencement of commercial production in 1957 and have been paying dividend continuously since 1959.

With a view to diversifying the existing business, we are venturing into the forging business which would increase our revenues. We have also recently setup a joint venture with NLK, Japan to cater to the requirements of Honda group in India.

## BRIEF ISSUE DETAILS

|                                                                                                                                                                                                      |                                                                                                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Equity Shares offered:</b><br>Fresh Issue by the Company                                                                                                                                          | <b>[•]</b> Equity Shares of face value of Rs.10/- each                                                                                                          |
| <b>Promoters contribution in the Issue:</b>                                                                                                                                                          | <b>[•]</b> Equity Shares of face value of Rs.10/- each                                                                                                          |
| <b>Net Issue to the Public</b>                                                                                                                                                                       | <b>[•]</b> Equity Shares of face value of Rs.10/- each                                                                                                          |
| Of which<br>A) Qualified Institutional Buyers portion (QIBs)                                                                                                                                         | <b>[•]</b> Equity Shares of face value of Rs. 10/- each constituting up to 50% of the Net Issue to the Public<br><b>(Allocation on a discretionary basis)</b>   |
| B) Non-Institutional Portion                                                                                                                                                                         | <b>[•]</b> Equity Shares of face value of Rs 10/- each constituting at least 25% of the Net Issue to the Public<br><b>(Allocation on a proportionate basis)</b> |
| C) Retail Portion                                                                                                                                                                                    | <b>[•]</b> Equity Shares of face value of Rs 10/- each constituting at least 25% of the Net Issue to the Public<br><b>(Allocation on a proportionate basis)</b> |
| <b>Notes:</b><br>Under-subscription, if any, in any of the three categories would be allowed to be met with spillover from the other categories, at the sole discretion of the Company and the BRLM. |                                                                                                                                                                 |
| <b>Equity Shares outstanding prior to the Issue</b>                                                                                                                                                  | 5,750,003 Equity Shares of face value of Rs.10/- each                                                                                                           |
| <b>Equity Shares outstanding after the Issue</b>                                                                                                                                                     | <b>[•]</b> Equity Shares of face value of Rs.10/- each                                                                                                          |
| <b>Use of Issue proceeds</b>                                                                                                                                                                         | Please see section titled "Objects of the Issue" on page no. <b>[•]</b> of this Draft Red Herring Prospectus for additional information.                        |

## SUMMARY OF FINANCIAL/OPERATING DATA

The following summary financial data has been 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. S. N. Dhawan & Co., Chartered Accountants dated 19<sup>th</sup> January 2005 in the section titled "Financial Information". You should read this financial data in conjunction with our financial statements for each of Fiscal 2000, 2001, 2002, 2003 and 2004 and for the nine months period ended December 31, 2004, including the Notes thereto and the Reports thereon, which appears under the paragraph on "Auditors Report" in this Draft Red Herring Prospectus, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page [●] of this Draft Red Herring Prospectus.

### Summary of Profit and Loss Account, as restated

Rs. In lacs

| Particulars                                     | For the year ended |                |                |                |                | For Nine months ended Dec 31, 2004 |
|-------------------------------------------------|--------------------|----------------|----------------|----------------|----------------|------------------------------------|
|                                                 | March 31, 2000     | March 31, 2001 | March 31, 2002 | March 31, 2003 | March 31, 2004 |                                    |
| <b><u>INCOME</u></b>                            |                    |                |                |                |                |                                    |
| <b><u>SALES</u></b>                             |                    |                |                |                |                |                                    |
| Of Products Manufactured by the Company (Gross) | 5647.03            | 5667.06        | 6321.70        | 7258.24        | 9383.03        | 8464.85                            |
| Less: Excise duty                               | 705.18             | 735.79         | 768.67         | 890.44         | 1166.99        | 1053.42                            |
| Net Sales                                       | 4941.85            | 4931.27        | 5553.03        | 6367.80        | 8216.04        | 7411.43                            |
| Of products Traded by the Company               | -                  | -              | -              | -              | -              | -                                  |
| Increase/ (Decrease) in stocks                  | 79.58              | 34.98          | 78.84          | 284.01         | 65.98          | 182.81                             |
| Other Income                                    | 104.88             | 121.05         | 100.68         | 184.41         | 169.36         | 118.16                             |
| <b>Total</b>                                    | <b>5126.31</b>     | <b>5087.30</b> | <b>5732.55</b> | <b>6836.22</b> | <b>8451.38</b> | <b>7712.40</b>                     |
| <b><u>EXPENDITURE</u></b>                       |                    |                |                |                |                |                                    |
| Material Consumed                               | 2604.62            | 2416.36        | 3003.45        | 3792.94        | 4952.98        | 4538.24                            |
| Personnel Expenses                              | 843.07             | 948.79         | 973.65         | 1046.31        | 1084.92        | 904.94                             |
| Manufacturing & Other Expenses                  | 1110.49            | 1140.12        | 1176.04        | 1371.57        | 1586.40        | 1349.78                            |
| Misc. and Deferred Revenue Exp. W/Off           | -                  | -              | 5.63           | 5.63           | 29.38          | 17.81                              |
| <b>Total</b>                                    | <b>4558.18</b>     | <b>4505.27</b> | <b>5158.77</b> | <b>6216.45</b> | <b>7653.68</b> | <b>6810.77</b>                     |
| Profit before Interest, Depreciation and Tax    | 568.13             | 582.03         | 573.78         | 619.77         | 797.70         | 901.63                             |
| Depreciation                                    | 115.74             | 142.65         | 155.93         | 169.28         | 186.96         | 163.72                             |
| Profit before Interest and Tax                  | 452.39             | 439.38         | 417.85         | 450.49         | 610.74         | 737.91                             |
| Interest & Finance Charges                      | 171.17             | 197.46         | 210.49         | 217.63         | 299.74         | 234.29                             |
| Loss on sale of Investment/Assets               | 1.05               | 0.04           | 2.94           | -              | -              | 1.11                               |
| Net Profit Before Tax                           | 280.17             | 241.88         | 204.42         | 232.86         | 311.00         | 502.51                             |
| Provision For Taxation                          |                    |                |                |                |                |                                    |
| Current Tax                                     | 105.00             | 85.00          | 59.50          | 74.00          | 98.00          | 172.00                             |
| Deferred Tax                                    | -                  | -              | 12.94          | 11.04          | 12.40          | -                                  |
| Net Profit After Tax                            | 175.17             | 156.88         | 131.98         | 147.82         | 200.60         | 330.51                             |

| Particulars                                            | For the year ended |                |                |                |                | For Nine months ended Dec 31, 2004 |
|--------------------------------------------------------|--------------------|----------------|----------------|----------------|----------------|------------------------------------|
|                                                        | March 31, 2000     | March 31, 2001 | March 31, 2002 | March 31, 2003 | March 31, 2004 |                                    |
| Proposed Dividend & Dividend Tax                       | 44.09              | 36.21          | 32.86          | 37.07          | 37.07          | 18.58                              |
| Prior Period Item                                      | -0.57              | 31.60          | -              | -              | -              | -0.09                              |
| Net profit after tax after adjusting prior period item | 174.60             | 188.48         | 131.98         | 147.82         | 200.60         | 330.42                             |

#### Summary of Assets and Liabilities, as restated

Rs. in lacs

| Particulars |                                                    | As at          |                |                |                |                |               |
|-------------|----------------------------------------------------|----------------|----------------|----------------|----------------|----------------|---------------|
|             |                                                    | March 31, 2000 | March 31, 2001 | March 31, 2002 | March 31, 2003 | March 31, 2004 | Dec. 31, 2004 |
| <b>A</b>    | <b>FIXED ASSETS</b>                                |                |                |                |                |                |               |
|             | Gross Block                                        | 1798.27        | 1998.20        | 2218.63        | 2408.24        | 2824.49        | 3043.02       |
|             | Less: Depreciation                                 | 813.43         | 951.45         | 1065.96        | 1208.10        | 1328.29        | 1447.61       |
|             | Net Block                                          | 984.84         | 1046.75        | 1152.67        | 1200.14        | 1496.20        | 1595.41       |
|             | Less : Revaluation Reserve                         | 71.80          | 69.07          | 66.60          | 64.38          | 62.39          | 61.25         |
|             | Net Block after adjustment for Revaluation Reserve | 913.04         | 977.68         | 1086.07        | 1135.76        | 1433.81        | 1534.16       |
|             | Capital Work in Progress                           | -              | 0.58           | 1.67           | 12.89          | 80.48          | 83.58         |
|             | <b>Total Fixed Assets (A)</b>                      | 913.04         | 978.26         | 1087.74        | 1148.65        | 1514.29        | 1617.74       |
| <b>B</b>    | <b>INVESTMENTS (B)</b>                             | 48.86          | 45.03          | 41.64          | 43.25          | 39.53          | 39.52         |
| <b>C</b>    | <b>CURRENT ASSETS, LOANS AND ADVANCES</b>          |                |                |                |                |                |               |
|             | Inventories                                        | 777.38         | 819.62         | 964.16         | 1318.44        | 1617.61        | 1791.02       |
|             | Sundry Debtors                                     | 1003.33        | 1243.48        | 1637.52        | 1689.07        | 2051.45        | 2347.44       |
|             | Cash and bank Balance                              | 150.27         | 77.64          | 94.34          | 120.72         | 160.68         | 215.54        |
|             | Loans and Advance                                  | 292.50         | 288.42         | 337.87         | 485.38         | 459.74         | 517.97        |
|             | <b>Total (C )</b>                                  | 2223.48        | 2429.16        | 3033.89        | 3613.61        | 4289.48        | 4871.97       |
| <b>D</b>    | <b>LIABILITIES AND PROVISIONS</b>                  |                |                |                |                |                |               |
|             | Secured Loans                                      | 827.86         | 1048.06        | 1150.29        | 1444.00        | 1912.34        | 2254.19       |
|             | Unsecured Loans                                    | 210.07         | 247.09         | 289.10         | 411.89         | 381.41         | 387.72        |
|             | Current Liabilities                                | 981.43         | 887.28         | 1273.51        | 1449.01        | 1844.89        | 1765.13       |
|             | Provisions                                         | 215.02         | 183.36         | 262.91         | 280.30         | 283.74         | 403.67        |
|             | Deferred Tax liability                             | -              | -              | 188.12         | 199.16         | 211.57         | 211.57        |
|             | <b>Total (D)</b>                                   | 2234.38        | 2365.79        | 3163.93        | 3784.36        | 4633.95        | 5022.28       |
| <b>E</b>    | <b>NET WORTH (A+B+C-D)</b>                         | 951.00         | 1086.66        | 999.34         | 1021.15        | 1209.35        | 1506.95       |
| <b>F</b>    | <b>REPRESENTED BY:</b>                             |                |                |                |                |                |               |
| <b>1</b>    | Share Capital                                      | 164.29         | 164.29         | 164.29         | 164.29         | 164.29         | 575.00        |
| <b>2</b>    | Total Reserves and Surplus                         | 858.51         | 991.44         | 912.91         | 1021.87        | 1178.70        | 1078.69       |
| <b>3</b>    | Less Revaluation Reserves                          | 71.80          | 69.07          | 66.60          | 64.38          | 62.39          | 61.25         |
|             | Net Reserve and Surplus                            | 786.71         | 922.37         | 846.31         | 957.49         | 1116.31        | 1017.44       |

| Particulars |                            | As at                |                      |                      |                      |                      |                     |
|-------------|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
|             |                            | March<br>31,<br>2000 | March<br>31,<br>2001 | March<br>31,<br>2002 | March<br>31,<br>2003 | March<br>31,<br>2004 | Dec.<br>31,<br>2004 |
| 4           | Miscellaneous Expenditure  | -                    | -                    | 11.26                | 100.63               | 71.25                | 85.49               |
|             | <b>NET WORTH (1+2-3-4)</b> | 951.00               | 1086.66              | 999.34               | 1021.15              | 1209.35              | 1506.95             |

## GENERAL INFORMATION

### **TALBROS AUTOMOTIVE COMPONENTS LIMITED**

**Registered Office:** 14/1, Delhi Mathura road, Faridabad – 121 003, Haryana

**Registration No.:** 05-033107

**RoC:** Registrar of Companies, NCT of Delhi & Haryana at New Delhi

## OUR BOARD OF DIRECTORS

| <b>Name of Director</b> | <b>Designation</b>                |
|-------------------------|-----------------------------------|
| Mr. Naresh Talwar       | Chairman                          |
| Mr. Umesh Talwar        | Vice Chairman & Managing Director |
| Mr. Nikhil Talwar       | Joint Managing Director           |
| Mr. Anil K. Mehra       | Non Executive Director            |
| Mr. Rajive Sawhney      | Non Executive Director            |
| Mr. V. Mohan            | Non Executive Director            |

### **Brief profile of Chairman, Managing Director, Whole Time Director etc.**

#### **Mr. Naresh Talwar**

Mr. Naresh Talwar, aged 64 years, is a Graduate from Delhi University and has been in the Automotive Components Industry for more than 38 years.

#### **Mr. Umesh Talwar**

Mr. Umesh Talwar, aged 54 years, is a Graduate from Delhi University and MBA from XLRI, Jamshedpur and has more than 28 years of experience in the Automotive Components Industry. Mr. Umesh Talwar is a member of CII, Haryana State Council and also a member of Executive Committee of Automotive Components Manufacturers Association of India (ACMA).

#### **Mr. Nikhil Talwar**

Mr. Nikhil Talwar, aged 34 years is a Graduate from Delhi University and MBA from Durham University of Business School, U. K. He has more than 10 years experience in the auto components industry. He is engaged in strategic planning, business promotion, monitoring our long term plan besides technology transfer/up-gradation.

For the detailed profile of our Board of Directors please refer to the section titled “Our Management” on page no. [●] of this Draft Red Herring Prospectus.

## ISSUE MANAGEMENT TEAM

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>BOOK RUNNING LEAD MANAGER TO THE ISSUE</b></p> <p><b>UTI Securities Limited.</b><br/> <b>SEBI Registration No. INM000007458</b><br/> <b>MAPIN No. UIN 100000489</b><br/> 1<sup>st</sup> Floor, Dheeraj Arma,<br/> Anant Kanekar Marg, Station Road<br/> Bandra (East), Mumbai – 400 051<br/> Tel: 91-22- 5551 0804 / 5551 0809<br/> Fax: 91-22- 5551 5825<br/> Website: <a href="http://www.utisel.com">www.utisel.com</a><br/> Email: <a href="mailto:talbros@utisel.com">talbros@utisel.com</a><br/> Contact Person: Mr. Jinesh Mehta</p> | <p><b>REGISTRAR TO THE ISSUE</b></p> <p><b>Karvy Computershare Private Limited</b><br/> <b>SEBI Registration No. INR000000221</b><br/> <b>MAPIN No. UIN 100013979</b><br/> 46, Avenue 4, Street No. 1,<br/> Banjara Hills,<br/> Hyderabad – 500 034<br/> Tel: 91-40-23312454/23320251/751<br/> Fax: 91-40-23311968<br/> Website: <a href="http://www.karvy.com">www.karvy.com</a><br/> Email: <a href="mailto:talbrosipo@karvy.com">talbrosipo@karvy.com</a><br/> Contact Person: Mr. K. S. Reddy</p> |
| <p><b>AUDITORS TO THE COMPANY</b></p> <p><b>M/s. S. N. Dhawan &amp; Co.</b><br/> Chartered Accountants<br/> C-37, Connaught Place,<br/> New Delhi – 110 001<br/> Tel: 91-11- 2341 5710/2341 6322<br/> Fax: 91-11- 2341 5021<br/> Email: <a href="mailto:contact@mazars.co.in">contact@mazars.co.in</a></p>                                                                                                                                                                                                                                        | <p><b>LEGAL ADVISOR TO THE ISSUE</b></p> <p><b>M/s. Crawford Bayley &amp; Co.</b><br/> 4<sup>th</sup> Floor, State Bank Buildings,<br/> N.G.N. Vaidya Marg,<br/> Fort, Mumbai – 400 023.<br/> Tel: 91-22- 2266 3713<br/> Fax: 91-22- 2266 3978<br/> Email: <a href="mailto:sanjay.asher@crawfordbayley.com">sanjay.asher@crawfordbayley.com</a></p>                                                                                                                                                   |
| <p><b>BANKERS TO THE COMPANY</b></p> <p><b>State Bank of India</b><br/> Jawahar Vyapar Bhawan<br/> Tolstoy Marg<br/> New Delhi 110 001<br/> Tel: 91-11-23711576,23736460<br/> Fax: 91-11-23713638</p> <p><b>ICICI Bank Limited</b><br/> 9A, Phelps Building<br/> Connaught Circus<br/> New Delhi 110 001<br/> Tel: 91-11- 23765200<br/> Fax: 91-11- 23319103</p>                                                                                                                                                                                  | <p><b>ESCROW COLLECTION BANKS AND BANKERS TO THE ISSUE</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p><b>COMPANY SECRETARY AND COMPLIANCE OFFICER</b></p> <p><b>Mr. Pankaj Dhawan</b><br/> <b>Talbros Automotive Components Limited</b><br/> 14/1, Delhi Mathura Road,<br/> Faridabad – 121 003<br/> Haryana<br/> Tel: 91-129- 2275434<br/> Fax: 91-129- 2277240<br/> Email: <a href="mailto:pankajdhawan@talbros.com">pankajdhawan@talbros.com</a></p>                                                                                                                                                                                              | <p><b>SYNDICATE MEMBERS</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

The Investors are requested to contact the Compliance Officer in case of any pre-issue/post-issue related problems such as non-receipt of letter of allotment/share certificate/refund orders/demat credits not made etc.

## **TRUSTEES**

This being an issue of Equity Shares, appointment of Trustees is not required.

## **CREDIT RATING**

This being an issue of Equity Shares, credit rating is not required.

## **PROJECT APPRAISAL**

The project has not been appraised.

### **Book Building Process**

Book Building refers to the process of collection of Bids from Investors, which is based on the Price Band, with the Issue Price being finalized after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

- Talbros Automotive Components Limited;
- Book Running Lead Manager, in this case being UTI Securities Limited
- Syndicate Members, who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and are eligible to act as underwriters. Syndicate Members are appointed by the BRLM
- Escrow collection Bank(s), and
- Registrar to the Issue

SEBI, through its guidelines, has permitted an Issue of securities to the public through the 100% Book Building Process, wherein up to 50% of the Issue shall be allocated on a discretionary basis to QIBs. Further, not less than 25% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% 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. We will comply with the SEBI guidelines for this Issue. In this regard, we have appointed the BRLM to procure subscriptions to the Issue.

The process of book building, under SEBI Guidelines, is relatively new and the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue.

Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date. For details see the section titled "Terms of the Issue" on page [•] in this Draft Red Herring Prospectus.

Steps to be taken by the Bidders for bidding:

- Check whether the bidder is eligible for bidding having regard to all applicable Indian laws, rules, regulations, guidelines and approvals;
- Bidder necessarily needs to have a demat account;
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form; and
- Ensure that the Bid cum Application Form is accompanied by the PAN or by Form 60 or Form 61 as may be applicable together with necessary documents providing proof of address. See page [•] in this draft Red Herring Prospectus for details. Bidders are specifically requested not to submit their GIR number instead of the PAN number as the Bid is liable to be rejected.

### **Underwriting Agreement**

After the determination of the Issue Price and prior to filing of the Prospectus with RoC, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares

proposed to be issued through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

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

| <b>Name and Address of the Underwriters</b> | <b>Indicative Number of Equity shares to be Underwritten</b> | <b>Amount Underwritten (Rupees In Lacs)</b> |
|---------------------------------------------|--------------------------------------------------------------|---------------------------------------------|
| <b>UTI Securities Limited</b>               | <b>[•]</b>                                                   | <b>[•]</b>                                  |
|                                             |                                                              |                                             |
|                                             |                                                              |                                             |

The above mentioned amount is indicative underwriting and would be finalized after pricing and actual allocation. 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 SEBI Act or registered as brokers with the Stock Exchange(s). The above Underwriting Agreement has been 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. Notwithstanding the above table, the BRLM and the Syndicate Member shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. 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. Allocation to QIBs is discretionary as per the terms of this Draft Red Herring Prospectus and may not be proportionate in any way and the pattern of allocation to the QIBs could be different for the various Underwriters.

## CAPITAL STRUCTURE

The share capital of our Company as on the date of filing of this Draft Red Herring Prospectus with SEBI is as set forth below.

| No. of Shares                                                                                                                                         | Nominal Value (Rs.) | Aggregate Value (Rs.) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------|
| A. <b>AUTHORISED CAPITAL</b><br>15,000,000 Equity Shares of Rs. 10/- each                                                                             | 150,000,000         |                       |
| B. <b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b><br>57,50,003 Equity shares of Rs. 10/- each                                                          | 5,75,00,030         |                       |
| C. <b>PRESENT ISSUE – PUBLIC ISSUE OF</b><br>[•] Equity Shares of Rs. 10/- each at a premium of Rs. [•]/- per share                                   | [•]                 | 50,00,00,000          |
| D. <b>OUT OF WHICH PROMOTERS CONTRIBUTION</b><br>[•] Equity Shares of Rs. 10/- each at a premium of Rs. [•]/- per share                               | [•]                 | 2,50,00,000           |
| E. <b>NET OFFER TO THE PUBLIC THROUGH THIS DRAFT RED HERRING PROSPECTUS</b><br>[•] Equity Shares of Rs. 10/- each at a premium of Rs. [•]/- per share | [•]                 | 47,50,00,000          |
| F. <b>PAID UP CAPITAL AFTER THE PRESENT ISSUE</b><br>[•] Equity shares of Rs. 10/- each                                                               | [•]                 |                       |
| G. <b>SHARE PREMIUM ACCOUNT</b><br>Before the issue<br>After the issue                                                                                |                     | Nil<br>[•]            |

### Details of Increase in Authorized/Paid-up Capital

| Sr. No | Particulars Of Increase     | Date of Meeting              | AGM / EGM |
|--------|-----------------------------|------------------------------|-----------|
| 1.     | Rs. 10 lacs                 | At the time of Incorporation | -         |
| 2.     | Rs. 10 lacs to 25 lacs      | November 26, 1962            | EGM       |
| 3.     | Rs. 25 lacs to 50 lacs      | April 25, 1966               | EGM       |
| 4.     | Rs. 50 lacs to Rs. 1 crore  | May 16, 1974                 | EGM       |
| 5.     | Rs. 1 crore to Rs. 2 crore  | June 27, 1986                | AGM       |
| 6.     | Rs. 2 crore to Rs. 3 crore  | June 16, 1992                | EGM       |
| 7.     | Rs. 3 crore to Rs. 5 crore  | September 25, 2004           | AGM       |
| 8.     | Rs. 5 crore to Rs. 15 crore | December 15, 2004            | EGM       |

## Notes to the Capital Structure

### 1. Equity Share Capital History

| Date on which Equity Shares were allotted/ made fully paid-up | Number of Equity Shares | Cumulative shares | Face Value (in Rs) | Issue Price (in Rs) | Nature of payment of consideration | Reason for allotment (bonus, swap etc)                                         | Share Premium (in Rs. Lacs) | Cumulative Share Premium (in Rs. Lacs) |
|---------------------------------------------------------------|-------------------------|-------------------|--------------------|---------------------|------------------------------------|--------------------------------------------------------------------------------|-----------------------------|----------------------------------------|
| September 1, 1956                                             | 50,000                  | 50,000            | 10                 | 10                  | Cash                               | Subscribers to the MOA                                                         | -                           | -                                      |
| October 8, 1957                                               | 10,000                  | 60,000            | 10                 | 10                  | Cash                               | Subscribed by Promoters, Friends & Relatives and foreign collaborator          | -                           | -                                      |
| January 29, 1959                                              | 20,000                  | 80,000            | 10                 | 10                  | Cash                               | Subscribed by Promoters, Friends & Relatives                                   | -                           | -                                      |
| March 15, 1961                                                | 20,000                  | 100,000           | 10                 | 10                  | Cash                               | Subscribed by Payen Talbros and Mr. W.N. Talwar                                | -                           | -                                      |
| May 27, 1963                                                  | 50,000                  | 150,000           | 10                 | Nil                 | Nil                                | Bonus                                                                          | -                           | -                                      |
| March 31, 1966                                                | 50,000                  | 200,000           | 10                 | 10                  | Cash                               | Subscribed by foreign collaborators                                            | -                           | -                                      |
| August 6, 1966                                                | 100,000                 | 300,000           | 10                 | Nil                 | Nil                                | Bonus                                                                          | -                           | -                                      |
| June 26, 1970                                                 | 100,000                 | 400,000           | 10                 | Nil                 | -                                  | Bonus                                                                          | -                           | -                                      |
| July 12, 1975                                                 | 100,000                 | 500,000           | 10                 | Nil                 | Nil                                | Bonus                                                                          | -                           | -                                      |
| August 22, 1978                                               | 75,358                  | 575,358           | 10                 | 10                  | Other than cash                    | Issue of 1 share of Talbros for 4 shares of AEW Janson Limited on Amalgamation | -                           | -                                      |
| July 15, 1980                                                 | 124,642                 | 700,000           | 10                 | 15                  | Cash                               | Initial public issue cum offer for sale                                        | 6.23                        | 6.23                                   |
| October 3, 1988                                               | 280,000                 | 980,000           | 10                 | Nil                 | Nil                                | Bonus                                                                          | -                           | -*                                     |
| January 25, 1989                                              | 420,000                 | 1,400,000         | 10                 | 10                  | Cash                               | Rights Issue                                                                   | -                           | -                                      |
| March 24, 1995                                                | 242,858                 | 1,642,858         | 10                 | 93.75               | Cash                               | Preferential allotment to foreign collaborator                                 | 203.39                      | 203.39                                 |
| December                                                      | 4,107,145               | <b>5,750,003</b>  | 10                 | Nil                 | Nil                                | Bonus                                                                          | -                           | -*                                     |

| Date on which Equity Shares were allotted/made fully paid-up | Number of Equity Shares | Cumulative shares | Face Value (in Rs) | Issue Price (in Rs) | Nature of payment of consideration | Reason for allotment (bonus, swap etc) | Share Premium (in Rs. Lacs) | Cumulative Share Premium (in Rs. Lacs) |
|--------------------------------------------------------------|-------------------------|-------------------|--------------------|---------------------|------------------------------------|----------------------------------------|-----------------------------|----------------------------------------|
| 31, 2004                                                     |                         |                   |                    |                     |                                    |                                        |                             |                                        |

\*: Share premium has been capitalized/adjusted against allotment of bonus shares and share issue expenses.

## 2. Shares issued for consideration other than cash

We have not issued any shares for consideration, other than cash except as mentioned in Note no. 1 above.

## 3. Promoters Contribution and Lock-In

The requirement of Promoters contribution is not applicable as per the details given below:

### Exemption as per Clause 4.10.1(a)

- Company's shares are listed since 1980, i.e. for more than 24 years.
- Company has been paying dividend for 45 years. Dividend for the past five years are as under:

| Particulars  | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|--------------|-----------|---------|---------|---------|---------|
| Dividend (%) | 22        | 20      | 20      | 20      | 20      |

## 4. Promoters Contribution and Lock-in in respect of Promoters whose name figure in the Draft Prospectus as Promoters in the paragraph on "Promoters and their Background" is as under:

| Sl. No. | Name of Promoter / Person in Promoter Group | Date of allotment/ Transfer and made Fully paid-up | Consideration | No. of Shares  | Face Value (Rs.) | Issue / Transfer Price (Rs.) | % of Post Issue paid-up capital | Lock in Period (Years) |
|---------|---------------------------------------------|----------------------------------------------------|---------------|----------------|------------------|------------------------------|---------------------------------|------------------------|
| 1       | Mr. Naresh Talwar                           | 15.07.2000                                         | Cash          | 34,427         | 10               | 10.00                        | -                               | #                      |
|         |                                             | 30.09.2002                                         | Cash          | 4,000          | 10               | 30.00                        | -                               | #                      |
|         |                                             | 27.03.2003                                         | Transfer      | (29,407)       | 10               | 22.25                        | -                               | #                      |
|         |                                             | 31.05.2003                                         | Transmis sion | 36,648         | 10               | -                            | -                               | #                      |
|         |                                             | 17.10.2003                                         | Cash          | 8,246          | 10               | 30.00                        | -                               | #                      |
|         |                                             | 15.11.2003                                         | Transfer      | (4,000)        | 10               | 51.20                        | -                               | #                      |
|         |                                             | 15.01.2004                                         | Cash          | 5,357          | 10               | 30.00                        | -                               | #                      |
|         |                                             | 31.03.2004                                         | Cash          | 117            | 10               | 30.00                        | -                               | #                      |
|         |                                             | 07.07.2004                                         | Cash          | 63             | 10               | 30.00                        | -                               | #                      |
|         |                                             | 31.12.2004                                         | Bonus         | 138,626        | 10               | -                            | -                               | #                      |
|         |                                             |                                                    | <b>Total</b>  | <b>194,077</b> |                  | <b>0.10</b>                  | <b>[•]</b>                      |                        |
| 2       | Mr. Umesh Talwar                            | 26.10.1968                                         | Cash          | 6,233          | 10               | 10.00                        | -                               | #                      |
|         |                                             | 26.06.1970                                         | Bonus         | 2,078          | 10               | -                            | -                               | #                      |
|         |                                             | 12.07.1975                                         | Bonus         | 2,078          | 10               | -                            | -                               | #                      |
|         |                                             | 15.11.1977                                         | Cash          | 9,570          | 10               | 10.00                        | -                               | #                      |
|         |                                             | 17.07.1980                                         | Transfer      | (5,000)        | 10               | 10.00                        | -                               | #                      |

| Sl. No. | Name of Promoter / Person in Promoter Group | Date of allotment/ Transfer and made Fully paid-up | Consideration    | No. of Shares  | Face Value (Rs.) | Issue / Transfer Price (Rs.) | % of Post Issue paid-up capital | Lock in Period (Years) |
|---------|---------------------------------------------|----------------------------------------------------|------------------|----------------|------------------|------------------------------|---------------------------------|------------------------|
|         |                                             | 22.08.1978                                         | Amalgamation     | 519            | 10               | -                            | -                               | #                      |
|         |                                             | 25.09.1987                                         | Cash             | 1,018          | 10               | 10.00                        | -                               | #                      |
|         |                                             | 08.10.1988                                         | Bonus            | 6,598          | 10               | -                            | -                               | #                      |
|         |                                             | 28.01.1989                                         | Rights           | 9,897          | 10               | 10.00                        | -                               | #                      |
|         |                                             | 21.08.1995                                         | Cash             | 200            | 10               | 68.00                        | -                               | #                      |
|         |                                             | 09.12.1995                                         | Cash             | 100            | 10               | 75.00                        | -                               | #                      |
|         |                                             | 16.08.1997                                         | Cash             | 250            | 10               | 20.00                        | -                               | #                      |
|         |                                             | 28.03.1998                                         | Cash             | 100            | 10               | 25.00                        | -                               | #                      |
|         |                                             | 28.03.1998                                         | Cash             | 150            | 10               | 25.00                        | -                               | #                      |
|         |                                             | 04.07.1998                                         | Cash             | 100            | 10               | 25.00                        | -                               | #                      |
|         |                                             | 21.11.1998                                         | Cash             | 100            | 10               | 16.00                        | -                               | #                      |
|         |                                             | 04.12.1999                                         | Cash             | 500            | 10               | 43.50                        | -                               | #                      |
|         |                                             | 02.05.2000                                         | Cash             | 200            | 10               | 32.00                        | -                               | #                      |
|         |                                             | 11.09.2000                                         | Cash             | 200            | 10               | 32.00                        | -                               | #                      |
|         |                                             | 10.02.2001                                         | Cash             | 150            | 10               | 32.00                        | -                               | #                      |
|         |                                             | 27.03.2001                                         | Cash             | 300            | 10               | 32.00                        | -                               | #                      |
|         |                                             | 14.04.2001                                         | Cash             | 200            | 10               | 32.00                        | -                               | #                      |
|         |                                             | 30.05.2001                                         | Cash             | 200            | 10               | 28.00                        | -                               | #                      |
|         |                                             | 29.06.2001                                         | Cash             | 300            | 10               | 32.00                        | -                               | #                      |
|         |                                             | 10.09.2001                                         | Cash             | 850            | 10               | 30.00                        | -                               | #                      |
|         |                                             | 30.09.2002                                         | Cash             | 2,520          | 10               | 30.00                        | -                               | #                      |
|         |                                             | 30.09.2002                                         | Cash             | 1,480          | 10               | 30.00                        | -                               | #                      |
|         |                                             | 31.05.2003                                         | Transmis<br>sion | 18,324         | 10               | -                            | -                               | #                      |
|         |                                             | 31.07.2003                                         | Transfer         | (24,744)       | 10               | 56.10                        | -                               | #                      |
|         |                                             | 17.10.2003                                         | Cash             | 6,817          | 10               | 30.00                        | -                               | #                      |
|         |                                             | 15.11.2003                                         | Transfer         | (1,480)        | 10               | 51.20                        | -                               | #                      |
|         |                                             | 15.01.2004                                         | Cash             | 6,200          | 10               | 30.00                        | -                               | #                      |
|         |                                             | 31.03.2004                                         | Cash             | 2,864          | 10               | 30.00                        | -                               | #                      |
|         |                                             | 31.12.2004                                         | Bonus            | 122,179        | 10               | -                            | -                               | #                      |
|         |                                             |                                                    | <b>Total</b>     | <b>171,051</b> |                  | <b>Nil</b>                   | <b>[•]</b>                      |                        |
| 3       | Mr. Nikhil Talwar                           | 16.08.1996                                         | Cash             | 9,953          | 10               | 10.00                        | -                               | #                      |
|         |                                             | 16.08.1997                                         | Cash             | 500            | 10               | 20.00                        | -                               | #                      |
|         |                                             | 17.01.1998                                         | Cash             | 500            | 10               | 25.00                        | -                               | #                      |
|         |                                             | 30.05.1998                                         | Cash             | 250            | 10               | 25.00                        | -                               | #                      |
|         |                                             | 04.07.1998                                         | Transmis<br>sion | 497            | 10               | -                            | -                               | #                      |
|         |                                             | 28.09.1998                                         | Cash             | 100            | 10               | 25.00                        | -                               | #                      |
|         |                                             | 21.11.1998                                         | Cash             | 400            | 10               | 16.00                        | -                               | #                      |
|         |                                             | 04.12.1999                                         | Cash             | 750            | 10               | 30.67                        | -                               | #                      |
|         |                                             | 17.06.2000                                         | Cash             | 150            | 10               | 34.00                        | -                               | #                      |
|         |                                             | 10.02.2001                                         | Cash             | 300            | 10               | 32.00                        | -                               | #                      |
|         |                                             | 27.03.2001                                         | Cash             | 700            | 10               | 32.00                        | -                               | #                      |
|         |                                             | 14.04.2001                                         | Cash             | 200            | 10               | 32.00                        | -                               | #                      |
|         |                                             | 30.05.2001                                         | Cash             | 200            | 10               | 28.00                        | -                               | #                      |
|         |                                             | 29.06.2001                                         | Cash             | 300            | 10               | 32.00                        | -                               | #                      |
|         |                                             | 13.08.2001                                         | Cash             | 300            | 10               | 30.00                        | -                               | #                      |
|         |                                             | 10.09.2001                                         | Cash             | 900            | 10               | 30.00                        | -                               | #                      |
|         |                                             | 12.07.2002                                         | Cash             | 1,000          | 10               | 35.00                        | -                               | #                      |

| Sl. No. | Name of Promoter / Person in Promoter Group | Date of allotment/ Transfer and made Fully paid-up | Consideration | No. of Shares  | Face Value (Rs.) | Issue / Transfer Price (Rs.) | % of Post Issue paid-up capital | Lock in Period (Years) |
|---------|---------------------------------------------|----------------------------------------------------|---------------|----------------|------------------|------------------------------|---------------------------------|------------------------|
|         |                                             | 31.07.2002                                         | Transmis sion | 8,281          | 10               | -                            | -                               | #                      |
|         |                                             | 16.08.2002                                         | Cash          | 10,165         | 10               | 15.00                        | -                               | #                      |
|         |                                             | 30.08.2002                                         | Cash          | 8,000          | 10               | 15.00                        | -                               | #                      |
|         |                                             | 09.09.2002                                         | Transmis sion | 11,262         | 10               | -                            | -                               | #                      |
|         |                                             | 09.09.2002                                         | Cash          | 50             | 10               | 15.00                        | -                               | #                      |
|         |                                             | 30.09.2002                                         | Cash          | 2,667          | 10               | 30.00                        | -                               | #                      |
|         |                                             | 30.11.2002                                         | Transmis sion | 500            | 10               | -                            | -                               | #                      |
|         |                                             | 30.11.2002                                         | Cash          | 16,920         | 10               | 13.00                        | -                               | #                      |
|         |                                             | 14.06.2003                                         | Cash          | 415            | 10               | 30.00                        | -                               | #                      |
|         |                                             | 14.06.2003                                         | Cash          | 5,061          | 10               | 30.00                        | -                               | #                      |
|         |                                             | 15.09.2003                                         | Cash          | 19,230         | 10               | 25.00                        | -                               | #                      |
|         |                                             | 17.10.2003                                         | Cash          | 5,458          | 10               | 30.00                        | -                               | #                      |
|         |                                             | 17.10.2003                                         | Cash          | 38             | 10               | 30.00                        | -                               | #                      |
|         |                                             | 15.01.2004                                         | Cash          | 2,590          | 10               | 30.00                        | -                               | #                      |
|         |                                             | 15.01.2004                                         | Cash          | 8,795          | 10               | 30.00                        | -                               | #                      |
|         |                                             | 31.03.2004                                         | Cash          | 3,060          | 10               | 30.00                        | -                               | #                      |
|         |                                             | 31.03.2004                                         | Cash          | 3,713          | 10               | 30.00                        | -                               | #                      |
|         |                                             | 07.02.2004                                         | Gift          | 68,134         | 10               | -                            | -                               | #                      |
|         |                                             | 31.12.2004                                         | Bonus         | 478,347        | 10               | -                            | -                               | #                      |
|         |                                             | <b>Total</b>                                       |               | <b>669,686</b> |                  | <b>3.32</b>                  | <b>[•]</b>                      |                        |

# Refer to Note 3 above.

#### **Break up of Promoter Group Holding prior to Issue**

| Sr. No. | Name of shareholder | No. of Shares | % of Outstanding paid up capital |
|---------|---------------------|---------------|----------------------------------|
| 1       | Naresh Talwar       | 194,077       | 3.38                             |
| 2       | Umesh Talwar        | 171,051       | 2.97                             |
| 3       | Nikhil Talwar       | 669,686       | 11.65                            |
| 4       | Shashi Talwar       | 272,289       | 4.74                             |
| 5       | Shefali Aswani      | 62,510        | 1.09                             |
| 6       | Nakul Talwar        | 342,639       | 5.96                             |
| 7       | S. C. Kakkar        | 437           | 0.01                             |
| 8       | Bimpi Talwar        | 294,762       | 5.13                             |
| 9       | Master Anuj Talwar  | 26,096        | 0.45                             |
| 10      | Kumkum Talwar       | 330,683       | 5.75                             |
| 11      | Varun Talwar        | 15,018        | 0.26                             |
| 12      | Vidur Talwar        | 15,018        | 0.26                             |
| 13      | Asha Burman         | 101,500       | 1.77                             |
| 14      | Amit Burman         | 2,625         | 0.05                             |
| 15      | Gauri Tondon        | 2,625         | 0.05                             |
| 16      | Anju Gambhir        | 12,320        | 0.21                             |
| 17      | Promila Tayal       | 7,000         | 0.12                             |

| Sr. No. | Name of shareholder | No. of Shares    | % of Outstanding paid up capital |
|---------|---------------------|------------------|----------------------------------|
| 18      | QH Talbros Limited  | 45,430           | 0.79                             |
|         | <b>Total</b>        | <b>2,565,766</b> | <b>44.62</b>                     |

5. The Equity Shares held by persons other than Promoters may be transferred to any other person holding shares prior to the Issue, subject to continuation of lock-in with transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

The Equity Shares to be held by the Promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the Equity Shares held by Promoters, which are locked in, may be transferred to and among Promoter/Promoter Group or to a new promoter or persons in control of the Company, subject to the continuation of lock-in with the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable. The Promoters may pledge their Equity Shares with banks or financial institutions as additional security for loans whenever availed by them from banks or financial institutions.

#### 6. Details of capitalization of reserves by the Company in the past

We have issued 47,37,145 Equity Shares of Rs. 10/- each as bonus shares by capitalization of free reserves as detailed below:

| Date of Allotment | No. of Shares    | Ratio |
|-------------------|------------------|-------|
| 27.05.1963        | 50,000           | 1:2   |
| 06.08.1966        | 1,00,000         | 2:3   |
| 26.06.1970        | 1,00,000         | 1:3   |
| 12.07.1975        | 1,00,000         | 1:4   |
| 03.10.1988        | 2,80,000         | 2:5   |
| 31.12.2004        | 41,07,145        | 5:2   |
| <b>Total</b>      | <b>47,37,145</b> |       |

#### 7. The details of sale/ purchase/ financing of shares by Promoters/Directors :

The Promoters Group/Directors have not purchased and/or sold/financed any shares of the Company during the past 6 months except as listed below:

| Name         | Buy/Sell | No. of Shares | Avg. Rate |
|--------------|----------|---------------|-----------|
| Anju Gambhir | Buy      | 1,000         | 152.25    |
| Uma Kakkar   | Sell     | 1,301         | 226.65    |
| Anju Gambhir | Sell     | 500           | 226.65    |
| Uma Kakkar   | Sell     | 500           | 245.25    |
| Anju Gambhir | Sell     | 500           | 245.25    |

The maximum and minimum price at which the transactions are made:

| Buy / Sell | Maximum Price / Date | Minimum Price (Rs.) / Date |
|------------|----------------------|----------------------------|
| Buy        | 152.25 on 21.10.2004 | 152.25 on 21.10.2004       |
| Sell       | 245.25 on 19.11.2004 | 226.65 on 12.11.2004       |

#### 8. Particulars of top ten shareholders on the date of filing this Draft Red Herring Prospectus with SEBI

| Sr. No. | Name of the Shareholders     | No. of shares | % of the paid up capital |
|---------|------------------------------|---------------|--------------------------|
| 1       | Nikhil Talwar                | 669,686       | 11.65                    |
| 2       | Nakul Talwar                 | 342,639       | 5.96                     |
| 3       | Kumkum Talwar                | 330,683       | 5.75                     |
| 4       | Bimpi Talwar                 | 294,762       | 5.13                     |
| 5       | NGP Industries Limited       | 287,500       | 5.00                     |
| 6       | Gyan Enterprises Private Ltd | 287,500       | 5.00                     |
| 7       | Shashi Talwar                | 272,289       | 4.74                     |
| 8       | Naresh Talwar                | 194,077       | 3.38                     |
| 9       | Umesh Talwar                 | 171,051       | 2.97                     |
| 10      | Chetan Mehta                 | 170,578       | 2.97                     |

**9. Particulars of top ten shareholders 10 days prior to the date of filing of this Draft Red Herring Prospectus with SEBI**

| Sr. No. | Name of the Shareholders     | No. of shares | % of the paid up capital |
|---------|------------------------------|---------------|--------------------------|
| 1       | Nikhil Talwar                | 669,686       | 11.65                    |
| 2       | Nakul Talwar                 | 342,639       | 5.96                     |
| 3       | Kumkum Talwar                | 330,683       | 5.75                     |
| 4       | Bimpi Talwar                 | 294,762       | 5.13                     |
| 5       | NGP Industries Limited       | 287,500       | 5.00                     |
| 6       | Gyan Enterprises Private Ltd | 287,500       | 5.00                     |
| 7       | Shashi Talwar                | 272,289       | 4.74                     |
| 8       | Naresh Talwar                | 194,077       | 3.38                     |
| 9       | Umesh Talwar                 | 171,051       | 2.97                     |
| 10      | Chetan Mehta                 | 169,078       | 2.94                     |

**10. Particulars of top ten shareholders 2 years prior to the date of filing of this Draft Red Herring Prospectus with SEBI**

| Sr. No. | Name of the Shareholders       | No. of shares | % of the paid up capital |
|---------|--------------------------------|---------------|--------------------------|
| 1       | Engineering Components Limited | 492,858       | 30.00                    |
| 2       | Nikhil Talwar                  | 74,255        | 4.52                     |
| 3       | Rajesh Talwar                  | 59,977        | 3.65                     |
| 4       | W. N. Talwar                   | 54,972        | 3.35                     |
| 5       | Shashi Talwar                  | 42,158        | 2.57                     |
| 6       | Umesh Talwar                   | 40,891        | 2.49                     |
| 7       | GIC of India Limited           | 38,100        | 2.32                     |
| 8       | Naresh Talwar                  | 33,407        | 2.03                     |
| 9       | Asha Burman                    | 28,000        | 1.70                     |
| 10      | R. D. Talwar                   | 27,081        | 1.65                     |

11. Our Company, Promoters, Directors and the BRLM to this Issue have not entered into any buy-back, standby or similar arrangements for purchase of our Equity Shares from any person.

12. Our Company has not raised any bridge loan against the proceeds of this Issue.

13. In case of over-subscription in all categories, up to 50% of the Net Issue to the Public shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above this Issue Price. Under-subscription, if any, in any of the categories would be allowed to be met with spill over from any other category at our sole discretion in consultation with the BRLM.

14. An over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearest integer during finalizing the allotment, subject to minimum allotment being equal to [•] Equity Shares, which is the minimum application size in this issue.
15. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares offered through this Draft Red Herring Prospectus have been listed.
16. We presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly, for our Equity Shares) whether preferential or otherwise, or, if we go in for acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
17. A Bidder cannot make a Bid for more than the number of Equity Shares offered through this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
18. Our Company undertakes that at any given time, there shall be only one denomination for the Equity shares of our Company and our Company shall comply with such disclosure and accounting norms as specified by SEBI from time to time.
19. As on the date of filing of this Draft Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares. The shares locked in by the Promoters are not pledged to any party. The Promoter may pledge the Equity Shares with banks or Financial Institutions as additional security for loan whenever availed by them from banks/Financial Institutions.
20. Shareholding Patterns of the Company before and after the Issue

| Category                             | Pre-Issue        |               | Post Issue    |               |
|--------------------------------------|------------------|---------------|---------------|---------------|
|                                      | No. of Shares    | % holding     | No. of Shares | % holding     |
| Promoters & Promoters' Group         | 2,565,766        | 44.62         | [•]           | [•]           |
| Corporate Bodies                     | 829,988          | 14.44         | [•]           | [•]           |
| NRIs/FIIs/OCBs                       | 2,94,544         | 5.12          | [•]           | [•]           |
| Mutual Funds/Fis/Banks               | 45,142           | 0.79          | [•]           | [•]           |
| Public                               | 1,910,260        | 33.22         | [•]           | [•]           |
| Clearing members (Shares in transit) | 104,303          | 1.81          | [•]           | [•]           |
| <b>Total</b>                         | <b>5,750,003</b> | <b>100.00</b> | <b>[•]</b>    | <b>100.00</b> |

21. The Equity Shares offered through this Issue shall be made fully paid-up within 12 months from the date of allotment.

22. We have not revalued our assets since inception except as disclosed below:

The land and building at Faridabad and Chennai Plant were revalued during the Financial Year ended 31<sup>st</sup> December 1986 as under:

| Asset                 | Original amount<br>as on 31.12.1986 | Revaluation<br>amount | Total amount<br>after revaluation |
|-----------------------|-------------------------------------|-----------------------|-----------------------------------|
| Land at Faridabad     | 625,736                             | 3,574,864             | 4,200,600                         |
| Land at Chennai       | 34,099                              | 867,701               | 901,800                           |
| Building at Faridabad | 2,530,082                           | 9,354,338             | 11,884,420                        |
| Building at Chennai   | 2,095,063                           | 1,724,116             | 3,819,179                         |
| <b>Total</b>          | <b>5,284,980</b>                    | <b>15,521,019</b>     | <b>20,805,999</b>                 |

The revaluation reserve has been written off by charging amount equivalent to depreciation thereon to the Profit and Loss Account on annual basis. The outstanding amount in the revaluation reserve as on December 31, 2004 is Rs. 6,124,546.

We have not issued any shares out of the revaluation reserve.

23. No payment, direct or indirect in the nature of discount, commission, allowance or otherwise shall be made either by us or our promoters to the persons who receive firm allotments, if any, in this issue.

24. We had 5,667 members as on March 11, 2005.

## OBJECTS OF THE ISSUE

### Funds requirement

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

1. Setting up of a forging unit to cater to the existing demand within the group
2. Investment in joint venture with Nippon Leakless Corporation, Japan for catering mainly to Honda group of companies within the country
3. Expansion of the current gasket manufacturing facility at Faridabad and Pune plant
4. To meet the expenses of the Issue
5. To list the Equity Shares offered through this Issue on the Stock Exchanges

The objects clause of the Memorandum of Association of our Company enables us to undertake the existing activities and the activities for which the funds are being raised by us through the present issue.

### Cost of Project and Means of Finance

The cost of the project and means of finance as estimated by our management are given below:

#### Cost of the Project

| Rs. in lacs                                                      |                 |
|------------------------------------------------------------------|-----------------|
| Particulars                                                      | Amount          |
| Setup of Forging unit                                            | 3,182.00        |
| Share of Investment in proposed joint venture with NLK           | 480.00          |
| Expansion of existing gasket manufacturing facility at Faridabad | 946.00          |
| Issue expenses                                                   | 421.61          |
| <b>Total</b>                                                     | <b>5,029.61</b> |
| <b>Means of Finance</b>                                          |                 |
| Issue of Equity Shares                                           | 5,000.00        |
| Internal accruals                                                | 29.61           |
| <b>Total</b>                                                     | <b>5,029.61</b> |

[•] – The relevant figure will be updated on finalization of the Issue price.

The overall cost of the proposed project and the proposed year wise break up of deployment of funds are as under:

| Rs. In lacs                                                       |                  |                      |                      |                      |                      |                      |                 |
|-------------------------------------------------------------------|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------|
|                                                                   | FY 2004-05       |                      | FY 2005-06           |                      |                      |                      | Total           |
| Capital Expenditure                                               | Already Incurred | 4 <sup>th</sup> Qtr. | 1 <sup>st</sup> Qtr. | 2 <sup>nd</sup> Qtr. | 3 <sup>rd</sup> Qtr. | 4 <sup>th</sup> Qtr. |                 |
| Setup of forging unit                                             | 17.46            | 20.00                | 346.03               | 765.00               | 1,240.00             | 793.51               | 3,182.00        |
| Expansion of gaskets manufacturing facility at Faridabad and Pune | -                | 25.00                | 25.00                | 550.00               | 346.00               | -                    | 946.00          |
| Investment in Joint venture with NLK                              | -                | 50.00                | 50.00                | 200.00               | 100.00               | 80.00                | 480.00          |
| Issue Expenses                                                    | 12.11            | 10.00                | 399.50               | -                    | -                    | -                    | 421.61          |
| <b>Total</b>                                                      | <b>29.57</b>     | <b>105.00</b>        | <b>820.53</b>        | <b>1,515.00</b>      | <b>1,686.00</b>      | <b>873.51</b>        | <b>5,029.61</b> |

## BRIEF DETAILS ABOUT THE PROJECT

### SETUP OF FORGING UNIT

The cost of setting up the forging unit and other details are given below:

| Rs. in lacs                      |                 |
|----------------------------------|-----------------|
| Particulars                      | Amount          |
| Land and site development        | 220.00          |
| Buildings & Civil Work           | 370.00          |
| Plant and machinery              | 1,883.00        |
| Other Fixed Assets               | 44.00           |
| Preoperative expenses            | 224.00          |
| Margin money for working capital | 441.00          |
| <b>Total</b>                     | <b>3,182.00</b> |

The above amounts excluding margin money and pre operative expenses are inclusive of contingencies @ 10%.

### LOCATION

The forging unit is proposed to be set up at Bawal (HSIDC Industrial Area) which is situated on NH-8 in district Rewari, Haryana at a distance of about 90 kilometers from Delhi. The proposed unit would be at a distance of about 70 kilometers from the factory of QH Talbros Limited to whom approximately 65% of the production of the forging unit is proposed to be sold.

### LAND AND SITE DEVELOPMENT

The size of the plot proposed to be acquired for the forging unit would be approx. 7 Acres and the cost of land is taken at approx Rs. 24.24 Lacs per acre. Details of cost of land and site development are given below:

| Rs. in lacs                                                |               |
|------------------------------------------------------------|---------------|
| Particulars                                                | Amount        |
| Cost of Land (Plot size 7 acres @ Rs. 24.24 lacs per acre) | 169.68        |
| Leveling, mud filling, survey, open area development       | 25.00         |
| Landscaping horticulture                                   | 5.00          |
| <b>Total</b>                                               | <b>199.68</b> |
| Add: Contingencies @ 10% (approx.)                         | 20.32         |
| <b>Total cost of Land and site development</b>             | <b>220.00</b> |

### BUILDING AND CIVIL WORK

The proposed plant will have buildings housing different machinery in each building. The buildings would include the Hot forge & heat treatment shop, Tool room, Die store, Rough machine shop, Administrative office, Generator room, Security room, etc. The buildings will be of RCC, ACC and brick construction.

The schedule for civil work is planned based on the likely date of receipt of equipment foundation and the need for building and equipment foundations to be ready for erection of structures and installation of equipments.

The implementation of civil and other structural works shall be executed as per the specifications of the engineering consultants and the consultants would be monitoring the entire civil work. We also have an in-house team of engineers for the project. The layout plan of the site along with the cost estimates has already been prepared and finalized with the consultants.

Details of cost of proposed building construction is given below:

| <b>Description</b>                                             | <b>Area<br/>(Sq. Ft.)</b> | <b>Rate<br/>(Rs./Sq. Ft.)</b> | <b>Amount<br/>(Rs. In lacs)</b> |
|----------------------------------------------------------------|---------------------------|-------------------------------|---------------------------------|
| <b>Covered Area Construction</b>                               |                           |                               |                                 |
| Hot Forge & Heat Treatment Shop & Upsetter<br>(ACC 20' Height) | 47500                     | 410                           | 194.75                          |
| Tool Room (RCC 14' Height)                                     | 2500                      | 410                           | 10.25                           |
| Die Store (RCC 14' Height)                                     | 1800                      | 410                           | 7.38                            |
| Rough Machine Shop (ACC 14' Height)                            | 1000                      | 410                           | 4.10                            |
| Miscellaneous (ACC 20' Height)                                 | 1800                      | 410                           | 7.38                            |
| Administrative Office (RCC 10')                                | 1800                      | 325                           | 5.85                            |
| Generator Room + Utilities (RCC 14' Height)                    | 1800                      | 300                           | 5.40                            |
| Worker's Eating Area (RCC 14')                                 | 800                       | 300                           | 2.40                            |
| Security Room 2 Nos., 100*2= 200 sq. ft. (RCC 10')             | 200                       | 325                           | 0.65                            |
| Scrap Yard with floor + Grill Open                             | 800                       | 230                           | 1.84                            |
| Foundation for Machine                                         |                           |                               | 25.00                           |
| <b>Sub Total (a) :</b>                                         | 60000                     |                               | <b>265.00</b>                   |
| <b>Open Area Construction</b>                                  |                           |                               |                                 |
| Boundary Wall                                                  |                           |                               | 23.00                           |
| Roads                                                          |                           |                               | 12.00                           |
| <b>Sub Total (b) :</b>                                         |                           |                               | <b>35.00</b>                    |
| <b>Other Ancillary Units</b>                                   |                           |                               |                                 |
| Under Ground Water Tank (40000 Ltrs.)                          |                           |                               | 3.50                            |
| Overhead Water Tank (20000 Ltrs.)                              |                           |                               | 4.00                            |
| Septic Tank                                                    |                           |                               | 5.00                            |
| Rain Water Harvesting System                                   |                           |                               | 7.00                            |
| Rain Water Drain                                               |                           |                               | 7.00                            |
| <b>Sub Total I :</b>                                           |                           |                               | <b>26.50</b>                    |
| Architect Fee, Sanction Plans, Govt. Approvals<br>etc.         |                           |                               | 10.00                           |
| <b>Sub Total (d) :</b>                                         |                           |                               | <b>10.00</b>                    |
| <b>Total (a+b+c+d) :</b>                                       |                           |                               | <b>336.50</b>                   |
| <b>Add: Provision for contingencies @ 10%</b>                  |                           |                               | <b>33.50</b>                    |
| <b>Total cost</b>                                              |                           |                               | <b>370.00</b>                   |

### Plant and Machinery

The major plant and equipment proposed to be procured by us comprise of the Induction heaters which shall be procured from reputed machinery suppliers viz. GH Induction/ Inductotherm.

The other major equipments required would be Hammer Belt Drop (0.75 Ton to 150 Ton), Friction Screw Press 100 Ton, Coin Press Knuckle Joint Presses, Power Press 100 Ton & 150 Ton, Drilling Machine, Milling Machine, Trimming Press, Hydraulic Press, spectrograph, etc.

We propose to have an in house state-of-the-art Tool & Die manufacturing facility comprising of drilling machines, surface grinder, tool cutter grinder. The unit would be backed by well-experienced engineers, quality control inspectors, and supervisors. The machining department would be equipped with high speed milling and drilling machines from renowned suppliers.

#### *Brief Description of the Plant and Machinery for the project*

##### *Smith Forging Hammer*

Heavy work pieces could be processed using a Smith forging hammer, and smaller forging are die-formed in drop hammers. Smith forging hammers are typically steam or air-operated, consisting of a power actuated ram supported by a heavy cast iron frame. The final product is a result of the ram being powered into the dies containing the work piece.

##### *Board Drop Hammer*

A drop hammer differs in that the anvil is an integrated part of the hammer base. It is necessary for the alignment between the forging die elements used. This method is advantageous in that the physical properties of the metal are improved by the severe mechanical working, the operation is rapid, many complicated parts can be forged to shape, a minimum amount of machining is necessary, and internal defects are eliminated. The disadvantages are the cost of machinery and dies, which demands a high quantity of parts to be manufactured in order for the process to be cost effective.

##### *Forging Press*

A forging press consists of a hydraulic press, which exerts a force capable of pressing steel or a metal alloy into the shape of the forging die. These machines can be positioned horizontally or vertically. This method can be used to form car wheels, gears, bushings, and other such parts.

##### *Hydraulic Forging Press*

Hydraulic presses, in which high-pressure fluid produced by hydraulic pumps drives a ram, are about 100 times slower than hammers. They are used for large or complex die forging and for extrusion. Presses with a total force of 50,000 tons have been developed in the United States primarily for the forging of large airplane components. Even larger hydraulic presses, up to 78,000 tons, have been introduced in Europe.

##### *Mechanical Forging Press*

Mechanical presses have a motor-driven flywheel that stores energy to drive a ram—much lighter than a hammer—through a crank or other mechanical device. The ram in a press moves more slowly than a hammer and squeezes the work piece. The largest mechanical presses have a total force of 12,000 tons and cannot forge as large or complicated parts as the larger hammers.

##### *Friction Screw Press*

Friction screw presses are preferred for Hot & Cold forging process. They are suitable for endless variety of non-ferrous stampings, embossing and piercing operations depending on the tooling employed on it. These can be utilized for planer ship and finishing of articles which have been produced on Power Presses or by casting. These Presses are being manufactured from 30 to 500 tones capacity. Their design's beauty is that can give 1/2" stroke with full press force. Moreover any type of ejection arrangements can be supplied along with press against specific requirements.

##### *Power press*

There are different types of power presses i.e. pillar type (Marshall type), Inclined type (American type) and Heavy Duty Crank less presses. These presses are used for cutting, blanking, piercing, drawing and trimming purposes.

#### *Knuckle Joint Cold Forging Press*

Knuckle Joint Cold Forging Press is suitable for wide cold forging applications such as metal hardware, hand tools, parts for automobiles and bicycles, cold forged parts for aerospace and defence, iron utilities, gears, transmission parts for engine parts etc. Featuring high production efficiency, high quality and high precision, the cold forging presses are necessary for modern cold forging factories to answer the demanding requirements for high precision forging parts with highest qualities and on-time delivery.

#### *Induction Heater Technology*

Induction heater technology is similar to traditional tubular fluid to fluid heat exchangers. The crucial difference is that the heat is generated via electrical currents within the heating surfaces. Direct electronic monitoring and control of the fluid temperature allows a high degree of precision in the heating process, which in turn allows high internal pressures and temperatures to be generated.

Following is the list of plant and machinery proposed to be acquired for the Project:

| S. No.     | DESCRIPTION                               | Supplier name             | Qty. (Nos.) | Machine Cost (Lacs Rs./No.) | Total Cost (In Lacs) |
|------------|-------------------------------------------|---------------------------|-------------|-----------------------------|----------------------|
| <b>A.</b>  | <b><u>Forging Shop</u></b>                |                           |             |                             |                      |
| <b>(a)</b> | <b><u>Hot Forging Shop</u></b>            |                           |             |                             |                      |
| 1          | Hammer Belt Drop 0.75 Ton                 | Basant                    | 2           | 18.00                       | 36.00                |
| 2          | Hammer Belt Drop 0.50 Ton                 | Basant                    | 2           | 15.00                       | 30.00                |
| 3          | Hammer Belt Drop 1.50 Ton                 | Basant                    | 2           | 30.00                       | 60.00                |
| 4          | Hammer Belt Drop 150 Ton                  | Basant                    | 2           | 30.00                       | 60.00                |
| 5          | Upsetter : Second Hand                    |                           | 1           | 70.00                       | 70.00                |
| 6          | Friction Screw Press 100 Ton              | Basant                    | 2           | 10.00                       | 20.00                |
|            | <b>Total (a) :</b>                        |                           |             |                             | <b>276.00</b>        |
| <b>(b)</b> | <b><u>Raw Material Heating</u></b>        |                           |             |                             |                      |
| 1          | Induction Heater 100 Kwh                  | GH Induction/Inductotherm | 7           | 30.00                       | 210.00               |
| 2          | Induction Heater 100 Kwh-Dana Additional  | GH Induction/Inductotherm | 2           | 30.00                       | 60.00                |
| 3          | Induction Heater 150 Kwh-Forging Upsetter | GH Induction/Inductotherm | 1           | 30.00                       | 30.00                |
| 4          | Induction Heater 150 Kwh                  | GH Induction/Inductotherm | 1           | 30.00                       | 30.00                |
|            | <b>Total (b) :</b>                        |                           |             |                             | <b>330.00</b>        |
| <b>I</b>   | <b><u>Trimming</u></b>                    |                           |             |                             |                      |

| S. No.     | DESCRIPTION                                       | Supplier name    | Qty.<br>(Nos.) | Machine Cost<br>(Lacs<br>Rs.\No.) | Total Cost<br>(In Lacs) |
|------------|---------------------------------------------------|------------------|----------------|-----------------------------------|-------------------------|
| 1          | Power Press Pneumatic 150 Ton                     | Basant           | 8              | 5.00                              | 40.00                   |
| 2          | Power Press 100 Ton                               | Basant           | 3              | 4.00                              | 12.00                   |
|            | <b>Total I :</b>                                  |                  |                |                                   | <b>52.00</b>            |
| <b>(d)</b> | <b><u>Coining</u></b>                             |                  |                |                                   |                         |
| 1          | Hydraulic Press 500 Ton                           | Expert/Hindustan | 3              | 20.00                             | 60.00                   |
| 2          | Coin Press Kunckle Joint Bending Press (300 Tons) | -                | 1              | 20.00                             | 20.00                   |
|            | <b>Total (d) :</b>                                |                  |                |                                   | <b>80.00</b>            |
|            |                                                   |                  |                |                                   |                         |
|            | <b>Total (A) (a to d):</b>                        |                  |                |                                   | <b>738.00</b>           |
| <b>B.</b>  | <b><u>Die Shop / Tool Room</u></b>                |                  |                |                                   |                         |
| <b>(a)</b> | <b><u>Impression Milling</u></b>                  |                  |                |                                   |                         |
|            | Vertical Milling M/S 1200 MM                      |                  |                |                                   |                         |
| 1          | Long Bed Copying Milling                          | Cincinatti       | 3              | 20.00                             | 60.00                   |
| 2          | Vertical Machining Centre (VMC)                   | BFW              | 3              | 30.00                             | 90.00                   |
| 3          | Shaper 30" Stroke Length                          | Sagar Make       | 3              | 5.00                              | 15.00                   |
| 4          | Plano Miller 8" Long                              | Sagar Make       | 2              | 15.00                             | 30.00                   |
| 5          | Lathe 6"                                          | Everest          | 2              | 1.00                              | 2.00                    |
| 6          | Lathe 10"                                         | Everest          | 1              | 2.00                              | 2.00                    |
| 7          | CNC Lathe                                         | Ace              | 1              | 31.00                             | 31.00                   |
|            | <b>Total (a) :</b>                                |                  |                |                                   | <b>230.00</b>           |
| <b>(b)</b> | <b><u>Finish Impression</u></b>                   |                  |                |                                   |                         |
| 1          | Surface Grinder                                   | Gurunanak        | 2              | 2.00                              | 4.00                    |
| 2          | Tool Cutter Grinder                               |                  | 1              | 1.00                              | 1.00                    |
| 3          | Pedestal Grinder                                  | Local Supplier   | 2              | 0.30                              | 0.60                    |
| 4          | Die Grinder Pneumatic                             | Local Supplier   | 6              | 0.03                              | 0.18                    |
| 5          | Drilling Machine 1"                               | Jikso            | 1              | 1.50                              | 1.50                    |
| 6          | Electro Discharge Machine (EDM)                   | Electronica      | 1              | 8.00                              | 8.00                    |
|            | <b>Total (b) :</b>                                |                  |                |                                   | <b>15.28</b>            |
|            |                                                   |                  |                |                                   |                         |
|            | <b>Total (B) (a+b) :</b>                          |                  |                |                                   | <b>245.28</b>           |
| <b>C.</b>  | <b><u>Machine Shop</u></b>                        |                  |                |                                   |                         |

| S. No.     | DESCRIPTION                                            | Supplier name | Qty.<br>(Nos.) | Machine Cost<br>(Lacs<br>Rs./No.) | Total Cost<br>(In Lacs) |
|------------|--------------------------------------------------------|---------------|----------------|-----------------------------------|-------------------------|
| <b>(a)</b> | <b><u>Housing Forging<br/>Predrilling/Milling</u></b>  |               |                |                                   |                         |
| 1          | Drilling Machine 3/4"                                  | Jikso         | 8              | 1.00                              | 8.00                    |
| 2          | Drilling Machine 1-1/2"                                | Jikso         | 4              | 1.50                              | 6.00                    |
| 3          | Milling Machine                                        |               | 2              | 5.00                              | 10.00                   |
|            | <b>Total (a) :</b>                                     |               |                |                                   | <b>24.00</b>            |
| <b>(a)</b> | <b><u>Ball Pin Forging Roughing</u></b>                |               |                |                                   |                         |
| 3          | Facing Centring SPM                                    |               | 3              | 2.50                              | 7.50                    |
| 4          | Copying Lathe with Copy Attachment                     |               | 5              | 4.00                              | 20.00                   |
|            | <b>Total (b) :</b>                                     |               |                |                                   | <b>27.50</b>            |
|            |                                                        |               |                |                                   |                         |
|            | <b>Total I (a+b) :</b>                                 |               |                |                                   | <b>51.50</b>            |
| <b>D.</b>  | <b><u>Cutting Shop / Steel Yard</u></b>                |               |                |                                   |                         |
| 1          | Bandsaw with Bundle Cutting Attachment-Fully Automatic | MMT           | 5              | 5.00                              | 25.00                   |
|            | <b>Total (D) :</b>                                     |               |                |                                   | <b>25.00</b>            |
| <b>E.</b>  | <b><u>Heat Treatment/Finishing Shop</u></b>            |               |                |                                   |                         |
| 1          | Normalising Furnace (Oil Fired) 800 Kg/Hr.             | Macro         | 2              | 15.00                             | 30.00                   |
| 2          | Batch Type Hardening & Tempering Shaker Hearth         | Macro         | 2              | 25.00                             | 50.00                   |
| 3          | Shot Blast Rotary (Table Type) 600 Kg./Hr.             | Vinay         | 2              | 6.00                              | 12.00                   |
| 4          | Flash Projection – Pedestal Grinder                    |               | 6              | 0.45                              | 2.70                    |
|            | <b>Total (E) :</b>                                     |               |                |                                   | <b>94.70</b>            |
| <b>F.</b>  | <b><u>QC/LAB Equipments</u></b>                        |               |                |                                   |                         |
| 1          | Hardness Tester-3000K BHN                              | Blue Star     | 2              | 1.25                              | 2.50                    |
| 2          | Rock Well                                              | Blue Star     | 1              | 0.20                              | 0.20                    |
| 3          | Metallurgical Microscope                               | Dewinter      | 1              | 2.25                              | 2.25                    |
| 4          | Lab Equipment/Chemical General Inspection              | Local         | Lot            | 7.50                              | 7.50                    |
| 5          | Gauge/Instruments                                      | Milhard       | Lot            | 10.00                             | 10.00                   |
| 6          | Crack Detection Machine                                | Megnafield    | 5              | 3.00                              | 15.00                   |
| 7          | UTM – 40 T                                             | Blue Star     | 1              | 3.50                              | 3.50                    |
| 8          | Spectro Graph                                          |               | 1              | 40.00                             | 40.00                   |

| S. No.    | DESCRIPTION                                     | Supplier name       | Qty.<br>(Nos.) | Machine Cost<br>(Lacs<br>Rs./No.) | Total Cost<br>(In Lacs) |
|-----------|-------------------------------------------------|---------------------|----------------|-----------------------------------|-------------------------|
|           | <b>Total (F) :</b>                              |                     |                |                                   | <b>80.95</b>            |
| <b>G.</b> | <b><u>Utilities</u></b>                         |                     |                |                                   |                         |
| 1         | Generator 500 KVA                               | Sudhir              | 5              | 26.40                             | 132.00                  |
| 2         | Transformer 4000 KVA                            | Indian Transformer  | 1              | 7.50                              | 7.50                    |
| 3         | Vacuum Circuit Breaker (V.C.B)                  | Crompton            | 1              | 5.00                              | 5.00                    |
| 4         | Air Compressor (300 CFM)                        | Ingersoll-Rand      | 4              | 7.50                              | 30.00                   |
| 5         | Compressed Air Pipeline                         | Siddharth           | Lot            | 10.00                             | 10.00                   |
| 6         | Electrification                                 |                     | Lot            | 95.00                             | 95.00                   |
| 7         | Under Ground Diesel Tank System & Licensing     |                     | 1              | 6.00                              | 6.00                    |
| 8         | Compressed Air Tank                             |                     | 4              | 1.00                              | 4.00                    |
| 9         | Effluent Treatment/Air Washer System/PUC System |                     | 1              | 19.00                             | 19.00                   |
|           | <b>Total (G) :</b>                              |                     |                |                                   | <b>308.50</b>           |
| <b>H.</b> | <b><u>Material Handling Equipment</u></b>       |                     |                |                                   |                         |
| 1         | Fork Lift 3 Ton Capacity                        | Voltas/Godrej/Maini | 2              | 8.00                              | 16.00                   |
| 2         | EOT Crane System – 5 Ton                        | Griwell             | 3              | 10.00                             | 30.00                   |
| 3         | Material Storage Bins/Racks                     | Ramasons            | Lot            | 25.00                             | 25.00                   |
| 4         | Hand Pallet Truck                               | Maini               | 3              | 0.50                              | 1.50                    |
| 5         | Battery Operated Pallet Truck                   | Maini               | 4              | 4.00                              | 16.00                   |
| 6         | Other Material Handling Equipments              |                     | Lot            | 45.00                             | 45.00                   |
|           | <b>Total (H) :</b>                              |                     |                |                                   | <b>133.50</b>           |
| <b>I.</b> | <b><u>IT (Software &amp; Hardware)</u></b>      |                     |                |                                   |                         |
| 1         | Computer Terminal                               | Intex               | 15             | 0.25                              | 3.75                    |
| 2         | UPS                                             | TPS                 | 15             | 0.03                              | 0.45                    |
| 3         | Lan System & Software                           | Xo                  | Lot            | 29.70                             | 29.70                   |
| 4         | Printer                                         | Intex               | 10             | 0.10                              | 1.00                    |
|           | <b>Total (I) :</b>                              |                     |                |                                   | <b>34.90</b>            |
|           | <b>Total cost (a to I)</b>                      |                     |                |                                   | <b>1,712.33</b>         |
|           | Add: Provision for contingencies                | @ 10% (approx)      |                |                                   | <b>170.67</b>           |
|           | <b>Total Plant and Machinery</b>                |                     |                |                                   | <b>1,883.00</b>         |

**OTHER FIXED ASSETS:**

The total cost estimated for miscellaneous fixed assets is Rs. 44 lacs. The detailed breakup of the same is given in the following table:

| Rs. In Lacs |                                       |                |          |              |
|-------------|---------------------------------------|----------------|----------|--------------|
| S. No.      | Particulars                           | Supplier Name  | Quantity | Value        |
| 1           | Vehicles                              |                |          |              |
|             | • Cars                                | Honda/Esteem   | 3        | 17.00        |
|             | • Ambulance                           | Mgmt. estimate | 1        | 2.50         |
|             | <b>Total</b>                          |                |          | <b>19.50</b> |
| 2           | Furniture and fixture                 |                |          |              |
|             | • Tables, chairs and other furniture  | Delite         | -        | 15.00        |
|             | • Air conditioners                    | Mgmt. estimate | 15       | 4.50         |
|             | • Filing cabinets and other equipment | Delite         | -        | 5.00         |
|             | <b>Total</b>                          |                |          | <b>24.50</b> |
|             |                                       |                |          |              |
|             | <b>Total Other Assets</b>             |                |          | <b>44.00</b> |

**PREOPERATIVE AND OTHER EXPENSES:**

The preoperative expenses mainly comprise of salary and wages, traveling and other incidental expenses incurred during the setting up of the forging unit besides the amounts incurred on trial runs and security deposits, etc.

Details of expenses incurred during the setup period are given below:

| Rs. In lacs |                               |               |
|-------------|-------------------------------|---------------|
| S. No.      | Description                   | Amount        |
| 1           | Salary & Wages                | 51.50         |
| 2           | Communication Expenses        | 4.00          |
| 3           | Traveling & Conveyance        | 25.00         |
| 4           | Insurance during Construction | 1.00          |
| 5           | Printing & Stationery         | 0.50          |
| 6           | Power & Fuel                  | 16.58         |
| 7           | Miscellaneous Expenses        | 20.00         |
| 8           | Cost of Trial Run             | 60.00         |
|             | <b>Total :</b>                | <b>178.00</b> |

Details of other amounts to be spent for the forging unit are given below:

| Rs. In lacs |                                                   |        |
|-------------|---------------------------------------------------|--------|
| S. No.      | Description                                       | Amount |
| 1           | Security Deposit (Communication/Electricity etc.) | 20.00  |
| 2           | Miscellaneous Expenses for Electric Load          | 25.00  |

| S. No. | Description            | Amount       |
|--------|------------------------|--------------|
| 3      | Other Security Deposit | 1.00         |
|        | <b>Total :</b>         | <b>46.00</b> |

#### MARGIN MONEY:

#### LONG TERM WORKING CAPITAL REQUIREMENT

The margin money to be funded out of the proposed Issue for the Forging unit has been computed as follows:

| Rs. in lacs                                          |                 |
|------------------------------------------------------|-----------------|
| Particulars                                          | Amount          |
| Current Assets                                       |                 |
| - Inventory                                          | 369.38          |
| - Debtors                                            | 1,347.15        |
| - Other current assets                               | 29.23           |
| <b>Total Current Assets</b>                          | <b>1,745.76</b> |
| Current Liabilities                                  |                 |
| - Trade Creditors                                    | 69.43           |
| <b>Total Current Liabilities</b>                     | <b>69.43</b>    |
| <b>Net Long term Working capital requirement</b>     | <b>1,676.33</b> |
| <b>Margin To be funded out of the Issue proceeds</b> | <b>441.00</b>   |

The Long term working capital requirement proposed to be raised through the Issue proceeds (currently Rs. 441 lacs) would be crystallized on determination of Issue price. The balance working capital requirement would be funded through bank borrowings.

#### CONTINGENCIES:

The provision for contingencies is kept @ 10% on the land and site development, building and civil work, plant and machinery and other fixed assets.

#### SCHEDULE OF IMPLEMENTATION

The implementation schedule of the Forging Unit is given below:

| S. No. | Activities                                                     | Commencement  | Completion     |
|--------|----------------------------------------------------------------|---------------|----------------|
| 1      | Acquisition of Land                                            | January 2005  | April 2005     |
| 2      | Development of Land and construction of Building               | April 2005    | January 2006   |
| 3      | Selection and ordering of machinery                            | March 2005    | July 2005      |
| 4      | Power sanction from Dakshin Haryana Bijli Vitran Nigam Limited | July 2005     | September 2005 |
| 5      | Haryana Pollution Control Board consent                        | October 2005  | December 2005  |
| 6      | Installation of machinery and utilities                        | November 2005 | February 2006  |
| 7      | Trial Production                                               | January 2006  | March 2006     |
| 8      | Commercial Production                                          | April 2006    | -              |

The cost of setting up the forging unit and the proposed year wise break up of deployment of funds are as under:

| Rs. In lacs                     |                  |                      |                      |                      |                      |                      |                 |
|---------------------------------|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------|
|                                 | FY 2004-05       |                      | FY 2005-06           |                      |                      |                      | Total           |
| Capital Expenditure             | Already Incurred | 4 <sup>th</sup> Qtr. | 1 <sup>st</sup> Qtr. | 2 <sup>nd</sup> Qtr. | 3 <sup>rd</sup> Qtr. | 4 <sup>th</sup> Qtr. |                 |
| Land & Site Development         | 16.97            | -                    | 203.03               | -                    | -                    | -                    | 220.00          |
| Building and Civil works        | -                | -                    | 20.00                | 150.00               | 135.00               | 65.00                | 370.00          |
| Plant & Machinery               | -                | -                    | 90.00                | 565.00               | 1,040.00             | 188.00               | 1,883.00        |
| Miscellaneous Fixed Assets      | -                | -                    | 13.00                | -                    | 10.00                | 21.00                | 44.00           |
| Preoperative and other expenses | 0.49             | 20.00                | 20.00                | 50.00                | 55.00                | 78.51                | 224.00          |
| Margin money                    | -                | -                    | -                    | -                    | -                    | 441.00               | 441.00          |
| <b>Total</b>                    | <b>17.46</b>     | <b>20.00</b>         | <b>346.03</b>        | <b>765.00</b>        | <b>1,240.00</b>      | <b>793.51</b>        | <b>3,182.00</b> |

## EXPANSION OF GASKETS MANUFACTURING FACILITY AT FARIDABAD AND PUNE

We propose to acquire certain plant and machinery at the existing manufacturing facilities at Faridabad and Pune. Details of the Plant and Machinery proposed to be acquired inclusive of duties, taxes, freight, incidental costs and contingencies (@ 10%) are given below:

| S.No. | Name of Machine                                     | Name of Supplier               | Qty Nos. | Total cost |
|-------|-----------------------------------------------------|--------------------------------|----------|------------|
| 1     | Injection Moulding M/c 400T                         | Desma                          | 1        | 132.00     |
| 2     | Transfer Moulding Machine 250T                      | Tong Yu                        | 2        | 66.00      |
| 3     | 200 Tonne Hydraulic Press                           | Electropneumatics & Hydraulics |          | 33.00      |
| 4     | 100 Tonne Hydraulic Press                           | Electropneumatics & Hydraulics |          | 44.00      |
| 5     | 250 Tonne Mechanical Press                          | Seyi                           | 1        | 55.00      |
| 6     | 80 Tonne Mechanical Press                           | The Indian Sugar General Engg. | 3        | 41.25      |
| 7     | 40 T Mechanical Press                               | The Indian Sugar General Engg. | 3        | 26.40      |
| 8     | Universal Testing Machine                           | Zwick                          | 1        | 16.50      |
| 9     | Profile Projector                                   | Mitutoyo                       | 1        | 8.80       |
| 10    | Fuji Test                                           | Fuji                           | 1        | 16.50      |
| 11    | Stress Relaxation Test Rig                          | Simplex                        | 1        | 6.60       |
| 12    | Wire Cut Machine                                    | Charmeles                      |          | 77.00      |
| 13    | Material Handling Equipment                         | Miscellaneous                  |          | 16.00      |
| 14    | Surface Grinder                                     | Praga                          |          | 22.00      |
| 15    | 100 T Hydraulic Press                               | The Indian Sugar General Engg. | 1        | 13.20      |
| 16    | Decoiler & Straightener                             | Press Room Atamata             | 2        | 18.00      |
| 17    | Servo Roll Feeder                                   | Press Room Atamata             | 2        | 22.00      |
| 18    | Hardware & Software                                 | Compaq/Microsoft Infogen       |          | 42.00      |
| 19    | Refurnishing of EDP, Accounts & Purchase Department | Godrej                         |          | 36.00      |
|       | <b>New Product Tooling</b>                          |                                |          |            |
| 20    | For Chevrolet Vehicle                               | TRTC/Singer                    |          | 38.50      |
| 21    | GSP MLS Cylinder Head Gasket                        | TRTC/Singer                    |          | 33.00      |
| 22    | AL 5-7 LTR Cylinder Head Gasket                     | TRTC/Singer                    |          | 33.00      |
| 23    | NT 855 Cylinder Head Gasket                         | TRTC/Singer                    |          | 16.50      |
| 24    | Export Sets                                         | TRTC/Singer                    |          | 26.60      |
| 25    | Scorpio MLS CHG                                     | TRTC/Singer                    |          | 26.60      |
| 26    | Other CHG Toolings                                  | TRTC/Singer                    |          | 22.00      |

| S.No. | Name of Machine              | Name of Supplier | Qty Nos. | Total cost    |
|-------|------------------------------|------------------|----------|---------------|
| 27    | Steel tools for soft gaskets | TRTC             |          | 57.55         |
|       | <b>Total</b>                 |                  |          | <b>946.00</b> |

## **INVESTMENT IN JOINT VENTURE WITH NIPPON LEAKLESS CORPORATION, JAPAN (NLK)**

### ***Background***

NLK is a principal supplier of gaskets to Honda and its associates worldwide. NLK possesses technical know-how for the manufacture of non-asbestos gaskets which has presently been licensed to us vide the technical assistance agreement dated August 5, 1997.

Considering the potential of the Indian market, NLK and Talbros have decided to setup a joint venture company for sale to the Honda group vide joint venture agreement dated January 31, 2005.

### ***Capital Structure and Shareholding pattern***

The joint venture company has been incorporated in the name and style of "Nippon Leakless Talbros Private Limited" vide certificate no. U29199HR2005PTC35653 dated March 9, 2005. Necessary application has also been filed with the Ministry of Finance, Foreign Investment Promotion Board on March 17, 2005 for investment by NLK in the joint venture company.

The joint venture company is incorporated with an authorized capital of 1,20,00,000 Equity shares of Rs. 10 each aggregating Rs. 1,200 lacs in which 60% of the shareholding would be with NLK and the balance 40% with Talbros.

### ***Overall Contribution of the parties to the share capital of the joint venture company***

| Share of                              | Rs. In lacs     |
|---------------------------------------|-----------------|
| Amount                                |                 |
| Nippon Leakless Corporation, Japan    | 720.00          |
| Talbros Automotive Components Limited | 480.00          |
| <b>Total</b>                          | <b>1,200.00</b> |

The above amounts would be infused by NLK and Talbros in stages over a period of the next one year. The proposed stage wise infusion of Talbros is given under the heading 'Cost of the Project and Means of Finance'.

### ***Board structure and Management***

The Board is proposed to be constituted with 5 members with NLK having the right of appointment of 3 directors and the balance to be appointed by Talbros.

The day to day management of the joint venture company would be handled by the Managing Director who would be appointed by NLK.

### ***Business of the joint venture company***

The principal activities of the joint venture company would be to engage in the business of designing, developing and manufacturing non-asbestos gaskets in India for sale to the Honda group including Hero Honda Motors Limited and Honda Motorcycles and Scooters India Private Limited.

As per the terms of the said joint venture agreement, the existing sales of Talbros to the Honda group would be phased into the joint venture in the following manner:

| Phase     | Business to be phased out                                                                                                                                                          | Date of phasing of business |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Phase I   | Activity of designing, developing and manufacturing soft gaskets for supply to Honda group                                                                                         | April 1, 2005               |
| Phase II  | Activity of designing, developing and manufacturing metal gaskets for supply to Honda Motorcycles and Scooters India Private Limited in addition to business phased out in Phase I | April 1, 2006               |
| Phase III | Activity of designing, developing and manufacturing metal gaskets for supply to Hero Honda Motors Limited in addition to business phased out in Phase I and Phase II               | April 1, 2007               |

#### ***Other Important terms of the joint venture agreement***

- Non compete: As per the terms of the agreement, Talbros would not engage in the business of the joint venture company during the period of subsistence of the joint venture agreement. Similarly, NLK will also not compete in the business of TACL. The carrying out of Phase I, Phase II and Phase III business by Talbros till the dates as mentioned above and export of products to customers other than NLK group of companies and the sale of products in the replacement market would not be in violation of the said non-compete agreement.
- Termination: As per the terms of the agreement, this agreement shall continue in effect until the earlier to occur of (a) the date on which joint venture company goes into liquidation; (b) any date agreed upon in writing by NLK and our Company; (c) the date NLK holds less than 25% of the share capital, upon notice by our Company to NLK; and (d) the date our Company holds less than 25% of the share capital, upon notice by NLK to our Company.

#### **ISSUE EXPENSES**

Issue Expenses have been estimated at Rs. 421.61 lacs, details of which are given on page [•] of this Draft Red Herring Prospectus.

#### **Appraisal**

The project has not been appraised.

#### **Deployment of funds in the Project as on February 23, 2005**

We have incurred the following expenditure on the project till February 23, 2005. The same has been certified by M/s S. N. Dhawan & Co., Chartered Accountants vide his certificate dated February 23, 2005:

| Deployment of Funds              | Rs. in Lacs  |
|----------------------------------|--------------|
| Land & Site Development          | 16.97        |
| Pre-operative and Issue expenses | 12.60        |
| <b>Total</b>                     | <b>29.57</b> |

| Sources of Funds  | Rs. in Lacs  |
|-------------------|--------------|
| Internal Accruals | 29.57        |
| <b>Total</b>      | <b>29.57</b> |

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

Pending utilization in the project, the proceeds of the Issue will be invested in Bank Deposits and/or Gilt Edged Government Securities, either directly or through Mutual funds.

In case the Issue does not go as planned, we will make alternative arrangements like availing of fresh loans from bank and also internal accruals to meet the shortfall, if any.

## **Basic Terms of the Present Issue**

### **Principal Terms and Conditions of the Issue**

The Equity Shares being issued are subject to the terms of this Draft Red Herring Prospectus, the terms and conditions contained in the Bid-cum-Application Form, the Memorandum and Articles of the Company, provisions of the Act, other applicable acts and the letters of allotment/Equity Share certificates or other documents and the guidelines issued from time to time by the Government of India, SEBI and the Stock Exchanges.

#### **Terms of Payment:**

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

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

## BASIS FOR ISSUE PRICE

### Qualitative Factors:

1. We are a profit making Company and have been paying dividends since 1959. PAT and dividend paid for last 5 years are given below :

| Particulars  | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | Rs. In Lacs                    |
|--------------|-----------|---------|---------|---------|---------|--------------------------------|
|              |           |         |         |         |         | Upto 31 <sup>st</sup> Dec 2004 |
| PAT          | 175.17    | 156.88  | 131.98  | 147.82  | 200.60  | 330.51                         |
| Dividend (%) | 22%       | 20%     | 20%     | 20%     | 20%     | 10% (Interim)                  |

2. We have ISO 9002: 2000 for Quality Management System and ISO 14001:1996 for Environmental Management System certifications and ISO/TS 16949 from Bureau Veritas Quality International (BVQI) for our manufacturing facility at 14/1, Main Mathura Road, Faridabad-121003, India
3. We have a professionally managed team with technical experts in respective fields and as more specifically detailed in the paragraph on 'Key Managerial Personnel' on page [•] of this Draft Red Herring Prospectus.

### Quantitative Factors

#### 1. Adjusted Earnings Per Share

|                                | EPS (Rs.)   | Weight |
|--------------------------------|-------------|--------|
| a) 2001-02                     | 2.30*       | 1      |
| b) 2002-03                     | 2.57*       | 2      |
| c) 2003-04                     | 3.49*       | 3      |
| <b>d) Weighted Average EPS</b> | <b>2.99</b> |        |

\*: As adjusted for issue of bonus shares on December 31, 2004

#### 2. Price/Earning Ratio (P/E) in relation to Issue Price of Rs. [•]/- per share

| Particulars                                  | PE (no. of times) |
|----------------------------------------------|-------------------|
| a) Based on 2003-04 EPS of Rs. 3.49          | [•]               |
| b) Based on weighted average EPS of Rs. 2.99 | [•]               |
| c) Castings and Forgings Industry P/E *      |                   |
| i) Highest – Amforge Industries Limited      | 43.9              |
| ii) Lowest – Uniabex Alloy Limited           | 3.5               |
| iii) Average                                 | 21.7              |

\*Source: Capital Markets Volume XIX/26, Feb 28 – Mar 13, 2005

#### Accounting Ratios of some of the Companies in the same Industry group:

|                            | EPS (Rs.) | P/E  | RONW (%) | NAV (Rs.) |
|----------------------------|-----------|------|----------|-----------|
| Ahmednagar Forging Limited | 15.6      | 9.1  | 25.7     | 68.7      |
| Amforge Industries Limited | 5.2       | 43.9 | 23.5     | 28.8      |
| Banco Products             | 15.2      | 8.2  | 19.9     | 92.6      |
| Kalyani Forging            | 27.9      | 11.7 | 33.3     | 97.5      |
| Amtek Auto                 | 5.1       | 25.7 | 26.4     | 54.3      |

\*Source: Capital Markets Volume XIX/26, Feb 28 – Mar 13, 2005

#### 3. Return on Net Worth

|                         | <b>RONW %</b> | <b>Weight</b> |
|-------------------------|---------------|---------------|
| a) 2001-02              | 13.21         | 1             |
| b) 2002-03              | 14.48         | 2             |
| c) 2003-04              | 16.59         | 3             |
| <b>Weighted Average</b> | <b>15.32</b>  |               |

Minimum Return on Total Net Worth needed after the Issue to maintain pre-Issue EPS of Rs. 3.49 is [●]%

#### 4. Net Asset Value

| <b>Particulars</b>          | <b>NAV (Rs. per share)</b> |
|-----------------------------|----------------------------|
| a) As at March 31, 2004*    | 21.03                      |
| b) As at December 31, 2004* | 26.21                      |
| b) After Issue              | [●]                        |
| c) Issue Price              | [●]                        |

\*: As adjusted for issue of bonus shares on December 31, 2004

- The face value of our shares is Rs.10/- per share and the Issue Price is [●] times (at the lower band of Issue Price of Rs. [●] per share) and [●] times (at higher band of the Issue Price of Rs. [●] per share) of the face value of our Equity Shares.
- The BRLM believes that the Issue Price of Rs. [●]/- per share is justified in view of the above qualitative and quantitative parameters. The investors may also want to peruse the risk factors and our financials as set out in the Auditors Report on page no. [●] of this Draft Red Herring Prospectus to have a more informed view about the investment proposition.
- The Issue Price of Rs. [●] has been determined by us in consultation with BRLM and on the basis of assessment of market demand for the Equity Shares by way of book building and is justified on the basis of the above factors.

#### TAX BENEFITS STATEMENT

Our Auditors, M/s. S. N. Dhawan & Co., Chartered Accountants have, vide their letter dated January 19, 2005, certified that under the current provisions of the Income Tax Act, 1961 and the existing laws for the time being in force, the following benefits, inter-alia, will be available to us and the members:

##### A. TO THE COMPANY

The Company will be entitled for the following tax benefits in computing the Taxable Income under the Provisions of the Income Tax Act, 1961 (The Act).

- Under Section 32 of the Act, the Company is entitled to claim depreciation on tangible and intangible assets as explained in the said section.
- Subject to compliance of certain conditions laid down in section 35 (1) (iv) of the Act, in respect of any capital expenditure incurred other than the expenditure incurred on the acquisition of any land, on scientific research related to the business of the Company, to the extent of expenditure incurred.
- The Company is eligible for `authorized` n of preliminary expenses being the expenditure on public Issue of share under Section 35D (2) I (iv) of the Act, subject to limits specified in sub section (3).

**B. TO THE MEMBERS OF THE COMPANY**

1. Section 10(34) provides that any income by way of dividends referred to in section 115 O i.e. dividend declared, distributed or paid by a domestic Company, on or after 1<sup>st</sup> April, 2003 is exempt in the case of all categories of assesses.
2. Long term capital gain arising from transfer of equity share in a company or a unit of an equity-oriented fund is exempt from tax under section 10(38) of the Income-tax Act, 1961 if the following conditions are satisfied.
  - i. the transaction of sale of such equity share or unit is entered into on or after October 1, 2004.
  - ii. such transaction is chargeable to securities transaction tax
3. Under section 111A of the Income-tax Act, 1961 and other relevant provisions of the Act, short term capital gains, (i.e., if shares are held for a period of less than 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares of the company, shall be taxed at a rate of 10% (plus applicable surcharge plus education cess) if the following conditions are satisfied.
  - i. the transaction of sale of such equity share or unit is entered into on or after October 1, 2004.
  - ii. Such transaction is chargeable to securities transaction tax
4. As per the provisions of section 112 of the Act, long-term capital gains that are not exempt under the section 10(38) of the Act, would be subject to tax at a rate of 20 percent (plus applicable surcharge and Education Cess @2% of such tax and surcharge). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10% (plus applicable surcharge) and Education Cess as imposed by the Finance (No. 2) Act 2004.
5. As per the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under the section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax, to the extent such gains are invested in acquiring Equity Shares forming part of an "eligible Issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible Issue of share capital has been defined as an Issue of Equity Shares which satisfies the following conditions:
  - the Issue is made by a public Company formed and registered in India; and
  - the shares forming part of the offer for subscription to the public.The Issue of shares by the Company being an eligible Issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED.
6. As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax, if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
7. Under Section 115AD of the Act, income received by Foreign Institutional Investor in respect of securities shall be taxed @ 20%. Income by way of Long Term Capital Gains arising from the transfer of such securities shall be taxed @ 10%. With effect from A. Y. 2005-06, Income by way of Short Term Capital Gains arising from the transfer of such securities shall be taxed @ 10%.

**C. Additional benefits available to Non-Residents Indians  
(OTHER THAN FIIS & FOREIGN VENTURE CAPITAL INVESTORS)**

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

1. Under section 115E of the Income-tax Act, 1961, where shares in the Company are acquired or subscribed for in convertible Foreign Exchange by a Non-Resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months shall (in cases not covered under section 10(38) of the Act) be concessionally taxed at the flat rate of 10% (Plus applicable Surcharge) (without indexation benefit but with protection against foreign exchange fluctuation).
2. Under provisions of section 115F of the Income-tax Act, 1961 long term capital gains (in cases not covered under section 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange shall be exempt from Income-tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.
3. Under Section 115 G of the Act, it shall not be necessary for the Non-resident Indians to furnish their return of Income, under section 139(1) of the Act, if their source of income is only investment income or income by way of long term capital gains or both, provided income tax deductible at source under the provisions of chapter XVII B has been deducted from such income.
4. The benefit conferred on a Non-resident Indian assessee will be available even after the assessee becomes a resident if declaration in writing is filed along with the return of income under Section 139(1) of the IT Act, to the effect that the provisions of Chapter XII A shall continue to apply to him in respect of investment income derived from foreign exchange asset vide Section 115 H of the Act, until the transfer or conversion (otherwise than by transfer) into money of such assets.
5. Under Section 115-I of the Act, a Non-resident Indian, if he elects by so declaring in the return of his income for that assessment year, not be governed by the above mentioned special provisions of chapter XII-A, then he will be entitled to tax benefits available to resident individuals.

**D. Benefits available to Venture Capital Companies/Funds**

In terms of section 10(23FB) of the Income-tax Act, 1961 all Venture capital companies/funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income-tax on all their income, including dividend from and income from sale of shares of the Company.

**7. Benefits available to Mutual Funds.**

As per the provisions of Section 10 (23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under, mutual funds set up by public sector Banks or public Financial Institutions and mutual funds authorized by the Reserve Bank of India would be exempt from Income-tax, subject to the conditions as the Central Government may by notification in the official Gazette specify in this behalf.

**F. Benefits available under the Wealth-tax Act, 1957**

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

**G. Benefits available under the Gift-tax Act, 1958**

Gift tax is not leviable in respect of any gifts made to relative on or after September 1, 2004, therefore, any gift of shares to relative will not attract gift tax.

## **IV: ABOUT US**

### **INDUSTRY OVERVIEW**

#### **AUTO COMPONENTS SECTOR**

The past few years have witnessed a continuous influx of global auto majors in India. Many auto majors have established facilities which have also been aided by the liberal government policy. India crossed million mark last fiscal, which has set the domestic auto ancillary industry on a roll. Auto MNC's are also launching their latest models in India. The domestic auto industry has also come up with new and quality models. Consequently, the importance for precision auto components has been growing.

The increase in demand for auto components in India has also resulted in an increase in revenues and exports. Exports of auto components from India have witnessed a CAGR of over 19% over the last six years. Except for FY02, when the exports were down by 7.5%, the auto ancillary exports have shown steady northward movement. In FY04, the industry achieved a milestone of US\$1bn worth of exports.

#### **Geographical breakup of exports**

India is now amongst one of the most preferred destinations for most of the major global OEM players. Following is an extract of the list of companies already outsourcing from the country.

- Hyundai – Export base for small cars
- Ford – exporting CKDs of Ikon to South Africa and other countries
- Skoda – Hub for exports of cars to neighboring countries
- General Motors – Global Purchasing Team
- Volvo – Global buying team
- Delphi – International purchase office
- Renault – scouting for truck part suppliers

#### **The India Advantage**

- The country provides skilled and cheap labor. For e.g. the wage cost as a percentage of sales in Indian forging industry is less than 9% and the same for US companies was 38.8%.
- Indian component manufacturing companies have achieved significant level of automation at a lower cost. Global benchmarks for quality standards are also not too far from being achieved.
- Total Quality Management and Total Productivity Management by the companies also help in lowering the production cost.
- Investments in the auto component industry in India have witnessed growth over the last seven years, investments during FY02-03 were USD 2.6billion.
- Legal and accounting systems are in place to meet the global standards.
- The technology in the industry has improved significantly with quite a few Indian companies entering into technological collaborations with global majors.
- With respect to quality many companies have achieved various certifications.
  - 391 companies with ISO 9000 certification
  - 222 companies with QS-9000 certification
  - 95 companies with TS 16949
  - 66 companies with ISO 14001 certification
  - 9 companies with ISO 18001 certification
  - 5 Deming prize winning companies
  - 1 Japan quality medal winning company

## **Current Scenario & Future Outlook**

The auto component sector is on a growth trajectory as is evident by the fact that auto components has been designated as a “Thrust Sector” by the Government of India under the EXIM Policy.

The Department of Commerce is to promote export of auto components through a specific sectoral strategy. The size of the global auto component industry is USD 1.2 trillion with most of it located in high cost countries. Global purchases of components by international vehicle manufacturers are currently estimated to be USD 45 billion. However, the role of outsourcing is constantly increasing.

Also, the problem of high rejection rates which plagued the domestic auto ancillary industry has been overcome which is exhibited in number of overseas deals concluded by the domestic industry amidst stiff competition from other Asian countries. The Government has extended various fiscal incentives and policy measures which have helped the industry.

Critically, outsourcing of automobile components that have relatively high engineering and design content from suppliers in low cost countries like India, is gaining momentum fast. It is estimated that in the next 10 years the auto components industry will reach USD 33-40 billion.

Going by the current trends in the domestic automotive industry and as stated above, it is expected that the indigenous demand for auto components will also reach USD 13-15 billion in the next 10 years and about USD 20-25 billion would be exported. To meet the combined demand from domestic and international customers the industry will have to make significant incremental investment. Hence, the Indian auto component industry (and by sequel the forging industry) is poised to achieve a position in the top slot in the world and will be in all probability a major driver of growth and employment in the domestic economy. Considering the recovery, particularly in the first half of the financial year (which saw substantial growth in the forging industry too) i.e. domestic demand increasing by about 15% over the previous year and exports by over 25%, the above estimates look challenging yet achievable.

## **FORGING INDUSTRY**

Amongst various forms in which steel is used, forging plays a vital and very important role. Steel forging of various grades of steel and size find their usage in the various developmental programs where strength of material is a major factor, capable of withstanding working load of complicated nature and which cannot be replaced by rolled or cast components.

Forging industry is a very important industry and supplies various components to end user sectors spread across the entire spectrum of manufacturing in many industries, especially on automobile, aerospace, railways, defense, agriculture and construction equipment, ordnance, mining, material handling, machine building.

The automobile sector is the largest consumer of steel forging. The last decade has witnessed a revolution in the automobile industry. A new generation of automobiles which includes heavy medium and light commercial vehicles, passenger cars and 2/3 wheelers, have been introduced in the country.

A significant part of the technological growth in the automobile sector has resulted largely because of appreciable foreign participation, mainly with Japan, USA and Europe. Today, all the Japanese and Korean vehicle manufacturers have established manufacturing facilities in India in collaboration with local partners. Besides automobiles, other users of forging are defence, railways, nuclear and space energy, aerospace, etc., all of which have made significant strides on the technological front. All these factors have stepped up the demand for forging. Industrial production has also shown a consistent rise over the past three decades and has resulted in the Indian industry becoming more modern, efficient and competitive.

The Indian forging industry, in line with the forging industry all over the world, has also become conscious of the fact that customer demands are changing in favour of cost effective

forged products having high performance. The advancement in the forging technology in developed countries has opened up several opportunities in low cost countries. Most of the forging units in India have upgraded their production facilities with latest and most modern equipment & technology with more emphasis on cost effectiveness and quality evaluation. Technology is no longer a barrier today especially in view of acquisitions such as by Bharat Forge of Carl Den Peddinghaus (CDP), Germany and Ahmednagar Forging and VHF Limited in India by Amtek Auto subsidiaries.

## **Global Scenario**

### **Global trends**

- The trend of more diesel engine powered cars and 4-wheel driven SUVs is resulting in higher forging volumes (since crank shafts, connecting and also die casting parts in diesel engines need to be forged).
- The trend of light weight cars with increased demand for low-energy consumption is resulting in weight saving and higher demand of non-ferrous forging.
- Forging within car and truck plants has drastically decreased and this activity is becoming obsolete due to the increased trend of outsourcing systems and sub-assemblies.
- Platform strategy used by auto industry is leading to higher volumes, which is being used to drive down prices from forging suppliers.
- Global forging industry worldwide is under some pressure mainly because the vehicle industry is under permanent price pressures due to competition.

## **Indian Scenario**

### **Auto components**

Within the auto components industry, 16 companies have a turnover of between USD 50-500 million, about 149 companies have a turnover between USD 5-50 million and about 237 companies have a turnover between USD 1-5 million. It is estimated that the auto components sector generates direct employment for about 250,000 people.

### **Forging industry**

The Indian forging industry has emerged as a major contributor to the manufacturing sector of the Indian Economy. The salient features in which the Indian forging industry functions is summarized below:

Briefly, the composition of the Indian forging industry can be categorized into four sectors – large, medium, small and tiny. As is the case world over, a major portion of this industry is made up of small and medium units/enterprises (SMEs).

Only about 5% is made up by the large enterprises in terms of number. Out of the 330 odd units the large sector consists of about 9-10 units, the medium and small sectors consists of about 100 units and under the tiny sector, the units functioning are far too many and the number is difficult to estimate.

The industry was previously more labour intensive (it is estimated that this industry provides direct employment to about 38,000 people), but now with increasing globalization it is becoming more capital intensive. The total investment in the large and medium sectors is estimated to be around Rs. 2,500 crores. The small scale units too are increasing their capital investment to keep pace with the increasing demand especially in the global markets as also to broaden the areas of demand for forging. Many of them are now suppliers to Original Equipment Manufacturers (OEMs) in the automobile sector also, which speaks volumes regarding efforts at technology and quality up gradation by them.

## **Structure of Forging Industry**

The forging industry is pyramidal in structure. This simply means that as the establishment size reduces, the number goes up. The structure reveals four broad segments viz large, medium, small, and tiny. Forging plants are primarily small or medium-sized companies. Thus, while the large sector consists of a mere 9 units, the medium sector consists of 31. The small sector has close to 250 units. About 40% employ between 20 and 99 workers, and more than 75% have less than 250 employees. No number can, however, be put to the tiny sector.

This structure indicates maximum competition and the lowest margins for the units in the small and tiny sector which are typically involved in making small sized products catering primarily to the replacement market.

The domestic industry is characterized by fragmented capacities. The unorganized sector has major presence in open die forging segment, which has lower capital costs, while organized players dominate the closed die-forging segment.

The business is raw material intensive and involves low value addition. It is also working capital intensive. Prospects for forging industry depend on major user industries viz., automobiles and capital goods. Among the facilities that forge components are independent, custom-forged part producers, original equipment manufacturers of a broad range of products, government research laboratories, and military arsenals.

Apart from these, merchant-forging units supplying forging to some auto majors also have their own captive forging plants. The requirement for large or very specialized forging can be met either through captive plants or even by steel plants. It is however pertinent to point out that with the recent moves to reduce vertical integration by automakers and increase outsourcing of components, captive plants owned by automobile makers are being shut down providing better opportunity to the merchant forging units.

### **Market conditions**

The fortunes of the forging industry in India depend primarily on the dynamics of the auto component industry, as the latter is the principal consumer of forging. The fragmented structure of the forging industry as well as the auto-component industry and their very dependence directly on the more organized automobile sector makes them vulnerable to the dual pressures of pricing and just-in-time deliveries. However the relief for the forging industry is provided by the fact that other industries also have intensive use of forged products.

Although exports of auto components from India account for only 0.25% of the global automotive component industry, exports account for approximately 14% of the total sales of auto components in India. Export opportunities for auto component manufacturers are expected to increase significantly due to the continuous search for low-cost manufacturing bases by global vehicle manufacturers for sourcing equipments and parts for vehicles. Major export markets are US, Europe and China.

Manufacturers in US and Europe are moving up the value chain and outsourcing auto components especially forged ones from developing countries. The Japanese and South Korean companies are moving into the higher end market, vacating the lower end of every segment of automobile market. This opens up opportunities for accessing the overseas market.

Already, 15 global car makers such as GM, Ford, Daimler-Chrysler, Mercedes-Benz, Audi, Isuzu and Nissan have set up outsourcing offices in the country with a combined budget of approximately USD 1.5 billion, say industry sources. Leading component makers like Delphi, Visteon and Caterpillar too have found India their best bet.(Source: The Washington Times, October1, 2003).

With the Government's thrust on infrastructure development as a matter of policy, production of machinery and equipment for construction, mining and similar activities is bound to grow.

This would create a large demand for forged products, since most of the hardware required for such production is forged in the country itself.

### **Users of Forged Products**

The user industry of forged products is vast and varied. However, the automotive and capital goods account for the largest chunk of consumption of forging products. Demand for forging products essentially originates from the automobile sector.

With advances in technology, companies have now become competent to supply to other sectors such as organizations involved in nuclear activities, power plants, refineries etc. These sectors have very exacting requirements.

But the levels of sophistication are not uniform in the industry. In fact, even in the automobile sector the newer passenger car manufacturers are demanding more sophisticated products, which the industry is not in a position to supply due to a technology gap. However, because of the low level of demand of such sophisticated products, investment in capital equipment required therefor is not viable.

However, such sophisticated products have a low demand presently and comprise of only about 5% of the forging imports.

#### ***Automotive:***

The automobile industry is the major consumer of forged products, which are used for the manufacture of auto components. Almost every point of shock and stress in an automobile comprises of a forged component. Average cars and trucks may contain more than 250 forged components. This is the main reason for these products being in high demand in this sector both in the domestic as well as the overseas market.

#### ***Aerospace:***

The high strength-to-weight ratio and structural reliability of the forged products improve the performance, range and payload capabilities of aircrafts. In fact many aircrafts are said to be 'designed around' forging due to their high usage of such products.

#### ***Defence:***

From rifle triggers to nuclear submarine shafts, forged components are found in virtually every implement of defense. Forged missile components of titanium, columbium and other alloys display unduplicated mechanical and physical properties under severe conditions.

#### ***Tools and Hardware:***

Forged products form integral parts of internal combustion engines, valves, gears, outboard motors. Motorcycles and power saws offer intensive use of forging in smaller engines. Industrial equipments like materials handling systems, conveyors, chain-hoist assemblies and lift trucks also use forging materials. Low cost, coupled with strength, toughness and machinability make the use of ferrous forging in off-highway and heavy construction equipment in machinery indispensable.

## **BUSINESS OVERVIEW**

### **OUR BUSINESS**

#### **LOCATION OF THE PLANT:**

We have gasket manufacturing facilities situated at Faridabad, Chennai and Pune. Besides this, we also have a raw material manufacturing facility situated at Sohna, 55 kilometers from Delhi. Details of the facilities including address, products manufactured, etc. are given under the heading 'Property' on page [●] of this Draft Red Herring Prospectus.

#### **PLANT, MACHINERY, TECHNOLOGY, PROCESSES ETC:**

The list of plant and machinery required for the Project and the related details are given above in the section entitled '**Objects of the Issue**'.

We have Technical Assistance Agreements with leading gasket companies of the world namely:

- i) Federal Mogul Sealing Systems, U.K.
- ii) Nippon Leakless Corporation, Japan
- iii) Ishikawa Gasket Company Limited, Japan

We have three gasket manufacturing plants besides the raw material division at Sohna in Haryana. The main manufacturing plant is located at Faridabad (Haryana) and the other two manufacturing plants are located at Pune (Maharashtra) & Chennai (Tamil Nadu). Plant & machinery is related to following type of processes:

- Sheet metal processing
- Rubber moulding
- Surface coating
- Chemical mixing
- Beater addition manufacturing

We also have our own state of the art tool room to manufacture press tools and moulds required for making the gaskets. The latest CNC wire cut machines and the Machining center which are from the best sources of the world in tool room ensure world class tool/product quality.

#### **COLLABORATIONS, PERFORMANCE GUARANTEE OR MARKETING ASSISTANCE PROVIDED BY THE COLLABORATOR:**

We have technical tie-ups with three reputed foreign groups:

##### **A) Federal Mogul Sealing System (Slough) Limited, UK**

Federal Mogul Group is one of the world's largest groups that supplies high technology automotive components and other engineered products.

Our Company has entered into a Technical Assistance Agreement dated 3<sup>rd</sup> November 2003 with Federal Mogul Sealing Systems (Slough) Limited vide which Federal Mogul will license the know-how and technical information to our Company to enable us manufacture automotive gaskets including cylinder head gaskets

##### *Brief details about Federal Mogul*

Federal Mogul is a global supplier of automotive components and sub-systems serving the world's original equipment manufacturers and the aftermarket. The company utilizes its engineering and materials expertise, proprietary technology, manufacturing skill, distribution flexibility and marketing power to deliver products, brands and services of

value to its customers. Federal Mogul is focused on the globalization of its teams, products and processes to bring greater opportunities for its customers and employees, and value to its constituents.

Headquartered in Southfield, Michigan, Federal Mogul today employs 45,000 people in 29 countries. As per the Consolidated Statement of Operations the Company achieved net sales of USD 6,174 Million and Net Loss of USD 334 Million.

During 1998, Federal Mogul acquired Turner & Newell PLC a USD3 billion automotive parts supplier headquartered in England. Through the T&N acquisition, Federal-Mogul expanded its global presence in key products such as pistons, piston rings and gaskets, and moved into new product areas with friction material.

Significant to Federal Mogul's expanded presence in the aftermarket were the 1998 acquisitions of Fel-Pro, the premier gasket manufacturer for the North American aftermarket, and the automotive businesses of Cooper Industries, operated as Cooper Automotive and Moog Automotive. Through the Cooper acquisition, Federal Mogul strengthened its brand portfolio with Moog® chassis parts, Champion® spark plugs, and Wagner® brakes and lighting.

- B) Nippon Leakless Corporation, Japan, (NLK)** specializes in manufacture of high technology gaskets used by new generation vehicles particularly the vehicles manufactured by Honda and its trans-plants in different countries.

*Brief details about NLK*

NLK was incorporated as per the laws of the Japan having its main office at 33-8, Nishi-Shinabashi 2-Chome Minato-ku-Tokyo-105-0003, Japan with share capital of ¥ 210 Million.

NLK has established subsidiaries in Thailand, China and Brazil, joint Venture Companies in the U.S.A. Indonesia, Malaysia, Vietnam and Pakistan and has technical collaborations in South Korea and India. NLK has recently also entered into a Joint venture with Talbros Automotive Components Limited.

The products of NLK are known for their high quality, degree of safety and stability and high efficiency. NLK's manufacturing plants in Kyshu and Tochigi have excellent quality assurance systems and have ISO 9002 certificates. During the year ended 31<sup>st</sup> December 2003 the sales of the Company were ¥ 8,256,341,584 with Net Income of ¥ 3,71,663,859.

- C) Ishikawa Gaskets Company Limited, Japan** (Ishikawa Gaskets), is manufacturer of specialized gaskets used in diesel engines.

*Brief details about Ishikawa Gaskets Company Limited*

Ishikawa Gaskets Company Limited, Japan was incorporated on May 1932 with paid up share capital of ¥ 2,00,000,000. The company was registered in Tokyo in Japan having its Head Office at 5-5, Toranomon, 2-Chome, Minato-Ku-Tokyo-105-0001. The Company was founded by Mr. Katsushiro Ishikawa.

Since its establishment in 1932, Ishikawa Gaskets has grown steadily as a specialized gasket manufacturer, actively pursuing business opportunities while adequately responding to the changes of the times. The Cherry gasket brand is sold in over 50 different countries, including 11 domestic automakers. Ishikawa Gaskets has established itself as an enterprise of superior technological strength and continues to upgrade its technological capabilities, while solidifying its technological base. In January 1997, Ishikawa Gaskets was granted both QS-9000 and ISO 9001 Quality Assurance Standard certification, making it the first Japanese company to receive both certificates at the same time. Through its cutting-edge facilities and investment in technology, Ishikawa Gaskets promotes new concepts for research and development with an eye to the future, such as the development of thinner gasket with a new seal construction.

## **INFRASTRUCTURE FACILITIES:**

### **Raw materials**

#### *Existing arrangements:*

The major raw materials required for the manufacture of gaskets comprise of metallic items such as CRCA, tin plates, stainless steel, copper, etc. and non metallic items such as beater addition asbestos, compressed asbestos fibre, beater addition non-asbestos, rubberized cork, asbestos fiber, etc. These raw materials which are procured both from indigenous and imported markets are available in adequate quantities from the domestic suppliers.

#### *Requirement of raw materials and its arrangements for the Project:*

Forgings are made of different grades of steel as per the product specifications. On the basis of the product, it is anticipated that the total requirement of steel would be 9,280 tones per annum at 100% capacity utilization.

The main raw material, i.e. steel of different grades depends upon the product and its application. The raw material required is easily available in the indigenous market. We would procure the requirements from the well-known and established manufacturers such as Mukund Limited, Vardhman, Rashtriya Ispat Nigam Limited, Aarti Steels Limited, etc.

### **Utilities**

#### **8. Power**

#### *Existing arrangements:*

The power requirement for our plants at Faridabad, Chennai, Pune and Sohna is 2,845 KVA which has already been sanctioned by the respective State Electricity Boards. However, as a measure to counteract any power failure, we have made adequate arrangements through own DG sets having total capacities of 2,000 KVA.

#### *Requirement of power and its arrangements for the Project:*

The power requirement for proposed forging unit is estimated at about 2,500 KVA for which application would be as per the implementation schedule as depicted in the section on 'Objects of the Issue'. There is no shortage of power in Bawal, Haryana wherein power is distributed through GENCO and TRANSCO. We also propose to make adequate backup arrangements by procuring DG sets having total capacities of 2,500 KVA.

#### **b) Water**

#### *Existing arrangements:*

We have adequate arrangements for water to meet the requirements of water for all the four plants. The total requirements of water at Faridabad, Chennai, Pune and Sohna plants is for about 27 kilo liter per hour which is met through bore well and water received from local water supply authorities etc.

#### *Requirement of power and its arrangements for the Project:*

The total requirement of water for the proposed forging unit is estimated at about 7 kilo liter per hour which would be met through canals and ground water which is abundantly available in Haryana through irrigation schemes, pump sets and water channels.

### c) Manpower

*Existing arrangements:*

We have 565 employees at present across all units. The details of the same are as under:

| Particulars                                 | No. of Employees | Functional Area                                       |
|---------------------------------------------|------------------|-------------------------------------------------------|
| Managerial, Technical and supervisory staff | 111              | Finance, Marketing, Production, R & D, Logistics etc. |
| Skilled                                     | 124              | R & D, Quality Control and office work                |
| Semi Skilled                                | 330              | Maintenance, Stores, Production process               |
| <b>Total</b>                                | <b>565</b>       |                                                       |

Additional manpower requirements for the Project are as under:

| Particulars                              | No. of Employees | Functional Area                                |
|------------------------------------------|------------------|------------------------------------------------|
| Technical and supervisory staff          | 28               | Production, Quality Control, Maintenance etc.  |
| Skilled                                  | 43               | R & D, Quality Control and office work, etc.   |
| Semi Skilled                             | 232              | Maintenance, Stores, Production process        |
| Unskilled                                | 50               | Production, Security, Housekeeping, etc.       |
| Administration, Marketing and management | 16               | Administration, Marketing and Management, etc. |
| <b>Total</b>                             | <b>369</b>       |                                                |

We will be recruiting the additional manpower as listed above in due course for which we do not envisage any difficulty as the same is easily available locally.

### d) Production Capacity:

The existing year wise installed and utilized capacities of the major products manufactured by us are given below:

| Product                           | <i>Quantities</i>  |               |                    |               |                    |               |
|-----------------------------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|
|                                   | 2002               |               | 2003               |               | 2004               |               |
|                                   | Installed Capacity | % Utilization | Installed Capacity | % Utilization | Installed Capacity | % Utilization |
| Gaskets (Nos.)*                   | NA                 | NA            | NA                 | NA            | NA                 | NA            |
| Beater Addition Joining (M. Tons) | 500,000            | 59.01         | 500,000            | 64.61         | 500,000            | 65.89         |

We have capacity to manufacture a variety of gaskets with varied shapes and sizes, hence installed capacity cannot be measured in uniform units. The number of gaskets manufactured, however, is tracked by us and is given below:

| Product | <i>Quantity in Nos.</i> |            |            |
|---------|-------------------------|------------|------------|
|         | 2002                    | 2003       | 2004       |
| Gaskets | 39,251,843              | 45,930,031 | 55,938,504 |

## **e) Environmental aspects**

We are an ISO 14001 certified Company. Our operations do not generate effluents. The proposed forging unit also would not generate any effluents. Appropriate equipments would be acquired for the forging plant as per the requirements of the Pollution Control Board to check the pollution. We do not envisage any difficulty in meeting the required parameters to maintain a healthy environment.

## **OUR PRODUCTS**

The product manufactured by Talbros, falls under the category of sealing products known as Gaskets. Gaskets are used for sealing of gasses and fluids like oil and water from the Engine and transmissions.

Gaskets are used in automobiles such as two wheelers, commercial vehicles, tractors and cars, etc. The products are also used in industrial segment like stationary engines and earth moving equipment, etc.

Gaskets are normally classified as primary and secondary gaskets. The details of the same are given as under:

### **Primary Gaskets**

Primary gaskets comprise of cylinder head gaskets and exhaust manifold gaskets. Cylinder head gasket is the most crucial gasket in the engine. The gasket is assembled between the cylinder block and the cylinder head and is tightened to the requisite torque based on the specifications of the engine.

The gasket performs the following functions:

- To seal the escape of gasses from the combustion chamber so as to prevent power loss in the engine
- Seals of the connecting passages of Oil and coolant between the cylinder block and cylinder head.

Any failure of the gasket will result in poor performance of the engine and may cause damage to the parts or may result in the stoppage of the engine.

The exhaust manifold gasket seals the joints between the exhaust ports of the engine and exhaust manifold in order to prevent the hot exhaust gasses from escaping at the joints.

### **Secondary Gaskets**

Secondary gaskets are made up of various constructions depending upon the final application and are primarily used for lower pressure low temperature applications to prevent leakage of oil and water. Such gaskets are also used in the gearbox and transmission.

We manufacture the following categories of gaskets:

- Cylinder head gaskets
  - o Fiber gaskets – Cemjo construction
  - o Fiber gaskets – Steel back bone
  - o Multi layer steel gasket
  - o Rubber to metal bonded gasket
- Transmission gaskets
- Manifolds

Presently these parts are used in the commercial vehicles, cars, tractors and two Wheelers.

## **Forging**

Forging is manufacturing process where metal is pressed, pounded or squeezed under great pressure into high strength parts known as forging.

Forging is a metal forming process used to produce large quantities of identical parts, as in the manufacture of automobiles, and to improve the mechanical properties of the metal being forged, as in aerospace parts or military equipment. The design of forged parts is limited when undercuts or cored sections are required. All cavities must be comparatively straight and largest at the mouth, so that the forging die may be withdrawn.

The products of forging may be tiny or massive and can be made of steel (automobile axles), brass (water valves), tungsten (rocket nozzles), aluminum (aircraft structural members), or any other metal. More than two thirds of forging in the United States is concentrated in four general areas: 30 percent in the aerospace industry, 20 percent in automotive and truck manufacture, 10 percent in off-highway vehicles, and 10 percent in military equipment. This process is also used for coining, but with slow continuous pushes.

### **Advantages of forging**

A forged product offers extra strength and toughness. It is capable of withstanding greater pressure, force, stress and often higher temperatures than a product made of otherwise.

*Directional Strength:* Controlling deformation during the forging process results in improved metallurgical properties. The forging process produces directional alignment (grain flow) for important directional properties of strength, ductility, and resistance to impact and fatigue.

*Impact Strength:* Through proper grain flow orientation; the forging process can develop the maximum impact strength and fatigue resistance possible in a metal.

*Structural Integrity:* As is well known a forging's structural reliability is excelled by no other metalworking process. There are no internal gas pockets or voids that may cause unexpected failure under conditions of high stress or impact.

### **BRIEF DETAILS ABOUT OUR CUSTOMERS:**

#### **Gaskets**

The commercial vehicle customers are Tata Cummins, Tata Motors, Ashok Leyland, Eicher Motors, Bajaj Tempo and Swaraj Mazda.

We also supply products for cars of Maruti, Hyundai, Hindustan Motors & Tata Motors (Telco) and for Tractors to Escorts, TAFE (SIMPSON), International, John Deere, Mahindra & Mahindra, Panjab Tractors and Eicher Tractors.

For two wheelers, we supply to Hero Honda, Honda Motorcycle & Scooters, Bajaj Auto, Kinetic Scooters, Kinetic Engineering, LML and to Royal Enfield.

## **Forging**

The production of the Forging unit is proposed to be marketed to our group company, QH Talbros to the extent of approximately 65% of the production. The balance production is proposed to be exported for which negotiations are in process.

### **MANUFACTURING PROCESS:**

#### **GASKETS**

The manufacturing process of the broad categories of gaskets manufactured by us is given below:

## **Fiber Gaskets**

### *Cemjo construction*

The cemjo construction gaskets are manufactured by a perforated steel core sandwiched in fiber layers on both the faces. This cemjo material is punched on a press with a press tool which then forms the body of the gasket. The bore eyelets are punched out of either tin plate or steel sheet separately. The Bore eyelet and body is assembled on a press with a Press tool. The small eyelets are fixed on air press. Subsequently, the flattening is done on a hydraulic press. The gasket area is selectively coated through screen printing process and cured in an infrared oven. Subsequently, silicone coating is done through roller coating and cured in infrared oven.

### *Steel Back bone construction*

The fiber material is coated with irreversible glue on one side of the facing. A plane steel core is punched and one side glued facings are also punched. Plain steel core is sandwiched between the two facing materials and then reactivated on a hydraulic press under temperature and pressure.

This forms the body of the gasket and subsequent operations are common as that of Cemjo Construction gasket.

### **Multilayer steel gasket**

This gasket consists of:

- Top and bottom layers of rubber coated stainless steel
- Middle layer of plain stainless steel

All the three layers are punched separately on different press tools. Corrugation is done on separate press tools to provide bead height for sealing purpose. All the three layers are assembled and riveted together to make a cylinder head gasket.

### **Rubber to Metal bonded Cylinder Head Gasket**

In this construction, the main body is punched out from either CRCA or stainless steel of different thicknesses depending upon the application. The gasket body is subjected to sand blasting operation as surface preparation. Then the body is phosphated and coated with bonding agent after which the body is put in a rubber mould and rubber is transferred in the mould on all the sealing areas. The gasket is then subjected to curing cycle in a static oven.

### **Manifold Gasket**

Manifold Gaskets are manufactured in the following construction sequence:

- Double steel faced cemjo
- Double cemjo
- Stainless steel
- Steel backbone

In general, the manufacturing process of these gaskets consists of raw material preparation like preparation of cemjo, pregluing on the facing material and gutting the large sheets to size. The gaskets are then punched to obtain requisite configuration and eyelets assembled. The steel backbone gaskets then undergo reactivation to make the bonding between the core plate and facings permanent.

Depending upon the construction of the gasket, finishing processes like impregnation, varnish coating, silicone and selective area coating are carried out. The type of finishing operation to be carried out depends upon the raw material used and the application of the gasket.

All gaskets upon manufacture are visually inspected, packed and dispatched to the customers.

## **MATERIAL MANUFACTURING PROCESS AT SOHNA PLANT**

Three type of products namely Beater asbestos jointing material, cellulose jointing material and Non- Asbestos jointing material are produced at Sohna plant. The basic raw material for Beater asbestos Jointing material is asbestos fibre, for cellulose jointing material is wood pulp and for non- asbestos jointing material is man made fibre.

For processing the above three products, the raw-material, viz. asbestos fibre/wood pulp/man made fibre is put in beater machine and water is added. After beating the material, the mix is then transferred to the chest tanks where Latex, water and various other fillers and chemicals are added to the mix and agitated. This mix is then pumped to the flow control box and from there to the machine head box. From machine head box the mix is taken on the Fourdrinier wire where the formation of product takes place. Web width of the product is achieved by the help of water jet cutting nozzles. The formed product in sheet form is then passed through various stages of press rolls to squeeze out water. This sheet is then passed through various dryers (steam heated) to dry the sheet & vulcanize the Latex. The sheet is then passed through hydraulic calendar rolls to achieve the desired density and finish of the product. This sheet is then passed through printing machine and then winding of the finished sheet product is done in the form of rolls.

These rolls are then packed with corrugated sheet, PVC strapping, polythene sheet and uthori cloth etc. to protect them from damage and stored in our bonded godown. The said rolls are then dispatched to our plants situated at Faridabad, Pune & Chennai respectively as per the schedules received from them.

## **PROCESS AT PROPOSED FORGING UNIT**

### **Background**

Forging refines the grain structure and improves physical properties of the metal. With proper design, the grain flow can be oriented in the direction of principal stresses encountered in actual use. Grain flow is the direction of the pattern that the crystals take during plastic deformation. Physical properties (such as strength, ductility and toughness) are much better in a forging than in the base metal, which has, crystals randomly oriented.

Forging are consistent from piece to piece, without any of the porosity, voids, inclusions and other defects. Thus, finishing operations such as machining do not expose voids. Also coating operations such as plating or painting are straightforward due to a good surface, which needs very little preparation.

Forging yield parts that have high strength to weight ratio-thus are often used in the design of aircraft frame members.

### **Forging Process being adopted by us**

Our project shall deploy hot and cold forging process using large capacity forging presses. Apart from forging, we shall also install necessary facilities for heat treatment, and as also other lab facilities for finishing the forging.

Forging can be done either by:

1. Hand Forging; or
2. Machine Forging. It may be further subdivided as follows:
  - Open – die forging
  - Closed die forging
  - Machine forging

In case of closed–die forging, the formation/deformation of the component is done in one go. The billets are selected depending on the dimension of the finished product and then cut to size corresponding to the weight of forged components plus the excess metal. These blanks

are heated to a specified temperature to render plasticity to the metal and then formed between the top and bottom die to the desired shape.

In case of drop hammer, the bottom die is kept static on the anvil block and the top die is mounted on the hammer. The heated material is kept on the bottom die and the top die is allowed to fall from a height with added force.

In case of counter-blow hammer, both top and bottom dies move in opposite direction to squeeze and form the component, other operations remaining the same. These forging are made by squeezing the metal into shaped impression provided in heavy steel block called dies. Generally half of the impression is cut with bottom die and the other half on the top die so that when the faces of the dies meet with each other, metal squeezed into the cavity of the die and a correct stamping is formed.

Die steel blocks are used for the manufacture of dies required for close-die forging industries. Profile of the component (die impression) to be forged is made of both top and bottom die blocks either by conventional methods or by die sinking. The specifications of the die steel is quite strict in terms of chemical composition, grain size, micro inclusion, ultrasonic testing etc.

### **Stages in the Forging process**

During the forging process, a metal work piece is plastically deformed by pressing, squeezing, or hammering forces – usually at temperatures ranging from 1050°C to 1,250°C – so that it approaches its maximum theoretical density and the upper limits of the material's potential strength. The properties of the worked metal can be greatly enhanced by selecting the proper types and sequence of operations. The controlled process of deformation that takes place imparts exceptional metallurgical soundness and mechanical properties to the forging – structural integrity, impact strength, fracture toughness, fatigue life, and uniformity.

The manufacture of forged products can be carried out by several basic forging methods. The choice of method is determined by the quantity of parts to be produced, the characteristics of the material, and the configuration to be formed. There are basically four stages to make a forged part:

- Impression Die Forging.
- Cold Forging
- Open Die Forging
- Rolled Ring Forging

#### *Impression-Die Forging*

Impression Die Forging pounds or presses metal between two dies (called tooling) that contain a pre cut profile of the desired part. As the name implies, two or more dies containing impressions of the part shape are brought together causing the work piece to plastically deform with the metal flow restricted by the die contours.

Impression-die forging is often referred to as closed die forging and accounts for the bulk of commercial forging production. Parts from a few ounces to 60,000 lbs. can be made using this process. Some of the smaller parts are actually forged cold.

#### *Upsetting*

Fundamentally, impression die forging produced on horizontal forging machines (upsetters) are similar to those produced by hammers or presses. Each is the result of forcing metal into cavities in dies, which separate at parting lines.

The impression in the ram-operated “heading tool” is the equivalent of a hammer or press top die. The “grip dies” contain the impressions corresponding to the hammer or press bottom die. Grip dies consist of a stationary die and a moving die which, when closed, act to grip the

stock and hold it in position for forging. After each work stroke of the machine, these dies permit the transfer of stock from one cavity to another in the multiple-impression dies.

### *Cold Forging*

Cold Forging is a variation of impression die forging process. As the name implies, it is a cold working process where the material is squeezed into a die and the finished parts assume the shape of the die. This process is also known as Cold Heading.

Cold forging encompasses many processes, bending, cold drawing, cold heading, coining, extrusions and more, to yield a diverse range of part shapes. The temperature of metals being cold forged may range from room temperature to several hundred degrees.

Often chosen for integral design features such as built-in flanges and bosses, cold forging are frequently used in automotive steering and suspension parts, antilock-braking systems, hardware, defense components, and other applications where high strength, close tolerances and volume production make them an economical choice. This method is not generally used for commercial production of heavy forging products.

In the process, a chemically lubricated bar slug is forced into a closed die under extreme pressure. The unheated metal thus flows into the desired shape. As shown, forward extrusion involves steel flow in the direction of the ram force. It is used when the diameter of the bar is to be decreased and the length increased. Backward extrusion, where the metal flows opposite to the ram force, generates hollow parts. In upsetting, the metal flows at right angles to the ram force, increasing diameter and reducing length.

Bar stock or wire stock is fed into a die and is squeezed into the closed die. The resultant part is a nail, a bolt or a screw with the head. A subsequent cold heading operation forms other features on the head such as knurls or slots for screw drivers etc. the shaping rod stock by forming the head as in rivets, bolts, nails and other fasteners. This process can be highly automated and economical.

### *Open Die Forging*

Open die forging is performed between flat dies with no precut profiles in the dies. Open-Die Forging differs from impression-die in that the metal work piece is not confined laterally by impression dies. The process is typically associated with large parts, although part weights can range from a few pounds to 150 tons.

The open-die forging process progressively works the starting stock into the desired shape, most commonly between flat-faced dies. As the stock is not contained in a closed die, a highly skilled forge operator is required in locating and positioning the work piece on the die.

Open die forging require subsequent machining in almost all cases. Movement of the work piece is the key to this method. Larger parts over 200,000 lbs. and 80 feet in length can be hammered or pressed into shape this way.

### *Rolled Ring Forging*

Seamless rolled ring forging is typically performed by punching a hole in a thick, round piece of metal (creating a donut shape), and then rolling and squeezing (or in some cases, pounding) the donut into a thin ring. Ring diameters can be anywhere from a few inches to 30 feet.

### **Types of forging:**

Forging is divided into three main methods: hammer, press, and rolled types.

**(1) Hammer Forging (Flat Die):** This is the preferred method for individual forging. The shaping of a metal, or other material, by an instantaneous application of pressure to a

relatively small area. A hammer or ram, delivering intermittent blows to the section to be forged, applies this pressure. The hammer is dropped from its maximum height, usually raised by steam or air pressure. Hammer forging can produce a wide variety of shapes and sizes and, if sufficiently reduced, can create a high degree of grain refinement at the same time. The disadvantage to this process is that finish machining is often required, as close dimensional tolerances cannot be obtained.

**(2) Press Forging:** This process is similar to kneading, where a slow continuous pressure is applied to the area to be forged. The pressure will extend deep into the material and can be completed either cold or hot. A cold press forging is used on a thin, annealed material, and a hot press forging is done on large work such as armor plating, locomotives and heavy machinery. Press Forging is more economical than hammer forging (except when dealing with low production numbers), and closer tolerances can be obtained. A greater proportion of the work done is transmitted to the workpiece, differing from that of the hammer forging operation, where much of the work is absorbed by the machine and foundation. This method can also be used to produce larger forging, as there is no limitation in the size of the machine.

**(3) Die Forging:** Open and closed die operations can be used in forging. In open-die forging the dies are either flat or rounded. Large forging can be formed by successive applications of force on different parts of the material. Hydraulic presses and forging machines are both employed in closed die forging.

In closed-die forging the metal is trapped in recessed impressions, which are machined into the top and bottom dies. As the dies press together, the material is forced to fill the impressions. Flash, or excess metal, is squeezed out between the dies. Closed-die forging can produce parts with more complex shapes than open-die forging.

Die forging is the best method, as far as tolerances that can be met, and also results in a finished part that is completely filled out and is produced with the least amount of flashing. The final shape and the improvement in metallurgical properties are dependent on the skill of the operator. Closer dimensional tolerances can be held with closed die forging than with open die forging and the operator requires less skill.

#### **The Forging Equipment:**

The type of machinery to be used depends on the shape, size, material, and number of pieces to be made. Forging hammers apply force by the impact of a large ram. This may be a drop hammer, or weight falling under the force of gravity, or it may be a power hammer, driven by steam or compressed air. Two types of power hammers are: the smith forging hammer and the drop hammer. The largest hammers can provide a total force as high as 80,000 pounds.

#### **Heat Treatment:**

Materials can be improved before or after manufacturing by different heat treatment processes. Forging is usually performed to hot metals, allowing for smoother flow and easier deformation. Steel is heated to varying temperatures, usually between 1700°F to 2000°F but can reach as high as 2400°F, depending on the carbon content. Depending on the amount of work required to the piece, it may be necessary to reheat the piece one or more times. The temperature of the metal when completely forged is called the finishing temperature. After forging, the material must be cooled uniformly and protected from moisture or cold air. This is done by placing the material into dry ashes, lime or mica dust in order to retard the rate of cooling.

#### **RESEARCH & DEVELOPMENT:**

Our Company has its own R&D facility recognised by Ministry of Science & Technology, Government of India.

The facility is equipped with design stations with latest 3D modeling software of Unigraphics NX3 version. All the drawings are made on CAD and interaction with leading customers is through soft copies.

Validation of designs is done on engine test dynamometers having capability to test engines up to 250 HP capacity. Fully equipped test lab consisting of equipment like Fuji film test and other gasket, gasket raw material test machinery is another strength of R&D unit.

Developments are backed by APQP activities as per TS 16949 quality system .R&D has 13 qualified engineers & Technicians.

One of the recent mile stones achieved by our R & D is installation of Deep Thermal Shock test facility by which the gasket designs can be validated at extreme working temperatures of – 30<sup>0</sup> C to 115<sup>0</sup> C of coolant on engine. By continuous efforts we have been able to successfully develop technology of edge moulded and MLS gaskets. With collaborator support, we have been able to develop Tyre Sealant a unique product for two wheeler industry in India.

R&D expenditure for the last three years and current year is mentioned below.

| Year      | Expenditure (Rs. Lacs) | % of Total sales |
|-----------|------------------------|------------------|
| 2003-2004 | 53.88                  | 0.57%            |
| 2002-2003 | 40.91                  | 0.56%            |
| 2001-2002 | 33.26                  | 0.53%            |

#### **MARKETING & SELLING ARRANGEMENTS:**

Our sales are divided into the following four segments:

- OEM sales to vehicle and engine manufacturers
- Replacement domestic market sales
- Export market sales
- Government sales

#### **OEM Sales**

The OEMs release open purchase orders on negotiated prices. According to the production schedule, they release monthly requirements on the Company for supplies of the products. Price revisions upward/downward are negotiated keeping in view the input costs/competition in the industry. OEMs release their open purchase orders on a yearly basis.

#### **Replacement Domestic Market Sales**

Sales to the domestic market are done through our authorized selling agents with whom exclusivity agreements are entered and terms and conditions defined at the commencement of each financial year. The authorized selling agents have a defined territory, which is either zone wise or state wise depending on the area of operations.

#### **Export market sales**

Export sales are done in two ways:

- Direct exports to the importers wherein prices are negotiated and agreements signed on order-to-order basis.
- Sales through authorized agents situated in different parts of the world, who are responsible for procuring the business for us. Even when sales are made through authorized agents, sales are directly to the ultimate customers.

**Government sales**

Sales to Government organizations are done based on price contracts, which are referred to as Rate Contract. These sales are made to State Transport Undertakings and other Government Departments like Defense.

**COMPETITION:**

We are leaders in the Indian gasket industry and are supplying to Original Vehicle Manufacturers in the country as OEM supplier and also caters to the replacement market besides exporting in over 30 countries.

Within the organized sector, we mainly face competition from two companies in the OEM segment, namely, Banco Products (I) Limited, Vadodara (Banco) and Victor Gaskets, Pune. While Banco Products has collaboration with Elring of Germany and Japan Metal Gaskets, Japan, Victor Gaskets have collaboration with M/s. Dana Corporation, USA.

Banco primarily dominates in the car segment and the industrial segment in the Replacement market. Banco caters to major OEMs like Maruti, Mahindra & Mahindra, Bajaj Temp, Tata Motors and Simpsons. The Sales turnover of Banco is approximately Rs. 63 crores for FY04 with 36% of market share. (Source: Annual Report)

Victor Gaskets primarily supplies to OEMs like Mahindra & Mahindra Tata Motors, Kinetic Engineering, Simpsons, Tafe and other local Pune based OEMs. Victor Gaskets has a small presence in the replacement market and also exports a small quantity of its production. The sales turnover of Victor Gaskets is approximately Rs. 30 crores for FY04 with 17% of market share. (Source: Annual Report)

Apart from the organized Sector, there is a large unorganized sector, which sells spurious and sub-standard parts. The unorganized sector primarily caters to price conscious market which compromises on quality.

**OUR BUSINESS STRATEGY****BUSINESS STRATEGY – FORGING PROJECT**

We are getting into the manufacture of forging for the first time and hence have decided on the following strategy in order to ramp up the scale of operation in a short span with least amount of uncertainty :-

With respect to marketing of the products firm commitments have been obtained from the customers:

- Around 65% of the production will be sold to our group company – QH Talbros Limited amounting to about Rs. 30-35 crores per annum for which an MOU has already been signed and QH Talbros has agreed to buy the forging at the same price as it is currently buying from its suppliers subject to the adjustment if necessary to be made depending upon the price of raw material at the time of delivery of forging.
- The balance production will be sold to overseas customers with whom negotiations are at an advance stage and we are hopeful of entering into a memorandum of Understanding/long term agreement with these parties in due course of time.

Hence, by this approach market related uncertainty has been fully eliminated for the capacity that is being set up.

In terms of the technology and the sophistication involved in forging products, we have chosen to enter the industry at the lower end of the spectrum of the products i.e. Hammer forging and upset forging. For manufacturing these products the plant and machinery is indigenously available and few key people with requisite and relevant experience have already been short-listed who will join us to implement the project and to run the operation of

the forging unit. For manufacturing the above products, the expertise available in the domestic industry is more than sufficient to run an efficient operation. In order to improve our realizations, we also have plans to do proof machining of the forging thus increasing the value addition. To reduce dependence of external sources for the basic manufacturing activity, fully equipped tool room is being set up as a part of the project to cater to the continuous requirement of tools for manufacture.

### **Capacity and capacity utilization**

We manufacture a variety of gaskets in different shapes and sizes with diversified specifications for a number of automobiles. Consequently, quantification of production in uniform units is not possible.

### **OUR COMPETITIVE STRENGTHS**

We were the first gasket manufacturing company in India to have technical and financial collaboration with Coopers Payen and Engineering Components Limited, UK respectively.

We have a well-established Research & Development Centre recognized by the Government of India which is equipped with computerized engine testing facilities to evaluate gaskets. Product design and development capabilities include operating platform like CAD, CAM and Unigraphics. Developments and designing gaskets are tailored to the specific needs of the company.

Currently, we cater to all major OEMs in the country and supplies gaskets to most of the engines and vehicle manufacturers. Collaborations with Federal Mogul Sealing Systems (Slough) Limited, UK, Nippon Leakless Corporation and Ishikawa Gaskets Limited, Japan give us access to new technologies and latest technical know-how. We also have access to raw materials which are proprietary in nature due to the control available with collaborators.

We are market leaders in the replacement market where we sell gaskets mainly in the premium segment brand namely Dynaseal. The product pricing and quality is better due to excellent quality of product marketed by us.

We deal with a large pool of customers across the world, who have been associated with us for a long time. Major exports are to vast markets in USA, Europe, Australia, South East Asia and African Countries.

### **INSURANCE**

We maintain property insurance with Oriental Insurance Company Limited to cover our plant and machinery, stocks and buildings and offices at various locations against fire.

The vehicles we own are covered by motor policies with Oriental Insurance Company Limited.

All employees are covered by a group personal accident policy and a group mediclaim policy maintained with Oriental Insurance Company Limited. We also have a Individual personal accident policy from Oriental Insurance Company Limited for the certain key managerial personnel.

We also have a Fidelity Floating Insurance policy from Oriental Insurance Company Limited.

Besides the above, we also have a policy for electronic goods from ICICI Lombard General Insurance Company Limited.

Our Insurance policies are for one year and we have been renewing these policies upon expiration.

## PROPERTY

The details of our properties are provided below:

| S. No. | Location                                                                                                      | Area                      | Name, address of Vendor                                                                                                                       | Freehold/ Leasehold | Activities                               |
|--------|---------------------------------------------------------------------------------------------------------------|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------------------------------|
| 1      | <b>Gasket Plant I</b><br>14/1, Delhi<br>Mathura Road,<br>Faridabad – 121 003                                  | 33819<br>square<br>yards  | Messrs. Security and Finance Private Limited, New Delhi having its registered office at 4/8 Asaf Ali Road, New Delhi.                         | Freehold            | Manufacture of gaskets                   |
| 2      | <b>Gasket Plant II</b><br>22-B (NP),<br>Ambattur Industrial Estate,<br>Saidapet Taluk,<br>Chinglepet District | 1.67<br>acres             | M/s. Tamil Nadu Small Industries Development Corporation Limited having its registered office at No. 5, Greams Road, Madras-600 006.          | Freehold            | Manufacture of gaskets                   |
| 3      | <b>Gasket Plant III</b><br>Plot No. 68, F-11,<br>MIDC,<br>Pimpri, Pune – 411 018                              | 2,667<br>square<br>metres | Maharashtra Industrial Development Corporation having its principal office at Orient House, Adi Marzban Path, Ballard Estate, Bombay-400 030. | Leasehold           | Manufacture of gaskets                   |
| 4      | <b>Material Division</b><br>Village Atta Sohna<br>Gurgaon – 122 001                                           | 12,480<br>square<br>yards | Bihari Lal residing at Atta village, Nuhu Zila, Sohna, Gurgaon.                                                                               | Freehold            | Manufacture of beater based raw material |

Besides the above, we have taken on leasehold basis, certain premises in and around Delhi used as godowns for storage of materials and apartments which are given for residential purposes to few of our key employees.

## PURCHASE OF PROPERTY

Except as stated in “Objects of the Issue” in this Draft Red Herring Prospectus and save in respect of the property purchased or acquired or to be purchased or acquired in connection with the business or activities contemplated by the objects of the Issue, there is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Draft Red Herring Prospectus, other than property in respect of which:

- The contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- The amount of the purchase money is not material. We have not purchased any property in which any of its promoters and/or Directors, have any direct or indirect interest in any payment made thereof.

## KEY INDUSTRY REGULATION

There are no specific regulations applicable to the industry in which our Company operates.

## HISTORY AND CORPORATE STRUCTURE

### OUR HISTORY & BACKGROUND:

Talbro Automotive Components Limited was incorporated under the Companies Act, 1956, on 8<sup>th</sup> September, 1956, in the NCT of Delhi, in the name and style of Payen Talbro Private Limited by Talwar Brothers in technical collaboration with Coopers Payen Limited, UK and in financial collaboration with Engineering Components Limited, UK. Our Company was promoted in 1957 by Talwar Brothers under the Chairmanship of late Mr. B.N. Talwar and late Mr. W.N. Talwar, the then Managing Director of our Company.

We became a deemed public company under section 43A of the Companies Act, 1956 on 30<sup>th</sup> November, 1975. We became a public limited company on 4<sup>th</sup> December 1975. The name of our Company was changed to "Talbro Automotive Components Limited" on 7<sup>th</sup> April, 1979. We made our maiden public issue in the year 1980. The registered office of our Company was shifted from NCT of Delhi to the state of Haryana w.e.f. May 16, 1996. Presently our Company is managed by Mr. Naresh Talwar, Mr. Umesh Talwar and Mr. Nikhil Talwar.

We started manufacturing of automotive and industrial gaskets in the year 1957. During our 48 years of existence, we emerged as the leader in the manufacturing of automotive gaskets. The manufacturing activities started during 1957 at the plant located in Delhi, which was shifted to Faridabad during 1967 to extend the manufacturing facilities. During 1977, we acquired, under a Scheme of Amalgamation, AEW Jansons Limited which was engaged in the manufacturing of Hydraulic Jacks. Later on, the manufacturing of axle shafts was added and manufacturing of hydraulic jacks was discontinued. In the year 1979, second manufacturing facility for gaskets was established in Chennai in order to cater to original equipment manufacturers (OEMs) requirement in southern India. A backward integration plan was implemented during 1989 by setting up a plant at Sohna, near Gurgaon, Haryana to manufacture 'beater' (a raw material used in manufacturing process) for captive consumption.

During 1995, we further expanded our manufacturing base by setting up the third gaskets manufacturing plant at Pune in Maharashtra primarily to cater to the needs of Tata Motors and other OEMs based in and around Pune. In the same year, the axle manufacturing plant was separated under the scheme approved by the Honorable High Court of Delhi as we decided to concentrate on manufacturing of gaskets only.

We have technical tie-ups with reputed global players viz. Federal Mogul Sealing Group, one of the world's largest group supplying high technology automotive components and other engineered products; Nippon Leakless Corporation of Japan, the manufacturer of high technology gaskets used by new generation vehicles; Ishikawa Gaskets Company Limited of Japan, the manufacturer of specialized gaskets to be used in diesel engines. Association with these global leaders, ensures access to the latest global technology on a continuous basis.

We are into manufacturing of gaskets for heavy and light commercial vehicles, passenger cars, two wheelers and tractors through our 4 manufacturing facilities. We have certifications such as TS-16949 (Faridabad, Pune and Chennai plants) and ISO 14001 (Faridabad plant) for adhering to specified quality standards and environment protection.

Our turnover has grown from Rs. 5,647.03 lacs in FY2000 to Rs. 9,383.03 lacs in FY2004 and Net profit grew from Rs. 175.17 lacs in FY2000 to Rs. 200.60 lacs in FY2004. Our turnover for the nine month period ended December 31, 2004 is Rs. 8,464.85 lacs with profit after tax of Rs. 330.51 lacs.

### Major events in our history are given below:

| Year | Event                                                                                                                                                                                                                                                                                             |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1956 | <ul style="list-style-type: none"><li>Company incorporated on 8<sup>th</sup> September, 1956 in the NCT of Delhi in the name and style of Payen Talbro Private Limited by Talwar Brothers in technical collaboration with Coopers Payen Limited U K and in financial collaboration with</li></ul> |

| Year | Event                                                                                                                                                                                                                                                                                                                                                  |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|      | Engineering Components Limited U K                                                                                                                                                                                                                                                                                                                     |
| 1957 | • Commencement of manufacturing of all kinds of gaskets at its plant at New Delhi                                                                                                                                                                                                                                                                      |
| 1963 | • 1 <sup>st</sup> bonus issue in the ratio of 1:2                                                                                                                                                                                                                                                                                                      |
| 1966 | • 2 <sup>nd</sup> bonus issue in the ratio of 2:3                                                                                                                                                                                                                                                                                                      |
| 1967 | • Shifting of manufacturing facilities from New Delhi to Faridabad, Haryana                                                                                                                                                                                                                                                                            |
| 1970 | • 3 <sup>rd</sup> bonus issue in the ratio of 1:3                                                                                                                                                                                                                                                                                                      |
| 1975 | • Became a deemed public company under section 43A of the Companies Act, 1956 on 30 <sup>th</sup> November, 1975 and became a public limited company on 4 <sup>th</sup> December 1975<br>• 4 <sup>th</sup> Bonus Issue in the ratio of 1:4                                                                                                             |
| 1977 | • Setting up of 2 <sup>nd</sup> manufacturing facility at SIDCO Industrial Estate, Ambattur, Chennai to manufacture gaskets                                                                                                                                                                                                                            |
| 1978 | • Amalgamation of AEW Janson Limited, a company engaged in the manufacture of hydraulic jacks and shock absorbers with us w.e.f. 1 <sup>st</sup> September, 1977                                                                                                                                                                                       |
| 1979 | • Change of name to Talbros Automotive Components Limited<br>• Commencement of commercial production at Ambattur, Chennai plant in July 1979                                                                                                                                                                                                           |
| 1980 | • Maiden public issue of 1,24,642 Equity Shares at a premium of Rs. 5 per share; issue opening 19 <sup>th</sup> May, 1980                                                                                                                                                                                                                              |
| 1981 | • Commencement of production of rear axle shafts and discontinuation of production of hydraulic jacks and shock absorbers                                                                                                                                                                                                                              |
| 1986 | • Placement of 30,000 15% redeemable non-convertible debentures of Rs. 100/- each to LIC, GIC and its subsidiaries                                                                                                                                                                                                                                     |
| 1988 | • 5 <sup>th</sup> bonus issue in the ratio of 2:5                                                                                                                                                                                                                                                                                                      |
| 1989 | • Right Issue of 4,25,000 Equity Shares of Rs. 10 each<br>• Setting up of manufacturing facility at Sohna, near Gurgaon to manufacture Beater, one of the raw materials, for captive consumption                                                                                                                                                       |
| 1994 | • ISO 9002 certification received from BVQI for Faridabad Plant                                                                                                                                                                                                                                                                                        |
| 1995 | • Issue of 2,42,858 Equity Shares to Engineering Components Limited, UK at a price of Rs. 83.75 per share on preferential basis<br>• Hiving-off of engineering division manufacturing rear axle shafts to Talbros Engineering Limited<br>• Setting up of 3 <sup>rd</sup> manufacturing facility at Pimpri, Pune, Maharashtra to manufacture gaskets    |
| 1997 | • Technical assistance agreement with Nippon Leakless Corporation Limited, Japan to manufacture non-asbestos gaskets                                                                                                                                                                                                                                   |
| 2002 | • 'Best Vendor Award' received from Eicher Motors and Tata Cummins for 2001-02                                                                                                                                                                                                                                                                         |
| 2003 | • Technical assistance agreement with Federal Mogul Sealing Systems (Slough) Limited, UK<br>• 'Best Vendor Award' received from Eicher Motors for 2002-03                                                                                                                                                                                              |
| 2004 | • Technical assistance agreement with Ishikawa Gaskets Company Limited, Japan<br>• 'Best Vendor Award' received from Tata Cummins for 2003-04<br>• All 3 manufacturing facilities, viz. Faridabad, Chennai and Pune certified with TS 16949<br>• ISO 14001 certification obtained for Faridabad Plant<br>• 6 <sup>th</sup> Bonus Issue in ratio of 5:2 |

#### Change in Registered Office

Our registered office is situated at 14/1, Mathura Road, Faridabad-121003, Haryana, India and the same is owned.

| Place of Registered Office | Shifted to | Date of change | Reason                                   |
|----------------------------|------------|----------------|------------------------------------------|
| Delhi                      | Haryana    | 16.05.1996     | Better control of affairs of the company |

**Changes in Name:**

| Previous Name                 | Changed Name                          | Date of Change   |
|-------------------------------|---------------------------------------|------------------|
| Payen Talbros Private Limited | Payen Talbros Limited                 | December 4, 1975 |
| Payen Talbros Limited         | Talbros Automotive Components Limited | April 7, 1979    |

**OUR MAIN OBJECTS:**

Since the Company was incorporated in the year 1956, the objects clause are not divided into main objects, objects incidental or ancillary to the attainment of main objects and other objects. We are presently engaged in the manufacturing of gaskets. The relevant sub-clauses of the objects clause are given below:

1. To carry on the business of manufacturers of gaskets and other related accessories for the engineering or mechanical industries including the manufacture of machinery of all descriptions and to buy, sell, manufacture, repair, convert, alter, let on hire and deal in gaskets and other related accessories of all kinds and to carry on any other business (manufacturing or otherwise) which may seem to the company capable of being conveniently carried on in connection with the above or otherwise calculated directly or indirectly to enhance the value of any of the company's property and rights for the time being.
2. To execute with or without modification and carry into effect an agreement with Engineering Components Limited, J. Payen Limited, Wood Brothers & Co. (Gaskets) Limited, and British Goetze Industrial Gaskets Limited all of 14, Liverpool Road, Slough, Buckingham, England for the purpose of providing for the eventual manufacture of all types of Automotive and Industrial Gaskets in India in terms of the draft agreement a copy whereof has, for the purpose of identification, been initialed by Mr. K.N. Talwar, Mr. J.R. Mody & Messers Crawford Bayley & Co.
- 2A. To act as an Export House and a Trading House and to carry on all or any of the businesses of merchants, exporters or importers of and dealers, distributors or stockists whether as principals, agents, brokers or otherwise in industrial, commercial agricultural, scientific household, domestic, farm and forest products, goods, plants, machineries, equipments, apparatus, gadgets, appliances, accessories, spare parts or any other general produce, merchandise, commodities, articles, materials, things and substances of all kinds and description.
3. To carry on any business relating to the production, manufacture and preparation of any other things or materials which may be usefully or conveniently combined with the business of the Company or any contracts undertaken by the Company and either for the purpose only of such contracts or as an independent business.

**SUBSIDIARY COMPANIES**

Presently, we do not have any subsidiaries.

**SHAREHOLDERS AGREEMENTS**

We do not have any subsisting Shareholding Agreements as on the date of filing this Draft Red Herring Prospectus.

**OTHER AGREEMENTS**

We have entered into the following technical assistance agreements:

**Technical Assistance Agreement dated 3<sup>rd</sup> November 2003 with Federal Mogul Sealing Systems (Slough) Limited ("Federal")**

Pursuant to the said technical assistance agreement, our Company has obtained the license in respect of know-how and technical information relating to the manufacture of non-asbestos gaskets ("Products") on the following terms and conditions:

- our Company will have a non-transferable, non-exclusive license to manufacture the Products in India;
- our Company will manufacture the Products outside India, only with prior written consent of Federal;
- our Company will not be entitled to use any trademark or brand owned by Federal or Federal's affiliates, unless otherwise agreed to in writing;
- all information received in accordance with this agreement shall be kept confidential;
- in consideration of the rights, licenses, training and assistance, our Company shall pay to Federal, a sum of pounds 3,60,000 and a royalty of 3% (net of taxes) of net sales value of the Products; and
- this Agreement shall be valid for ten years unless terminated otherwise.

**Technical Assistance Agreement dated 2<sup>nd</sup> February 2004 with Ishikawa Gaskets Company Limited**

Pursuant to the said technical assistance agreement, our Company has obtained the license in respect of know-how and technical information relating to the manufacture of gaskets of the same quality as provided by Ishikawa to ISUZU Motors Limited ("Products") on the following terms and conditions:

- our Company will have a non-transferable, non-exclusive license to manufacture the Products in India;
- our Company will receive necessary technical information and assistance in respect of such license;
- in consideration of the rights, licenses, training and assistance, our Company shall pay to Ishikawa, a sum of 2,000,000 yen and royalty of 3% (net of taxes) of net sales value of the Products; and
- this Agreement shall be valid for ten years unless terminated otherwise.

**Technical Assistance Agreement dated 5<sup>th</sup> August 1997 with Nippon Leakless Corporation, Japan and supplementary agreement in respect thereto in July 2002**

Pursuant to the said technical assistance agreement, our Company has obtained the license in respect of know-how and technical information relating to the manufacture of gaskets, packing and related products made from metal and non-metal materials ("Products") for automobiles and two wheelers from NLK on the following terms and conditions:

- our Company will have an exclusive; non-sub licensable and non-transferable right to use the technical information and know-how to develop the Products;
- in consideration of the rights, licenses, training and assistance received as per agreement, our Company shall pay to NLK, 5% of the net value addition in respect of the Products sold in the market;
- in consideration of assistance received from NLK's technicians, our Company shall pay to NLK, a per diem rate of US\$300;
- this agreement shall be valid for 5 years from the effective date and shall continue for one year thereafter unless terminate by either of the parties by giving a written party gives written notice of 60 days;
- *vide* the said supplementary agreement thereto, executed in July 2002, the duration of this agreement was extended to 7 years commencing from the date of commercial production, i.e., from 17<sup>th</sup> August 1998 to 16<sup>th</sup> August 2002.

#### **STRATEGIC PARTNERS**

Presently, we do not have any strategic partners.

#### **FINANCIAL PARTNERS**

Presently, we do not have any financial partners.

## OUR MANAGEMENT

### BOARD OF DIRECTORS

Our Company is currently managed by a Board of Directors comprising of 6 directors. Mr. Naresh Talwar is currently our Chairman.

The following table sets forth the details regarding our Board of Directors as on the date of filing of this Draft Red Herring Prospectus.

| <b>S. No.</b> | <b>Name of the Directors, Address, Age, Designation and Occupation</b>                                                                                                                    | <b>Details of directorships in other companies</b>                                                                                                                                                                                                                                                                                                                    |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1</b>      | <b>Mr. Naresh Talwar</b><br><b>Chairman</b><br>D-1/36, Vasant Vihar<br>New Delhi 110 057<br><br>Age: 64 years<br>Occupation: Industrialist                                                | Chairman and Managing Director<br><br>1. QH Talbros Limited<br>2. XO Infotech Limited<br><br>Chairman<br><br>1. Sunrise Medicare Private Limited<br>2. Talbros International Limited<br>3. Talbros Motors Private Limited<br>4. T&T Motors Limited<br>5. XO Forge Limited<br>6. XO Stampings Limited<br><br>Directorships<br><br>1. T&T Multi Trading Private Limited |
| <b>2</b>      | <b>Mr. Umesh Talwar</b><br><b>Vice Chairman &amp; Managing Director</b><br>152F, Malcha Marg<br>Diplomatic Enclave<br>New Delhi 110 021<br><br>Age: 54 years<br>Occupation: Industrialist | Chairman<br><br>1. XO Stampings Limited<br><br>Vice-Chairman and Managing Director<br><br>1. QH Talbros Limited<br>2. XO Infotech Limited<br><br>Directorships<br><br>1. Sunrise Medicare Private Limited<br>2. Talbros International Limited<br>3. T&T Multi Trading Private Limited<br>4. T&T Motors Limited<br>5. XO Forge Limited                                 |
| <b>3</b>      | <b>Mr. Nikhil Talwar</b><br><b>Joint Managing Director</b><br>2, Malcha Marg<br>Diplomatic Enclave<br>New Delhi 110 021<br><br>Age: 34 years<br>Occupation: Industrialist                 | Directorships<br><br>1. QH Talbros Limited                                                                                                                                                                                                                                                                                                                            |
| <b>4</b>      | <b>Mr. Rajive Sawhney</b><br><b>Non Executive and Independent Director</b>                                                                                                                | Directorships<br><br>1. Win Medicare Limited                                                                                                                                                                                                                                                                                                                          |

| <b>S. No.</b> | <b>Name of the Directors, Address, Age, Designation and Occupation</b>                                                                                                                             | <b>Details of directorships in other companies</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|               | 52-A, Friends Colony (East)<br>New Delhi 110 065<br><br>Age: 57 years<br>Occupation: Advocate                                                                                                      | 2. Berger Paints India Limited<br>3. Thermo Plastic India Private Limited<br>4. D.D Fincap Private Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>5</b>      | <b>Mr. V Mohan</b><br><b>Non Executive and Independent Director</b><br><br>Waman, 46/3, Garodia Nagar<br>Ghatkopar East<br>Mumbai 400 077<br><br>Age: 53 years<br>Occupation: Chartered Accountant | Directorships<br><br>1. Lloyd Insulations (India) Limited<br>2. Champion Industries Limited<br>3. Lakhanpal Private Limited<br>4. Punj Sons Private Limited<br>5. Aaren Initiative Outdoor Advertsing Private Limited<br>6. QH Talbros Limited                                                                                                                                                                                                                                                                                                                                           |
| <b>6</b>      | <b>Mr. Anil Kumar Mehra</b><br><b>Non Executive and Independent Director</b><br><br>B-222 B, Greater Kailash I<br>New Delhi 110 048<br><br>Age: 60 years<br>Occupation: Chartered Accountant       | Managing Director<br><br>1. Living Media India Limited<br><br>Directorships<br><br>1. TV Today Network Limited<br>2. Integrated Databases India Limited<br>3. Radio Today Broadcasting Limited<br>4. Radio Today (Delhi) Broadcasting Limited<br>5. Radio Today (Mumbai) Broadcasting Limited<br>6. Radio Today (Calcutta) Broadcasting Limited<br>7. Universal Learn Today Limited<br>8. India Today Online Limited<br>9. The All India Finance & Commerce Private Limited<br>10. The All India Investment Corporation Private Limited<br>11. Active Media Technologies Private Limited |

#### **BRIEF PROFILE OF OUR DIRECTORS OTHER THAN PROMOTERS**

##### **Mr. Anil K. Mehra, Non Executive and Independent Director**

Mr. Anil Kumar Mehra, aged 60 years, is a Bachelor in Commerce (Hons.) from Sri Ram College of Commerce, Delhi University. Mr. Mehra is fellow member of the Institute of Chartered Accountants of England and Wales and the Institute of Chartered Accountants of India. He has over 30 years of experience in statutory audit, internal audit, management audit and special investigative audits. He has been advising various companies on financial management and corporate planning. He is on the Board of several public limited companies.

##### **Mr. Rajive Sawhney, Non Executive and Independent Director**

Mr. Rajive Sawhney, aged 57 years is a Bachelor in Arts from St. Stephen College, Delhi and has L.LB degree from the Delhi University. He has more than 33 years of experience in corporate laws. Presently, he is on the board of 4 companies. He is a designated Senior Advocate of the Supreme Court of India and the High Court of Delhi.

### **Mr. V. Mohan, Non Executive and Independent Director**

Mr. V Mohan, aged 53 years, is a Bachelor in Commerce from the Madras University and is a fellow member of the Institute of Chartered Accountants of India. He is partner of M/s. V Sankar Aiyar & Co., Chartered Accountants and is on the board of several companies. He is also a corporate advisor for several companies.

### **BORROWING POWERS OF THE BOARD:**

Our borrowing powers as provided in the AoA are as provided below:

|                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Conditions on which money may be borrowed                         | 57. The Board of Directors may from time to time raise or borrow or secure the repayment of any sum or sums in such manner and upon such terms and conditions in all respects as they think fit, in particular, by the issue of bonds, perpetual or redeemable debentures or debenture stock, or any mortgage, charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being. The Board shall exercise such power only by means of resolution(s) passed at a meeting of the Directors and not by circular resolutions                                                                                        |
| Debentures may be assignable, free from equities                  | 58. Debentures, debenture stock, bonds or other securities may be made assignable free from any equities the Company and the person to whom the same be issued.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Securities may be issued at a discount or with special privileges | 59. Any debentures, debenture stock, bonds 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 special privileges as to redemption, surrender drawings, allotment of shares, appointment of Directors and otherwise, provided however, that no debentures with the right to conversion into or allotment of shares shall be issued except with the consent of the Company in General Meeting.                                                                                                                                                                                                     |
| Mortgage of uncalled capital                                      | 60. If any uncalled capital of the Company is included in or charged by any mortgage or other security, the Board of Directors may by instrument under the Company's seal ` authorize the person in whose favour such mortgage or security is executed or any other person in trust for him to make calls on the members in respect of such uncalled capital and the provisions hereinbefore contained in regard to calls shall mutatis mutandis apply 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 Board's powers or otherwise and shall be assignable if expressed so to be |

The extract of the latest resolution of the Company authorizing the Board's borrowing powers is as follows:

### **Extracts of Resolution of borrowing powers passed in the 46<sup>th</sup> Annual General Meeting held on 26<sup>th</sup> September 2003**

### **To Borrow any sum of money (ies) under section 293(1) (d) of the Companies Act, 1956 not exceeding Rs. 40 crores from Banks / Financial Institutions.**

"Resolved that in supersession of the resolution passed at the 41<sup>st</sup> Annual General Meeting of the company held on 28<sup>th</sup> September 1998, the consent of the company be and is accorded pursuant to section 293(1) (d) of the companies Act, 1956, to the Board of Directors of the company to borrow any sum or sums of money from time to time for the company, on such terms and conditions and with or without security, as the Board of Directors may in its discretion think fit, notwithstanding that the money or monies to be borrowed together with the monies already borrowed by the company (apart from the temporary loans obtained from the company's bankers in the ordinary course of business) may exceed the aggregate of paid-up share capital of the company and its free reserves (i.e. reserves not set apart for any

specific purpose ) provided , however that the total borrowings outstanding at any one time including the monies already borrowed shall not exceed a sum of Rs. 40 crores (Rupees forty crores only)”

## **COMPENSATION TO MANAGING DIRECTORS / WHOLETIME DIRECTORS**

### **Mr. Umesh Talwar, Vice-Chairman and Managing Director**

Vide an agreement dated 24<sup>th</sup> April, 2000, Mr. Umesh Talwar was appointed as Vice-Chairman and Managing Director of our Company with effect from 18<sup>th</sup> April, 2000. *Vide* a resolution passed at a general meeting of our Company on 29<sup>th</sup> September 2004, Mr. Talwar was reappointed as the Vice-Chairman and Managing Director for a period of three years with effect from 1<sup>st</sup> April 2004. As per the terms of the said resolution Mr. Talwar is entitled to draw his salary and benefits as per his service conditions with the Company and in respect of which all expenses including contribution towards provident funds, pension and gratuity shall be reimbursed by the Company as stated herein under:

#### **A. Remuneration :**

- (i) Basic Salary of Rs.1,30,000/- per month.
- (ii) House Rent Allowance @ 70% of the Basic Salary i.e. Rs.91,000/- per month.
- (iii) Perquisites such as reimbursement of expenses for gas, electricity, water and furnishing, medical, leave travel concession, club fees, personal accident insurance aggregating to not exceeding Rs.29,000/- per month.

#### **B. Perquisites in addition to the above:**

- (i) Company's Contribution towards Provident Fund and Superannuation fund –As per rules of the Company.
- (ii) Gratuity –As per rules of the Company.
- (iii) Earned/Privilege Leave-As per rules of the Company. Leave accumulated but not availed of during the tenure may be allowed to be encashed at the end of the tenure.
- (iv) Car-Provision of a Chauffeur driven car for the business of the Company.
- (v) Telephone-free telephone facility at residence, personal long distance calls to be paid by the managerial personnel.

#### **9. Other Benefits:**

The Board of Directors is authorized to provide for reimbursement of entertainment expenses actually and properly incurred in course of the legitimate business of the Company and such other benefits/amenities and other privileges as may from time to time be available to other executives of the Company.

### **Mr. Nikhil Talwar, Joint Managing Director**

Mr. Nikhil Talwar was appointed as a whole-time director of our Company on 1<sup>st</sup> September 1996 and was designated as our Joint Managing Director with effect from 18<sup>th</sup> April, 2000. Pursuant to a resolution passed in a general meeting on 25<sup>th</sup> September 2004, Mr. Talwar was re-appointed as the Joint Managing Director for a period of three years with effect from 1<sup>st</sup> April 2004. As per the terms of the said resolution, Mr. Talwar is entitled to draw his salary and benefits as per his service conditions with our Company and in respect of which all expenses including contribution towards provident funds, pension and gratuity shall be reimbursed by our Company as stated herein under:

#### **C. Remuneration :**

- (iv) Basic Salary of Rs.1,05,000/- per month.
- (v) House Rent Allowance @ 70% of the Basic Salary i.e. Rs.73,500/- per month.

- (vi) Perquisites such as reimbursement of expenses for gas, electricity, water and furnishing, medical, leave travel concession, club fees, personal accident insurance aggregating to not exceeding Rs.21,500/- per month.

**D. Perquisites in addition to the above:**

- (vi) Company's Contribution towards Provident Fund and Superannuation fund –As per rules of our Company.
- (vii) Gratuity –As per rules of our Company.
- (viii) Earned/Privilege Leave-As per rules of our Company. Leave accumulated but not availed of during the tenure may be allowed to be encashed at the end of the tenure.
- (ix) Car-Provision of a Chauffeur driven car for the business of our Company.
- (x) Telephone-free telephone facility at residence, personal long distance calls to be paid by the managerial personnel.

**10. Other Benefits:**

The Board of Directors is authorized to provide for reimbursement of entertainment expenses actually and properly incurred in course of the legitimate business of our Company and such other benefits/amenities and other privileges as may from time to time be available to other executives of our Company.

**CORPORATE GOVERNANCE**

Though our Company is a listed company, the SEBI/Stock Exchange Guidelines in respect of Corporate Governance were not applicable as its paid-up share capital was less than Rs. 3 crore before 31<sup>st</sup> December 2004. Subsequent to the allotment made on 31<sup>st</sup> December, 2004 pursuant to a bonus issue, the paid-up share capital of our Company became Rs. 5.75 crores and the same exceeded the threshold limit and the Corporate Governance provisions became applicable. We have already taken necessary steps to implement the provisions of the Corporate Governance. The constitution of our Board of Directors is in compliance with the said provisions and it has the necessary committees in place in compliance with the said provisions:

- a. Audit Committee
- b. Remuneration Committee
- c. Shareholders Grievance Committee

**Composition of Board of Directors:**

**Board Structure:**

| S. No. | Name of the Director | Designation                       | Nature of Directorship                 | Date of Expiry of Terms |
|--------|----------------------|-----------------------------------|----------------------------------------|-------------------------|
| 1      | Mr. Naresh Talwar    | Chairman                          | Non Executive                          | N.A.                    |
| 2      | Mr. Umesh Talwar     | Vice Chairman & Managing Director | Executive                              | 31.03.2007              |
| 3      | Mr. Nikhil Talwar    | Joint Managing Director           | Executive                              | 31.03.2007              |
| 4      | Mr. Anil K. Mehra    | Director                          | Non Executive and Independent Director | N.A.                    |
| 5      | Mr. Rajive Sawhney   | Director                          | Non Executive and Independent Director | N.A.                    |
| 6      | Mr. V. Mohan         | Director                          | Non Executive and Independent Director | N.A.                    |

### Audit Committee

The Audit Committee provides directions to and reviews functions of the Audit department. The Committee evaluates internal audit policies, plans, procedures and performance and reviews the other functions through various internal audit reports and other year-end certificates issued by the statutory auditors. Quarterly and Annual Accounts are placed before the Audit Committee, prior to being presented to the Board along with the recommendations of the Audit Committee.

The terms of reference of Audit Committee complies with the requirements of Clause 49 of the listing agreement entered into with the Stock Exchanges. The committee consists of all non-executive as well as Independent Directors.

#### Composition of Audit Committee:

| S. No. | Name of the Director | Designation                            | Nature of Directorship      |
|--------|----------------------|----------------------------------------|-----------------------------|
| 1      | Mr. V. Mohan         | Chairman                               | Independent & Non Executive |
| 2      | Mr. Naresh Talwar    | Member                                 | Non Executive               |
| 3      | Mr. Anil K. Mehra    | Member                                 | Independent & Non Executive |
| 4      | Mr. R. P. Grower     | Vice President –Finance                | -                           |
| 5      | Mr. Pankaj Dhawan    | Company Secretary & Compliance Officer | Secretary of the Committee  |

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

- i. To have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and to review the half-yearly and annual financial statements before submission to the Board and ensure compliance of internal control systems.
- ii. To oversee our financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- iii. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- iv. Reviewing with management the annual financial statements before submission to the Board.
- v. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- vi. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- vii. Discussions with internal auditors on any significant findings and follow up thereon.
- viii. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- ix. Discussions with external auditors before the audit commences, nature and scope of audit as well as to have post-audit discussion to ascertain any area of concern.
- x. Reviewing our financial and risk management policies.
- xi. To look into the reasons for substantial defaults in the payment to the depositors, shareholders (in case of non-payment of declared dividends) and creditors, if any.

### Remuneration Committee

The Committee performs the functions of Remuneration Committee as recommended in the Listing Agreement entered into with the Stock Exchanges. It determines our policy on specific packages for Executive Directors.

#### Composition of the Remuneration Committee:

| S. No. | Name of the Director | Designation | Nature of Directorship      |
|--------|----------------------|-------------|-----------------------------|
| 1      | Mr. Anil K. Mehra    | Chairman    | Independent & Non Executive |
| 2      | Mr. Rajive Sawhney   | Member      | Independent & Non Executive |
| 3      | Mr. V. Mohan         | Member      | Independent & Non Executive |

#### Shareholders Grievance Committee

We have designated personnel to solve investors' problems along with our Share Transfer Agents, Karvy Computershare Private Limited. The Investors Grievances Committee looks into redressal of shareholder and investor complaints, issue of duplicate/split/consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/transmission of shares and debentures and reference to statutory and regulatory authorities.

#### Composition of the Shareholders Grievance Committee:

| S. No. | Name of the Director | Designation                            | Nature of Directorship      |
|--------|----------------------|----------------------------------------|-----------------------------|
| 1      | Mr. Naresh Talwar    | Chairman                               | Non Executive               |
| 2      | Mr. Anil K. Mehra    | Member                                 | Independent & Non Executive |
| 3      | Mr. Rajive Sawhney   | Member                                 | Independent & Non Executive |
| 4      | Mr. V. Mohan         | Member                                 | Independent & Non Executive |
| 5      | Mr. Pankaj Dhawan    | Company Secretary & Compliance Officer | Compliance Officer          |

#### POLICY ON DISCLOSURES AND INTERNAL PROCEDURE FOR PREVENTION OF INSIDER TRADING

We have complied with and will continue to comply with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992. In compliance with regulation 12(1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992, our Company has framed a code of internal procedures and conduct for prevention of insider trading.

Mr. Pankaj Dhawan, the Company Secretary is responsible for setting forth policies, procedures, monitoring and adherence to the rules for the preservation of price sensitive information and the implementation of the code of conduct under the overall supervision of the board.

#### Shareholding of the Directors in our Company

| S. No. | Name of the Director | Number of Shares | % of Paid up Share Capital |
|--------|----------------------|------------------|----------------------------|
| 1      | Mr. Naresh Talwar    | 194,077          | 3.375                      |
| 2      | Mr. Umesh Talwar     | 171,051          | 2.975                      |
| 3      | Mr. Nikhil Talwar    | 669,686          | 11.647                     |
| 4      | Mr. Anil K. Mehra    | Nil              | Nil                        |
| 5      | Mr. Rajive Sawhney   | Nil              | Nil                        |
| 6      | Mr. V. Mohan         | Nil              | Nil                        |

#### INTEREST OF DIRECTORS

All the Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or committees thereof as well as to the extent of remuneration and/or reimbursement of expenses payable to them under the Articles.

The Directors may also be regarded as interested in the shares, if any, held by them or that may be subscribed by and allotted/transferred to the Companies, firms and trust, in which they are interested as directors, members, partners and or trustees. All Directors may be

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

Except as stated otherwise in this Draft Red Herring Prospectus, we have not entered into any Contract, Agreements or arrangements during the preceding two years from the date of the Draft Red Herring Prospectus in which the Directors are directly or indirectly interested and no payments have been made to them in respect of these Contracts, Agreements or arrangements which are proposed to be made to them.

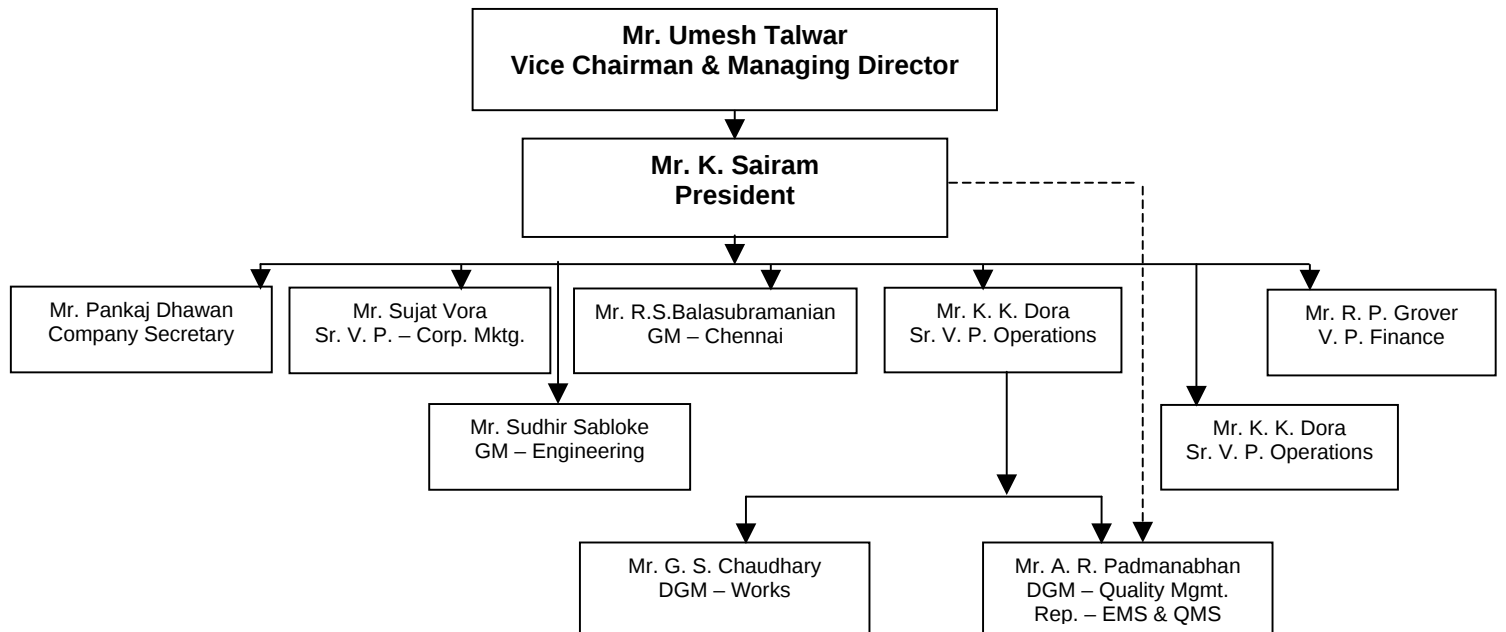
#### **Directors Remuneration for the year ended March 31, 2004**

| <b>Sr. No</b> | <b>Name of Director</b> | <b>Sitting Fees per meeting</b> | <b>Salaries / Perquisites</b> | <b>Commission</b> | <b>Total</b>     |
|---------------|-------------------------|---------------------------------|-------------------------------|-------------------|------------------|
| 1             | Mr. Naresh Talwar       | NIL                             | NIL                           | NIL               | NIL              |
| 2             | Mr. Umesh Talwar        | NIL                             | NIL                           | NIL               | 2,385,500        |
| 3             | Mr. Nikhil Talwar       | NIL                             | NIL                           | NIL               | 1,967,127        |
| 4             | Mr. Anil K. Mehra       | Rs. 5,000                       | NIL                           | NIL               | 20,000           |
| 5             | Mr. Rajive Sawhney      | Rs. 5,000                       | NIL                           | NIL               | 15,000           |
| 6             | Mr. V. Mohan            | Rs. 5,000                       | NIL                           | NIL               | 15,000           |
|               | <b>Total</b>            | ---                             | ---                           | ---               | <b>4,402,627</b> |

#### **Changes in the Board of Directors during the last three years**

| <b>S. No</b> | <b>Name of the Director</b> | <b>Date of appointment</b> | <b>Date of Resignation</b> | <b>Reasons</b>                                                                                                       |
|--------------|-----------------------------|----------------------------|----------------------------|----------------------------------------------------------------------------------------------------------------------|
| 1            | Mr. K. Humphris             | 27.05.1998                 | 25.06.2002                 | Withdrawal of nomination as a nominee Director on account of resignation from Federal Mogul Sealing Systems Limited. |
| 2            | Mr. Rajesh Talwar           | 10.06.1985                 | 01.10.2002                 | Facilitate re-structuring of the Board of Directors                                                                  |
| 3            | Mr. C.K. Hazari             | 24.06.1985                 | 26.08.2003                 | Due to old age                                                                                                       |
| 4            | Mr. Brian Williams          | 01.08.1997                 | 29.08.2003                 | Being Nominee Director, ceased due to termination of foreign collaboration Agreement                                 |
| 5.           | Mr. Rajive Sawhney          | 26.08.2003                 | -                          | To fill vacancy of Mr. C.K. Hazari                                                                                   |
| 6.           | Mr. Anil Kumar Mehra        | 23.02.2004                 | -                          | Appointment of an Independent Director                                                                               |
| 7.           | Mr. V. Mohan                | 23.02.2004                 | -                          | Appointment of an Independent Director                                                                               |

## MANAGEMENT ORGANISATION STRUCTURE



## KEY MANAGEMENT PERSONNEL

| S. No | Name                 | Designation                                 | Age (yrs) | Qualification                                                                                     | Date of joining | Experience in years | Functional Responsibility              | Previously employed with                                  | Present Annual Compensation |
|-------|----------------------|---------------------------------------------|-----------|---------------------------------------------------------------------------------------------------|-----------------|---------------------|----------------------------------------|-----------------------------------------------------------|-----------------------------|
| 1.    | K Sairam             | President                                   | 54        | BE, PGDBM (MBA)                                                                                   | 05.4.2001       | 28                  | Overall Incharge                       | Goetze India Limited                                      | 15,23,694                   |
| 2.    | Sujat Vora           | Senior Vice President (Corporate Marketing) | 48        | B A (Eco Hons)                                                                                    | 10.1.1984       | 27                  | Head – Corporate Marketing             | Jamna Auto Limited                                        | 11,02,790                   |
| 3.    | K K Dora             | Senior Vice President (Operations)          | 56        | B Sc (Engg) Mechanical                                                                            | 1.12.1997       | 32                  | In charge – Works                      | Singer (India) Limited                                    | 7,11,960                    |
| 4.    | R P Grover           | Vice President (Finance)                    | 46        | B Com (Hons), FCA                                                                                 | 1.9.1997        | 19                  | Head – Finance & Accounts              | Tata Exports Limited                                      | 6,20,880                    |
| 5.    | Pankaj Dhawan        | AGM & Company Secretary                     | 43        | B Com, FCS                                                                                        | 5.6.1992        | 22                  | Company Secretary & Compliance Officer | Bindal Agro Chem Limited                                  | 3,88,636                    |
| 6.    | Sudhir Sabloke       | General Manager (Engineering)               | 44        | PGD in Die Mould Making, Diploma in Instrument Technology                                         | 14.2.1994       | 22                  | In charge – Tool shop, etc.            | Escorts Limited                                           | 4,61,963                    |
| 7.    | A R Padmanabhan      | Deputy General Manager (Quality Assurance)  | 54        | Diploma in Mechanical Engineering                                                                 | 18.3.1989       | 35                  | Quality Assurance                      | Escorts Limited                                           | 4,15,800                    |
| 8.    | R S Bala Subramanian | General Manager- Chennai Plant              | 53        | B E (Mechanical Engineering)                                                                      | 8.4.2002        | 27                  | Chennai Plant In-charge                | Sundram Fastners Limited                                  | 10,58,624                   |
| 9.    | Suresh G Patwardhan  | General Manager- Pune Plant                 | 50        | B E (Production), Master's Diploma in Business Administration (Materials & Production Management) | 10.9.2004       | 27                  | Pune Plant In-charge                   | Quality Group Engineering Limited, Dar es Salam, Tanzania | <b>851,028</b>              |
| 10.   | G S Choudhary        | Deputy General Manager- (Works)             | 48        | B E (Industrial Engineering), B E (Electrical Engineering), Diploma in Management                 | 2.5.2002        | 22                  | Works                                  | Bhartia Cutler Hammer Limited                             | 4,51,653                    |

### Brief Profile of our Key Managerial Personnel

#### Mr. K Sairam, President

Mr. K Sairam, 54 years worked in various organizations of repute at senior management levels before joining our Company in April, 2001. Some of the `authorized` ns where Mr. Sriram worked include Goetze India Limited as Associate Vice President, Motherson Sumi

Systems Limited as Managing Director, Gulf Bitumen & Asphalt Products Limited, Dubai as General Manager, Material of Escorts Limited as General Manager and Yamaha Motor Cycle Division, Surajpur, UP, etc.

Mr. Sairam is presently responsible for the overall operations of our Company in achieving the budgeted top and bottom line revenues and also for future plans like expansion and diversification.

**Mr. Sujat Vora, Vice President (Commercial)**

Mr. Sujat Vora, aged 48 years, is B.A. Economics from the Delhi University. He has over 28 years of experience in the Indian automotive industries to his credit. Before joining Talbros, he has worked with Jamna Auto Industries Limited as Zonal Manager. He has earlier worked in the Marketing & Sales Department of Shriram Pistons for a period of 5 years.

**Mr. K K Dora, Senior Vice President (Operations)**

Mr. K K Dora, 56 years, has over three decades of experience in diverse industries to his credit. Before joining us in December, 1997, he worked with Singer India Limited as General Manager Manufacturing, Jay Engineering Works Limited as Deputy General Manager, Production and Engineering.

**Mr. R P Grover, Vice President (Finance)**

Mr. R P Grover, 46 years, is a Fellow Member of the Institute of Chartered Accountants of India. He has been heading the Finance and Accounts Department of our Company since 1997. Before joining our Company, Mr. Grover worked with Tata Exports Limited for about five years as Financial Advisor and was posted at Dar-es-Salam, Tanzania.

**Mr. Pankaj Dhawan, Company Secretary**

Mr. Pankaj Dhawan, 43 years has been working as Assistant General Manager and Company Secretary with our Company since June, 1992 and looking after secretarial, legal and other related issues. Before joining our Company, Mr. Dhawan worked as Assistant Company Secretary in Bindal Agro Chem Limited, belonging to Oswal Group.

**Mr. Sudhir Sabloke, General Manager (Engineering)**

Mr. Sudhir Sabloke, aged about 44 years worked in the areas of manufacturing and engineering in companies like Escorts Limited (Motor Cycle Division) and Purolator India Limited

**Mr. A R Padmanabhan, Deputy General Manager (Quality Assurance)**

Mr. A R Padmanabhan, 53 years has been working with our Company for over a decade and a half. Earlier he worked with Escorts Limited as Assistant Manager (PPC), Head of Department.

**Mr. R S Bala Subramanian, General Manager-Chennai Plant**

Mr. R S Bala Subramanian, aged about 53 years, is in-charge of Chennai Plant of our Company. We worked with various companies in the auto components industry like Sundaram Fasteners Limited, Hosur, Kinetic Engineering Limited, Ahmednagar.

**Mr. Suresh G Patwardhan , General Manager- Pune Plant**

Mr. Suresh G Patwardhan, 50 years worked with Kirloskar Pneumatic Company Limited, Pune as General Manager-Central Planning and IT before joining our Company.

**Mr. G S Choudhary, Deputy General Manager-Works**

Mr. G S Choudhary, aged about 48 years worked in a no. of ` uthorized` ns before joining our Company in the year 2002 like Bhartia Cutler Hammer Limited, Kalvinator of India Limited etc.

**Shareholding of Key Managerial Personnel**

None of the Key Managerial Personnel in our Company hold any shares of our Company as on the date of filing of this Draft Red Herring Prospectus.

**Changes in the Key Managerial Personnel during last 3 years**

| <b>Sr. No</b> | <b>Name</b>             | <b>Date of appointment</b> | <b>Date of Leaving</b> | <b>Reason</b>  |
|---------------|-------------------------|----------------------------|------------------------|----------------|
| 1             | Mr R S Bala Subramanian | 8.4.2002                   | -                      | Appointment    |
| 2             | Mr. Suresh G Patwardhan | 10.9.2004                  | -                      | Appointment    |
| 3             | Mr. G. S. Choudhary     | 2.5.2002                   | -                      | Appointment    |
| 4             | Mr. Dilip Phatarphod    | -                          | 16.10.2004             | Superannuation |

**Notes**

1. All the Key Managerial Personnel are permanent employees of our Company.
2. There is no understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned personnel have been recruited.

**ESOS/ESPS SCHEME TO EMPLOYEES**

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

**PAYMENT OR BENEFIT TO OUR OFFICERS**

Except for the payment of salaries, we provide our employees with perquisites such as vehicle, canteen, insurance, etc.

## OUR PROMOTERS AND THEIR BACKGROUND



### **MR. NARESH TALWAR, CHAIRMAN**

Mr. Naresh Talwar, aged 64 years, is a graduate from Delhi University, having wide experience in the automotive components industry for more than 38 years. Mr. Naresh Talwar has set-up QH Talbros Limited in 1986 for manufacturing of suspension, tie-rods, ball pins etc. He has also promoted T& T Motors Limited, the authorized dealers for Mercedes Benz cars. In the year 1996, he co-promoted XO Infotech Limited to manufacture motherboard for computers. In addition to the above Mr. Talwar also co-promoted Sunrise Medicare Private Limited to provide healthcare services. He is on the Board of several companies as their Chairman, CMD and directors.

Voter ID No.: DL/02/010/030553

Driving License No.: P09062000174229



### **MR. UMESH TALWAR, VICE CHAIRMAN & MANAGING DIRECTOR**

Mr. Umesh Talwar, aged 54 years, has done B Com (Hons) from Delhi University and MBA from XLRI, Jamshedpur. He has more than 28 years of experience in the automotive components industry. He is also a co-promoter director of QH Talbros Limited, XO Infotech Limited and Sunrise Medicare Private Limited. Under his leadership our Company has received Quality System Certification ISO/TS 16949 and certification ISO 14001 Environmental Management System.

Mr. Umesh Talwar is a member of CII, Haryana State Council and also a member of Executive Committee of Automotive Components Manufacturers Association of India (ACMA). He has attended various seminars and workshops organized by CII, ACMA, FICCI and PHD Chamber of Commerce and Industry.

Mr. Umesh Talwar is Vice-Chairman and Managing Director of our Company and is looking after its overall operations. He is also on the Board of several companies as VC & MD, MD and director.

Voter ID No.: DL/01/002/267017

Driving License No.: P02042001119097



### **MR. NIKHIL TALWAR, JOINT MANAGING DIRECTOR**

Mr. Nikhil Talwar, aged 34 years, has done B Com (Hons) from Delhi University and MBA from Durham University of Business School, U K. He has worked overseas with internationally renowned companies such as Coopers Payen Limited, UK. He has also worked with A.E. Clevite at Ann Arbor in USA on several projects. He has more than 10 years of experience in the auto components industry. He is engaged in strategic planning, business promotion, monitoring long term plan of our Company besides technology transfer/up-gradation.

Mr. Nikhil Talwar is joint Managing Director of our Company.

Voter ID No.: N.A

Driving License No.: 93121064

The Permanent Account Number ("PAN"), Bank Account Number and Passport Number of our Promoters have been submitted to the Stock Exchanges, on which we propose to list our Equity Shares at the time of filing of this Draft Red Herring Prospectus.

### **INTEREST OF PROMOTERS**

All the Promoters may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or committee thereof as well as to the extent of other remuneration and/or reimbursement of expenses payable to them under the Articles.

The Vice Chairman & Managing Director and Joint Managing Director are interested to the extent of remuneration paid to them for services rendered to us. Further, the Promoters are interested to the extent of equity shares that they are holding and or allotted to them out of the present Issue, if any, in terms of the Draft Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Except as stated otherwise in this Draft Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of this Draft Red Herring Prospectus in which the Directors are directly or indirectly interested and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

### **PAYMENT OR BENEFIT TO OUR PROMOTERS**

#### **Mr. Naresh Talwar, Chairman**

No remuneration has been paid to Mr. Naresh Talwar.

#### **Mr. Umesh Talwar, Vice-Chairman and Managing Director**

For details of payments or benefits paid to Mr. Umesh Talwar please refer to paragraph "Compensation to Managing Directors / Wholetime Directors" in the section titled "Our Management on page no. [●] of this Draft Red Herring Prospectus.

#### **Mr. Nikhil Talwar, Joint Managing Director**

For details of payments or benefits paid to Mr. Nikhil Talwar please refer to paragraph "Compensation to Managing Directors / Wholetime Directors" in the section titled "Our Management on page no. [●] of this Draft Red Herring Prospectus.

### **RELATED PARTY TRANSACTIONS**

For details of related party transactions, please refer to Annexure XV of the section titled "Financial Statements" on page no. [●] of this Draft Red Herring Prospectus.

## **CURRENCY OF PRESENTATION**

In this Draft Red Herring Prospectus, unless the context otherwise requires, all references to the word “Lakh” or “Lac”, means “One hundred thousand” and the word “million” means “Ten Lacs” and the word “Crore” means “ten million” and the word “billion” means “One thousand million and the word “trillion” means “One thousand billion”. In this Draft Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Throughout this Draft Red Herring Prospectus, all the figures have been expressed in Lacs of Rupees, except when stated otherwise. All references to “Rupees” and “Rs.” in this Draft Red Herring Prospectus, are to the legal currency of India.

## **DIVIDEND POLICY**

Dividends may be declared at the Annual General Meeting of the Shareholders based on a recommendation by the Board of Directors. The Board of Directors may recommend dividends, at its discretion, to be paid to the members. Generally the factors that may be considered by the Board, but not limited to, before making any recommendations for the dividend include future expansion plans and capital requirements, profits earned during the financial year, cost of raising funds from alternate sources, liquidity, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time and money market conditions.

We, as a policy, believe in sharing the profits with the shareholders and has been declaring dividend consistently since FY 1959-60, i.e. the past 45 years and has never skipped dividend payment. We have paid dividend at an average of 17.8 % over the past 45 years.

## **V: FINANCIAL STATEMENTS**

### **FINANCIAL INFORMATION OF OUR COMPANY**

#### **Auditors' Report**

The Board of Directors,  
Talbro Automotive Components Limited,  
14/1, Delhi Mathura Road,  
Faridabad-121 003

We have examined and found correct the Audited Accounts of M/s Talbro Automotive Components Limited for the past five financial years ended on March 31, 2000, 2001, 2002, 2003, 2004 and for the nine months ended December 31, 2004 being the last date up to which the Accounts of the Company have been made up and audited by us. At the date of signing this report, we are not aware of any material adjustment, which would affect the result shown by these Accounts drawn up in accordance with the requirements of Part II of Schedule II to the Companies Act, 1956.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (the Act), and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (SEBI Guidelines) for the purpose of the Offering Memorandum as aforesaid, we report that:

- a. The restated Profits of the Company for the financial years ended March 31, 2000, 2001, 2002, 2003, 2004 and for the nine months ended December 31, 2004 are as set out in Annexure I to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustment and regroupings as in our opinion are appropriate and more fully described in the Significant Accounting Policies and Notes on Accounts appearing in Annexure III and IV respectively to this report.
- b. The restated Assets and Liabilities of the Company as at March 31 2000, 2001, 2002, 2003, 2004 and as at December 31, 2004 are as set out in Annexure II to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the Notes on Accounts appearing in Annexure IV to this report.
- c. We have examined the Cash Flow Statement relating to the Company for the year ended March 31, 2004 and the nine months ended December 31, 2004 appearing in Annexure V to this report.
- d. The rates of dividends paid by the Company in respect of the financial years ended March 31, 2000, 2001, 2002, 2003, 2004 and for the nine months period ended December 31, 2004 are as shown in Annexure VI to this report.
- e. We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer document:
  1. Performance Ratios as appearing in Annexure VII to this report
  2. Capitalization Statement as at 31<sup>st</sup> December 2004 as appearing in Annexure VIII to this report
  3. Statement of tax shelters as appearing in Annexure IX to this report
  4. Details of other income as appearing in Annexure X to this report
  5. Details of sundry debtors as appearing in Annexure XI to this report
  6. Details of loans and advances made to persons or Companies in whom/in which Directors are interested as appearing in Annexure XII to this report

7. Details of unsecured loans as appearing in Annexure XIII to this report
  8. Details of secured loans as appearing in Annexure XIV to this report
  9. Details of transactions with related parties as appearing in Annexure XV to this report
- 
10. Details of aggregate value and market value of quoted investments as appearing in Annexure XVI to this report
  11. Details of expenditure incurred on the project as appearing in Annexure XVII to this report.

In our opinion the above financial information of the Company read with Significant Accounting Policies and Notes on Accounts attached in Annexure III & IV respectively to this report, after making adjustments and regroupings as considered appropriate has been prepared in accordance with paragraph B (1) 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 specific Public Offer of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

**For S.N. Dhawan & Co**  
**Chartered Accountants,**

**Vijay Dhawan**  
Partner  
Membership No.F12565

Place: New Delhi  
Date: 19.01.2005

## Annexure – I

### Statement of Profit & Loss Account

Rs. in lacs

| Particulars                                            | For the year ended |                |                |                |                | For Nine months ended Dec 31, 2004 |
|--------------------------------------------------------|--------------------|----------------|----------------|----------------|----------------|------------------------------------|
|                                                        | March 31, 2000     | March 31, 2001 | March 31, 2002 | March 31, 2003 | March 31, 2004 |                                    |
| <b><u>INCOME</u></b>                                   |                    |                |                |                |                |                                    |
| <b>SALES</b>                                           |                    |                |                |                |                |                                    |
| Of Products Manufactured by the Company (Gross)        | 5647.03            | 5667.06        | 6321.70        | 7258.24        | 9383.03        | 8464.85                            |
| Less: Excise duty                                      | 705.18             | 735.79         | 768.67         | 890.44         | 1166.99        | 1053.42                            |
| Net Sales                                              | 4941.85            | 4931.27        | 5553.03        | 6367.80        | 8216.04        | 7411.43                            |
| Of products Traded by the Company                      | -                  | -              | -              | -              | -              | -                                  |
| Increase/ (Decrease) in stocks                         | 79.58              | 34.98          | 78.84          | 284.01         | 65.98          | 182.81                             |
| Other Income                                           | 104.88             | 121.05         | 100.68         | 184.41         | 169.36         | 118.16                             |
| <b>Total</b>                                           | <b>5126.31</b>     | <b>5087.30</b> | <b>5732.55</b> | <b>6836.22</b> | <b>8451.38</b> | <b>7712.40</b>                     |
| <b><u>EXPENDITURE</u></b>                              |                    |                |                |                |                |                                    |
| Material Consumed                                      | 2604.62            | 2416.36        | 3003.45        | 3792.94        | 4952.98        | 4538.24                            |
| Personnel Expenses                                     | 843.07             | 948.79         | 973.65         | 1046.31        | 1084.92        | 904.94                             |
| Manufacturing & Other Expenses                         | 1110.49            | 1140.12        | 1176.04        | 1371.57        | 1586.40        | 1349.78                            |
| Misc. and Deferred Revenue Exp. W/Off                  | -                  | -              | 5.63           | 5.63           | 29.38          | 17.81                              |
| <b>Total</b>                                           | <b>4558.18</b>     | <b>4505.27</b> | <b>5158.77</b> | <b>6216.45</b> | <b>7653.68</b> | <b>6810.77</b>                     |
| Profit before Interest, Depreciation and Tax           | 568.13             | 582.03         | 573.78         | 619.77         | 797.70         | 901.63                             |
| Depreciation                                           | 115.74             | 142.65         | 155.93         | 169.28         | 186.96         | 163.72                             |
| Profit before Interest and Tax                         | 452.39             | 439.38         | 417.85         | 450.49         | 610.74         | 737.91                             |
| Interest & Finance Charges                             | 171.17             | 197.46         | 210.49         | 217.63         | 299.74         | 234.29                             |
| Loss on sale of Investment/Assets                      | 1.05               | 0.04           | 2.94           | -              | -              | 1.11                               |
| Net Profit Before Tax                                  | 280.17             | 241.88         | 204.42         | 232.86         | 311.00         | 502.51                             |
| Provision For Taxation                                 |                    |                |                |                |                |                                    |
| Current Tax                                            | 105.00             | 85.00          | 59.50          | 74.00          | 98.00          | 172.00                             |
| Deferred Tax                                           | -                  | -              | 12.94          | 11.04          | 12.40          | -                                  |
| Net Profit After Tax                                   | 175.17             | 156.88         | 131.98         | 147.82         | 200.60         | 330.51                             |
| Proposed Dividend & Dividend Tax                       | 44.09              | 36.21          | 32.86          | 37.07          | 37.07          | 18.58                              |
| Prior Period Item                                      | -0.57              | 31.60          | -              | -              | -              | -0.09                              |
| Net profit after tax after adjusting prior period item | 174.60             | 188.48         | 131.98         | 147.82         | 200.60         | 330.42                             |

## Annexure – II

### Statement of Assets and Liabilities

Rs. in lacs

| Particulars |                                                    | As at                |                      |                      |                      |                      |                     |
|-------------|----------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
|             |                                                    | March<br>31,<br>2000 | March<br>31,<br>2001 | March<br>31,<br>2002 | March<br>31,<br>2003 | March<br>31,<br>2004 | Dec.<br>31,<br>2004 |
| <b>A</b>    | <b>FIXED ASSETS</b>                                |                      |                      |                      |                      |                      |                     |
|             | Gross Block                                        | 1798.27              | 1998.20              | 2218.63              | 2408.24              | 2824.49              | 3043.02             |
|             | Less: Depreciation                                 | 813.43               | 951.45               | 1065.96              | 1208.10              | 1328.29              | 1447.61             |
|             | Net Block                                          | 984.84               | 1046.75              | 1152.67              | 1200.14              | 1496.20              | 1595.41             |
|             | Less : Revaluation Reserve                         | 71.80                | 69.07                | 66.60                | 64.38                | 62.39                | 61.25               |
|             | Net Block after adjustment for Revaluation Reserve | 913.04               | 977.68               | 1086.07              | 1135.76              | 1433.81              | 1534.16             |
|             | Capital Work in Progress                           | -                    | 0.58                 | 1.67                 | 12.89                | 80.48                | 83.58               |
|             | <b>Total Fixed Assets (A)</b>                      | 913.04               | 978.26               | 1087.74              | 1148.65              | 1514.29              | 1617.74             |
| B           | INVESTMENTS (B)                                    | 48.86                | 45.03                | 41.64                | 43.25                | 39.53                | 39.52               |
| C           | CURRENT ASSETS, LOANS AND ADVANCES                 |                      |                      |                      |                      |                      |                     |
|             | Inventories                                        | 777.38               | 819.62               | 964.16               | 1318.44              | 1617.61              | 1791.02             |
|             | Sundry Debtors                                     | 1003.33              | 1243.48              | 1637.52              | 1689.07              | 2051.45              | 2347.44             |
|             | Cash and bank Balance                              | 150.27               | 77.64                | 94.34                | 120.72               | 160.68               | 215.54              |
|             | Loans and Advance                                  | 292.50               | 288.42               | 337.87               | 485.38               | 459.74               | 517.97              |
|             | <b>Total (C )</b>                                  | 2223.48              | 2429.16              | 3033.89              | 3613.61              | 4289.48              | 4871.97             |
| D           | LIABILITIES AND PROVISIONS                         |                      |                      |                      |                      |                      |                     |
|             | Secured Loans                                      | 827.86               | 1048.06              | 1150.29              | 1444.00              | 1912.34              | 2254.19             |
|             | Unsecured Loans                                    | 210.07               | 247.09               | 289.10               | 411.89               | 381.41               | 387.72              |
|             | Current Liabilities                                | 981.43               | 887.28               | 1273.51              | 1449.01              | 1844.89              | 1765.13             |
|             | Provisions                                         | 215.02               | 183.36               | 262.91               | 280.30               | 283.74               | 403.67              |
|             | Deferred Tax liability                             | -                    | -                    | 188.12               | 199.16               | 211.57               | 211.57              |
|             | Total (D)                                          | 2234.38              | 2365.79              | 3163.93              | 3784.36              | 4633.95              | 5022.28             |
| E           | NET WORTH (A+B+C-D)                                | 951.00               | 1086.66              | 999.34               | 1021.15              | 1209.35              | 1506.95             |
| F           | REPRESENTED BY:                                    |                      |                      |                      |                      |                      |                     |
| 1           | Share Capital                                      | 164.29               | 164.29               | 164.29               | 164.29               | 164.29               | 575.00              |
| 2           | Total Reserves and Surplus                         | 858.51               | 991.44               | 912.91               | 1021.87              | 1178.70              | 1078.69             |
| 3           | Less Revaluation Reserves                          | 71.80                | 69.07                | 66.60                | 64.38                | 62.39                | 61.25               |
|             | Net Reserve and Surplus                            | 786.71               | 922.37               | 846.31               | 957.49               | 1116.31              | 1017.44             |
| 4           | Miscellaneous Expenditure                          | -                    | -                    | 11.26                | 100.63               | 71.25                | 85.49               |
|             | <b>NET WORTH (1+2-3-4)</b>                         | 951.00               | 1086.66              | 999.34               | 1021.15              | 1209.35              | 1506.95             |

## **Annexure – III**

### **SIGNIFICANT ACCOUNTING POLICIES:**

Same Accounting policies for the nine month period ending as on 31<sup>st</sup> December, 2004 are followed as those followed in the most recent annual financial statements. These are as follows:

#### **1. Accounting Convention:**

The financial statements are prepared under the historical cost convention in accordance with applicable Accounting Standards and the relevant presentational requirements of the Companies Act, 1956.

#### **11. Investments:**

Long term investments are stated at cost, less any provision for permanent diminution in value.

#### **3. Inventory Valuation:**

Raw materials, work-in-progress and finished goods are valued at lower of cost or net realizable value.

Stores, spare parts and tools are valued at cost or under. The costs are based on the "first-in-first out" method.

#### **12. Fixed Assets:**

4.1 Fixed assets are stated at cost of acquisition or construction and include amounts added on revaluation, less accumulated depreciation.

4.2 Technical know-how fee is written off over a period of ten years based on the period of duration for which the services are to be provided by the collaborators. It is being recognized as an intangible Asset in accordance with Accounting Standard 26. As the asset is in the process of being acquired in installments the cost is being recognized on installments due basis. Amortization of the asset is being done based on the total cost spread over the period the agreement.

#### **13. Depreciation :**

5.1 Depreciation is charged on the straight-line-method on assets comprising plant, machinery and equipment (except on items acquired prior to 1.9.1978 at the Chennai Unit) and on written down value method on other depreciable assets, as per rates specified in Schedule XIV to the Companies Act, 1956. In respect of additions to/deductions from fixed assets during the year, depreciation is charged on pro-rata basis. Assets costing Rs.5,000 or less each are fully depreciated in the year of acquisition.

5.2 Difference between depreciation provided on the amounts comprising revalued assets and that calculated on historical cost of assets (revalued), is withdrawn from Revaluation Reserve and credited to Profit and Loss Account. Depreciation on other assets is provided on historical cost of assets.

#### **14. Research & Development:**

Expenditure incurred on research and development, if of revenue nature, is charged against the profit of the year and if of capital nature, is capitalized to the related fixed assets.

**15. Foreign Currency Transactions:**

7.1 Foreign currency loans, current assets and current liabilities are converted at the exchange rate prevailing as at the year end and resultant gain/loss is charged to Profit and Loss Account, except in case of liabilities relating to acquisition of fixed assets which are adjusted to the carrying cost of the respective assets.

7.2 Transactions in foreign currency are accounted at the exchange rates prevailing at the dates of the transactions. Gains/losses arising out of fluctuation in exchange rates on settlement are recognized in the Profit and Loss Account.

**16. Retirement Benefits:**

8.1 The Company contributes annually to the Employees Gratuity Fund Trust equivalent to the group gratuity-cum-life Policy premium demanded by Life Insurance Corporation of India to meet the liability for gratuity on death/retirement of employees. The gratuity liability on retirement/death is borne fully by the Company through Life Insurance Corporation of India.

8.2 The provision in accounts for leave encashment benefit to employees is based on actuarial valuation.

**9. Export incentives:**

Export incentives are accounted on accrual basis.

**17. Accounting of Sales:**

Turnover includes excise duty and is net of returns and trade discounts. Excise Duty relating to sales is adjusted against turnover. Other duty represents the difference between excise duty on opening and closing stock

**11. Revenue Recognition:**

Dividend is taken on accrual basis, if declared by the time of finalization of the accounts.

**12. Borrowing Costs:**

Borrowing costs are being capitalized in accordance with Accounting Standard-16, where the cost can be directly attributed to the acquisition, construction or production of a qualifying asset. All other borrowing costs are recognized as an expense in the year in which they are incurred.

**13. Miscellaneous Expenditure**

Miscellaneous expenditures on major software products and voluntary retirement compensation are written off over a period of three years and five years respectively.

**18. Deferred Tax**

Deferred tax is recognised, subject to the consideration of prudence on timing differences representing the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred Tax assets and liabilities are measured using tax rates and the tax laws that have been enacted or substantively enacted by the Balance Sheet date.

**Annexure – IV** (Relating to the period of 9 months ended 31<sup>st</sup> December 2004)

**NOTES ON ACCOUNTS:**

**1. Estimated Amount of Contracts:**

Estimated amount of contract remaining to the executed on capital account not provided for (Net of advances)-Rs.124.30 Lacs

**19. Contingent Liabilities:**

2.1 Bills discounted with Banks Rs. 172.62 Lacs

2.2 Excise Duty/income tax/Sales-tax demands and claims from a local authority disputed by the Company and not provided for Rs.41.57 Lacs.

2.3 During the Financial Year 2003-04 the Company has signed a new Technical Assistance Agreement with M/s.Federal Mogul Sealing Systems (Slough) Limited for a period of 10 years starting from 3<sup>rd</sup> November 2003. One time Technical Know-How fee of Euro 3,60,000 (Rs.1,94,79,600) is payable under the agreement in three equal installment at six monthly intervals. The first two installment of Euro 1,20,000 each plus taxes thereon was due & paid during May, 2004 & Sept.'2004 respectively. The technical know-how fee has been recognized to that extent as an intangible asset during the year.

**20. REMUNERATION TO DIRECTORS**

**FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2004**

The total remuneration of the directors included in the Profit and Loss Account is as under:

|                         | Rs. (in Lacs) |
|-------------------------|---------------|
| a) Salaries             | 21.15         |
| b) House Rent Allowance | 14.81         |
| c) Provident Fund       | 2.54          |
| d) Medical Expenses     | 0.40          |
| e) Superannuation Fund  | 10.06         |
| Total                   | 48.96         |
| f) Director's Fee       | 0.40          |

**21. FIXED ASSETS ACQUIRED UNDER FINANCE LEASES**

- I) Addition to Gross Block of Fixed Assets include Rs. 43.13 Lacs being the assets acquired between 1<sup>st</sup> April 2004 and 31<sup>st</sup> December, 2004 under finance lease and capitalized in line with the requirement of Accounting Standard-19-Leases issued by The Institute of Chartered Accountants of India. Depreciation for the year includes an amount of Rs.4.90 Lacs being depreciation charged on these assets
- II) The year wise break-up of outstanding lease obligations as at Balance Sheet date.

**As at 31.12.2004**  
**Rs.(in Lacs)**

**Vehicles taken on lease**

|                                             |       |
|---------------------------------------------|-------|
| Total minimum lease payment at the Year end | 88.04 |
| Present value of minimum lease payments     | 82.08 |

**Not later than one year**

|                                |       |
|--------------------------------|-------|
| Minimum Lease Payment          | 50.36 |
| Present Value as on 31.12.2004 | 46.97 |

**Later than one year but not later than five years**

|                                |       |
|--------------------------------|-------|
| Minimum Lease Payment          | 33.38 |
| Present value as on 31.12.2004 | 32.10 |

5. The provision for deferred tax liabilities will be made at the end of the current financial year.

**22. REMUNERATION TO AUDITORS**

|                              |      |
|------------------------------|------|
| (inclusive of Service Tax)   |      |
| This comprises the following |      |
| As Auditors                  | 1.48 |

(includes Rs. 0.24 lacs to Branch Auditors)

**Tax Audit Fee** 0.50

(includes Rs.0.05 lacs to Branch Auditors)

|                         |       |
|-------------------------|-------|
| For Other Certification | 0.71  |
|                         | ----- |
| Total                   | 2.69  |
|                         | ----- |

**Rs.(in lacs)**

**7. FOREIGN CURRENCY TRANSACTIONS  
FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2004**

**7.1 Value of Imports Calculated on C.I.F.basis:**

|                                  |         |
|----------------------------------|---------|
| a) Raw Material, Stores & spares | 1501.48 |
| b) Plant and Machinery           | 63.23   |
| c) R & D                         | 0.26    |

**7.2 Expenditure etc:**

|                                                                  |        |
|------------------------------------------------------------------|--------|
| a) Selling Agency Commission remitted                            | 14.97  |
| b) Foreign Travel (Foreign Exchange utilized)                    | 82.38  |
| c) Foreign Subscription, Newspaper & Periodicals                 | 0.97   |
| d) Royalty remitted(Net of Tax Rs.15.64 lacs)                    | 70.64  |
| e) Exhibits & Shows                                              | 5.57   |
| f) Technical Know-how-Fee remitted<br>(Net of Tax Rs.24.92 lacs) | 137.75 |

**23. Remittance during nine months ended as on 31.12.2004  
in Foreign Currency on account of Dividend(including  
interim Dividend)**

| Year                                  | No. of Shares held | Nos.of non-Resident Shareholders |        |
|---------------------------------------|--------------------|----------------------------------|--------|
| Nine months ended as on 31.12.2004    | 82000              | 2                                | 2.46   |
| <b>7.4 Earnings Foreign Exchange:</b> |                    |                                  |        |
| - Value of Exports on F.O.B basis     |                    |                                  | 942.31 |

## 24. EXCISE DUTY

The finished goods at Sohna Plant (Material Division), Gurgaon is considered as raw material for the company because the same is used for manufacturing gaskets at Faridabad and other plants. Accordingly the excise duty liability on excisable goods manufactured at Sohna, but pending removal/clearance from the factory premises as at 31.12.2004, estimated at Rs.3.30 lacs is not accounted for. If the said liability would have been accounted, it would have resulted in a higher charge of excise duty with corresponding adjustment of liability and a higher inventory by Rs.3.30 lacs. However, this would have no effect on the net profit of the Company for the accounting period or on the net current assets as at 31.12.2004.

9. a) The names of Small Scale Industrial Undertakings to whom the Company owes any sum for more than thirty days as at the year end – Nil
- b) Small Industries Development Bank of India (SIDBI) has sanctioned a limit of Rs.100 lacs for discounting hundies of SSI vendors. This facility is secured against second charge on Company's current assets. The hundies accepted by the Company and outstanding as on 31<sup>st</sup> December, 2004 amounted to Rs. 93.95 Lacs.

## 10. SEGMENT REPORTING :

**a) Primary Segment:**

The company operates only in one business segment viz. “Gaskets of all kinds”

**25. Secondary Segment:**

The company caters to the needs of the Indian as well as foreign market. The risk and returns vary from country to country and export to none of the countries exceeds 10% of the sales turnover of the Company. Hence it is not reportable.

## 11. RELATED PARTY DISCLOSURE

As per the Accounting Standard(AS-18) issued by the Institute of Chartered Accountants of India, Company's related party disclosure is as under:

### a) Relationship

- |      |                                                                                                                                               |                  |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| i)   | Joint Ventures and Associates<br>Q.H.Talbro Limited,<br>Talbro Motors Private Limited<br>Talbro International Limited<br>X.O Infotech Limited |                  |
| ii)  | Key Management personnel (Whole time Directors)                                                                                               |                  |
|      | Mr.Umesh Talwar                                                                                                                               | Mr.Nikhil Talwar |
| iii) | Relatives of Key Management Personnel                                                                                                         |                  |

Mrs. Asha Burman, Sister

Mrs. Shashi Talwar, Mother  
Mr. Nakul Talwar, Brother

**b) The following transactions were carried out with related parties during the year in the ordinary course of business**

|                            | Associates | Key Management Personnel | Relatives of Key Management Personnel | Total  |
|----------------------------|------------|--------------------------|---------------------------------------|--------|
| Purchase of Goods          | 236.20     | -                        | -                                     | 236.20 |
| Sale of goods              | 98.23      | -                        | -                                     | 98.23  |
| Interest on Fixed Deposits | -          | 0.26                     | 2.77                                  | 3.03   |

Note : Details of remuneration to whole time directors are given under Point No.3 above

**As at 31.12.2004  
Rs. in Lacs**

**26. EARNINGS PER SHARE**

|                                             |           |
|---------------------------------------------|-----------|
| Profit attributable to equity share holders | 330.51    |
| No. of Shares                               | 57,50,003 |
| Nominal value of shares                     | 10.00     |
| Basic/diluted earning per share (Rs.)       | 5.75      |

Note :-

1. Bonus Shares of Rs.410.71 lacs issued on 31.12.2004, thereafter Equity Shares Capital increased from Rs.164.29 lacs to Rs. 575.00 lacs.

27. Previous year figures have been regrouped wherever necessary.

## ANNEXURE V

TALBROS AUTOMOTIVE COMPONENTS LIMITED

|                                                           |              | CASH FLOW STATEMENT        |                   |                        |              |
|-----------------------------------------------------------|--------------|----------------------------|-------------------|------------------------|--------------|
|                                                           |              | FOR THE NINE MONTHS ENDED  |                   | FOR THE YEAR 2003-2004 |              |
|                                                           |              | 31 <sup>ST</sup> DEC. 2004 | (Rs.)             | (Rs.)                  |              |
| <b>A Cash flows from Operating Activities</b>             |              |                            |                   |                        |              |
| <b>a. Net Profit before tax</b>                           |              |                            | <b>50,250,599</b> | <b>31,100,474</b>      |              |
| Adjustment for:                                           |              |                            |                   |                        |              |
| Depreciation/Amortisation                                 | 16,371,509   |                            |                   | 18,695,781             |              |
| Misc. Expenses Written off                                | 1,781,250    |                            |                   | 2,937,934              |              |
| Interest expense                                          | 23,428,704   |                            |                   | 29,973,826             |              |
| Foreign Exchange Fluctuation                              | 1,854,269    |                            |                   | 1,446,459              |              |
| Interest Income                                           | (770,833)    |                            |                   | (757,795)              |              |
| Dividend Income                                           | (29,839)     |                            |                   | (31,240)               |              |
| Profit on Sale of Assets                                  | (148,079)    |                            |                   | (1,009,118)            |              |
| Profit on Sale of Investments                             | (3,490)      | 42,483,491                 |                   | (304,750)              | 50,951,097   |
| <b>b. Operating profit before Working Capital changes</b> |              |                            | <b>92,734,090</b> | <b>82,051,571</b>      |              |
| Adjustments for:                                          |              |                            |                   |                        |              |
| Trade and other Receivables                               | (22,733,342) |                            |                   | (33,570,615)           |              |
| Inventories                                               | (17,340,662) |                            |                   | (29,917,289)           |              |
| Trade Payables                                            | (10,159,628) | (50,233,632)               |                   | 43,270,886             | (20,217,018) |
|                                                           |              | <b>42,500,458</b>          |                   | <b>61,834,553</b>      |              |
| Misc. Expenses : Pre-operative Expenses (10,73,640)       |              |                            |                   |                        | -            |
| Integrated computer system                                | (3,12,000)   |                            |                   |                        | -            |
| Voluntary Retirement Scheme                               | (18,19,951)  | (3,205,591)                |                   |                        | -            |
| <b>c. Cash generated from Operatios</b>                   |              |                            | <b>39,294,867</b> | <b>61,834,553</b>      |              |
| Direct Taxes paid                                         | (11,946,552) | (11,946,552)               |                   | (10,423,616)           | (10,423,616) |
| <b>Net Cash from Operating Activities</b>                 |              |                            | <b>27,348,315</b> | <b>51,410,937</b>      |              |
| <b>B Cash flows from Investing Activities</b>             |              |                            |                   |                        |              |
| Proceeds from sale of Fixed Assets                        | 2,443,985    |                            |                   | 7,767,491              |              |
| Movement in loans & advances                              | (750,000)    |                            |                   | (3,500,000)            |              |
| Interest received                                         | 770,833      |                            |                   | 757,795                |              |
| Dividends received                                        | 29,839       |                            |                   | 31,240                 |              |
| Purchase of Fixed Assets                                  | (29,013,025) |                            |                   | (62,018,701)           |              |
| Foreign Exchange Fluctuation                              | (1,854,269)  |                            |                   | (1,446,459)            |              |
| Proceeds from sale of Investments                         | 4,490        |                            |                   | 677,250                |              |

|                                                                     |                  |                     |                     |
|---------------------------------------------------------------------|------------------|---------------------|---------------------|
| <b>Net Cash used in investing activities</b>                        |                  | <b>(28,368,147)</b> | <b>(57,731,384)</b> |
| <b>Cash flows from Financing Activities</b>                         |                  |                     |                     |
| Interest Paid                                                       | (23,081,430)     |                     | (29,634,728)        |
| Margin Money – Release (Increase)                                   | (1,436,333)      |                     | (3,490,539)         |
| Proceeds from Borrowings                                            | 69,542,044       |                     | 142,927,261         |
| Repayment/Transfer of Borrowings                                    | (34,390,240)     |                     | (99,316,156)        |
| Dividends Paid                                                      | (4,928,574)      |                     | (3,239,198)         |
| Dividend Tax Paid                                                   | <u>(635,684)</u> |                     | <u>(420,983)</u>    |
| <b>Net cash from Financing Activities</b>                           |                  | <b>5,069,783</b>    | <b>6,825,657</b>    |
| <b>DNet increase/(decrease) in Cash and Cash Equivalent (A+B+C)</b> |                  | <b>4,049,951</b>    | <b>505,210</b>      |
| <b>Cash and Cash Equivalent as at:</b>                              |                  |                     |                     |
| -the beginning of the year                                          |                  | <b>10,137,702</b>   | <b>9,632,492</b>    |
| -the end of the year                                                |                  | <b>14,187,653</b>   | <b>10,137,702</b>   |

Note :-

1. Margin money pledged with banks has not been included in cash & cash equivalents.
2. The effect of revaluation of assets has been deleted both from the value of assets and movement of reserves.
3. Previous year figures have been regrouped wherever necessary.

## ANNEXURE – VI

### Statement of dividend paid:

| Particulars                    | For the year ended |                |                |                |                | Rs. In lacs                     |
|--------------------------------|--------------------|----------------|----------------|----------------|----------------|---------------------------------|
|                                | March 31, 2000     | March 31, 2001 | March 31, 2002 | March 31, 2003 | March 31, 2004 | For Nine Months ended Dec. 2004 |
| <b>On Equity share capital</b> |                    |                |                |                |                |                                 |
| Paid up share capital          | 164.29             | 164.29         | 164.29         | 164.29         | 164.29         | 575.00                          |
| Face value (Rs.)               | 10                 | 10             | 10             | 10             | 10             | 10                              |
| Rate of Dividend %             | 22                 | 20             | 20             | 20             | 20             | 10 *                            |
| Amount of Dividend             | 36.14              | 32.86          | 32.86          | 32.86          | 32.86          | 16.43                           |
| Corporate Dividend tax         | 7.95               | 3.35           | -              | 4.21           | 4.21           | 2.15                            |

\*Note : Interim dividend @ 10% declared on Equity Share Capital of Rs. 164.29 lacs on 23<sup>rd</sup> October, 2004. Bonus Shares of Rs.410.71 lacs issued on 31.12.2004, thereafter Equity Share Capital increased from Rs.164.29 lacs to Rs.575.00 lacs.

## ANNEXURE – VII

### Performance Ratios:

| Particulars                                | For the year ended |                |                |                |                | Rs.in lacs                         |
|--------------------------------------------|--------------------|----------------|----------------|----------------|----------------|------------------------------------|
|                                            | March 31, 2000     | March 31, 2001 | March 31, 2002 | March 31, 2003 | March 31, 2004 | For nine months ended Dec 31, 2004 |
| Earnings per share (Rs.) (Basic/Diluted)   | 3.05               | 2.73           | 2.30           | 2.57           | 3.49           | 5.75                               |
| Return On Net Worth (%)                    | 18.42              | 14.44          | 13.21          | 14.48          | 16.59          | 21.93                              |
| Net Asset Value/Book value Per share (Rs.) | 16.54              | 18.90          | 17.38          | 17.76          | 21.03          | 26.21                              |

- 1) Bonus Shares of Rs.410.71 lacs were issued on 31<sup>st</sup> Dec. 2004. Thereafter Equity Share Capital increased from Rs.164.29 lacs to Rs.575.00 lacs.
- 2) No. of Equity Shares : Since the bonus issue is an issue without consideration, the issue is treated as if it had occurred prior to the beginning of the financed year ending as on 31<sup>st</sup> March, 2000, the earliest audited yearly accounts reported herewith. Same is in line with Accounting Standard 20. The Total Nos. Equity Shares have been taken as 57,50,003.
- 3) Earnings per Share (Rs.) = Profit available to equity shareholders/No. of equity shares
- 4) Return on Net Worth (%) = Profit after taxation/Net worth \* 100
- 5) Net Asset Value/Book Value per share (Rs.) = Net worth /No. of equity shares

## ANNEXURE – VIII

### Capitalization Statement:

| Rs. in lacs                           |                      |                    |            |
|---------------------------------------|----------------------|--------------------|------------|
| Particulars                           | As at March 31, 2004 | As at Dec 31, 2004 | Post Issue |
| <b>Debts:</b>                         |                      |                    |            |
| Short Term Debt                       | 1686.98              | 1713.22            | 1713.22    |
| Long Term Debt                        | 606.77               | 928.69             | 928.69     |
| <b>Total Debts</b>                    | 2293.75              | 2641.91            | 2641.91    |
| <b>Shareholders Funds:</b>            |                      |                    |            |
| Share Capital                         | *164.29              | 575.00             | **         |
| Reserves & surplus                    | 1178.70              | 1078.69            | **         |
| Less: Misc. expenditure               | 71.25                | 85.49              | **         |
| Less: Revaluation Reserve             | 62.39                | 61.25              | **         |
| Total Shareholders Funds/Net Worth    | 1209.35              | 1506.95            |            |
| <b>Total Debt/ Shareholders funds</b> | 1.90                 | 1.75               |            |

Note : \*Bonus shares of Rs.410.71 lacs were issued on 31<sup>st</sup> December, 2004

\*\*These figures will be known only after finalization of the issue price by the Lead Manager to the issue and approval of the same by SEBI and other authorities, if any involved therein.

## ANNEXURE – IX

## STATEMENT OF TAX SHELTER

Rs in lacs

|     | PARTICULARS                                                    | MARCH<br>31, 2000 | MARCH<br>31, 2001 | MARCH<br>31, 2002 | MARCH<br>31, 2003 | MARCH<br>31, 2004 | DEC 31,<br>2004 |
|-----|----------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| (A) | PROFIT BEFORE CURRENT AND DEFERRED TAXES AS RESTATED           | 280.17            | 241.88            | 204.41            | 232.85            | 311.00            | 502.50          |
|     | TAX RATE % (NORMAL RATES)                                      | 38.50             | 39.55             | 35.70             | 36.75             | 35.88             | 35.88           |
|     | CESS                                                           |                   |                   |                   |                   |                   | 2.00            |
|     | TAX IMPACT                                                     | 107.87            | 95.66             | 72.97             | 85.57             | 111.57            | 183.90          |
|     | <b>ADJUSTMENTS</b>                                             |                   |                   |                   |                   |                   |                 |
| (B) | <b>PERMANENT DIFFERENCES</b>                                   |                   |                   |                   |                   |                   |                 |
|     | DEDUCTION U/S 80HHC OF THE INCOME TAX ACT                      | -27.02            | -21.51            | -17.93            | -15.82            | -9.22             | 0               |
|     | OTHER ADJUSTMENTS                                              | 1.57              | -5.52             | -5.09             | -11.16            | -12.99            | 0               |
|     | <b>TOTAL (B)</b>                                               | <b>-25.45</b>     | <b>-27.03</b>     | <b>-23.02</b>     | <b>-26.98</b>     | <b>-22.21</b>     | <b>0.00</b>     |
| (C) | <b>TEMPORARY DIFFERENCES</b>                                   |                   |                   |                   |                   |                   |                 |
|     | DIFFERENCE BETWEEN BOOK DEPRECIATION AND TAX DEPRECIATION      | -23.43            | -10.37            | -10.16            | -9.79             | -23.27            | -3.47           |
|     | R & D CAPITAL EXPENDITURE                                      | -3.22             | -27.66            | -16.97            | -20.98            | -31.83            | -32.00          |
|     | U/S 43B OF INCOME TAX                                          | 17.41             | 28.70             | 26.00             | 22.79             | 16.75             |                 |
|     | DEFERRED REVENUE EXPENDITURE                                   | 0.00              | 0.00              | -11.26            | 5.62              | 5.62              |                 |
|     | <b>TOTAL (C)</b>                                               | <b>-9.24</b>      | <b>-9.33</b>      | <b>-12.39</b>     | <b>-2.36</b>      | <b>-32.73</b>     | <b>-35.47</b>   |
|     | <b>NET ADJUSTMENT(B+C)</b>                                     | <b>-34.69</b>     | <b>-36.36</b>     | <b>-35.41</b>     | <b>-29.34</b>     | <b>-54.94</b>     | <b>-35.47</b>   |
|     | <b>TAX SAVING THEREON</b>                                      | <b>13.36</b>      | <b>14.38</b>      | <b>12.64</b>      | <b>10.78</b>      | <b>19.71</b>      | <b>12.98</b>    |
|     | <b>NET TAXABLE INCOME AS PER INCOME TAX ACT AT NORMAL RATE</b> | <b>245.48</b>     | <b>205.52</b>     | <b>169.00</b>     | <b>203.51</b>     | <b>256.06</b>     | <b>467.03</b>   |
|     | <b>LONG TERM CAPITAL GAIN</b>                                  |                   |                   |                   |                   | <b>3.04</b>       |                 |
|     | <b>TOTAL</b>                                                   | <b>245.48</b>     | <b>205.52</b>     | <b>169.00</b>     | <b>203.51</b>     | <b>259.10</b>     | <b>467.03</b>   |
|     | <b>NET TAX AS PER INCOME TAX ACT D=(A-B+C) AT NORMAL RATE</b>  | <b>94.51</b>      | <b>81.28</b>      | <b>60.33</b>      | <b>74.79</b>      | <b>91.86</b>      | <b>170.92</b>   |
|     | <b>NET TAX AS PER INCOME TAX ACT AT SPECIAL RATE @ 10%</b>     |                   |                   |                   |                   | <b>0.31</b>       | <b>0.00</b>     |
|     | <b>TOTAL</b>                                                   | <b>94.51</b>      | <b>81.28</b>      | <b>60.33</b>      | <b>74.79</b>      | <b>92.17</b>      | <b>170.92</b>   |

Notes:

1.The figures of all the years other than Dec. 2004 are as per the Returns of Income filed.

## Annexure – X

### Details of Other income

Rs. In Lacs

| Particulars                                  | For the year ended |                |                |                |                | For Nine months ended Dec. 31, 2004 |
|----------------------------------------------|--------------------|----------------|----------------|----------------|----------------|-------------------------------------|
|                                              | March 31, 2000     | March 31, 2001 | March 31, 2002 | March 31, 2003 | March 31, 2004 |                                     |
| Export Incentives                            | 72.23              | 89.96          | 67.08          | 156.02         | 142.40         | 105.68                              |
| Interest on Deposits/<br>Margin Money/Others | 3.36               | 2.35           | 2.16           | 2.22           | 7.58           | 7.71                                |
| Dividend on Shares                           | 4.05               | 3.04           | 0.52           | 0.28           | 0.31           | 0.30                                |
| Others                                       | 25.24              | 25.70          | 30.92          | 44.65          | 19.07          | 4.47                                |
| <b>Total</b>                                 | <b>104.88</b>      | <b>121.05</b>  | <b>100.68</b>  | <b>203.17</b>  | <b>169.36</b>  | <b>118.16</b>                       |

## Annexure – XI

### Sundry Debtors:

Rs. in Lacs

| Particulars                                           | As at          |                |                |                |                | As at Dec 31, 2004 |
|-------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|--------------------|
|                                                       | March 31, 2000 | March 31, 2001 | March 31, 2002 | March 31, 2003 | March 31, 2004 |                    |
| Debtors outstanding for a period exceeding six months | 14.89          | 43.29          | 34.23          | 113.86         | 144.19         | 168.68             |
| Others                                                | 988.44         | 1200.19        | 1603.29        | 1575.21        | 1907.26        | 2178.76            |
| <b>Total</b>                                          | <b>1003.33</b> | <b>1243.48</b> | <b>1637.52</b> | <b>1689.07</b> | <b>2051.45</b> | <b>2347.44</b>     |

## ANNEXURE XII

### Loans & Advances:

Loans to Companies in which Directors are interested

Rs. in Lacs

| Particulars  | As at          |                |                |                |                | As at Dec 31, 2004 |
|--------------|----------------|----------------|----------------|----------------|----------------|--------------------|
|              | March 31, 2000 | March 31, 2001 | March 31, 2002 | March 31, 2003 | March 31, 2004 |                    |
| Loan         | 2.52           | 1.77           | 3.93           | -              | 0.46           | -                  |
| <b>Total</b> | <b>2.52</b>    | <b>1.77</b>    | <b>3.93</b>    | <b>-</b>       | <b>0.46</b>    | <b>-</b>           |

### ANNEXURE – XIII

#### Unsecured Loans:

Rs. in Lacs

| Particulars           | As at          |                |                |                |                | As at Dec 31, 2004 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|--------------------|
|                       | March 31, 2000 | March 31, 2001 | March 31, 2002 | March 31, 2003 | March 31, 2004 |                    |
| From bodies corporate | -              | -              | -              | 75.00          | -              | -                  |
| Fixed Deposits        | 191.24         | 247.09         | 289.10         | 336.89         | 381.41         | 387.72             |
| Others                | 18.84          | -              | -              | -              | -              | -                  |
| <b>Total</b>          | <b>210.08</b>  | <b>247.09</b>  | <b>289.10</b>  | <b>411.89</b>  | <b>381.41</b>  | <b>387.72</b>      |

### ANNEXURE – XIV

#### Secured Loans:

Rs. In Lacs

| Particulars          | As at          |                |                |                |                | As at Dec 31, 2004 |
|----------------------|----------------|----------------|----------------|----------------|----------------|--------------------|
|                      | March 31, 2000 | March 31, 2001 | March 31, 2002 | March 31, 2003 | March 31, 2004 |                    |
| Term loan            | 222.53         | 302.72         | 642.98         | 733.57         | 419.92         | 605.08             |
| Working Capital Loan | 605.33         | 745.34         | 507.31         | 710.43         | 1492.42        | 1649.11            |
| <b>Total</b>         | <b>827.86</b>  | <b>1048.06</b> | <b>1150.29</b> | <b>1444.00</b> | <b>1912.34</b> | <b>2254.19</b>     |

#### Principal Terms of Sanctioned Loans and Assets Charged as Security

| Sr. No. | Lender & Type of Facility / Sanction letter no. and date/ Terms of repayment                                                                                                                                                         | Rate of interest | Amt. Outstanding as on Dec 31, 2004 | Details of Security                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1a.     | Working capital                                                                                                                                                                                                                      |                  |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|         | State Bank of India, Overseas Branch, New Delhi.<br><br>Fund Based (Cash Credit)<br><br>Sanction letter no.OBND/AMT-II/2004-05/142 dt. 13.08.2004<br><br>Repayment terms:<br><br>Repayable on demand and are available for one year. | CC: 10.25%       | 239.78                              | a) 1st charge on current assets of the company to be shared on pari-passu basis with other bank(s) in MBA<br>b) 1st charge on fixed assets of the company, including equitable mortgage (e.m.)of plant land and building.<br>c) 2 <sup>nd</sup> charge on fixed assets to be shared on pari-passu basis with other Bank(s) in MBA.<br>d) 2 <sup>nd</sup> charge on current assets of the company to be shared on pari-passu basis with other bank(s) in MBA.<br>e) Personal guarantees of two Directors of the company. |
| 1b.     | Working capital                                                                                                                                                                                                                      |                  |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|         | State Bank of India, Overseas Branch                                                                                                                                                                                                 | 5.90%            | USD 8.00 lacs                       | a) 1st charge on current assets of the company to be shared on                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

| Sr. No. | Lender & Type of Facility / Sanction letter no. and date/ Terms of repayment                                                                                                                   | Rate of interest | Amt. Outstanding as on Dec 31, 2004 | Details of Security                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | New Delhi<br><br>Fund Based (FCNRB-Demand Loan)<br><br>Sanction letter no.OBND/RM-II/2004-05/217 dated 20.10.04<br><br>Repayment on 26.08.05                                                   |                  | (Rs.368.70 lacs)                    | <p>pari-passu basis with other bank(s) in MBA</p> <p>b) 1st charge on fixed assets of the company, including e.m of plant land and building.</p> <p>c) 2<sup>nd</sup> charge on fixed assets to be shared on pari-passu basis with other Bank(s) in MBA.</p> <p>d) 2<sup>nd</sup> charge on current assets of the company to be shared on pari-passu basis with other bank(s) in MBA.</p> <p>e) Personal guarantees of two Directors of the company.</p>                                                                                 |
| 1c.     | Working capital                                                                                                                                                                                |                  |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|         | State Bank of India, Overseas Branch, New Delhi<br><br>Fund Based Working Capital Demand Loan<br><br>Sanction letter no.OBND/RM-II/2004-05/219 dated 20.10.2004<br><br>Repayment on:10.04.2005 | 5.85%            | 500.00                              | <p>a) 1st charge on current assets of the company to be shared on pari-passu basis with other bank(s) in MBA</p> <p>b) 1st charge on fixed assets of the company, including e.m of plant land and building.</p> <p>c) 2<sup>nd</sup> charge on fixed assets to be shared on pari-passu basis with other Bank(s) in MBA.</p> <p>d) 2<sup>nd</sup> charge on current assets of the company to be shared on pari-passu basis with other bank(s) in MBA.</p> <p>e) Personal guarantees of two Directors of the company.</p>                  |
| 1d.     | Working capital                                                                                                                                                                                |                  |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|         | ICICI Bank Limited, Conn. Circus, New Delhi<br><br>Fund Based (P.C.F.C.)<br><br>Sanction letter no.ICBK/SEG/18/2004-05 dated 28.05.2004.                                                       | LIBOR + 2.50%    | USD 1.62 lacs<br>(Rs.70.57 lacs)    | <p>First pari passu charge by way of hypothecation of the company's entire stocks of raw materials, semi-finished and finished goods, consumable stores and spares and such other movables including book-debts, bills whether documentary or clean, outstanding monies, receivables, both present and future, in a form and manner satisfactory to the bank, ranking pari-passu with other participating banks.</p> <p>Second charge on all the fixed assets of the company, both present and future, ranking pari passu with other</p> |

| Sr. No. | Lender & Type of Facility / Sanction letter no. and date/ Terms of repayment                                                                                                                                                                                                                                                                                                                | Rate of interest | Amt. Outstanding as on Dec 31, 2004 | Details of Security                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | Repayment on receipt of export proceeds<br><br>Repayable on demand and are available for one year.                                                                                                                                                                                                                                                                                          |                  |                                     | participating banks.<br><br>Personal guarantees of two directors of the company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 1e.     | Working capital<br><br>ICICI Bank Limited, Conn. Circus, New Delhi.<br><br>Fund Based (Cash Credit)<br><br>Sanction letter no.ICBK/SEG/18/2004-05 dated 28.05.2004<br><br>Repayment terms:<br><br>Repayable on demand and are available for one year.                                                                                                                                       | 10.75%           | 470.06                              | First pari passu charge by way of hypothecation of the company's entire stocks of raw materials, semi-finished and finished goods, consumable stores and spares and such other movables including book-debts, bills whether documentary or clean, outstanding monies, receivables, both present and future, in a form and manner satisfactory to the bank, ranking pari-passu with other participating banks.<br><br>Second charge on all the fixed assets of the company, both present and future, ranking pari passu with other participating banks.<br><br>Personal guarantees of two directors of the company. |
| 1f.     | Working capital<br><br>SIDBI, N.H. 5-R/2, Neelam Badshah Khan Road, NIT Faridabad-121 001<br><br>Fund Based (Bills Discounting facility for Bills drawn by SSI vendors of maxi. Credit period – 90 days); Rs.93.95 lacs.<br><br>Sanction letter no.SIDBI FDBO No. 830/DDS©-TACL dated 30.07.2004<br><br>Repayment terms:<br><br>Repayable on due date of bills drawn of maximum 90 days cr. | Rate 9.28%       |                                     | Second charge on all the current assets of the borrower.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

| Sr. No. | Lender & Type of Facility / Sanction letter no. and date/ Terms of repayment                                                                                                                                                                                                                                                                                         | Rate of interest | Amt. Outstanding as on Dec 31, 2004 | Details of Security                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2a.     | Term Loans                                                                                                                                                                                                                                                                                                                                                           |                  |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|         | <p>State Bank of India, Overseas Branch, New Delhi.</p> <p>Fund Based (Corporate Loan I)</p> <p>Sanction letter no.OBND/PFD/2003/173 Dated 22.05.2003</p> <p>Repayment w.e.f. 1.1.2005 in monthly installments as detailed below:</p> <p>1st Instal.Rs.10.00 lacs<br/>2<sup>nd</sup> Instal.Rs.4.32 lacs<br/>18 instal. Rs.4.42 lacs<br/>28 instal. Rs.6.25 lacs</p> | CC:<br>12.25 %   | 271.65                              | <p>a) 1st charge on current assets of the company to be shared on pari-passu basis with other bank(s) in MBA</p> <p>b) 1st charge on fixed assets of the company, including e.m of plant land and building.</p> <p>c) 2<sup>nd</sup> charge on fixed assets to be shared on pari-passu basis with other Bank(s) in MBA.</p> <p>d) 2<sup>nd</sup> charge on current assets of the company to be shared on pari-passu basis with other bank(s) in MBA.</p> <p>e) Personal guarantees of two Directors of the company.</p>                       |
| 2b.     | Term Loans                                                                                                                                                                                                                                                                                                                                                           |                  |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|         | <p>State Bank of India, Overseas Branch, New Delhi.</p> <p>Fund Based (Corporate Loan II)</p> <p>Sanction letter no.OBND/AMT-II/2004-05/142 Dated 13.08.2004</p> <p>Repayment terms:20 Nos. Quarterly installments w.e.f. 15.05.2005 of Rs.25 lacs each.</p>                                                                                                         | CC:<br>28. %     | 251.34                              | <p>a) 1<sup>st</sup> charge on current assets of the company to be shared on pari-passu basis with other bank(s) in MBA</p> <p>b) 1<sup>st</sup> charge on fixed assets of the company, including e.m of plant land and building.</p> <p>c) 2<sup>nd</sup> charge on fixed assets to be shared on pari-passu basis with other Bank(s) in MBA.</p> <p>d) 2<sup>nd</sup> charge on current assets of the company to be shared on pari-passu basis with other bank(s) in MBA.</p> <p>e) Personal guarantees of two Directors of the company.</p> |
| 2c.     | Term Loans                                                                                                                                                                                                                                                                                                                                                           |                  |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

| Sr. No. | Lender & Type of Facility / Sanction letter no. and date/ Terms of repayment                                                                                                                                                                                                 | Rate of interest | Amt. Outstanding as on Dec 31, 2004 | Details of Security                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | <p>Standard Chartered Bank,<br/>ICICI Bank Limited,<br/>HDFC Bank Limited<br/>Cholamandalam Investment &amp; Finance Co. Limited,<br/>Kotak Mahindra Limited,</p> <p>Fund Based :<br/>Purchase of vehicle on Hire Purchase Basis</p> <p>Repayment terms: 36 installments</p> |                  | Rs. 82.09 lacs                      | Against security of particular vehicle                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 3a.     | <p>State Bank of India, Overseas Branch, New Delhi.</p> <p>Non – Fund Based<br/>29. L/C Limit- Rs.379.39<br/>ii)Bank Guarantee Limit-Rs.24.93</p> <p>Sanction letter no.OBND/AMT-II/2004-05/142 Dated 13.08.2004</p>                                                         |                  | N.A.                                | <p>a) 1<sup>st</sup> charge on current assets of the company to be shared on pari-passu basis with other bank(s) in MBA</p> <p>b) 1<sup>st</sup> charge on fixed assets of the company, including e.m of plant land and building.</p> <p>c) 2<sup>nd</sup> charge on fixed assets to be shared on pari-passu basis with other Bank(s) in MBA.</p> <p>d) 2<sup>nd</sup> charge on current assets of the company to be shared on pari-passu basis with other bank(s) in MBA.</p> <p>e) Personal guarantees of two Directors of the company.</p> |
| 3b.     | Working Capital                                                                                                                                                                                                                                                              |                  |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|         | <p>ICICI Bank Limited, 9A, Conn. Circus, New Delhi.</p> <p>Non – Fund Based<br/>30. L/C Limit – Rs.159.27<br/>ii)Bank Guarantee</p>                                                                                                                                          |                  | N.A.                                | First pari passu charge by way of hypothecation of the company's entire stocks of raw materials, semi-finished and finished goods, consumable stores and spares and such other movables including book-debts, bills whether documentary or clean, outstanding monies, receivables, both                                                                                                                                                                                                                                                       |

| Sr. No. | Lender & Type of Facility / Sanction letter no. and date/ Terms of repayment | Rate of interest | Amt. Outstanding as on Dec 31, 2004 | Details of Security                                                                                                                                                                                                                                                                                                        |
|---------|------------------------------------------------------------------------------|------------------|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | Limit-<br><br>Sanction letter no.ICBK/SEG/18/2004-05 dated 28.05.2004        |                  |                                     | present and future, in a form and manner satisfactory to the bank, ranking pari-passu with other participating banks.<br><br>Second charge on all the fixed assets of the company, both present and future, ranking pari passu with other participating banks.<br><br>Personal guarantees of two directors of the company. |

#### ANNEXURE – XV

##### Related Party Transactions:

| (I) List of Related Parties as on 31.12.2004   |                                |                                   |
|------------------------------------------------|--------------------------------|-----------------------------------|
|                                                |                                |                                   |
| Name of the Related Party                      |                                | Relationship                      |
|                                                | Joint Venture & Associates     |                                   |
|                                                | Q.H. Talbros Limited           | Associate Company                 |
|                                                | Talbros Motors Private Limited | -do-                              |
|                                                | Talbros International Limited  | -do-                              |
|                                                | XO Infotech Limited            | -do-                              |
| Key Managerial Personnel (Whole time Director) |                                |                                   |
|                                                | Mr. Umesh Talwar               | Vice Chairman & Managing Director |
|                                                | Mr. Nikhil Talwar              | Joint Managing Director           |
| Relatives of Key Managerial Personnel          |                                |                                   |
| a)                                             | Mr. Umesh Talwar               |                                   |
|                                                | Mrs. Asha Burman               | Sister                            |
| b)                                             | Mr. Nikhil Talwar              |                                   |
|                                                | Mrs. Shashi Talwar             | Mother                            |
|                                                | Mr. Nakul Talwar               | Brother                           |

Rs. in Lacs

| Name of related party                              | Nature of Transaction | For the year ended |                |                |                |                | Period ended Dec 31, 2004 |
|----------------------------------------------------|-----------------------|--------------------|----------------|----------------|----------------|----------------|---------------------------|
|                                                    |                       | March 31, 2000     | March 31, 2001 | March 31, 2002 | March 31, 2003 | March 31, 2004 |                           |
| <b>A)Joint Ventures &amp; Associates</b>           |                       |                    |                |                |                |                |                           |
| Q.H. Talbros Limited                               | Sale                  |                    |                |                |                | 4.43           | 33.28                     |
| Q.H. Talbros Limited                               | Guarantees            | 136.29             | 136.29         | 136.29         | 136.29         | -              | -                         |
| Talbros Motors Private Limited                     | Sale                  | 322.94             | 242.14         | 236.87         | 70.12          | 10.55          | 64.95                     |
| Talbros Motors Private Limited                     | Purchase              |                    |                |                |                | 33.57          | 236.20                    |
| Talbros Private Limited                            | Purchase              | 31.89              | 33.02          | 68.09          | 27.91          | -              | -                         |
| Talbros Engineering Limited                        | Guarantees            | 540.00             | 782.30         | 782.30         | -              | -              | -                         |
| B.N. Talwar & Bros.                                | Management            | -                  | -              | 0.40           | -              | -              | -                         |
| <b>Total</b>                                       |                       | <b>1031.12</b>     | <b>1193.75</b> | <b>1223.95</b> | <b>234.32</b>  | <b>48.55</b>   | <b>334.43</b>             |
| <b>B)Key Management Personnel</b>                  |                       |                    |                |                |                |                |                           |
| Mr. Umesh Talwar                                   | Intt. On F.D.         | -                  | -              | -              | -              | 0.09           | -                         |
| Mr.Nikhil Talwar                                   | Intt. On F.D.         | 0.49               | 0.07           | 0.07           | 0.07           | 0.21           | 0.26                      |
| Mr. W.N. Talwar                                    | Intt. On F.D.         | 1.49               | -              | -              | -              | -              | -                         |
| Mr. Pran Talwar                                    | Intt. On F.D.         | 1.72               | -              | -              | -              | -              | -                         |
|                                                    |                       |                    |                |                |                |                |                           |
| <b>C) Relatives of Key Management Personnel of</b> |                       |                    |                |                |                |                |                           |
| <b>1. Mr. Umesh Talwar</b>                         |                       |                    |                |                |                |                |                           |
| Mr. W.N.Talwar(Father)                             | Mgt.Contract.         | -                  | -              | 8.64           | 8.27           | -              | -                         |
| Mr. W.N.Talwar(Father)                             | Intt. On F.D.         | -                  | 1.69           | 1.38           | -              | -              | -                         |
| Mrs. Asha Burman(Sister)                           | Intt. On F.D.         | 0.15               | 0.15           | 0.15           | 0.15           | 0.15           | 0.08                      |
|                                                    |                       |                    |                |                |                |                |                           |
| <b>2.Mr. Nikhil Talwar</b>                         |                       |                    |                |                |                |                |                           |
| Mrs. Shashi Talwar(Mother)                         | Intt. On F.D.         | 0.22               | 0.45           | 0.44           | 1.91           | 4.04           | 2.31                      |
| Mr. Nakul Talwar (Brother)                         | Intt. On F.D.         | 0.42               | 0.41           | 0.38           | 0.59           | 0.84           | 0.38                      |
| <b>3.Mr. Pran Talwar</b>                           |                       |                    |                |                |                |                |                           |
| Mr. K.N. Talwar(Father)                            | Intt. On F.D.         | 1.49               | 1.45           | 0.63           | -              | -              | -                         |
| Mrs.Nirmal Dewan(Sister)                           | Intt. On F.D.         | 0.30               | 0.07           | -              | -              | -              | -                         |
| Mr.M.P.Diwan (Brother-in-law)                      | Intt. On F.D.         | -                  | 1.20           | -              | -              | -              | -                         |
| <b>Total</b>                                       |                       | <b>6.28</b>        | <b>5.49</b>    | <b>11.69</b>   | <b>10.99</b>   | <b>5.33</b>    | <b>3.03</b>               |

## ANNEXURE – XVI

### Investments:

#### Long-term investments

| Rs. in lacs        |                |                |                |                |                |                                    |
|--------------------|----------------|----------------|----------------|----------------|----------------|------------------------------------|
| For the year ended | March 31, 2000 | March 31, 2001 | March 31, 2002 | March 31, 2003 | March 31, 2004 | For Nine Months ended Dec 31, 2004 |
| -Trade (Quoted)    | 6.50           | 6.50           | 6.50           | 6.50           | 6.50           | 6.50                               |
| -Other (Quoted)    | 8.40           | 9.57           | 6.18           | 7.79           | 4.07           | 4.06                               |
| - Trade (Unquoted) | 33.96          | 28.96          | 28.96          | 28.96          | 28.96          | 28.96                              |
| Total              | 48.86          | 45.03          | 41.64          | 43.25          | 39.53          | 39.52                              |

#### Quoted investments

| Rs. in lacs                |              |                |                |                |                |                |                                               |
|----------------------------|--------------|----------------|----------------|----------------|----------------|----------------|-----------------------------------------------|
| For the year ended         |              | March 31, 2000 | March 31, 2001 | March 31, 2002 | March 31, 2003 | March 31, 2004 | For the Nine months 31 <sup>st</sup> Dec.2004 |
| Talbro Engineering Limited | Book Value   | 6.50           | 6.50           | 6.50           | 6.50           | 6.50           | 6.50                                          |
|                            | Market value | 12.25          | 12.25          | 12.25          | 14.40          | 14.77          | 17.01*                                        |
| Bank of India              | Book Value   | 2.56           | 2.56           | 2.56           | 2.56           | -              | -                                             |
|                            | Market value | 0.80           | 0.65           | 1.43           | 2.16           | -              | -                                             |
| UTI – US 64                | Book Value   | 5.84           | 5.84           | 2.45           | 4.06           | 4.06           | 4.06                                          |
|                            | Market value | 5.68           | 5.58           | 2.45           | 4.06           | 4.06           | 4.06                                          |
| Vijaya Bank                | Book Value   | -              | 1.17           | 1.17           | 1.17           | 0.01           | -                                             |
|                            | Market value | -              | 0.82           | 1.00           | 1.75           | 0.06           | -                                             |

\*There is no trading in this quoted investment. The market value has been taken as the book value based on last available Balance Sheet.

## ANNEXURE – XVII

The Company had incurred expenditure on the project up to 31.01.2005 as depicted below:

| <b>Deployment of Funds</b>                   | <b>Rs in Lacs</b> |
|----------------------------------------------|-------------------|
| Land & Site Development                      | 16.97             |
| Buildings (Advance to contractors/suppliers) | -                 |
| Plant, equipment and machinery               | -                 |
| Technology Fees                              | -                 |
| Miscellaneous Fixed assets                   | -                 |
| Pre-operative expenses                       | 11.23             |
| <b>Total</b>                                 | <b>28.20</b>      |

| <b>Sources of Funds</b> | <b>Rs in Lacs</b> |
|-------------------------|-------------------|
| Internal Accruals       | 28.20             |
| Preference shares       | -                 |
| Secured Term Loans      | -                 |
| <b>Total</b>            | <b>28.20</b>      |

## FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES

Our Company does not have any subsidiary company.

## FINANCIAL INFORMATION OF GROUP COMPANIES

### 1. T & T MOTORS LIMITED

T & T Motors Limited was incorporated under the Companies Act, 1956 on 13<sup>th</sup> August, 1997 with the RoC, NCT of Delhi & Haryana and obtained certificate of commencement of business on September 26, 1997. The registered office of T&T Motors is situated at 212, Okhla Industrial Estate, Phase-III, New Delhi – 110 020 and is authorized by its memorandum of association to carry on the business of manufacturing and dealing in motor vehicles including production, fabrication, distribution, rental services, etc. T&T Motors has been appointed as dealer of Mercedes-Benz India Limited for Delhi, Uttar Pradesh, Uttaranchal and parts of Haryana and is presently operating through its three showrooms and three workshops. T&T Motors has also been appointed as dealer of General Motors India Private Limited for New Delhi.

The details of the Board of Directors of T&T Motors is as below:

| Name of the Director | Designation                       |
|----------------------|-----------------------------------|
| Mr. Naresh Talwar    | Chairman                          |
| Mr. Ravi Talwar      | Vice Chairman & Managing Director |
| Mr. Vidur Talwar     | Deputy Managing Director          |
| Mr. Umesh Talwar     | Director                          |
| Mrs. Madhu Talwar    | Director                          |
| Mr. Bhushan Chadha   | Director                          |
| Mr. G. N. Punj       | Director                          |
| Mr. Rohan Talwar     | Director                          |

Shareholding pattern of T&T Motors is as below:

| Name of the Shareholder | No. of shares held | % of total share capital |
|-------------------------|--------------------|--------------------------|
| Promoters and friends   | 1,376,235          | 55.15%                   |
| Others                  | 1,118,990          | 44.85%                   |
| <b>Total</b>            | <b>2,495,225</b>   | <b>100.00%</b>           |

Finance facilities availed from banks:

As certified by M/s. R. Munjal & Associates, Chartered Accountants, T&T Motors has availed the following finance facilities from various banks as on December 31, 2004:

| S. No. | Name of Bank        | Nature of Facility | Amount Sanctioned (Rs. in Lacs) | Balance as on 31-12-04 (Rs. in Lacs) |
|--------|---------------------|--------------------|---------------------------------|--------------------------------------|
| 1      | State Bank of India | Cash Credit Limit  | 350.00                          | 172.00                               |
| 2      | State Bank of India | Term Loan          | 325.00                          | 184.00                               |
| 3      | State Bank of India | Bank Guarantee     | 1,250.00                        | 1,250.00                             |
| 4      | ICICI Bank Limited  | Floor Funding      | 400.00                          | NIL                                  |
| 5      | HDFC Bank Limited   | Floor Funding      | 750.00                          | 510.00                               |
| 6      | ICICI Bank Limited  | Car Loan Account   | -                               | 31.00                                |
|        | <b>TOTAL</b>        |                    | <b>3,075.00</b>                 | <b>2,147.00</b>                      |

**Brief Financial performance:**

Rs. in Lacs

| Particulars                              | For the Financial Year ended March 31 <sup>st</sup> |           |           |
|------------------------------------------|-----------------------------------------------------|-----------|-----------|
|                                          | 2002                                                | 2003      | 2004      |
| Equity Capital                           | 249.52                                              | 249.52    | 249.52    |
| Reserves (excluding Revaluation Reserve) | 231.64                                              | 241.13    | 316.98    |
| Net worth                                | 475.06                                              | 488.56    | 565.36    |
| Turnover – Trade Goods                   | 8,153.37                                            | 11,570.88 | 15,197.86 |
| PAT                                      | 80.61                                               | 76.06     | 89.84     |
| EPS per Share of Rs.10 (Rs.)             | 3.23                                                | 3.05      | 3.60      |
| NAV per Share of Rs.10 (Rs.)             | 19.04                                               | 19.58     | 22.66     |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against T&T Motors, or its promoters and directors.

T&T Motors has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up and has also not made a loss in the immediately preceding year, ie., 2003-2004.

**2. QH TALBROS LIMITED**

QH Talbros Limited was incorporated under the Companies Act, 1956 on 22<sup>nd</sup> February, 1980 with the RoC, N.C.T of Delhi & Haryana as Talbros Steerlinks Limited and obtained certificate of commencement of business on 29<sup>th</sup> September 1980. Its name was subsequently changed to QH Talbros Limited on 12<sup>th</sup> August 1985. The registered office of QH Talbros is situated at 400, Udyog Vihar, Phase-III, Gurgaon, Haryana – 122 016 and is authorized by its memorandum of association to carry on the business of manufacture of steering and steering components.

**The details of the Board of Directors of QH Talbros is as below:**

| Name of the Director        | Designation                                             |
|-----------------------------|---------------------------------------------------------|
| Mr. Naresh Talwar           | Chairman & Managing Director                            |
| Mr. Umesh Talwar            | Vice Chairman & Managing Director                       |
| Mr. Vidur Talwar            | Joint Managing Director (alternate to Mr. Sartaj Sahni) |
| Dr. Sartaj Sahni            | Deputy Managing Director                                |
| Mr. Richard Ellis Priestley | Director                                                |
| Mr. Nikhil Talwar           | Director                                                |
| Mr. R. J. Hunt              | Director                                                |
| Mr. Balaji Ravindran        | Director                                                |
| Mr. V. Mohan                | Director                                                |
| Mr. Gregory Paul Smietanski | Director                                                |
| Mr. Amit Burman             | Director                                                |

**Shareholding pattern of QH Talbros is as below:**

| Name of the Shareholder          | No. of shares    | % of shareholding |
|----------------------------------|------------------|-------------------|
| Promoters, Directors & relatives | 388,573          | 19.43%            |
| Foreign Collaborators            | 800,000          | 40.00%            |
| NRIs                             | 232,858          | 11.64%            |
| Friends                          | 231,963          | 11.60%            |
| Other Companies                  | 346,606          | 17.33%            |
| <b>Total</b>                     | <b>2,000,000</b> | <b>100.00%</b>    |

**Facilities from Banks:**

As certified by M/s. Mega and Associates, Chartered Accountants, QH Talbros has availed the following working capital credit facilities as on December 31, 2004:

| Rs. in lacs |                     |                                                          |                   |
|-------------|---------------------|----------------------------------------------------------|-------------------|
| S. No.      | Name of Bank        | Nature of Facility                                       | Amount Sanctioned |
| 1           | Citibank N.A.       | Packing Credit                                           | 220.00            |
|             |                     | Cash Credit, Working Capital Loan, FCNR Bill discounting | 430.00            |
|             |                     | USANCE LCs                                               | 30.00             |
| 2           | State Bank of India | Cash Credit (Stock/Book Debts)                           | 750.00            |
|             |                     | Export Packing Credit                                    | 300.00            |
|             |                     | Letter of Credit                                         | 220.00            |
|             | <b>TOTAL</b>        |                                                          | <b>1,950.00</b>   |

**Brief Financial performance:**

| Rs. in Lacs                              |                                                     |          |          |
|------------------------------------------|-----------------------------------------------------|----------|----------|
| Particulars                              | For the Financial Year ended March 31 <sup>st</sup> |          |          |
|                                          | 2002                                                | 2003     | 2004     |
| Equity Capital                           | 200.00                                              | 200.00   | 200.00   |
| Reserves (excluding Revaluation Reserve) | 808.49                                              | 744.06   | 861.79   |
| Net worth                                | 1,008.49                                            | 888.26   | 1,019.93 |
| Turnover                                 | 5,968.04                                            | 5,403.68 | 6,612.29 |
| PAT                                      | 12.34                                               | 73.37    | 118.50   |
| EPS per Share of Rs.10 (Rs.)             | 0.62                                                | 3.64     | 5.89     |
| NAV per Share of Rs.10 (Rs.)             | 50.42                                               | 44.41    | 50.99    |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against QH Talbros, its Promoters and Directors.

QH Talbros has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up and has also not made a loss in the immediately preceding year, ie., 2003-2004.

**3. TALBROS INTERNATIONAL LIMITED**

Talbros International Limited was incorporated under the Companies Act, 1956 on 10<sup>th</sup> January 1994 with the RoC, N.C.T of Delhi & Haryana and obtained certificate of commencement of business on 17<sup>th</sup> February 1994. The registered office of Talbros International at 399, Udyog Vihar, Gurgaon, Haryana – 122 016 and is authorized by its memorandum of articles to carry on the business of import and export of steering and suspension components, material, commodities, goods and articles.

The details of the Board of Directors of Talbros International is as below:

| Name of the Director | Designation |
|----------------------|-------------|
| Mr. Naresh Talwar    | Chairman    |
| Mr. Umesh Talwar     | Director    |
| Mr. Vidur Talwar     | Director    |

**Shareholding pattern of Talbros International is as below:**

| <b>Name of the Shareholder</b>        | <b>No. of shares</b> | <b>% of total shareholding</b> |
|---------------------------------------|----------------------|--------------------------------|
| Mr. Naresh Talwar                     | 3,585                | 7.14%                          |
| Mr. Umesh Talwar                      | 3,585                | 7.14%                          |
| Mr. Varun Talwar                      | 2,390                | 4.76%                          |
| Mrs. Kumkum Talwar                    | 2,390                | 4.76%                          |
| Mrs. Bimpi Talwar                     | 2,390                | 4.76%                          |
| Mrs. Shashi Talwar                    | 14,340               | 28.57%                         |
| Mr. Rakesh Talwar                     | 7,170                | 14.29%                         |
| Mr. Rajesh Talwar (HUF)               | 9,560                | 19.05%                         |
| QH Talbros Limited                    | 2,390                | 4.76%                          |
| Talbros Automotive Components Limited | 2,390                | 4.76%                          |
| <b>Total</b>                          | <b>50,190</b>        | <b>100.00%</b>                 |

**Facilities from Banks:**

Talbros International has not availed any loan from banks or financial institutions as on date of filing of this Draft Red Herring Prospectus.

**Brief Financial performance:**

| <b>Particulars</b>                       | <b>For the Financial Year ended March 31<sup>st</sup></b> |             |             |
|------------------------------------------|-----------------------------------------------------------|-------------|-------------|
|                                          | <b>2002</b>                                               | <b>2003</b> | <b>2004</b> |
| Equity Capital                           | 0.02                                                      | 5.02        | 5.02        |
| Reserves (excluding Revaluation Reserve) | 31.28                                                     | 29.18       | 31.45       |
| Net worth                                | 31.13                                                     | 34.11       | 36.47       |
| Turnover – Trade Goods                   | 122.66                                                    | 96.59       | 79.04       |
| PAT                                      | 0.18                                                      | 2.87        | 2.30        |
| EPS per Share of Rs.10 (Rs.)             | 90.00                                                     | 5.77        | 4.58        |
| NAV per Share of Rs.10 (Rs.)             | 14,822.76                                                 | 67.95       | 72.65       |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against Talbros International, its promoters and directors.

Talbros International has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up.

**4. TALBROS MOTORS PRIVATE LIMITED**

Talbros Motors Private Limited was incorporated as a private limited company under the Companies Act, 1956 on 21<sup>st</sup> May 1986 with the RoC, N.C.T of Delhi & Haryana. The registered office of Talbros Motors is situated at 1411-12 Nicholson Road, Kashmere Gate, Delhi – 110 006 and is authorized by its memorandum of association to carry on the business of manufacture of and dealing in all kinds of automobiles and automobile components. The Promoters, Mr. Naresh Talwar holds 2,670 shares (2.73%) and Mr. Umesh Talwar holds 1,490 shares (1.53%) of the company as on date.

The details of the Board of Directors of Talbros Motors is as below:

| <b>Name of the Director</b> | <b>Designation</b> |
|-----------------------------|--------------------|
| Mr. Anil Kumar Dutta        | Director           |
| Mr. Sajive Bhatia           | Director           |

| Name of the Director | Designation |
|----------------------|-------------|
| Mr. Navin Juneja     | Director    |

**Shareholding pattern of Talbros Motors is as below:**

| Name of the Shareholder                             | No. of shares held | % of total share capital |
|-----------------------------------------------------|--------------------|--------------------------|
| Mr. Naresh Talwar                                   | 2,670              | 2.73%                    |
| Mr. Umesh Talwar                                    | 1,490              | 1.53%                    |
| Mr. Nikhil Talwar                                   | 1,355              | 1.39%                    |
| Mrs. Shashi Talwar                                  | 42,312             | 43.32%                   |
| Mr. Nirmal Diwan                                    | 10                 | 0.01%                    |
| Mr. Rajesh Talwar                                   | 1,667              | 1.71%                    |
| Mr. Nakul Talwar                                    | 1,255              | 1.29%                    |
| Mr. Anuj Talwar                                     | 21,011             | 21.51%                   |
| Mr. Nikhil Talwar as karta of Mr. Pran Talwar (HUF) | 1,000              | 1.02%                    |
| Mrs. Bimpi Talwar                                   | 833                | 0.85%                    |
| Mr. Kum Kum Talwar                                  | 21,995             | 22.52%                   |
| Mrs. Shefali Aswani                                 | 2,066              | 2.12%                    |
| <b>Total equity share capital</b>                   | <b>97,664</b>      | <b>100.00%</b>           |

**Facilities from Banks:**

Talbros Motors has not availed any loan from banks or financial institutions as on date of filing of this Draft Red Herring Prospectus.

**Brief Financial performance:**

Rs. in Lacs

| PARTICULARS                              | For the Financial Year ended March 31 <sup>st</sup> |         |        |
|------------------------------------------|-----------------------------------------------------|---------|--------|
|                                          | 2002                                                | 2003    | 2004   |
| Equity Capital                           | 1.50                                                | 9.77    | 9.77   |
| Reserves (excluding Revaluation Reserve) | 48.66                                               | 83.42   | 94.33  |
| Net worth                                | 50.16                                               | 93.17   | 104.09 |
| Turnover                                 | 465.73                                              | 359.13  | 199.01 |
| PAT                                      | (9.58)                                              | (30.36) | 10.90  |
| EPS per Share of Rs.10 (Rs.)             | (63.87)                                             | (31.07) | 11.16  |
| NAV per Share of Rs.10 (Rs.)             | 334.40                                              | 95.36   | 106.54 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against Talbros Motors, its promoters and directors.

Talbros Motors has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up.

**5. T&T MULTI TRADING PRIVATE LIMITED**

T&T Multi Trading Private Limited was incorporated as a private limited company under the Companies Act, 1956 on 7<sup>th</sup> April 2000 with the RoC, N.C.T of Delhi & Haryana as T&T Securities Private Limited. Subsequently its name was changed to T&T Multi Trading Private Limited and it obtained a fresh certificate of incorporation on 10<sup>th</sup> March 2003. The registered

office of the Company is situated at 212, Okhla Industrial Estate, Phase-III, New Delhi – 110 020 and is ` uthorized by its memorandum of association to carry on the business of trading in various kinds of products including the business of assembling etc. and trading of automobiles parts, components and accessories. The Company has not yet commenced its commercial operations.

The details of the Board of Directors of T&T Multi Trading is as below:

| Name of the Director | Designation |
|----------------------|-------------|
| Mr. Naresh Talwar    | Director    |
| Mr. Ravi Talwar      | Director    |
| Mr. Umesh Talwar     | Director    |
| Mrs. Madhu Talwar    | Director    |

Shareholding pattern of T&T Multi Trading is as below:

| Name of the Shareholder | No. of shares | % holding     |
|-------------------------|---------------|---------------|
| Promoters and relatives | 10,198        | 100.00        |
| <b>Total</b>            | <b>10,198</b> | <b>100.00</b> |

**Facilities from Banks:**

T&T Multi Trading has not availed any loan from banks or financial institutions as on date of filing of this Draft Red Herring Prospectus.

**Brief Financial performance:**

| Particulars                              | Rs. in Lacs                                         |      |      |
|------------------------------------------|-----------------------------------------------------|------|------|
|                                          | For the Financial Year ended March 31 <sup>st</sup> |      |      |
|                                          | 2002                                                | 2003 | 2004 |
| Equity Capital                           | 0.02                                                | 1.02 | 1.02 |
| Reserves (excluding Revaluation Reserve) | NIL                                                 | NIL  | NIL  |
| Net worth                                | (0.50)                                              | 0.40 | 0.36 |
| Turnover – Trade Goods                   | NIL                                                 | NIL  | NIL  |
| PAT                                      | NIL                                                 | NIL  | NIL  |
| EPS per Share of Rs.10 (Rs.)             | NIL                                                 | NIL  | NIL  |
| NAV per Share of Rs.10 (Rs.)             | (250.68)                                            | 3.95 | 3.57 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against T&T Multi Trading, its promoters and directors.

T&T Multi Trading has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up.

## 6. XO FORGE LIMITED

XO Forge Limited was incorporated under the Companies Act, 1956 on 3<sup>rd</sup> March 1993 with the RoC, NCT of Delhi & Haryana. The registered office of XO Forge is situated at D1/36 Vasant Vihar, New Delhi – 110 057 and is ` uthorized by its memorandum of association to carry on the business of manufacture, production, trading and dealing in all kinds of steel forging including the machining of forging.

Shareholding of XO Forge is as below:

| Name of the Shareholder | No. of shares | % holding |
|-------------------------|---------------|-----------|
| Mr. Naresh Talwar       | 15            | 0.03%     |

| <b>Name of the Shareholder</b>     | <b>No. of shares</b> | <b>% holding</b> |
|------------------------------------|----------------------|------------------|
| Mr. Umesh Talwar                   | 15                   | 0.03%            |
| Mr. Varun Talwar                   | 10                   | 0.02%            |
| Mr. Vidur Talwar                   | 10                   | 0.02%            |
| Mrs. Kumkum Talwar                 | 10                   | 0.02%            |
| Mrs. Bimpi Talwar                  | 10                   | 0.02%            |
| M/S. Gomti Capital Private Limited | 49,930               | 99.86%           |
| <b>Total</b>                       | <b>50,000</b>        | <b>100.00%</b>   |

**The details of the Board of Directors of XO Forge is as below:**

| <b>Name of the Director</b> | <b>Designation</b> |
|-----------------------------|--------------------|
| Mr. Naresh Talwar           | Director           |
| Mr. Umesh Talwar            | Director           |
| Mr. Varun Talwar            | Director           |
| Mr. Vidur Talwar            | Director           |

#### **Facilities from Banks:**

XO Forge is not availing any financial facilities from any bank/ financial institutions as on date, as certified by M/s. Mega & Associates, Chartered Accountants vide their letter dated 10<sup>th</sup> January 2005.

#### **Brief Financial performance:**

| <b>Particulars</b>                        | <b>Rs. in Lacs</b>                                        |             |             |
|-------------------------------------------|-----------------------------------------------------------|-------------|-------------|
|                                           | <b>For the Financial Year ended March 31<sup>st</sup></b> |             |             |
|                                           | <b>2002</b>                                               | <b>2003</b> | <b>2004</b> |
| Equity Capital                            | 0.007                                                     | 5.00        | 5.00        |
| Share Application                         | 24.50                                                     | 19.51       | 19.51       |
| Reserves (excluding Revaluation Reserve)  | NIL                                                       | NIL         | NIL         |
| Net worth (Incl. share application money) | 22.15                                                     | 22.10       | 22.04       |
| Turnover / Income                         | NIL                                                       | NIL         | NIL         |
| PAT                                       | NIL                                                       | NIL         | NIL         |
| EPS per Share of Rs.10 (Rs.)              | NIL                                                       | NIL         | NIL         |
| NAV per Share of Rs.10 (Rs.)              | 31,644.07                                                 | 44.19       | 44.08       |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against XO Forge, its promoters and directors.

XO Forge has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up.

#### **7. SUNRISE MEDICARE PRIVATE LIMITED**

Sunrise Medicare Private Limited was incorporated as a private limited company under the Companies Act, 1956 on 5<sup>th</sup> January, 1983 as Sunrise Cosmetics Private Limited with the RoC, N.C.T of Delhi & Haryana. Its name was subsequently changed to Sunrise Surprise Private Limited and a fresh certificate of incorporation was obtained on 4<sup>th</sup> April 2002. Further its name was changed to Sunrise Medicare Private Limited and a fresh certificate of incorporation was obtained on 1<sup>st</sup> May, 2003. The registered office of Sunrise Medicare is situated at S-549, Greater Kailash Part II, New Delhi – 110 048 and is ` uthorized by its memorandum of association to engage in the medical field of setting up and/or operating of

multi specially and specialty hospitals, nursing homes, dispensaries, pharmacies, diagnosis centers, trauma centers and ambulance services.

The details of the Board of Directors of Sunrise Medicare is as below:

| <b>Name of the Director</b> | <b>Designation</b>      |
|-----------------------------|-------------------------|
| Mr. Naresh Talwar           | Chairman                |
| Mr. Varun Talwar            | Joint Managing Director |
| Mr. Amit Burman             | Joint Managing Director |
| Mr. Ravi Talwar             | Director                |
| Mr. Umesh Talwar            | Director                |
| Mr. Sandeep Tandon          | Director                |
| Mr. Navin Juneja            | Director                |

**Shareholding pattern of Sunrise Medicare is as below:**

| <b>Name of the Shareholder</b>   | <b>No. of shares</b> | <b>% of total shareholding</b> |
|----------------------------------|----------------------|--------------------------------|
| Promoters, Directors & relatives | 1,845,920            | 23.78%                         |
| NRI/ OCBs                        | 2,553,381            | 32.89%                         |
| Indian Body Corporates           | 3,363,100            | 43.33%                         |
| <b>Total</b>                     | <b>7,762,401</b>     | <b>100.00%</b>                 |

**Facilities from Banks:**

The Company has availed loan from Infrastructure Development Finance Co. Limited to finance its Birthing Center Project situated at S-549, Greater Kailash Part II, New Delhi – 110 048. The Amount of expenditure incurred on the aforesaid project upto 31-07-2004 is Rs.1,419.08 Lacs as certified by Mega & Associates, Chartered Accountants vide their letter dated: 10<sup>th</sup> August 2004. The Amount outstanding as per latest audited financial report were:

| <b>S. No.</b> | <b>Name of Bank</b> | <b>Nature of Facility</b>   | <b>Amount Sanctioned (Rs. in Lacs)</b> | <b>Outstanding (Rs. in Lacs)</b> |
|---------------|---------------------|-----------------------------|----------------------------------------|----------------------------------|
| 1             | IDFC                | For Birthing Center Project | 894.00                                 | 446.88                           |
| 2             | ICICI Bank          | Car Loan                    | 4.25                                   | 4.12                             |
|               | <b>TOTAL</b>        |                             |                                        | <b>451.00</b>                    |

**Brief Financial performance:**

| <b>Particulars</b>                       | <b>Rs. in Lacs</b>                                        |             |             |
|------------------------------------------|-----------------------------------------------------------|-------------|-------------|
|                                          | <b>For the Financial Year ended March 31<sup>st</sup></b> |             |             |
|                                          | <b>2002</b>                                               | <b>2003</b> | <b>2004</b> |
| Equity Capital                           | 0.04                                                      | 215.54      | 550.03      |
| Share Application                        | NIL                                                       | 0.38        | 38.08       |
| Reserves (excluding Revaluation Reserve) | NIL                                                       | (14.86)     | (76.08)     |
| Net worth (Incl. Share application)      | (0.25)                                                    | 187.45      | 198.17      |
| Revenue from Clinic & Pharmacy           | NIL                                                       | 17.94       | 104.04      |
| PAT                                      | NIL                                                       | (14.86)     | (61.23)     |
| EPS per Share of Rs.10 (Rs.)             | NIL                                                       | (0.69)      | (1.11)      |
| NAV per Share of Rs.10 (Rs.)             | (59.68)                                                   | 8.70        | 3.60        |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against Sunrise Medicare, its promoters and directors.

Sunrise Medicare has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up.

## 8. X O STAMPINGS LIMITED

X O Stampings Limited was incorporated as a private limited company under the Companies Act, 1956 on 1<sup>st</sup> September 1992 with the RoC, N.C.T of Delhi & Haryana as X O Stampings Private Limited. It subsequently became a public limited company and obtained a fresh certificate of incorporation from the RoC, N.C.T of Delhi & Haryana on 2<sup>nd</sup> December 1996. The registered office of XO Stampings is situated at 280-281 Udyog Vihar, Phase-Vi, Sector-37, Haryana – 122 001 and is authorized by its Memorandum to carry on the business of manufacture and dealing with all kinds of sheet metal components including electrical stampings of all description used in a variety of products.

The details of the Board of Directors of XO Stampings is as below:

| Name of the Director | Designation                         |
|----------------------|-------------------------------------|
| Mr. Naresh Talwar    | Chairman                            |
| Mr. Umesh Talwar     | Vice-Chairman and Managing Director |
| Mr. Vidur Talwar     | Joint Managing Director             |
| Mr. Varun Talwar     | Director                            |
| Mrs. Kumkum Talwar   | Director                            |
| Mrs. Bimpi Talwar    | Director                            |
| Mr. Navin Juneja     | Director                            |

Shareholding pattern of XO Stampings is as below:

| Name of the Shareholder      | No. of shares  | % of total share capital |
|------------------------------|----------------|--------------------------|
| Promoters                    | 121,200        | 24.27%                   |
| Other Directors & relatives  | 278,180        | 55.71%                   |
| Beacon Sales Private Limited | 30,000         | 6.01%                    |
| Others                       | 70,000         | 14.02%                   |
| <b>Total</b>                 | <b>499,380</b> | <b>100.00%</b>           |

### Facilities from Banks:

Details of Loan facilities availed from Lord Krishna Bank Limited and as certified by M/s. Mega & Associates, Chartered Accountants vide their letter dated 10<sup>th</sup> January 2005 is as under:

| Rs. in lacs |                                                  |                           |                   |                        |
|-------------|--------------------------------------------------|---------------------------|-------------------|------------------------|
| S. No.      | Name of Bank                                     | Nature of Facility        | Amount Sanctioned | Balance as on 31-03-04 |
| 1           | Lord Krishna Bank                                | Cash Credit               | 260.00            | 203.19                 |
|             |                                                  | WCDL                      | 35.00             |                        |
|             |                                                  | Bill Discounting Facility | 50.00             |                        |
|             |                                                  | Letter of Credit          | 15.00             |                        |
|             |                                                  | Bank Guarantee            | 5.00              |                        |
| 2           | Haryana State Industrial Development Corporation | Term Loan                 | 99.00             | 63.89                  |
| 3           | Other Loan                                       | Hire Purchase Agreement   | 34.63             | 11.12                  |
|             | <b>TOTAL</b>                                     |                           |                   | <b>278.20</b>          |

Note: Outstanding Balance is as per the Audited Balance Sheet as on 31<sup>st</sup> March 2004.

**Brief Financial performance:**

Rs. in Lacs

| Particulars                              | For the Financial Year ended March 31 <sup>st</sup> |        |          |
|------------------------------------------|-----------------------------------------------------|--------|----------|
|                                          | 2002                                                | 2003   | 2004     |
| Equity Capital                           | 49.94                                               | 49.94  | 49.94    |
| Reserves (excluding Revaluation Reserve) | 157.92                                              | 129.22 | 136.69   |
| Net worth                                | 207.80                                              | 179.11 | 186.61   |
| Turnover – Trade Goods                   | 860.89                                              | 870.09 | 1,023.50 |
| PAT                                      | 16.52                                               | 6.44   | 7.68     |
| EPS per Share of Rs.10 (Rs.)             | 3.31                                                | 1.20   | 1.50     |
| NAV per Share of Rs.10 (Rs.)             | 41.61                                               | 35.87  | 37.37    |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against XO Stampings, its promoters and directors.

XO Stampings has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up.

**9. XO INFOTECH LIMITED**

XO Infotech Limited was incorporated under the Companies Act, 1956 on 29<sup>th</sup> June 1994 with the RoC, N.C.T of Delhi & Haryana as XO Tronic Limited and obtained certificate of commencement of business on 23<sup>rd</sup> August, 1994. Its name was subsequently changed to XO Infotech Limited and it obtained a fresh certificate of incorporation from RoC, N.C.T of Delhi & Haryana on 10<sup>th</sup> March 2000. XO Infotech is currently listed on BSE. Its shares were voluntarily delisted from DSE, the stock exchange, Ahmedabad and The Madras Stock Exchange during the year 2003-04. The registered office of XO Infotech is situated at Plot No.28, Electronic City, Sector 18, Gurgaon, Haryana – 122 016 and is authorized by its memorandum of articles to engage in the business of manufacture, dealing, etc. of all kinds of electronic equipments and professional electronic equipments like surface mounted circuit boards (SMBT), Flexible Printed Circuit Boards, computers and office equipments.

The details of the Board of Directors of XO Infotech is as below:

| Name of the Director | Designation                          |
|----------------------|--------------------------------------|
| Mr. Naresh Talwar    | Chairman & Managing Director         |
| Mr. Umesh Talwar     | Vice Chairman & Managing Director    |
| Mr. V. Mohan         | Non-Executive & Independent Director |
| Mr. Navin Juneja     | Non-Executive & Independent Director |
| Mr. B. B. Huria      | Non-Executive & Independent Director |
| Mr. Sujat Vohra      | Non-Executive & Independent Director |

**Shareholding pattern:**

| Name of the Shareholder                              | No. of shares | % holding |
|------------------------------------------------------|---------------|-----------|
| Mr. Naresh Talwar                                    | 635,510       | 3.11%     |
| Other Promoters of XO Info                           | 231,525       | 1.13%     |
| Foreign Promoters of XO Info & Foreign Collaborators | 6,723,284     | 32.91%    |
| Institutional Investors                              | 3,750,000     | 18.36%    |
| Private Corporate Bodies                             | 3,570,832     | 17.48%    |
| Indian Public                                        | 3,894,629     | 19.06%    |

| Name of the Shareholder | No. of shares     | % holding      |
|-------------------------|-------------------|----------------|
| NRIs/ OCBs              | 1,622,620         | 7.94%          |
| <b>Total</b>            | <b>20,428,400</b> | <b>100.00%</b> |

#### Facilities from Banks:

The Company has availed the following financial facilities from banks as on 30-11-2004, as certified by M/s. S. N. Dhawan & Co, Chartered Accountants vide their letter dated 31<sup>st</sup> December 2004:

Rs. in lacs

| S. No. | Name of Bank            | Nature of Facility         | Amount Sanctioned | Balance as on 30-11-04 |
|--------|-------------------------|----------------------------|-------------------|------------------------|
| 1      | Punjab National Bank    | Cash Credit                | 288.00            | 283.19                 |
| 2      | Punjab National Bank    | Bank Guarantee             | 30.00             | 3.29                   |
| 3      | Canara Bank             | Cash Credit                | 192.00            | 188.98                 |
| 4      | IDBI (as on 31.12.2004) | As per one time settlement | -                 | 1,436.39               |

#### Brief Financial performance:

Rs. in Lacs

| Particulars                              | For the Financial Year ended March 31 <sup>st</sup> |          |            |
|------------------------------------------|-----------------------------------------------------|----------|------------|
|                                          | 2002                                                | 2003     | 2004       |
| Equity Capital                           | 1,502.84                                            | 1,502.84 | 1,502.84   |
| Reserves (excluding Revaluation Reserve) | (419.24)                                            | (770.52) | (1,144.57) |
| Net worth                                | 1,044.47                                            | 705.83   | 337.26     |
| Turnover                                 | 3,387.87                                            | 2,986.71 | 1,904.12   |
| PAT                                      | (59.25)                                             | (351.29) | (374.05)   |
| EPS per Share of Rs.10 (Rs.)             | (0.39)                                              | (2.34)   | (2.49)     |
| NAV per Share of Rs.10 (Rs.)             | 6.95                                                | 4.70     | 2.24       |

\*: In accordance with the provisions of section 23 of Sick Industrial Company (Special Provisions) Act, 1985, XO Infotech filed an application stating that the accumulated losses had resulted in the erosion of more than 50% of the peak net worth during the immediately preceding four financial years. For details, refer Risk Factors on page [•] of this Draft Red Herring Prospectus.

Stock Market Data for the preceding six months:

| Month          | High Price (Rs.) | Low Price (Rs.) | Month         | High Price (Rs.) | Low Price (Rs.) |
|----------------|------------------|-----------------|---------------|------------------|-----------------|
| September 2004 | 2.52             | 1.19            | December 2004 | 8.00             | 5.40            |
| October 2004   | 10.16            | 2.30            | January 2005  | 7.80             | 5.30            |
| November 2004  | 9.04             | 5.12            | February 2005 | 7.19             | 5.00            |

Source: [www.bseindia.com](http://www.bseindia.com)

The market value as on the date of filing of Red Herring Prospectus with the RoC is [•].

**Mechanism for disposal of Investor Grievances:** The Company has set up a Shareholders/ Investor's Grievance Committee for redressal of Investor's Grievance in compliance with clause 49 of the listing agreement. The Committee members are Mr. Navin Juneja (as its Chairman), Mr. B.B. Huria & Mr. Sujat Vora. The Committee approves and monitors transfers, transmissions, splits and consolidation of shares and allied matters and also investigates and directs the redressal of shareholder's grievance. Share transfers are not kept pending for more than three weeks. As on date there are no pending investors complaints.

There are no Companies/firms/entities from which our promoters have disassociated during last 3 years except as per the terms of the Memorandum of Understanding given below:

## **Brief terms of the memorandum of understanding of disassociation**

Our Promoters and Mr. Rajesh Talwar and Mr. Rakesh Talwar groups have, vide Memorandum of Understanding dated September 28, 2002, entered into a family arrangement for disassociation of family businesses whereby:

- Following companies shall be owned, controlled and managed by our Promoters:
  - a. Talbros Automotive Components Limited
  - b. QH Talbros Limited
  - c. Talbros Motors Private Limited
  - d. Talbros International Limited
- Following companies shall be owned, controlled and managed by Mr. Rajesh Talwar and Mr. Rakesh Talwar groups
  - a. Talbros Engineering Limited
  - b. Talbros Private Limited
  - c. B N Talwar & Bros Private Limited
  - d. Talbros Polymers & Components Limited

As per the terms of the said MoU, cross shareholdings, directorships and guarantees have been swapped between the respective groups over a period of time. As per the terms of the said MoU, the existing 'Talbros' style and its logo would be the property of Talbros Automotive Components Limited, however, Talbros Engineering Limited and Talbros Private Limited shall be allowed to use the same style and logo only for products meant for automobile and industrial applications.

The details of the disassociated companies as per the aforesaid MoU are given below:

### **1. TALBROS ENGINEERING LIMITED (TEL)**

Talbros Engineering Limited was originally incorporated as "Talbros Superseals Spark Plugs Limited" under the Companies Act, 1956 on 9<sup>th</sup> October, 1986 with the RoC, Delhi & Haryana and obtained certificate of commencement of business on 10<sup>th</sup> December 1992. Its name was changed to "T. Engineering Components Limited" on 12th July 1991 and further changed to the present name on 8<sup>th</sup> November 1994. The registered office of Talbros Engineering Limited is situated at 74-75, Sector-6, Faridabad- 121 006 , Haryana and is authorised by its memorandum of association to carry on the business of manufacture of spark plugs, glow plugs and other related accessories for the automotive or mechanical industries.

**The details of the Board of Directors of TEL is as below:**

| <b>Name of the Director</b> | <b>Designation</b>           |
|-----------------------------|------------------------------|
| Mr. Rajesh Talwar           | Chairman & Managing Director |
| Mr. Tushar Kanti Chopra     | Director                     |
| Mr. Karan Talwar            | Director                     |
| Mr. M. L. Gupta             | Director                     |

**Shareholding pattern of TEL is as below:**

| <b>Name of the Shareholder</b> | <b>No. of shares held</b> | <b>% of total share capital</b> |
|--------------------------------|---------------------------|---------------------------------|
| Promoters and friends          | 9,01,824                  | 63.95%                          |
| Institutional Investors        | 50,155                    | 3.56%                           |
| Others                         | 4,58,161                  | 32.49%                          |
| <b>Total</b>                   | <b>14,10,140</b>          | <b>100.00%</b>                  |

**Brief Financial performance:**

Rs. in Lacs

| Particulars                              | For the Financial Year ended March 31 <sup>st</sup> |          |          |
|------------------------------------------|-----------------------------------------------------|----------|----------|
|                                          | 2002                                                | 2003     | 2004     |
| Equity Capital                           | 141.01                                              | 141.01   | 141.01   |
| Reserves (excluding Revaluation Reserve) | 456.22                                              | 466.15   | 548.09   |
| Net worth                                | 566.26                                              | 581.69   | 671.91   |
| Net Sales & Services                     | 1,459.78                                            | 1,719.31 | 2,288.51 |
| PAT                                      | 1.11                                                | 7.66     | 51.51    |
| EPS per Share of Rs.10 (Rs.)             | 0.08                                                | 0.54     | 3.65     |
| NAV per Share of Rs.10 (Rs.)             | 40.16                                               | 41.25    | 47.65    |

There is no subsisting civil or criminal case pending against our promoters, Mr. Naresh Talwar, Mr. Umesh Talwar and Mr. Nikhil Talwar who were on the Board of Talbros Engineering Limited prior to 1<sup>st</sup> October 2002.

**2. TALBROS PRIVATE LIMITED (TPL)**

TALBROS Private Limited was incorporated under the Companies Act, 1956 on 22<sup>nd</sup> June 1969 with the RoC, Delhi. The registered office of TPL is situated at Plot No. 60, Sector – 6, Faridabad, Haryana – 121 006 and is authorised by its memorandum of association to carry on the business of manufacturing and dealing in motor cars, motor cycles, cycle-cars and component parts, accessories and fittings of all kinds. The company is a multi-product company manufacturing products for automotive, transformer and electrical industry and exports its products to South-East Asia, Middle East, Africa and USA

The Share Capital of TPL comprises 7,38,550 Equity Shares of Rs. 10/- each and 57,500 Redeemable Preference shares of Rs.100/- each.

The details of the Board of Directors of TPL is as below:

| Name of the Director | Designation                  |
|----------------------|------------------------------|
| Mr. Rakesh Talwar    | Chairman & Managing Director |
| Ms. Gita Talwar      | Director                     |
| Dr. S. F. Kapoor     | Director                     |

Equity Shareholding pattern of TPL is as below:

| Name of the Shareholder     | No. of shares held | % of total share capital |
|-----------------------------|--------------------|--------------------------|
| Directors & their Relatives | 6,98,510           | 94.58%                   |
| Private Corporate Bodies    | 40,040             | 5.42%                    |
| <b>Total</b>                | <b>7,38,550</b>    | <b>100.00%</b>           |

**Brief Financial performance:**

Rs. in Lacs

| Particulars                              | For the Financial Year ended March 31 <sup>st</sup> |        |        |
|------------------------------------------|-----------------------------------------------------|--------|--------|
|                                          | 2002                                                | 2003   | 2004   |
| Equity Capital                           | 56.36                                               | 56.36  | 73.86  |
| Share Application Money                  | 10.00                                               | 44.70  | 10.00  |
| Preference Share Capital                 |                                                     |        | 57.50  |
| Reserves (excluding Revaluation Reserve) | 53.31                                               | 12.17  | 29.22  |
| Net worth                                | 59.13                                               | 60.74  | 68.63  |
| Net Sales                                | 751.71                                              | 715.64 | 918.74 |

Rs. in Lacs

| Particulars                  | For the Financial Year ended March 31 <sup>st</sup> |         |       |
|------------------------------|-----------------------------------------------------|---------|-------|
|                              | 2002                                                | 2003    | 2004  |
| PAT                          | (8.18)                                              | (21.58) | 18.66 |
| EPS per Share of Rs.10 (Rs.) | (1.45)                                              | (3.83)  | 2.53  |
| NAV per Share of Rs.10 (Rs.) | 10.49                                               | 10.78   | 9.29  |

There is no subsisting civil or criminal case pending against our promoters, Mr. Naresh Talwar and Mr. Umesh Talwar who were on the Board of TPL prior to 1<sup>st</sup> October 2002.

### 3. B. N. TALWAR & BROS. PVT. LTD. (BNT)

B.N. Talwar & Bros. Private Limited was incorporated under the Companies Act, 1956 on 6<sup>th</sup> December 1996 with RoC, NCT of Delhi & Haryana. The registered office of BNT is situated at 2A, Pul Prahaladpur, Suraj Kund Road, New Delhi – 110 044 and is authorised by its memorandum of association to carry on the business of lease financing, hire purchasing, let out of real estate property and to act as brokers, agents, builders, dealers, buyers and other activities in automobiles, their parts and accessories.

The details of the Board of Directors of BNT is as below:

| Name of the Director  | Designation |
|-----------------------|-------------|
| Ms. Ram Dulari Talwar | Director    |
| Mr. Rakesh Talwar     | Director    |
| Mr. Rajesh Talwar     | Director    |

Equity Shareholding pattern of BNT is as below:

| Name of the Shareholder     | No. of shares held | % of total share capital |
|-----------------------------|--------------------|--------------------------|
| Directors & their Relatives | 80,577             | 100.00%                  |
| <b>Total</b>                | <b>80,577</b>      | <b>100.00%</b>           |

Brief Financial performance:

Rs. in Lacs

| Particulars                              | For the Financial Year ended March 31 <sup>st</sup> |        |        |
|------------------------------------------|-----------------------------------------------------|--------|--------|
|                                          | 2001                                                | 2002   | 2003   |
| Equity Capital                           | 8.06                                                | 8.06   | 8.06   |
| Reserves (excluding Revaluation Reserve) | (4.42)                                              | (7.46) | (6.58) |
| Net worth                                | 3.42                                                | 0.42   | 1.33   |
| Income                                   | 1.51                                                | 0.88   | 3.42   |
| PAT                                      | (0.97)                                              | (3.04) | 2.07   |
| EPS per Share of Rs.10 (Rs.)             | (1.19)                                              | (3.77) | 2.57   |
| NAV per Share of Rs.10 (Rs.)             | 4.25                                                | 0.52   | 1.65   |

Note: The financial statements for the year ended March 31, 2004 are under preparation.

There is no subsisting civil or criminal case pending against our promoters, Mr. Naresh Talwar and Mr. Umesh Talwar who were on the Board of BNT prior to 1<sup>st</sup> October 2002.

### 4. TALBROS POLYMERS AND COMPONENTS LIMITED (TPCL)

Talbro Polymers and Components Limited was incorporated under the Companies Act, 1956 on 29<sup>th</sup> March 1993 with the RoC, Delhi & Haryana. It's registered office is situated at 2-A, Pulprahlad Pur, Suraj Kund Road, New Delhi – 110 044 and is authorised by its

memorandum of association to carry on the business of manufacturing of rubber, plastic and components there from.

The Board of Directors of TPCL decided and resolved in its meeting held on December 8, 2003 to strike off its name from register maintained in the office of the Registrar of Companies, NCT of Delhi and Haryana by making an application under section 560 of the Act. M/s Rakesh Raj & Associates, Chartered Accountants, vide their Report dated November 10, 2003 have certified that TPCL has no assets and liabilities as at October 30, 2003. In terms of the above resolution, TPCL filed necessary documents on December 29, 2003 with the RoC for striking off its name from the Register maintained by them.

The details of the Board of Directors of TPCL is as below:

| <b>Name of the Director</b> | <b>Designation</b> |
|-----------------------------|--------------------|
| Mr. Rajesh Talwar           | Director           |
| Mr. Rakesh Talwar           | Director           |
| Mr. Karan Talwar            | Director           |

**Equity Shareholding pattern of TPCL is as below:**

| <b>Name of the Shareholder</b> | <b>No. of shares held</b> | <b>% of total share capital</b> |
|--------------------------------|---------------------------|---------------------------------|
| Directors & their Relatives    | 700                       | 5.00%                           |
| Private Corporate Bodies       | 13,400                    | 95.00%                          |
| <b>Total</b>                   | <b>14,100</b>             | <b>100.00%</b>                  |

**Financial Performance:**

The Company did not have any commercial operation during the year 2001-02, 2002-03 and for the period ended October 30, 2003. The expenditure incurred on Audit Fees and other fees & taxes during the year 2001-02 (Rs.3,425) & 2002-03 (Rs. 29,245) have been capitalised to Fixed Assets, being expenditure incurred during project implementation.

There is no subsisting civil or criminal case pending against our promoter, Mr. Nikhil Talwar who was on the Board of TPCL prior to 1<sup>st</sup> October 2002.

**CHANGES IN ACCOUNTING POLICIES DURING PRECEDING THREE YEARS**

The change in accounting policies, if any, during preceding three years are disclosed as part of the auditors report.

## **MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS**

The following discussion of our financial condition and results of operations should be read together with the audited financial statements for the FY 2002, 2003, 2004 and the 9 month period ended December 31, 2004 including the Schedules, annexures and Notes thereto and the Reports thereon, which appear in this Red Herring Prospectus. These financial statements are prepared in accordance with Indian GAAP, the Companies Act, and the SEBI Guidelines as described in the Auditor's Report of M/s. S. N. Dhawan & Co., Chartered Accountants dated January 19, 2005 in the section with the title 'Financial Information'.

The following discussion is based on our audited financial statements for fiscal 2002, 2003, 2004 and the 9 month period ended December 31, 2004, which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and on information available from other sources.

### **OVERVIEW**

#### **Business of the Group companies**

The business empire set up by the Talwar Brothers comprise of several companies in the automotive and hospitality industry, besides the dealership of Mercedes cars. Most of our companies are into manufacturing of different automotive components. In order to avoid overlapping or conflict of interest, each company is managed and controlled by a separate Board of Directors., The Managing Director is responsible to discharge his duties in respect of the management of substantial matters of that company, in consultation with, and support of a team of expert professionals.

Mr. Umesh Talwar, Vice Chairman and Managing Director of our company, is solely responsible for the day-to-day affairs of our company. He constantly monitors the performance of the company, takes all the important managerial decisions, and has been instrumental in the success and progress of our company.

#### **Business Overview**

- Talbros Automotive Components Limited has been promoted by the Talwar Brothers. Majority of our companies promoted by them are into the manufacturing of automotive components.
- We are more than 48 years old in the automotive industry and have a track record of payment of dividend for more than 45 years. We have also made six issues of Bonus shares till date.
- In India, within the organized gasket market, we have a share of around 50% , thus making us the market leader.
- A 'forging project' is being set up at Bawal in Haryana, which is approximately 70 kms away from the manufacturing plant of our group company QH Talbros Limited
- Around 65% of the production i.e. forged auto components from this plant, shall be used as input by QH Talbros Limited A memorandum of understanding with QH Talbros Limited, in this connection, has already been executed. The balance 35% shall be supplied to foreign buyers with whom negotiations are on the verge of completion.
- The amount of Rs. 50 crores, which is being raised by this Issue, shall be utilized as given below:
  - o For setting up of the aforesaid forging unit.
  - o Investment in joint venture with Nippon Leakless Corporation, Japan.
  - o For the expansion of our existing 'Gasket' manufacturing facility at the Faridabad and Pune.
  - o To meet out the expenses of the Issue.
- The technologies being used for the manufacturing of forged auto components are time-tested and operative in India. The promoters have relevant experience and a proven track record in the automotive industry. The growth in the automotive industry has been good

and this trend is expected to continue. The Board of Directors of our company is Optimistic, and trusts the smooth establishment and operation of the forging plant.

#### LOCATION WISE TURNOVER:

The break up of our turnover into various units is as follows:

| Rs. in lacs |              |                |                |                |
|-------------|--------------|----------------|----------------|----------------|
| Sr. No      | Plant Wise   | FY             |                |                |
|             |              | 2001-02        | 2002-03        | 2003-04        |
| 1           | Faridabad    | 4567.07        | 5056.42        | 6488.91        |
| 2           | Chennai      | 461.31         | 523.44         | 668.47         |
| 3           | Pune         | 524.65         | 787.94         | 1052.66        |
|             | <b>Total</b> | <b>5553.03</b> | <b>6367.80</b> | <b>8210.04</b> |

The percentage of revenues derived from our top customer and top 5 customers is tabulated below:

| FY              | 2002   | 2003   | 2004   |
|-----------------|--------|--------|--------|
| Top Customer    | 15.50% | 17.61% | 21.82% |
| Top 5 Customers | 35.73% | 43.84% | 50.47% |

#### Debtors and Creditors

We have been enjoying a credit period ranging between 90-95 days from our suppliers and foresee no difficulty in continuing this arrangement with our suppliers. The average debtors and creditors cycle is tabulated herein below:

| FY                        | No. of Days |      |      |
|---------------------------|-------------|------|------|
|                           | 2002        | 2003 | 2004 |
| Average Collection Period | 108         | 97   | 91   |
| Average Credit Period     | 113         | 109  | 93   |

#### DETAILS OF MATERIAL DEVELOPMENTS AFTER THE DATE OF LAST BALANCE SHEET

Our directors hereby state that in their opinion there is no material development after the date of the last financial statements disclosed in this Draft Red Herring Prospectus which is likely to materially and adversely affect or is likely to affect the trading or profitability of our company or the value of our assets, or our ability to pay our liabilities within the next twelve months.

#### ADVERSE EVENTS

There has been no adverse event affecting the operations of our Company occurring within one year prior to the date of filing of the Offer Document with the Registrar of Companies.

#### DEFAULTS

We have not defaulted in meeting any statutory dues, institutional dues or bank dues. We have not defaulted in making any payment/refunds for debentures, fixed deposits and interest on debentures and fixed deposits.

#### DETAILS OF ANY ENCUMBRANCES OVER THE PROPERTY OF OUR COMPANY AND GUARANTEES GIVEN BY OUR COMPANY TO ANY OTHER PARTY:

There are no encumbrances over the property of our Company except as disclosed in the Auditors report included in this Draft Red Herring Prospectus.

**SUMMARY OF FINANCIAL RESULTS FOR THE PAST 3 YEARS CONTAINING SIGNIFICANT ITEMS OF INCOME & EXPENDITURE:**

Rs. in lacs

| Particulars                                                    | Year ended<br>March 31,<br>Year 2002 | Year ended<br>March 31,<br>Year 2003 | Year ended<br>March 31,<br>Year 2004 | Period ended<br>December 31,<br>2004 |
|----------------------------------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Export                                                         | 790.64                               | 952.77                               | 1001.34                              | 972.83                               |
| Domestic                                                       | 4762.39                              | 5415.03                              | 7214.70                              | 6438.60                              |
| <b>Total Sales</b>                                             | <b>5553.03</b>                       | <b>6367.80</b>                       | <b>8216.04</b>                       | <b>7411.43</b>                       |
| % Increase                                                     | 12.61%                               | 14.67%                               | 29.02%                               | *                                    |
| Other Income                                                   | 100.68                               | 184.41                               | 169.36                               | 118.16                               |
| Increase/(Decrease)<br>in FG stock                             | 58.17                                | 172.26                               | 13.33                                | 140.44                               |
| <b>Total Income</b>                                            | <b>5711.88</b>                       | <b>6724.47</b>                       | <b>8398.73</b>                       | <b>7670.03</b>                       |
| <b>Expenditure</b>                                             |                                      |                                      |                                      |                                      |
| Material Consumed                                              | 3003.45                              | 3792.94                              | 4952.98                              | 4538.24                              |
| Less :<br>Increase/(Decrease)<br>in WIP stock                  | -20.67                               | -111.75                              | -52.65                               | -42.37                               |
| <b>Net Material Consumed</b>                                   | <b>2982.78</b>                       | <b>3681.19</b>                       | <b>4900.33</b>                       | <b>4495.87</b>                       |
| % to sales                                                     | 53.71%                               | 57.81%                               | 59.64%                               | 60.66%                               |
| Manufacturing expenses                                         | 355.17                               | 390.14                               | 495.30                               | 493.35                               |
| % Sales                                                        | 6.40%                                | 6.13%                                | 6.03%                                | 6.66%                                |
| Salaries and wages                                             | 973.65                               | 1046.31                              | 1084.92                              | 904.94                               |
| % to sales                                                     | 17.53%                               | 16.43%                               | 13.20%                               | 12.21%                               |
| Admin & Selling expenses                                       | 829.44                               | 987.06                               | 1120.48                              | 875.35                               |
| % to sales                                                     | 14.94%                               | 15.50%                               | 13.64%                               | 11.81%                               |
| Financial charges                                              | 210.49                               | 217.63                               | 299.74                               | 234.29                               |
| % to sales                                                     | 3.79%                                | 3.42%                                | 3.65%                                | 3.16%                                |
| Depreciation                                                   | 155.93                               | 169.28                               | 186.96                               | 163.72                               |
| % to sales                                                     | 2.81%                                | 2.66%                                | 2.28%                                | 2.21%                                |
| <b>Profit Before tax</b>                                       | <b>204.42</b>                        | <b>232.86</b>                        | <b>311</b>                           | <b>502.51</b>                        |
| Current taxation                                               | 59.50                                | 74.00                                | 98.00                                | 172.00                               |
| Deferred taxation                                              | 12.94                                | 11.04                                | 12.40                                | -                                    |
| <b>Profit for the year</b>                                     | <b>131.98</b>                        | <b>147.82</b>                        | <b>200.6</b>                         | <b>330.51</b>                        |
| % Increase                                                     | -15.88%                              | 12.00%                               | 35.71%                               | **                                   |
| Extraordinary items                                            | -                                    | -                                    | -                                    | -                                    |
| Prior period items                                             | 0                                    | 0.42                                 | -4.71                                | -0.09                                |
| <b>Net profit after Extraordinary &amp; prior period items</b> | <b>131.98</b>                        | <b>147.40</b>                        | <b>205.31</b>                        | <b>330.60</b>                        |
| % Increase                                                     | -                                    | 11.68%                               | 39.29%                               | **                                   |

\* % increase is on annualized basis

\*\* : Ratio not computed since the period is not comparable.

**a. Comparison of Performance and Analysis of Developments for the Period ended 31<sup>st</sup> December 2004 vis-à-vis Financial year ended 31<sup>st</sup> March 2004**

During the nine month period ended 31<sup>st</sup> December 2004, the sales was 7411.43 lacs (including exports of Rs. 973.83 lacs) which translates into a growth rate of 20.28% (on export 29.53%) on an annualized basis as against the sales for FY 2003-04. Accordingly the net profits of the company registered growth of 120%

Other income stood at Rs. 118.16 lacs during the said period, of which 105.68 is export incentive on account of duty drawback on exports.

The administrative and selling expenses amounted to Rs.875.35 lacs which on an annualized basis is 4% higher than Rs.1,120.48 in the previous year.

**b. Comparison of Performance and Analysis of Developments for Financial year ended 31<sup>st</sup> March 2004 vis-à-vis 31<sup>st</sup> March 2003**

During F.Y.2003-04, the sales were 8216.04 lacs which translate into a growth rate of 29.02% as against the sales for FY 2002-03.

This is primarily due to increased demand from OEMs and high growth in two wheeler segment. The turnover to Hero Honda and HMSI increased by more than 60% during this period.

There has been constant increase in percentage of raw materials and other inputs to sales because a large portion of our turnover comes from supplies to OEMs and all price increases to OEMs are not passed immediately..

Manufacturing Expenses have marginally reduced to 6.03% of sales against 6.13% during F.Y.2002-03.

Other Costs (Salary & Wages, Administrative Expenses and Financial Charges) are a combination of fixed, variable and semi-variable expenses. These expenses are increasing in absolute terms but as percentage to sales, these are reducing, contributing to increase in profitability

**c. Comparison of Performance and Analysis of Developments for Financial year ended 31<sup>st</sup> March 2003 vis-à-vis 31<sup>st</sup> March 2002**

During F.Y.2002-03, the sales were 6367.80 lacs which translate into a growth rate of 14.67% as against the sales for FY 2001-02. This is primarily due to increased demand from OEMs.

Other incomes are mainly on account of duty drawback on exports. The drawback is governed by the government policy and almost every year there is some change in the policy. For the year, there was an increase in drawback income because the maximum limit of drawback on the value of single part was waived off.

During the year, there has been significant increase in the percentage of raw materials and other inputs to sales due to the change in the product mix wherein the proportion of two wheeler gaskets increased significantly which are lower value products. Moreover, some of the gaskets were converted from Asbestos to Non-Asbestos construction during this year as a result the raw material percentage went up.

Manufacturing Expenses increased in absolute terms but as percentage to sales reduced to 6.13% of sales against 6.40% during F.Y.2001-02.

**Information required as per clause 6.10.5.5(a) of the SEBI Guidelines:**

- a. **Unusual or infrequent events or transactions:**  
There have been no unusual or infrequent transactions that have taken place.
- b. **Significant Economic changes that materially affected or are likely to affect income from continuing operations:**  
Volatility in foreign exchange rates may have an inflationary effect on cost of imports. However, considering the low amount of exports and imports, the effect of foreign exchange rate variations on our business is limited. Except the above, there are no significant economics changes that materially affect or likely to affect income from continuing operations.
- c. **Known trends or uncertainties**  
Apart from the risks as disclosed in this Draft Red Herring Prospectus, there are no other known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.
- d. **Future relationship between costs and revenue**  
The expansion of the current operations would enable the Company to procure raw materials in bulk locally as well as import from the direct manufacturers. This would in turn result in negotiating for competitive prices and help the Company to achieve economies of scale.
- e. **Reason for increase in sales/revenue**  
The increase in sales is mainly due to increased volume.
- f. **Total turnover of the Industry**  
Please refer to the Para on "Industry Data" referred on page [•] of this Draft Red Herring Prospectus.
- g. **New products introduced in the year 2004**  
We have not introduced any new products except for an enhanced range of gaskets.
- h. **Seasonality of business**  
None of the Company's products sold are seasonal in nature.
- i. **Over dependence on Single supplier/Customer**  
The Company sources its raw materials from a number of suppliers and is not under threat from excessive dependence on any single supplier. Also, the Company is not excessively dependent on a single customer for its sales.
- j. **Competitive conditions**  
The Company has been strengthening its position in the product lines in which it is operating. The Company also has been expanding its markets and customer base in the local as well as international market. All these things have been helping the Company to stand against the competition.

## **VI: LEGAL AND OTHER INFORMATION**

### **OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS**

Except as stated herein, there is no outstanding or pending litigation, suit, criminal or civil prosecution, proceeding initiated for offence (irrespective of whether specified in paragraph (I) of Part I of Schedule XIII of the Companies Act) or litigation for tax liabilities against our Company, [its Subsidiaries], its Directors or its Promoter or Companies promoted by its Promoters and there are no defaults, non-payment or overdue of statutory dues, institutional/bank dues or dues towards holders of any debentures, bonds and fixed deposits and arrears of preference shares, other than unclaimed liabilities of the Company or its Subsidiaries and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Subsidiaries, Promoters or Directors.

#### **Outstanding litigation involving the Company**

##### **1. Cases filed against the Company**

###### ***Official Liquidator, High Court, Madras, the Official Liquidator of M/s. F.D. Stewart Private Limited v. Talbros Automotive Components Limited***

The Official Liquidator filed an application dated 30<sup>th</sup> July 1990 before the High Court of Madras in the matter of *Kasturi and Sons Limited v. F.D. Stewart Private Limited* stating that F.D. Stewart Private Limited was ordered to be wound up by an order of the said High Court and pursuant to the same, he was appointed and charged with the duty of taking into his custody all the properties, effects and actionable claims of the said company.

With regard to the same, the Official Liquidator relying upon books of accounts of the said company and other records, submitted before the said High Court that a sum of Rs. 73,295 is due and payable by Talbros to the said Company. Taking into account, the interim payments made by Talbros, the Official Liquidator prayed that Talbros be directed to pay a sum of Rs. 15,420 alongwith interest.

#### **Personnel related cases**

###### ***Damodaran v. The Presiding Officer, Second Additional Labour Court, Madras and Talbros***

Mr. Damodaran, who was an employee of Talbros was chargesheeted and then dismissed from service on March 25, 1986 on grounds of indiscipline and misconduct. Mr. Damodaran challenged such termination before the said Labour Court, however, the said Labour Court upheld the termination.

In respect thereof, Mr. Damodaran filed a petition *vide* Writ Petition No. 3909 of 2004 dated 4<sup>th</sup> March 1994 before the High Court of Madras seeking to quash the award passed by the said Presiding Officer and for consequential direction to the second respondent to reinstate him back in service with wages, continuity of service and attendant benefits. The said High Court, *vide* its order dated 14<sup>th</sup> December 2001 held that the punishment imposed by our Company was disproportionate to the proved charges leveled against Mr. Damodaran and in light thereof, set aside the award passed by the said Presiding Officer and directed our Company to reinstate Mr. Damodaran with continuity of service and without back wages.

In respect thereof, our Company filed a writ appeal before the said High Court praying that the impugned order of the said High Court be set aside. Further to the same, our Company also filed a miscellaneous appeal praying the operation of the impugned order be stayed pending disposal of the said writ appeal. In respect thereof, *vide* its

order dated 30<sup>th</sup> July 2002, the said High Court has stayed the operation of the impugned order till final disposal of the said writ appeal.

***K.K. Dewan v. Talbros Automotive Components Limited***

Mr. K.K. Dewan, a worker has filed a suit *vide* Case No. 512/00-1999 before the Labour Court, Faridabad challenging his dismissal on 29<sup>th</sup> November 1999 from service on grounds of misbehaviour with the Head of Department and refusal to work. Mr. Dewan has challenged his dismissal on grounds that a fair and proper inquiry was not conducted and the same has been refuted by the Company. The matter is still sub-judice and the Company awaits the next date of hearing.

***Sant Ram v. Talbros Automotive Components Limited***

Mr. Sant Ram has filed a case against the Company in 2002 before the City Civil Court, Faridabad challenging his retirement from service in April 2002 as per the Company's record. *Vide* the case, Mr. Ram has claimed that as per his date of birth recorded in his school leaving certificate, his date of retirement was due in November 2002. The Company has contested his claim and the matter is sub-judice.

***Shambhu Dayal Yadav v. Talbros Automotive Components Limited***

Mr. Shambhu Dayal Yadav filed a case *vide* suit no. 82 of 1996 before the Presiding Officer, Industrial Tribunal cum Labour Court dated 15<sup>th</sup> March 1996 *vide* which he challenged his dismissal from service for misbehaviour and refusal to work on grounds that the enquiry conducted by the Company was not fair and proper. The Court adjudicated the matter on 12<sup>th</sup> July 2000 ruling in favour of Mr. Yadav and setting aside the findings of the enquiry officer. Furthermore, *vide* another order dated 29<sup>th</sup> September 2000, the said Court held that Mr. Yadav was entitled to reinstatement, continuity of service and full back wages.

In respect of the same, the Company has filed a civil writ petition titled *Talbros Automotive Components Limited v. Presiding Officer, Industrial Tribunal cum Labour Court*, in December 2000 praying that a writ in the nature of certiorari be issued quashing the orders of the said labour court. The matter is still sub-judice and as per the applicable statutory provisions the Company is paying monthly wages to Mr. Yadav.

***S.D.S. Yadav v. Talbros Automotive Components Limited and others***

Mr. S.D.S. Yadav has filed a suit for recovery of damages in 1991 against the Company before the High Court of Delhi wherein he has alleged that he was illegally detained by the police on the instructions of the Company. Mr. Yadav has further alleged that due to such detainment, he has suffered great loss and damage for which the Company is liable to pay damages of an amount of Rs. 2,53,000. The Company has denied all such allegations and has counter alleged that Mr. Yadav was arrested for threatening and harassment of the Company's staff. The matter is sub-judice and the Company awaits the next date of hearing.

***D. Shanumugam v. Talbros Automotive Components Limited***

Mr. Shanumugam has filed a case dated 28th January 2004 before the Additional Labour Court, Chennai alleging a dispute regarding non-employment and raising a dispute in respect of the same under section 2A(2) of the Industrial Disputes Act, 1947. In response thereof, the Company has filed a counter statement in September 2004 contending inter alia that (a) Mr. Shanumugam had left the employment on his own volition and hence, had no locus standi to raise a dispute regarding the same; (ii) in light of the fact that Mr. Shanumugam having received his service certificate by signing the same, he was estopped from raising a dispute of non-employment (iii) Mr.

Shanumugam's averment that he was a technician was not true as he was clearly in the Management cadre. In light of such contentions, the Company has pleaded the Court to dismiss the present case.

***J. Prabhakar v. Talbros Automotive Components Limited***

Mr. J. Prabhakar filed a suit against our Company *vide* Original Suit No. 509 of 1998 dated October 1998 in the Court of the Subordinate Judge, Poonamalle. In the said suit, Mr. Prabhakar alleged that our Company illegally terminated his services by a letter dated 17<sup>th</sup> June, 1998. In respect thereof, *vide* the said suit, Mr. Prabhakar has claimed that such termination was illegal and has demanded damages of upto Rs. 149,150 with interest at the rate of 12% per annum.

Our Company filed a written statement dated 11<sup>th</sup> June, 2001 before the Court stating that such termination of the services of Mr. Prabhakar was not violative of the contract of service between Mr. Prabhakar and the company. Furthermore, our Company has stated that Mr. Prabhakar's services were terminated because he had begun to misuse his powers and was no longer loyal to the Company. In light of such reasons, our Company has prayed that the said suit be dismissed.

**Order no. G.O. (D) No. 443 of the Labour and Employment Department, Government of Tamil Nadu dated 7<sup>th</sup> June 2002**

*Vide* the above said order the Government of Tamil Nadu has directed our Company to cancel the retrenchment of nine workers, being Mr. D. Aron, Thiru K. Pughanazhenthir, Thiru Murulai Murugan, Thiru S. Kribakaran, Thiru A.K. Manaharan, Thiru S. Sridharan, Thiru B. Ponomzhi and Thiru V. Vijaynagargavalu and make an effort to avoid their retrenchment and accommodate them in our other units. In respect of the same, our Company has written letters to all the persons as mentioned above, offering alternate employment to them.

**Excise related cases, show causes and claims**

***Commissioner of Central Excise, Delhi v. Talbros Automotive Components Limited***

The Central Excise and Gold (Control) Appellate ("CEGAT") *vide* its order dated 6<sup>th</sup> May, 2002 ("Order") has allowed the appeal made by the Commissioner of Central Excise against Order-in appeal No. 949-C.E./DLH/2001 dated 8<sup>th</sup> October, 2001 passed by the Commissioner (Appeals). As per the facts of this case, the Company had filed a particular classification declaration in respect of "paper gaskets" manufactured by it, however, the excise authorities held that the same was wrongly classified and therefore, the excise duty paid on the said product was less and that such products were liable to attract duty at a higher rate and that such default amounted to Rs. 14,17,866. The Company challenged the view of the excise authorities by contending before the Commissioner (Appeals) that chemical examination of the said products should have been conducted by the excise authorities to determine the true character of the such products.

***SCN: C. No. C.E. -20/R-II/Demand/Talbros/30/2004/3159 dated 18<sup>th</sup> August, 2004***

Our Company was issued a show cause notice no. C.E. -20/R-II/Demand/Talbros/30/2004/3159 dated 18<sup>th</sup> August, 2004 ("SCN") by the excise authorities, Faridabad *vide* which the excise authorities observed that re-constructed Bills of Entry were not valid documents for availing CENVAT credit under the prevailing Cenvat Credit Rules, 2002. In view of the same, as per the SCN, Cenvat credit amounting to Rs. 781,430 was wrongly availed and utilised by the Company on such re-constructed Bills of Entry. Hence, as per the SCN, the Company was asked to show cause as to why – (i) cenvat credit amounting to Rs. 781,430 availed and

utilized in contravention of the Cenvat Credit Rules, 2002 should not be disallowed and recovered; (ii) penalty and interest should not be imposed on the said amount.

The Company has replied to the SCN *vide* a letter dated 16<sup>th</sup> September 2004 wherein the Company has submitted that the SCN is contrary to the well settled propositions of law and is therefore void *ab-initio* and vitiated and hence, has prayed that the impugned SCN be quashed and set aside. This matter is still sub-judice and the Company awaits the next date of hearing.

**SCN: C. No. C.E. –20/R-II/Demand/Talbros/11/2004/541 dated 16<sup>th</sup> February, 2004**

Our Company was issued a show cause notice no. C.E. –20/R-II/Demand/Talbros/11/2004/541 dated 16<sup>th</sup> February, 2004 by the excise authorities, Faridabad *vide* which the excise authorities observed that our Company had wrongly availed and utilised Cenvat Credit of Rs. 2,10,208 without any receipt of the inputs in our factory on the basis of bills of entry for warehousing and without payment of duty. In light of the same, *vide* the said show cause, our Company has been directed to explain as to why Cenvat Credit amounting to Rs. 2,10,208 should not be disallowed and recovered and penalty be imposed for contravention of the applicable Cenvat Credit Rules.

In response to the same, our Company has made a submission dated 4<sup>th</sup> February, 2004 before the Assistant Commissioner of Central Excise, Faridabad stating that Cenvat Credit of the aforesaid amount was wrongly availed on 24<sup>th</sup> February, 2003 and was immediately paid back on knowing the error on 23<sup>rd</sup> June 2003 and an interest of Rs. 10,366/- was also paid towards interest. However, in spite of the same, the said show cause notice was issued on 16<sup>th</sup> February, 2003. Our Company has further stated that the said show cause notice was duly replied to on 15<sup>th</sup> March 2004 and in light thereof, our Company has prayed that as the Cenvat Credit was paid back much before the issuance of the said show cause notice, no penalty could be imposed and the said show cause notice may be quashed and annulled.

As per the Order, CEGAT has directed that the case be sent back to the adjudicating authority for getting the sample of the said products chemically examined and classification be decided accordingly.

It may be noted that the classification of the said products is as per the classification list of excisable goods produced dated 20<sup>th</sup> March 1995 in Form 1 of Rule 173 B of the Central Excise Rules, 1944 approved by the central excise authorities on 17<sup>th</sup> April 1995.

**Refund Claims made by our Company**

The Company has been issued show cause notices by the excise authority, Faridabad *vide* which the Company has been asked to show cause as to why their refund claims should not be rejected on grounds of no-compliance with the procedure as laid down under the Central Excise Rules, 2002. The Company has made such refund claims on grounds that delivery of the goods manufactured by the Company was not taken by the buyer and such goods were re-booked by the Company from the godowns of the transporters and were brought back to the Company. As the goods did not reach the buyer's place but were received back from the transporters, the Company was required to certain prescribed procedure as laid down under the Rule 173-H(ii) or Rule 173 L of the Central Excise Rules, 2002 in order to claim refund of excise duty paid on such goods.

The details of the show cause notices and the refund claims respectively as made by the Company are as follows:

| S. No.       | Date of the Show Cause Notice   | Show Cause Notice No.                   | Amount of Refund claimed (in Rs.) | Remarks                                      |
|--------------|---------------------------------|-----------------------------------------|-----------------------------------|----------------------------------------------|
| 1            | 8 <sup>th</sup> June 2001       | C. No. IV<br>(40)18/3/2001/Rfd.I/1731   | 104,056                           | Appeal to the High Court made by the Company |
| 2            | 8 <sup>th</sup> June 2001       | C. No. IV<br>(40)18/4/2001/Rfd.I/1733   | 52,403                            | Appeal to the High Court made by the Company |
| 3            | 26 <sup>th</sup> September 2001 | C. No. IV<br>(40)18/24/2001/Rfd.I/3030  | 97,968                            | Order in Company's favour and refund awaited |
| 4            | 6 <sup>th</sup> November 2001   | C. No. IV<br>(40)18/41/2001/Refd.I/3403 | 40,772                            | Appeal to the High Court made by the Company |
| 5            | 6 <sup>th</sup> November 2001   | C. No. IV<br>(40)18/16/2001/Refd.I/3406 | 32,527                            | Appeal to the High Court made by the Company |
| <b>Total</b> |                                 |                                         | <b>327,726</b>                    |                                              |

In respect of the show cause as mentioned above, all refund claims except one, made by the Company as above, were rejected by the Custom, Excise and Service Tax Appellate Tribunal, New Delhi ("CESTAT") *vide* final order no. A/625-628/DLI/NB/SM/04 dated 5<sup>th</sup> May 2004 ("Final Order") on grounds that such returned goods upon their return were not subjected to any of the processes required under such Rules but were only captively consumed and hence, the refund claims under such Rules could not be allowed. The Company has obtained a refund order in respect of the show cause notice dated 26<sup>th</sup> September 2001 and such refund is awaited. Aggrieved by the said Final Order, the Company has filed an appeal to the High Court of New Delhi on 28<sup>th</sup> October 2004 and awaits the next date of hearing.

#### **Sales Tax related show causes**

##### **Notice of demand of penalty dated 24<sup>th</sup> March 1998 issued under the Tamil Nadu General Sales Tax Act, 1961**

Our Company has received the above-mentioned notice *vide* which the Company has been held liable to pay a penalty of Rs. 8,33,977/- as penalty towards sales tax dues on account of non-production of declaration forms "F" under the extant sales tax legislation. In light thereof, turnover for the year 1994-95 was assessed at a higher rate and a corresponding penalty of the aforesaid amount was imposed. An appeal by the Company before the Tamil Nadu Sales Tax Appellate Tribunal, Chennai against the said notice was dismissed *vide* an Order dated 29<sup>th</sup> December 2000 by such authority. Our Company then filed a writ petition before the High Court of Madras seeking to quash the said order. In respect of the same, *vide* an order dated 25<sup>th</sup> April 2001, the said High Court has allowed a stay on the enforcement of such penalty and at present the matter is *sub-judice*.

## **Miscellaneous show causes**

### **Notice No. A – EDC/46709 Release – 27B dated 4<sup>th</sup> September 2003 issued by Estate Officer, Haryana Urban Development Authority (“HUDA”) to the Company**

*Vide* the above-mentioned notice, HUDA has directed the Company to deposit a sum of Rs. 1,51,86,500 towards external development charges, failing which HUDA would refer the matter to the Government for acquisition of the Company's land. HUDA has also issued another notice dated 7<sup>th</sup> January 2004 demanding an additional amount of Rs. 15,0,000 and has threatened to refer the matter to the Government for acquisition purposes.

The Company has replied to said notice *vide* a letter dated 22<sup>nd</sup> September 2003 wherein the Company has stated that as instructed by HUDA's letter dated 12<sup>th</sup> July 1985, the Company had deposited Rs. 3,37,890 towards such charges. *Vide* the said letter, the Company has also contested HUDA's claim as such notice has been issued after being silent for 14 years and is illegal, without any basis and not tenable in law.

In respect of the same, the Company has also filed a suit titled, *Talbro's Automotive Components Limited v. The Estate Officer, Haryana Urban Development Authority*, dated 9<sup>th</sup> April 2004 before the court of Civil Judge, Faridabad, citing that HUDA had no basis to issue the said notice when the entire amount was deposited as per HUDA's letter dated 12<sup>th</sup> July 1985 and that HUDA was bound by promissory estoppel. The matter is still sub-judice.

### **Notice No. CFD/DCR/RC/TO/20949/04 dated 20<sup>th</sup> September 2004 issued by Corporate Restructuring Division, Securities and Exchange Board of India**

*Vide* the said notice SEBI has alleged that the Company is in default of not complying with SEBI Regularization Scheme, 2002 in the year 2002-03 and therefore liable for penalty as laid down in the SEBI Act, 1992. As per the said notice, SEBI has offered to consider a request for consent order provided the Company pays an amount of Rs. 1,50,000 as penalty.

The Company has replied to the said notice *vide* a letter 30<sup>th</sup> October 2004 wherein it has requested to be condoned for the lapses as unintentional delays.

## **2. Cases filed by our Company**

### ***Talbro's Automotive Components Limited v. Mr. Ravindra M. Kulkarni***

Our Company has filed an appeal dated 11<sup>th</sup> November 2003 before the District Judge, Pune *vide* Regular Appeal No. 712/2003 against the accused as above, being aggrieved with the Judgement and Decree passed by the learned Civil Judge Junior Division, Pimpri dated 26<sup>th</sup> August 2003 in Regular Suit No. 453/2000. *Vide* the said regular suit, Mr. Ravindra Kulkarni had claimed recovery of Rs. 55,000 towards compensation for professional charges, expenses incurred and interest thereupon, in respect of providing architectural and landscaping services to our Company. *Vide* the said appeal, our Company has contended that the learned Civil Judge Junior Division had erred in not appreciating oral and documentary evidence and failed in noting that the suit claim amount was based on a valuation for which there was no proof at all. On such grounds, our Company has prayed *inter-alia* that (i) the impugned judgement and decree be set aside; (ii) execution of the decree be stayed by ad-interim order of stay pending final disposal.

### Outstanding litigation involving our Promoters/Directors

The names of following Directors of our Company appears in the website of Credit Information Bureau of India Limited (CIBIL) as Directors of Orkay Silk Mills Limited and Montarie Industries Limited, against whom suits have been filed by Banks.

| Sr. No. | Names of Directors | Suits filed by                         | Suits filed against                                           |
|---------|--------------------|----------------------------------------|---------------------------------------------------------------|
| 1.      | Mr. Umesh Talwar   | Bank of India                          | Orkay Industries Limited (formerly, Orkay Silk Mills Limited) |
| 2       | Mr. Umesh Talwar   | ICICI Limited                          |                                                               |
| 3       | Mr. Umesh Talwar   | Oriental Bank of Commerce              |                                                               |
| 4       | Mr. Umesh Talwar   | Industrial Finance Corporation Limited |                                                               |
| 5       | Mr. Umesh Talwar   | Industrial Investment Bank of India    |                                                               |
| 6       | Mr. Umesh Talwar   | Unit Trust of India                    |                                                               |
| 7       | Mr. Rajive Sawhney | Industrial Investment bank of India    | Montari Industries Limited<br>Jhalani Tools Limited           |
| 8       | Mr. Rajive Sawhney | State Bank of Patiala                  | Montari Industries Limited                                    |
| 9       | Mr. Rajive Sawhney | State Bank of Travancore               | Montari Leathers                                              |

We have received confirmation from the aforesaid Directors that no suit has been filed against them by any Bank or Institution. We have also written letters to the Banks/Institution requesting for confirmation that the suit has not been filed against the aforesaid Directors. We are awaiting the said confirmation from the Banks/Institution.

### Outstanding litigation involving our Group Companies

#### 1. T & T MOTORS LIMITED

##### 1.1 Cases filed against the Company

***Corporate Warranties (I) Private Limited v. Daimler Chrysler Ag, Daimler Chrysler India Private Limited, T&T Motors Limited, Mr. Ravi Talwar, Mr. Vidur Talwar, Mr. T.V. Thomas and Mr. Raman Kathuria***

*Vide* a complaint, Corporate Warranties (I) Private Limited has filed a case before the Additional Chief Metropolitan Magistrate, New Delhi against the accused as above, under sections 425 and 420 of the IPC for cheating. In the said complaint, Corporate Warranties (I) Private Limited has alleged that the accused had sold a car to the complainant company stating that the same was a 2002 model while it was a 2001 model. *Vide* the said complaint, Corporate Warranties (I) Private Limited has prayed that the accused be summoned and punished under the relevant provisions of the IPC.

In respect of the same, the accused have filed an application 17<sup>th</sup> May, 2004 for recalling summoning order and discharge from the case stating that the said complaint was false and frivolous and was filed with the sole motive of harassing the accused.

It also must be noted that Corporate Warranties (I) Private Limited has also filed complaint dated 21<sup>st</sup> June 2003 before the State Consumer Disputes Redressal Commission on the same grounds and has prayed that the accused be directed to pay an amount of Rs. 11,67,785/- for depreciation in the value of the car on account of it having been manufactured in the year 2001 and also for unnecessary wastage of time and money.

The accused have denied the allegations and at present, the matter is sub-judice.

***Varahi Diamonds and Finance Limited v. T&T Motors Limited***

*Vide* a complaint under Consumer Protection Act dated 13<sup>th</sup> June 2004 before the State Consumer Disputes Redressal Forum, Varahi Diamonds and Finance Limited has filed a complaint against T&T Motors Limited wherein it has been alleged that T&T Motors sold to Varahi Diamonds and Finance Limited, a car with serious inherent manufacturing defects and other problems which rendered the car completely unusable. In respect of the same, Varahi Diamonds and Finance Limited has prayed that T&T Motors be directed to pay an amount of Rs. 42,94,784/- towards cost of the car, the expenditure incurred and mental agony caused to the users of the car.

Pursuant to the same, T&T Motors has filed a written statement dated 9<sup>th</sup> September 2004 wherein it has denied all the allegations and stated that the said complaint was filed only to make a speculative gain and hence the same was liable to be dismissed.

At present, the matter is sub-judice.

***AE Exports Private Limited v. Mercedes Benz India Limited and T&T Motors Limited***

*Vide* a complaint under Consumer Protection Act dated 5<sup>th</sup> July 2004 before the State Consumer Disputes Redressal Forum, AE Exports Private Limited has filed a complaint against T&T Motors Limited wherein it has been alleged that T&T Motors sold to AE Exports Private Limited, a car with serious inherent manufacturing defects and also offered very poor after sales services which rendered the car completely unusable. In respect of the same, AE Exports Private Limited has prayed that T&T Motors be directed to pay an amount of Rs.40,65,652/- towards cost of the car, the expenditure incurred and mental agony caused to the users of the car.

Pursuant to the same, T&T Motors has filed a written statement dated 6<sup>th</sup> October 2004 wherein it has denied all the allegations and has prayed that the complaint be dismissed as the said complaint was untenable and the claims made therein were vexatious and speculative in nature.

At present, the matter is sub-judice.

***M/s. Panacea Biotec Limited v. T&T Motors Limited and Mr. Fritz Imbacher***

*Vide* a complaint under Consumer Protection Act dated 1<sup>st</sup> June 2000 before the State Consumer Disputes Redressal Forum, M/s. Panacea Biotec Limited has filed a complaint against T&T Motors Limited wherein it has been alleged that T&T Motors represented to M/s. Panacea Biotec Limited that they were experts in undertaking repairing services of Mercedes Benz cars of a very high standard under the supervision of a German engineer, being Mr. Fritz Imbacher. As alleged, upon such representation, M/s. Panacea Biotec Limited hired the services of the said accused for its own cars and accordingly was given an estimate of Rs. 1,82,972/- for rectification of the problems. However, the accused failed to correct the said problem and as claimed by M/s. Panacea Biotec Limited, the problem persisted even thereafter. In respect of the same, M/s. Panacea Biotec Limited has claimed a loss of upto Rs. 4,35,000/- as compensation for damages suffered and loss of reputation as the said car could not be used to represent the status of the company. *Vide* the said complaint, M/s. Panacea Biotec Limited has prayed that the accused be directed to pay a sum of Rs. Rs. 4,35,000/- towards such losses and a monthly compensation of Rs. 15,000/- from April 2000 onwards.

Pursuant to the same, T&T Motors has filed a written statement dated 22<sup>nd</sup> August 2003 wherein it has denied all the allegations and has prayed that the complaint be dismissed as the said complaint was untenable and the claims made therein were vexatious and speculative in nature.

At present, the matter is sub-judice.

It also must be noted that T&T Motors has filed a counter-claim *vide* suit no. 359 of 2000 dated 10<sup>th</sup> November 2000 before the Senior Civil Judge, New Delhi against M/s. Panacea Biotec Limited claiming an amount of Rs. 64,272/- as servicing charges for the their car since 1999. For further details of such counter-claim please refer to the case titled "*T&T Motors Limited v. Panacea Biotec Limited*" on page no. [●] of this Draft Red Herring Prospectus.

***Intercard (I) Limited v. Daimler Chrysler India Private Limited and T&T Motors Limited***

*Vide* a petition 16<sup>th</sup> February 2004, Intercard (I) Limited has filed a complaint under the Consumer Protection Act, 1986 before the State Consumer Disputes Redressal Commission against Daimler Chrysler India Private Limited and T&T Motors Limited on grounds that the accused as above, induced Intercard (I) Limited to purchase a C-180K Mercedes Benz from them with the belief that the same was the latest model of Mercedes Benz car being launched in the market. However, later when Mercedes Benz C 200K model was launched, Intercard (I) Limited filed this complaint. *Vide* the said complaint, Intercard (I) Limited has prayed that the accused be directed to return the whole amount of Rs. 22,58,221 paid against the purchase of the said car.

In response to the same, T&T Motors *vide* its written statement dated 13<sup>th</sup> July 2004 wherein it has denied all the allegations and has prayed that the complaint be dismissed as the said complaint was untenable and the claims made therein were vexatious and speculative in nature.

At present, the matter is sub-judice.

***Dharmvir Yadav v. T&T Motors Limited***

Dharambir Yadav has filed a complaint against T&T Motors and Daimler Chrysler Indian Limited dated 17<sup>th</sup> November 2004 before the State Consumer Redressal Commission, New Delhi. *Vide* the said complaint Mr. Yadav has stated that he purchased a Mercedes Benz car of the year 2002 model. However, he has alleged that he was handed over a Mercedes Benz car of the year 2001 model and also that the said car had manufacturing defects. In respect thereof, Mr. Yadav has prayed that the Court be pleased to direct the accused as above to pay a total compensation of Rs. 23,00,000/- towards the difference in cost of year 2002 and 2001 models; expenditure of maintenance of the car; compensation for harassment and inconvenience and interest thereupon.

**Cases filed by T&T Motors**

***T&T Motors Limited v. L.G. Engineering and Construction Corporation Limited***

T&T Motors has filed a suit dated 5<sup>th</sup> October 2004 before the Senior Civil Judge, New Delhi against the accused as above. *Vide* the said suit, T&T Motors has alleged that a sum of Rs. 96,344/- and interest thereupon was outstanding against the accused towards the costs of repairing and servicing of the accused's cars. In respect thereof, T&T Motors has prayed to the said court that a decree be passed for a sum of Rs. 1,09,350/- alongwith interest at the rate of 18%.

***T&T Motors Limited v. M/s. Bajaj Carpets Industries Limited and Mr. Surinder Bajaj***

T&T Motors has filed a criminal complaint dated 6<sup>th</sup> March 2002 against M/s Bajaj Carpets Industries Limited and Mr. Surinder Bajaj, being its managing director before the Chief Metropolitan Magistrate, New Delhi under section 138 read with section 142 of the Negotiable Instruments Act, 1881 on grounds that the accused as above issued a cheque for Rs. 1,50,000/- in favour of T&T Motors towards a part payment of a sum of Rs. 3,00,000/- being due to T&T Motors. However, upon being presented for encashment, the cheque was returned/dishonoured with remarks "Stop Payment by Drawer". Aggrieved by the same, T&T Motors has filed the said complaint, praying that a complaint be registered against the said accused so that they can be tried and punished accordingly. At present, the matter is sub-judice.

***T&T Motors Limited v. M/s. Bakewell Agro Limited and Mr. Feroz Malik***

T&T Motors has filed a criminal complaint dated 28<sup>th</sup> November, 2004 against M/s. Bakewell Agro Limited and Mr. Feroz Malik, being its director before the Chief Metropolitan Magistrate, New Delhi under section 138 read with section 142 of the Negotiable Instruments Act, 1881 on grounds that the accused as above, issued a cheque for a sum of Rs. 1,00,000/- in favour of T&T Motors towards a part payment of a sum of Rs. 1,88,371/- being due to T&T Motors. However, upon being presented for encashment, the cheque was returned/dishonoured with remarks "Insufficient Funds". Aggrieved by the same, T&T Motors has filed the said complaint, praying that a complaint be registered against the said accused so that they can be tried and punished accordingly. At present, the matter is sub-judice.

***T&T Motors Limited v. M/s. Panacea Biotec Limited***

T&T Motors has filed a case *vide* suit no. 359 of 2000 dated 10<sup>th</sup> November 2000 before the Senior Civil Judge, New Delhi against Panacea Biotec Limited. *Vide* the said suit, T&T Motors has alleged that the accused as above, owed an amount of Rs. 64,272/- as servicing charges for the accused's car since 1999. In respect of the same, T&T Motors has filed the said suit, praying that the said Court may be please to pass a decree for a sum of Rs. 64,272 alongwith interest thereon at the rate of 24% per annum.

It must be noted that prior to filing of the said suit, the accused had filed a complaint before the State Consumer Disputes Redressal Commission, New Delhi, wherein the accused had alleged gross negligence and deficiencies in the services rendered by T&T Motors and as a reason thereof, had demanded a sum of Rs. 8,37,811/- as compensation for the loss suffered as a result of such negligence. For further details of the said complaint, please refer to the case titled "*M/s. Panacea Biotec Limited v. T&T Motors Limited and Mr. Fritz Imbacher*" on page no. [•] of this Draft Red Herring Prospectus.

At present, the matter is sub-judice.

***T&T Motors Limited v. Mr. Goldy Singh and M/s. G.N. Communication***

T&T Motors has filed a complaint dated 11<sup>th</sup> October 2002 before the Chief Metropolitan Magistrate, New Delhi against Mr. Goldy Singh, the proprietor of M/s. G.N. Communication, under section 138 read with section 142 of the Negotiable Instruments Act, 1881. *Vide* the said complaint, T&T has contended that the accused as above owed a sum of Rs. 29,400 to T&T Motors on account of servicing and repair charges. In respect thereof, a cheque issued by the accused was returned/dishonoured when presented for encashment with remarks "Insufficient Funds". Aggrieved by the same, T&T Motors has filed the said complaint praying that action be initiated against the accused and the accused be punished accordingly.

***T&T Motors Limited v. Mr. Sanjay Khanna***

T&T Motors has filed a complaint dated 11<sup>th</sup> October 2002 before the Chief Metropolitan Magistrate, New Delhi against Mr. Sanjay Khanna under section 138 read with section 142 of the Negotiable Instruments Act, 1881. *Vide* the said complaint, T&T has contended that the accused as above owed a sum of Rs.22,561 to T&T Motors on account of servicing and repair charges. In respect thereof, a cheque worth Rs. 8,980/- issued by the accused was returned/dishonoured when presented for encashment with remarks "Stop Payment by Drawer". Aggrieved by the same, T&T Motors has filed the said complaint praying that action be initiated against the accused and the accused be punished accordingly.

***T&T Motors Limited v. Sheebawheels Private Limited***

T&T Motors has filed a case *vide* a suit dated 5<sup>th</sup> October 2001 in the Court of Senior Civil Judge, Delhi against Sheebawheels Private Limited for recovery of a sum of Rs. 62,409/- along with interest under provisions of Order 37 of the Code of Civil Procedure. *Vide* the said suit, T&T Motors has claimed the aforesaid amount as due towards the servicing and repair services rendered to the Mercedes Benz car owned by Sheebawheels Private Limited. *Vide* the said suit, T&T Motors has initiated summary procedure under Order 37 of the Code of Civil Procedure and has prayed that the Court be pleased to pass a decree of Rs. 62,409/- along with interest.

**2. QH TALBROS LIMITED**

**Outstanding Litigation**

**Nil**

**3. TALBROS INTERNATIONAL LIMITED**

**Outstanding Litigation**

**Nil**

**4. T & T MULTI TRADING PVT. LIMITED**

**Outstanding Litigation**

**Nil**

**5. XO FORGE LIMITED**

**Outstanding Litigation**

**Nil**

**6. SUNRISE MEDICARE PRIVATE LIMITED**

**Outstanding Litigation**

**Nil**

**7. X O STAMPINGS LTD.**

**Outstanding Litigation**

**Nil**

## 8. XO INFOTECH LIMITED

### Cases filed by the Company

#### ***Xo-tronic Limited (presently known as XO Infotech Limited) v. Container Corporation of India and others***

*Vide* suit no. 1445/1997 dated 8<sup>th</sup> July 1997, XO Infotech filed a case before the Additional District Judge, Delhi against Container Corporation of India. In the said suit, XO Infotech claimed that it placed an order for purchase of In-circuit Tester, 3070 series II with Blue Chip Technology Inc., USA. The shipment was dispatched through Maersk Line container it arrived at the ICD, Tughlakabad, New Delhi on July 8<sup>th</sup>, 1996. At the time of such arrival, the Maersk Line seal was intact, however, when XO Infotech went to claim the goods, the seal was found tampered with and replaced with the "CONCOR safety seal". In respect of the same, XO Infotech has filed the said suit claiming a loss of Rs. 5,50,800/- on account of pilferage and interest of 24% per annum on such amount.

#### ***XO Infotech vs. Zeba enterprises and Mr. A. H. Rehman***

XO Infotech Limited has filed a complaint dated 6<sup>th</sup> July 2002 before the Chief Metropolitan Magistrate, New Delhi against Zeba Enterprises and Mr. A.H. Rehman under section 138 of the Negotiable Instruments Act, 1881 and sections 415 and 420 of the India Penal Code. *Vide* the said complaint; XO Infotech has contended that the accused as above owed a sum of Rs. 50,000 to XO Infotech. In respect thereof, a cheque worth Rs. 50,000/- issued by the accused was returned/dishonored when presented for encashment with remarks "Exceeds Arrangement". Aggrieved by the same, XO Infotech has filed the said complaint, praying that action be initiated against the accused and the accused be punished accordingly.

#### ***XO Infotech Limited v. Zeba Enterprises and A. H. Rehman***

XO Infotech Limited has filed a complaint dated in the year 2002 before the Chief Metropolitan Magistrate, New Delhi against Zeba Enterprises and Mr. A.H. Rehman under section 138 of the Negotiable Instruments Act, 1881 and sections 415 and 420 of the India Penal Code. *Vide* the said complaint; XO Infotech has contended that the accused as above owed a sum of Rs. 94,880 to XO Infotech. In respect thereof, a cheque worth the said amount issued by the accused on 16<sup>th</sup> July 2002 was returned/dishonored when presented for encashment with remarks "Exceeds Arrangement". Aggrieved by the same, XO Infotech has filed the said complaint, praying that action be initiated against the accused and the accused be punished accordingly.

#### ***XO Infotech v. Compuneeds, Ms. Neelima Gaddi and Mr. G. Amar***

*Vide* suits no. 3939/02, 3940/02 and 3941/03 of 2001, XO Infotech has filed three cases against the accused as above before the Additional Chief Metropolitan Magistrate, New Delhi under section 138 of the Negotiable Instruments Act and section 415 and 420 of the Indian Penal Code on grounds that the accused issued three cheques for Rs. 96750/-, Rs. 96750/- and Rs. 1,92,000/- respectively, which however, upon being presented for encashment, were returned dishonored with remarks "exceeds arrangement". Aggrieved by the same, XO Infotech has filed the said suits praying that complaints be registered against the said accused so that they can be tried and punished accordingly. At present, the matter is sub-judice.

#### ***XO Infotech Limited v. M/s. Acme Computers and Mr. Priyesh***

*Vide* suit no. 169/1 of 2003 dated 13<sup>th</sup> August 2003, XO Infotech has filed a case against the accused as above before the Additional Chief Metropolitan Magistrate,

New Delhi under section 138 of the Negotiable Instruments Act and section 415 and 420 of the Indian Penal Code on grounds that the accused issued two cheques for a total sum of Rs. 70,000, which however, upon being presented for encashment were returned dishonoured with remarks "payment stopped by drawer". Aggrieved by the same, XO Infotech has filed the said suit praying that a complaint be registered against the said accused so that they can be tried and punished accordingly. At present, the matter is sub-judice.

#### **XO Infotech vs. Eco Fin Consultants Limited**

XO Infotech has filed a case *vide* a suit dated January 2005 before the Additional District Judge, Delhi against Eco Fin Consultants Limited and Mr. Amit Tandon for recovery of Rs. 6,56,000/-, i.e., Rs. 4,00,000 towards principal and Rs. 2,56,000/- interest. *Vide* the said suit, *XO Infotech* has claimed that the accused as above were appointed as syndicates through a letter of appointment dated 31<sup>st</sup> May 1995 by XO Infotech and the total remuneration in respect of such services was fixed at Rs. 22 lacs including Rs. 4 lacs upfront payment subject to a condition that if no progress was made in 3 weeks from such appointment, the entire money paid by XO Infotech shall be refunded. Upon failure of the accused to comply with the said condition, XO Infotech demanded the entire upfront fee to be refunded, however, despite repeated reminders and legal notices in respect thereof, the accused has failed to effect the refund. Hence, *vide* the said suit, XO Infotech has prayed that the Court be pleased to pass a decree for a sum of Rs. 6,56,000 along with interest on the same.

### **9. TALBROS MOTORS PRIVATE LIMITED**

#### **Outstanding Litigation**

**Nil**

## **GOVERNMENT APPROVALS/LICENSING ARRANGEMENTS**

The Company has received all the necessary consents, licenses, permissions and approvals from the Government/RBI and various government agencies required for its present business and no further approvals are required for carrying on the present as well as the proposed business of the Company except the pending approvals as mentioned under this heading.

The Company can undertake all the present and proposed activities in view of the present approvals and no further approvals from any statutory body are required by the Company to undertake the present and proposed activities.

We have received the following Government and/or statutory approvals/ licenses/ permissions:

### **INVESTMENT APPROVALS**

As per Notification No. FEMA/20/2000-RB dated May 3, 2000, as amended from time to time, under automatic route of the Reserve Bank the Company is not required to make an application for Issue of Equity Shares to NRIs/FIIs with repatriation benefits. However, the allotment/transfer of the Equity shares to NRIs/FIIs shall be subject to the prevailing RBI Guidelines. Sale proceeds of such investments in equity shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.

### **ALL GOVERNMENT AND OTHER APPROVALS**

#### **Incorporation**

1. Certificate of Incorporation No. 55-2706 dated 8<sup>th</sup> September, 1956 from the Registrar of Companies, Delhi and Haryana to Payen Talbros Private Limited.
2. Fresh Certificate of Incorporation consequent to the change of name from Payen Talbros Limited to Talbros Automotive Components Limited issued by RoC pursuant to Section 23(1) of the Act dated 7<sup>th</sup> April, 1979.
3. Fresh Certificate of Registration No. 05-33107 dated 16<sup>th</sup> May, 1996, issued on shifting of our registered office from NCT of Delhi to Haryana.

#### **Excise/Customs/Sales Tax related Approvals**

##### **Excise tax**

1. Allotment of Excise Control Code Number AAAC 0265 FXM 001 dated 9<sup>th</sup> June 2000 issued by the Directorate General of Inspection, Commissioner of Central Excise, Delhi to Talbros Automotive Components Limited, Chennai.
2. Central Excise Registration No. AAAC 0265 FXM 002 dated 4<sup>th</sup> March, 2002 from the Superintendent of Central Excise, Faridabad, Haryana.
3. Central Excise registration certificate no. AAAC 0265 FXM 0003 in Form RC dated 19<sup>th</sup> December 2002, issued by the Central Excise authority, Pune.
4. Certificate of Importer/Exporter Code (IEC) dated 29<sup>th</sup> June 2000 with IEC no. 0588044440 issued by Director General of Foreign Trade, New Delhi.

##### **Sales tax**

1. Sales tax registration for Maharashtra
- 1.1 Local Sales Tax registration certificate no. 411018/AS/0503 dated 11<sup>th</sup> October 1995.

- 1.2 Central Sales Tax registration certificate no. 411018/C/0503 dated 11<sup>th</sup> October 1995.
2. Sales tax registration for Tamil Nadu
- 2.1 Local sales Tax registration certificate no. TNGST/660056/79-80 dated 15<sup>th</sup> May, 1979.
- 2.2 Central sales Tax registration certificate no. CST/22959/46835 dated 15<sup>th</sup> May, 1979.
3. Sales tax registration for Haryana
- 3.1 Tax Identification No. 06221202052 in Form VAT – G1 under Haryana Value Added Tax Act, 2003 dated 1<sup>st</sup> April 2003 replacing local sales tax registration certificate no. FBD/HGST/202052 dated 11<sup>th</sup> December 1967.

#### **Approvals from Inspector of Factories**

1. License dated 10<sup>th</sup> March 2000 issued by Chief Inspector of Factories with registration no. GSH/P-34/12093 and serial no. 1481 to Talbros Automotive Components Limited, Faridabad.

#### **Approvals/Consents from Pollution Control Boards**

##### **1. Haryana**

- 1.1 Grant of consent under Water (Prevention and Control of Pollution) Act, 1974 dated 26<sup>th</sup> April, 2002 and effective upto 31<sup>st</sup> March 2005 by the Haryana State Pollution Control Board, Chandigarh *vide* letter No. HSPCB/Water consent/ 2001/ 67.
- 1.2 Grant of consent under Air (Prevention and Control of Pollution) Act, 1981 dated 26<sup>th</sup> April, 2002 and effective upto 31<sup>st</sup> March 2005 by the Haryana State Pollution Control Board, Chandigarh *vide* letter No. HSPCB/Air Consent/2001/65.

##### **2. Tamil Nadu**

- 3.2 Renewal of consent under Water (Prevention & Control of Pollution) Act, 1974 from the Tamil Nadu Pollution Control Board, Chennai *vide* letter No. 7930/JCEE/TLR/OM-69/W/04 dated 29<sup>th</sup> August, 2004 valid up to 31<sup>st</sup> March, 2006.
- 3.3 Renewal of consent under Air (Prevention and Control of Pollution) Act, 1981 from the Tamil Nadu Pollution Control Board, Chennai *vide* letter No. 5389/JCEE/TLR/OM-69/A/04 dated 29<sup>th</sup> August, 2004 valid up to 31<sup>st</sup> March, 2006.

##### **3. Maharashtra**

- 3.1 Grant of consent under Water (Prevention and Control of Pollution) Act, 1974 dated 20<sup>th</sup> October, 1995 and effective upto 31<sup>st</sup> October 2010 by the Maharashtra Pollution Control Board, Pune *vide* letter No. ROP/E-22/UB/PUNE/1507/R/2186/2126.
- 3.2 Grant of consent under Air (Prevention and Control of Pollution) Act, 1981 dated 9<sup>th</sup> July 2004 and effective upto 30<sup>th</sup> November 2010 by the Maharashtra Pollution Control Board, Pune *vide* letter No. HSPCB/Consent/2004/1125. – **Has been deleted by TACL ????**

#### **Miscellaneous approvals and consents**

1. Consent Letter no. HN – 1987 dated 6<sup>th</sup> January 2004 issued by the Explosives Department, Faridabad and valid till 31<sup>st</sup> December 2006.

2. Certificate of Registration no. 6440/95 (33)/9537/24 dated 28<sup>th</sup> November 95 from Employee's State Insurance Corporation, Pune to Talbros Automotive Components Limited, Pune.
3. Certificate of Registration no. EB-III/Cov./General/HR/684 dated 14<sup>th</sup> March 1992 issued by Regional Provident Fund Commissioner, Haryana.
4. Letter dated 5<sup>th</sup> June 2002 issued by the Income Tax Department for allotment of tax deduction account number (TAN) CHET00596B to Talbros Automotive Components Limited, Chennai as per the Income-Tax Act, 1961.
5. Letter dated 8<sup>th</sup> May 2004 issued by the Income Tax Department for allotment of tax deduction account number (TAN) RTKT01143C to Talbros Automotive Components Limited, Haryana as per the Income-Tax Act, 1961.
6. Letter dated 27<sup>th</sup> April 2004 issued by the Income Tax Department for allotment of tax deduction account number (TAN) PNET03912G to Talbros Automotive Components Limited, Pune as per the Income-Tax Act, 1961.
7. Permanent Account Number AAAC0265F issued by the Director of Income Tax (Systems).
8. Consent letter no. Co-ord./Cell/DGS/90/15871 dated 28<sup>th</sup> May 2003 by the Maharashtra State Electricity Board to Talbros Automotive Components Limited for installation of a 62.5 KVA diesel generating set in factory premises.

#### **Certificates for quality standards**

1. Certificate no. ISO/TS 16949: 2002, dated 22<sup>nd</sup> June 2002 for Quality Management Systems issued by the Certification Body of TUV Management Service GmbH, Munich to Talbros Automotive Components Limited, Chennai.
2. Certificate of Approval dated 21<sup>st</sup> August 2002 issued by Bureau Veritas Quality International, London to Talbros Automotive Components Limited, Pune.
3. BVQi certificate no. 139942 dated 14<sup>th</sup> October 2003 awarded by Bureau Veritas Quality International, London to Talbros Automotive Components Limited, Pune.

#### **Trademark approvals**

1. Registration Certificate no. 247969 dated 15<sup>th</sup> July 2002 of "TALBROS" Registration no. 521862 in respect of gaskets, issued by the Trade Marks Registry, Mumbai on 27<sup>th</sup> December 1989.
2. Renewal of registration certificate dated 23<sup>rd</sup> February 2000 in respect of Trade Mark No. 438400, i.e., "TALBROS" issued by the Trade Marks Registry, New Delhi.
3. Registration Certificate no. 473784B dated 16<sup>th</sup> June 1987 and sealed by the Registrar of Trade Marks on 31<sup>st</sup> May 1996 in respect of trademark "DYNASEAL".

#### **LETTER OF INTENT/INDUSTRIAL LICENSE AND DECLARATION OF THE CENTRAL GOVERNMENT/RBI ABOUT NON-RESPONSIBILITY FOR FINANCIAL SOUNDNESS OR CORRECTNESS OF STATEMENTS**

It must, however, be distinctly understood that in granting the above consents/ licenses/ permissions/ approvals, the Government does not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

**Pending Government Approvals:**

| <b>Approval / Consent</b>              | <b>Agency</b>                            | <b>Status</b>                             |
|----------------------------------------|------------------------------------------|-------------------------------------------|
| License under Factories Act            | Chief Inspector of Factories,<br>Haryana | Application will be made in May 2005      |
| Power requirement                      | Haryana State Electricity Board          | Application will be made in July 2005.    |
| Consent for Establishment / Operations | Haryana Pollution Control Board          | Application will be made in October 2005. |

## **VII: OTHER REGULATORY AND STATUTORY DISCLOSURES**

### **STATUTORY AND OTHER INFORMATION**

#### **AUTHORITY FOR THE ISSUE**

Our Board of Directors have pursuant to a resolution dated 16<sup>th</sup> November, 2004 authorized this Issue subject to approval by the shareholders of our Company. The shareholders of our Company have approved this Issue under section 81(1A) of the Act by a Special Resolution at our Extra Ordinary General Meeting held on 15<sup>th</sup> December 2004.

#### **PROHIBITION BY SEBI**

Our Company, our Directors, our Promoters, the Directors of our Promoter Companies, the group companies, companies promoted by or Promoters and companies or entities with which our Company's Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI. The listing of any securities of our Company has never been refused at anytime by any of the stock exchanges in India. Our Company, our Promoters, their relatives, group companies and associate companies have not been 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.

#### **ELIGIBILITY FOR THE ISSUE**

We are eligible to access the capital market through public Issue of equity shares as per Clause 2.3.1 of the SEBI Guidelines as it is an existing listed Company and the aggregate of the proposed Issue (Rs. 5,000 lacs) and all previous issues (Nil) made in the same financial year (i.e. FY 2004-05) in terms of size (i.e. offer through offer document + firm allotment + promoters' contribution through the offer document) does not exceed five times its pre-Issue Networth (i.e. Rs. 6,046.75 lacs as on March 31, 2004) as per audited accounts of the last financial year, either at the time of filing the Offer document with SEBI or at the time of opening of the Issue.

Further, there has been no change in our name since 1979.

#### **DISCLAIMER CLAUSES**

##### **SEBI DISCLAIMER CLAUSE**

**"IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. THE SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE LEAD MANAGER, UTI SECURITIES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE**

TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, UTI SECURITIES LIMITED HAS FURNISHED TO THE SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 21, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

- I. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.
- II. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS 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 THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
- B. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- C. THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE.
- D. BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT SUCH REGISTRATIONS ARE VALID TILL DATE.
- E. WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT."

DISCLAIMER FROM THE ISSUER AND THE LEAD MANAGER

INVESTORS MAY NOTE THAT OUR COMPANY AND THE LEAD MANAGER ACCEPT NO RESPONSIBILITY FOR STATEMENTS MADE OTHER THAN IN THE DRAFT RED HERRING PROSPECTUS OR IN THE ADVERTISEMENT OR ANY OTHER MATERIAL ISSUED BY OR AT THE INSTANCE OF THE ISSUER COMPANY OR LEAD MANAGER AND THAT ANY ONE, PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION WOULD DO SO AT THEIR OWN RISK

**ALL INFORMATION WILL BE MADE AVAILABLE BY THE LEAD MANAGER AND THE COMPANY 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 SHOWS, PRESENTATIONS, IN RESEARCH OR SALES REPORTS ETC.**

#### **CAUTION**

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

**"Any person who:**

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

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

#### **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 authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorised under their constitution to hold and invest in shares) and to NRIs, FIIs and Foreign Venture Capital Funds Registered with SEBI. This Draft Red Herring Prospectus 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 Draft Red Herring Prospectus comes is required to inform himself or herself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been submitted for approval and has been filed with SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

#### **DISCLAIMER CLAUSE OF THE STOCK EXCHANGE, MUMBAI**

As required, a copy of this Draft Red Herring Prospectus has been submitted to the BSE (the Designated Stock Exchange). BSE vide its letter dated [•], has given permission to our Company to use the Exchange's name in this Draft Red Herring Prospectus as one of the stock exchanges on which our Company's Equity Shares are further proposed to be listed. BSE has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

BSE does not in any manner:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; or
- ii. warrant that this Company's securities will be listed or will continue to be listed on BSE; or
- iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;
- iv. and it should not for any reason be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by 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 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 THE DELHI STOCK EXCHANGE ASSOCIATION LIMITED**

The same will be inserted on receipt of the in-principle approval from the DSE.

#### **FILING**

A copy of the Draft Red Herring Prospectus along with the documents required to be filed under section 60B of the Companies Act would be delivered for registration to the RoC, NCT of Delhi & Haryana at New Delhi. A copy of this Draft Red Herring Prospectus required to be filed under section 60 of the Companies Act would be delivered for Registration with the RoC, NCT of Delhi & Haryana at New Delhi. A copy of this Draft Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

#### **LISTING**

Our existing Equity Shares are listed on BSE and DSE.

BSE shall be the Designated Stock Exchange with which the basis of allotment will be finalized for the Non-Institutional portion and Retail portion.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the stock exchanges as above, we shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after we become liable to repay it, i.e., from the date of refusal or within 70 days from the date of Bid/ Issue Closing Date, whichever is earlier, then we and all our directors jointly and severally shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

**We shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the stock exchanges mentioned above are taken within seven working days of finalization and adoption of the Basis of Allotment for the Issue.**

#### **CONSENTS**

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, Bankers to the Company; and (b) Book Running Lead Manager to the Issue and Syndicate Member, Escrow Collection Bankers and Registrar to the Issue, to act in their respective capacities, have been obtained and would be filed along with a copy of

this Draft Red Herring Prospectus with the RoC, NCT of Delhi & Haryana at New Delhi as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC, NCT of Delhi & Haryana at New Delhi.

## EXPERT OPINION

We have not obtained any expert opinions related to the present issue, except that of M/s Crawford Bayley & Co, as legal advisors to this Issue and M/s. S.N. Dhawan & Co., Chartered Accountants who have given the tax benefits certificate.

## ISSUE EXPENSES

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertising expenses and listing fees. The estimated Issue expenses are as follows:

|        |                                                                                   | Rs. in lacs   |
|--------|-----------------------------------------------------------------------------------|---------------|
| Sr. No | Particulars                                                                       | Amount        |
| 1      | Fees of Book Running Lead Managers Fees, Registrar, Legal Advisor, Auditors, etc. | 38.00         |
| 2      | Printing & Stationery Distribution, Postage, etc.                                 | 125.26        |
| 3      | Advertisement and Marketing expenses                                              | 100.00        |
| 4      | Underwriting Commission, Brokerage and selling expenses                           | 150.00        |
| 5      | Other expenses                                                                    | 8.35          |
|        | <b>Total</b>                                                                      | <b>421.61</b> |

## Details of Fees Payable

| Sr. No | Particulars        | Fees in Rs. Lacs | % of total Issue Expenses | % of total Issue Size |
|--------|--------------------|------------------|---------------------------|-----------------------|
| 1      | Lead Managers Fees | 25.00            | 5.93                      | 0.50                  |
| 2      | Registrars fees    | 5.00             | 1.19                      | 0.10                  |

## PREVIOUS PUBLIC OR RIGHTS ISSUES IN THE LAST FIVE YEARS

Our Company has not made any public or rights issue of Equity Shares/Debentures in the last 5 years.

## ISSUE OF SHARES OTHERWISE THAN FOR CASH

Our Company has not issued any Equity Shares for consideration other than cash except as detailed in the section entitled 'Capital Structure in this Draft Red Herring Prospectus.

## COMMISSION OR BROKERAGE ON PREVIOUS ISSUES

We paid underwriting commission @ 2.5% and brokerage @ 1% of the sale price of the shares issued/offered for subscription/sale *vide* public issue and offer for sale of 1,15,500 and 9,142 Equity Shares respectively, of Rs. 10/- each at a premium of Rs. 5 in July 1980.

Except as stated above, we have not made any public or rights issue of Equity Shares/Debentures since incorporation.

**DETAILS OF CAPITAL ISSUE MADE DURING LAST THREE YEARS IN REGARD TO THE ISSUER COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370(1)(B) OF THE COMPANIES ACT, 1956.**

There have been no capital issues during last 3 years either by us or any other listed company under the same management within the meaning of S. 370(1)(B) of the Act during the last three years.

**PROMISE VIS-À-VIS PERFORMANCE – LAST 3 ISSUES**

Our Company made a public issue and offer for sale of 1,15,000 and 9,142 Equity Shares respectively, of Rs. 10/- each at a premium of Rs. 5 in July 1980. The objects for such public issue and offer for sale were to enable our Company to comply with the listing requirements under Rule 19(2) of the Securities Contract (Regulation) Act, 1957 as relaxed by the Central Government so as to admit the Equity Shares of our Company to official dealings at BSE and DSE and such objects were achieved, post the said public issue and offer for sale. There were no other promises made in the Offer Document.

Our Company made a Rights issue of 4,20,000 Equity Shares of Rs.10/- each at par in 1989 and there were no promises made in the offer document.

**LISTED VENTURES OF PROMOTERS**

Except XO Infotech Limited, there are no other listed ventures of Promoters. XO Infotech Limited made a public issue of 58,00,000 Equity Shares of Rs. 10/- each for cash at par aggregating Rs. 580 lacs in October 1996. There were no other promises made in the Offer Document.

**PROMISE VS PERFORMANCE – LAST ONE ISSUE OF GROUP COMPANIES**

The object of the said public issue made by XO Infotech Limited were to (i) to set facilities for manufacturing surface mounted technology boards in technical collaboration M/s. Astronic, USA; (ii) to meet the expenses of the said Issue; and (iii) to get its shares listed on the stock exchanges and such objects were achieved, post the said public issue.

**OUTSTANDING DEBENTURES OR BONDS AND REDEEMABLE PREFERENCE SHARES AND OTHER INSTRUMENTS ISSUED AND OUTSTANDING AS ON THE DATE OF THE RED HERRING PROSPECTUS AND TERMS OF ISSUE**

There are no outstanding debentures or bonds or redeemable preference shares and other instruments outstanding as on the date of filing of this Draft Red Herring Prospectus and terms of this Issue.

**STOCK MARKET DATA**

The Equity Shares of our Company are listed on the BSE and DSE.

(i) The particulars of the stock market data of our Company is as follows:

| Calendar Year                                                          | High*      |        |        | Low*         |       |        | Average price (Rs.) |
|------------------------------------------------------------------------|------------|--------|--------|--------------|-------|--------|---------------------|
|                                                                        | Date       | (Rs.)  | Volume | Date         | (Rs.) | Volume |                     |
| 2002                                                                   | Jul 8, 02  | 46.15  | 1141   | Feb 14, 02   | 15    | 83     | 30.58               |
| 2003                                                                   | Dec 10, 03 | 85.90  | 13142  | April 15, 03 | 19.50 | 900    | 52.70               |
| 2004                                                                   | Dec 15, 04 | 342.50 | 10292  | Mar 24, 04   | 43.70 | 28058  | 193.10              |
| <b>Bonus in the ratio of 5 : 2 (Ex Bonus date – December 29, 2004)</b> |            |        |        |              |       |        |                     |
| 2004                                                                   | Dec 31, 04 | 94.20  | 7590   | Dec 29, 04   | 90.60 | 24924  | 92.40               |

\* High/Low prices based on closing quotations on the BSE

There has been no trading in the shares of the Company on DSE since December 31, 1997.

(ii) The closing market price of the equity share of the Company on the BSE on the day after the Board approved the Issue, i.e. 16.11.2004 was Rs. 235.75 per share on 17.11.2004. (Source: [www.bseindia.com](http://www.bseindia.com))

(iii) The total volume of equity shares traded in each month, monthly high and low prices for equity shares for the preceding six months on the BSE are as follows:

| Period                                   | High Price (Rs.) | Date of High Price quotation | Shares Traded on the day of High Price | Low Price (Rs.) | Date of Low Price quotation | Shares Traded on the day of Low Price | Average Price | Total Volume for the Month |
|------------------------------------------|------------------|------------------------------|----------------------------------------|-----------------|-----------------------------|---------------------------------------|---------------|----------------------------|
| Sept 04                                  | 72.65            | Sept 24, 04                  | 6100                                   | 61.75           | Sept 1, 04                  | 3959                                  | 67.20         | 92665                      |
| Oct 04                                   | 180.90           | Oct 29, 04                   | 13227                                  | 66.85           | Oct 5, 04                   | 3461                                  | 123.88        | 348620                     |
| Nov 04                                   | 276.15           | Nov 30, 04                   | 1638                                   | 189.90          | Nov 1, 04                   | 2285                                  | 233.02        | 67150                      |
| Dec 04                                   | 342.50           | Dec 15, 04                   | 10292                                  | 281.65          | Dec 1, 04                   | 4417                                  | 312.08        | 98592                      |
| <b>Ex Bonus Date – December 29, 2004</b> |                  |                              |                                        |                 |                             |                                       |               |                            |
| Dec 04                                   | 94.20            | Dec 31, 04                   | 7590                                   | 90.60           | Dec 29, 04                  | 24924                                 | 92.40         | 49386                      |
| Jan 05                                   | 92.55            | Jan 04, 05                   | 2720                                   | 80.45           | Jan 31, 05                  | 4287                                  | 86.50         | 56902                      |
| Feb 05                                   | 90.15            | Feb 10, 05                   | 35474                                  | 78.85           | Feb 1, 05                   | 1925                                  | 84.50         | 157718                     |

#### INVESTORS' GRIEVANCES REDRESSAL MECHANISM

We have appointed M/s. Karvy Computershare Private Limited as the Registrar to the Issue, to handle the investor grievances in co-ordination with our Compliance officer. All grievances relating to the Present issue may be addressed to the Registrar with a copy to the Compliance officer, giving full details such as name, address of the applicant, number of equity shares applied for, amount paid on application and bank and Branch. We will monitor the work of the Registrar to ensure that the investor grievances are settled expeditiously and satisfactorily.

A fortnightly status report of the complaints received and redressed by the Registrar to the Issue would be forwarded to us. We would also coordinate with the Registrar to the Issue in attending to the investors' grievances.

We assure that any complaints received, shall be disposed off as per the following schedule:

| Sr. No | Nature of the Complaint                         | Time Taken                                                                             |
|--------|-------------------------------------------------|----------------------------------------------------------------------------------------|
| 1      | Non-receipt of the refund                       | Within 7 days of receipt of complaint, subject to production of satisfactory evidence. |
| 2      | Change of Address                               | Within 7 days of receipt of information.                                               |
| 3      | Any other complaint in relation to Public Issue | Within 7 days of receipt of complaint with all relevant details.                       |

We have appointed Mr. Pankaj Dhawan as Compliance Officer who would directly liaise with SEBI with respect to implementation/compliance of various laws, rules, regulations and other directives issued by SEBI and matters related to investor complaints. The investors may contact the compliance officer in case of any pre issue/post issue related problems. The Compliance officer will be available at our Registered Office.

**CHANGES IN AUDITORS DURING THE LAST THREE YEARS AND REASONS THEREOF**

There has been no change in our auditors during the last 3 years.

**CAPITALISATION OF RESERVES OR PROFITS DURING LAST FIVE YEARS**

There has not been any capitalisation of reserves or profits during the last five years, except as stated in section titled “Capital Structure” on page no. [•] of this Draft Red Herring Prospectus.

**REVALUATION OF ASSETS DURING THE LAST FIVE YEARS**

There has not been any revaluation of Assets during the last five years, except as stated in section titled Capital Structure on page no. [•] of this Draft Red Herring Prospectus.

## **VIII: ISSUE INFORMATION**

### **TERMS OF THE ISSUE**

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, the terms of this Draft Red Herring Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note 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, FIPB, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

#### **Authority for the Issue**

The Board of Directors has authorized the Fresh Issue pursuant to resolution passed at its meeting held on November 16, 2004 subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act. The shareholders of our Company have authorized the Issue by special resolution in accordance with section 81(1A) of the Companies Act passed at the EGM of our Company held on December 15, 2004.

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

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

#### **Mode of payment of dividend**

We have been paying dividend in cash and intend to continue the same policy.

#### **Face value and Issue price per share**

The Equity Shares having a face value of Rs. 10/- each are being offered in terms of this Draft Red Herring Prospectus at a price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws.

#### **Price Band**

The Equity shares are being offered in the price band of Rs. [●] and Rs. [●].

#### **Rights of the Equity Shareholders**

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offer for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed Public Limited Company under the Companies Act and the Memorandum and Articles of our Company.

For a detailed description of the Articles of Association of the Company relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, etc., see 'Main Provisions of Articles of Association' beginning on page [●] of this Draft Red Herring Prospectus.

### **Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares of our Company shall be allotted only in dematerialised form. As per existing SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialised form.

Since trading in the Equity Shares is compulsorily in dematerialized mode, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form in multiples of 1 Equity Shares subject to a minimum Allotment of [●] Equity Shares.

### **Jurisdiction**

The jurisdiction for the purpose of this Issue is with competent courts/authorities in New Delhi, India.

### **Nomination Facility to Investor**

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered Office or to the registrar and transfer agents of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- 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 choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the equity shares, until the requirements of the notice have been complied with.

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 our Company. Nominations registered with respective depository participant of the applicant would prevail. If the investor wants to change the nomination, they are requested to inform their respective depository participant.

### **Minimum Subscription**

If we do not receive the minimum subscription of 90% of the net offer to public including devolvement of Underwriters within 60 days from the Bid closing date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, it shall pay interest prescribed under Section 73 of the Companies Act 1956.

**Withdrawal of the Issue**

The Company in consultation with the BRLM reserves the right not to proceed with the issue any time after the Bid/Issue opening date but before allotment without assigning any reason thereof

**ARRANGEMENTS FOR DISPOSAL OF ODD LOTS**

Our shares will be traded in dematerialized form only and therefore the marketable lot is 1 share. Therefore, there is no possibility of any odd lots.

**RESRICTIONS, IF ANY ON TRANSFER AND TRANSMISSION OF SHARES/ DEBENTURES AND ON THEIR CONSOLIDATION/SPLITTING**

There is not restriction on transfer and transmission of shares and on their consolidation and splitting as per the Companies Act, 1956.

**Subscription by Non Residents, Eligible NRIs/FIIs**

It is to be distinctly understood that there is no reservation for any non residents, eligible NRIs, FIIs and such applicants shall be treated on the same basis with other categories for the purpose of allocation. As per RBI regulations, OCBs cannot participate in this Issue.

**US Laws**

The Equity Shares have not been and will not be registered under the US Securities Act, 1933 ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

## ISSUE STRUCTURE

This Issue is being made through a 100% Book Building Process. The present Issue of [●] Equity Shares of face value of Rs.10/- each at a price of Rs. [●] comprising of (a) Net Issue to the Public of [●] Equity Shares (b) Promoters contribution of [●] Equity Shares.

|                                                              | <b>QIBs</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Non-Institutional Bidders</b>                                                                                                 | <b>Retail Individual Bidders</b>                                                                                                                    |
|--------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Number of Equity Shares*                                     | Net Issue to the Public less allocation to Non-Institutional Bidders and Retail Individual Bidders                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Minimum of [●] Equity Shares                                                                                                     | Minimum of [●] Equity Shares.                                                                                                                       |
| Percentage of Issue Size available for allocation            | Upto 50% of Net Issue to the Public*                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Minimum 25% of Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Retail Individual Bidders.* | Minimum 25% of Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Non Institutional Bidders.*                    |
| Basis of Allocation if respective category is oversubscribed | Discretionary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Proportionate                                                                                                                    | Proportionate                                                                                                                                       |
| Minimum Bid                                                  | Such number of Equity Shares that the Bid Amount exceeds Rs 50,000 and in multiples of [●] Equity Shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Such number of Equity Shares that the Bid Amount exceeds Rs 50,000 and in multiples of [●] Equity Shares.                        | [●] Equity Shares and in multiples of [●] Equity Shares.                                                                                            |
| Maximum Bid                                                  | Not exceeding the size of the Issue subject to regulations as applicable to the Bidder                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Not exceeding the size of the Issue subject to regulations as applicable to the Bidder                                           | Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 50,000                                                         |
| Mode of Allotment                                            | Compulsorily in dematerialized form                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Compulsorily in dematerialized 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, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 lacs and pension funds with minimum corpus of Rs. 250 lacs 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. 50,000 in value. |
| Terms of Payment                                             | Margin Amount applicable to QIB Bidders at the time of submission of Bid cum                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Margin Amount applicable to Non Institutional Bidders at                                                                         | Margin Amount applicable to Retail Individual Bidders at the                                                                                        |

|               | <b>QIBs</b>                       | <b>Non-Institutional Bidders</b>                                    | <b>Retail Individual Bidders</b>                                |
|---------------|-----------------------------------|---------------------------------------------------------------------|-----------------------------------------------------------------|
|               | Application form to the syndicate | the time of submission of Bid cum Application form to the syndicate | time of submission of Bid cum Application form to the syndicate |
| Margin Amount | Nil                               | 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 spillover inter-se from any other categories, at the discretion of the Company in consultation with the BRLM's subject to applicable provisions of 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 in the same sequence in which they appear in the Bid Cum Application Form.

## ISSUE PROCEDURE

### Book Building Procedure

The Issue is being made through the 100% book building method where in up to 50% of the Net Issue to Public shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Net Issue to Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% of the Net Issue to Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. We, in consultation with the BRLMs, reserve the right to reject any Bid procured by any or all members of the Syndicate without assigning any reasons therefor in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

We, in consultation with the BRLMs would have discretion to allocate to QIBs based on a number of criteria, which will typically include, but would not be limited to, the following: prior commitment, investor quality, price, earliness of bid, existing and continued shareholding of QIBs during the period prior to the Bid Opening Date and until the date of pricing.

Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized 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 this Draft Red Herring Prospectus. 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 the CAN and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized us to make the necessary changes in this Draft Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories is as follows:

| Category                                                                                            | Colour of Bid-cum-Application Form |
|-----------------------------------------------------------------------------------------------------|------------------------------------|
| Indian Public including QIB, Non Institutional Bidders or NRIs applying on a non-repatriation basis | White                              |
| Non-residents including NRIs or FIIs applying on a repatriation basis                               | Blue                               |

### Who Can Bid?

- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole

or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;

- Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity shares;
- Indian mutual funds registered with SEBI;
- Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI Guidelines and Regulations, as applicable);
- 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;
- Provident funds with minimum corpus of Rs. 25 crore and who are authorized under their constitution to invest in Equity Shares;
- Pension funds with minimum corpus of Rs. 25 crore and who are authorized under their constitution to invest in Equity Shares;
- Multilateral and bilateral development financial institutions;
- Trusts/Societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/Societies and who are authorized under their constitution to hold and invest in equity shares;
- Eligible Non-residents including NRIs and FIIs on a repatriation basis on a non-repatriation basis subject to applicable local laws; and
- Scientific and/or industrial research organizations authorized under their constitution to invest in equity shares.

*Note:* The members of the Syndicate and any associate of the members of the Syndicate (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary and will not be eligible as a QIB in this Issue. Further, the BRLMs and the Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

**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.**

**In accordance with the current regulations, the following restrictions are applicable for investments by mutual funds:**

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments by index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

**In accordance with the current regulations, the following restrictions are applicable for investments by FIIs:**

The Issue of Equity Shares to a single FII should not exceed 10% of the post-Issue paid-up capital of the Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of our Company in case such sub-account is a foreign corporate or an individual.

**As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds and Foreign Venture Capital Funds:**

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 BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

### **Maximum and Minimum Bid size**

**For Retail Bidders:** The Bid must be for minimum [•] Equity Shares and in multiples of [•] Equity Shares thereafter subject to maximum bid amount of Rs. 50,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 50,000. In case the Bid Amount is over Rs. 50,000 due to revision or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allotment under the Non-Institutional Bidders category. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

**For Others (Non-Institutional Bidders and QIBs) Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount payable by the Bidder exceeds Rs. 50,000 and in multiples of [•] Equity Shares thereafter. 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 applicable laws. Under 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. 50,000, for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 50,000 or less due to a revision in Bids or revision of Price Band, the same would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

### **Information for the Bidders**

- a) We will file the Red Herring Prospectus with the RoC/Designated Stock Exchange at least 3 (three) days before the Bid/Issue Opening Date.
- b) The price band shall be advertised at least one day prior to the Bid opening date/Issue opening date. With regard to the price band, the Bidders can be guided by the secondary market prices of the Equity Shares.
- c) The members of the Syndicate will circulate copies of this Draft Red Herring Prospectus along with the Bid-cum-Application Form to their potential investors.
- d) Any investor (who is eligible to invest in the Equity Shares) desirous of obtaining a copy of this Draft Red Herring Prospectus along with the Bid-cum- Application Form can obtain the same from our registered office or from the BRLMs, or from a member of the Syndicate.
- e) The Bids should be compulsorily submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of a member of the Syndicate. The Bid-cum-Application Forms, which do not bear the stamp of a member of the Syndicate, will be rejected.

### **Method and Process of bidding**

1. We, with the BRLMs shall declare the Bid/Issue Opening Date and Bid/Issue Closing Date in the Draft Red Herring Prospectus filed with RoC and publish the same and the Price Band in two national newspapers (one each in English and Hindi) and a regional

newspaper (Gujarati). This advertisement shall contain the salient features of the Red Herring Prospectus as specified under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the members of the Syndicate. The members of the Syndicate shall accept Bids from the Bidders during the Issue Period.

2. Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.
3. The Bidding Period shall be a minimum of 5 (five) days and not exceed 10 days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be informed to the Stock Exchanges and published in two national newspapers (one each in English and Hindi) and one regional newspaper (Gujarati) and the Bidding Period may be extended, if required, by an additional 3 (three) days, subject to the total Bidding Period not exceeding thirteen days.
4. 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.
5. 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 [●] of this Draft Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid price, will become automatically invalid.
6. The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding 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 allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the paragraph "Build up of the Book and Revision of Bids" on page [●] of this Draft Red Herring Prospectus.
7. The members of the Syndicate will enter each option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum application Form.
8. 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 Account" on page [●] of the Red Herring Prospectus.

#### **Bids at Different Price Levels**

1. The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share, Rs. [●] being the floor of the Price-Band and Rs. [●] being the cap of the Price Band. The Bidders can bid at any price within the price Band, in multiples of Re. 1/-.
2. We, in consultation with the BRLMs, can revise the Price Band 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 thirteen days. The cap on the Price Band should not be more than 20% of the Floor of the Price-band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the Floor Price disclosed in this Draft Red Herring Prospectus.
3. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, 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 (Gujarati) and also indicating the change on the relevant websites of the BRLMs and the terminals of the members of the Syndicate.
4. We, in consultation with the BRLMs, can finalise the Offer Price within the Price Band without the prior approval of, or intimation to, the Bidders.

5. 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 applying for a maximum Bid in any of the bidding options not exceeding Rs. 50,000 may bid at “Cut-off”. However, bidding at “Cut-off” is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.**
6. 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 or Employees, who bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-off could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 50,000 of the bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs.50, 000, the Bid will be considered for allocation under the Non-Institutional category in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downward for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidders shall be deemed to have approved such revised Bid at Cut-off Price.
8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
9. In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application Size shall remain [●] Equity Shares irrespective of whether the Bid Amount payable on such Minimum Application is not in the range of Rs. [●] to Rs. [●].

### **Escrow Mechanism**

1. The Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of the Draft Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account of the Company shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer 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. Payment of refund to the Bidders shall also be made from the Escrow Agreement and Red Herring Prospectus.
2. The Bidders may note that the Escrow Mechanism is not prescribed by SEBI and the same has been established as an arrangement between the Company, the Syndicate, Escrow Collection Bank(s) and the Registrars to the Issue to facilitate collections from the Bidders.

### **Terms of Payment and Payment into the Escrow Collection Account**

Each Bidder, who is required to pay Margin Amount greater than 0%, shall, with the submission of the Bid-cum-Application Form draw a cheque, demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for

details refer to the paragraph "Payment Instructions" in this Draft Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid-cum-Application Forms accompanied by cash 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 whose bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account, lying credited with Escrow Collection Banks shall be 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 / Issue Closing Date, the Escrow Collection Bank(s) shall refund all amount payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation to the Bidders.

Each category of Bidders (i.e. QIBs, Non Institutional Bidders and 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 Money payable by each category of Bidders is mentioned under the heading "Issue Structure" in this Draft Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid 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 Closing Date/Issue Closing Date, failing which the Company shall pay interest @15% per annum for any delay beyond the periods 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 NSE/BSE on-line connectivity to each city where a Stock Exchange is located in India and 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 download the off-line data file into the on-line facilities for book building on an half hourly basis. On the Bid Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) The aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be downloaded on an half hourly basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers 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 on-line system:
  - Name of the investor.

- Investor Category – Individual, Corporate, NRI, FII, Mutual Fund, etc.
  - Numbers of Equity Shares bid for.
  - Bid price.
  - Bid-cum-Application Form number.
  - Whether payment is 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 members 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) Consequently, the BRLM/ member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason, in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed on page [●] in this Draft Red Herring Prospectus.
- (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 or BRLMs 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 for the use of their online IPO system should not in any way be deemed or construed that this Draft Red Herring Prospectus 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 Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

#### **Build Up of the Book and Revision of Bids**

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on half-hourly basis.
- (b) The book gets build up at various price levels. This information will be available with the BRLMs on a half-hourly basis.
- (c) 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.
- (d) Revisions can be made in both the desired numbers of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that

are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

- (e) 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 the Draft Red Herring Prospectus. In case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.
- (f) 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 has placed the original Bid. Bidders are advised to retain copies of the blank Revision Forms and the revised Bid must be made only in such Revision Form or copies thereof.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (h) In case of discrepancy of data between NSE or BSE and 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**

- (a) After the Bid/Issue Closing Date, the BRLMs shall analyze the demand generated at various price levels and discuss pricing strategy with the Company.
- (b) The Company, in consultation with the BRLMs shall finalise the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful QIB Bidders. The allocation will be decided based on the quality of the Bidder and the size, price and time of the Bid.
- (c) The allocation for QIBs would be upto 50% of the Issue Size would be discretionary. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 25% and not less than 25% of the Issue Size, respectively, would be on proportionate basis in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Undersubscription, if any, in any category would be allowed to be met with spill over from any of the other categories at our discretion, in consultation with the BRLMs.
- (e) Allocation to NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI applying on basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission, if applicable, for Allotment of Equity Shares to them.
- (f) The BRLMs, in consultation with the Company shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning reasons whatsoever.
- (h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid / Issue Closing Date.

### **Signing of Underwriting Agreement and RoC Filing**

- (a) The Company, the BRLMs, and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, we will update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

### **Advertisement regarding Issue Price and Prospectus**

A statutory advertisement will be issued by us 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 along with a table showing the number of Equity Shares to be issued. Any material updates between the date of the Draft Red Herring Prospectus and the date of the Prospectus will be included in such statutory advertisement.

### **Issuance of Confirmation of Allocation Note**

- a) The BRLM or Registrars to the Issue shall send to the Syndicate Members, a list of their Bidders who have been allocated Equity Shares in the Issue.
- b) The Members of the Syndicate 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 a 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 the full Bid Amount into the Escrow Account on or prior to the time of bidding shall pay in full amount into the Escrow Account on or prior to the Pay-in Date specified in the CAN.
- c) Bidders who have been allocated Equity Shares and who have already paid the full Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrars to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. 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 allotment to such Bidder.

### **Designated Date and Transfer of Funds to Public Issue Account**

Successful Bidders will receive credit for the Equity Shares directly in their depository account. **Equity shares will be allotted only in the dematerialized form to the allotted.** Successful Bidders will have the option to re-materialize the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.**

We will ensure the allotment of Equity Shares within 15 days of the Bid/ Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, we would ensure that credit is given to the successful Bidders' depository accounts within two working days from the date of allotment.

## 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) Enter that the details about Depository Participant and Beneficiary Account are correct as Allotment of Equity Shares will be in the dematerialised form only;
- d) Ensure that the Bids are submitted at the Bidding Centres only on forms bearing stamp of the Syndicate Member;
- e) Ensure that you have been given a TRS for all your Bid options;
- f) Submit Revised Bids to the same Syndicate Member through whom the original Bid was placed and obtain a revised TRS;
- g) Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more. In case neither the Pan nor the GIR number has been allotted, mention "Not Allotted" in the appropriate place.

### Don'ts:

- a) Do not Bid if you are prohibited from doing so under the law of your local jurisdiction;
- b) Do not Bid for lower than minimum Bid size;
- c) **Do not Bid or revise the Bid to less than the lower end of the Price Band or higher than the higher end of the Price Band;**
- d) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- e) Do not pay Bid amount in cash;
- f) Do not Bid at cut off price (for QIB Bidders and Non-Institutional Bidders for whom the Bid Amount exceeds Rs. 50,000);
- g) Do not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable law.
- h) Do not send Bid cum Application Form by post; instead submit the same to a member of the Syndicate only.

## Instructions for Obtaining the Bid-Cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the Syndicate Members.

## Bids and Revisions of Bids

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRI or FII or foreign venture capital fund registered with SEBI applying on repatriation basis).
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- (c) The Bids from the Retail Individual Bidders must be for a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum of Rs. 50,000.

- (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. 50,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the size of the Issue. Bidders are advised to ensure that a single bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws or regulations.
- (e) In single name or in joint names (not more than three and in the same order as their Depository Participant details).
- (f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

### **Bidder's Bank Details**

Bidders should note that on the basis of name of the Bidders, Depository Participants Name, Depository Participants 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 Bidder's bank account details. **These bank account details would be printed on the Refund order, if any, to be sent to the Bidders. 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 Bidder's sole risk and neither the BRLM nor the Company shall have any responsibility and undertake any liability for the same.

### **Bidder's Depository Account Details**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN THE 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-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (hereinafter 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 authorise the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic details as available on its records.

Refund Orders/ Allocation Advice/ CANs would be mailed at the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/ allocation advice/ CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidders in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Investors should note that the refund cheques will be overprinted with details of bank account as per the details received from the depository.

### **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 & Article of Association and/or Bye Laws must be lodged along with the Bid cum Application Form. Failing this, the Issuer reserves the right to accept or reject any bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a Power of Attorney by FIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case without assigning any reason therefor.

In case of Bids made by insurance companies registered with Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by Insurance Regulatory and Development Authority must be submitted with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case without assigning any reason therefor.

In case of Bids made by provident fund with the minimum corpus of Rs. 25 crore and pension fund with the minimum corpus of Rs. 25 crore, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case without assigning any reason therefor.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions as the Company/BRLM may deem fit.

### **Bids by NRIs**

NRI Bidders will have to comply with the following:

1. Individual NRI Bidders can obtain the Bid-cum-Application Forms from our registered office or from members of the Syndicate or the Registrars to the Issue.

2. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange 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 by non-residents including NRIs, FIIs and Foreign Venture capital Funds registered with SEBI on a repatriation basis.**

Bids and Revision to Bids must be made:

- On the prescribed 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 name or joint names (not more than three)
- NRIs for a Bid Amount of up to Rs. 50,000 would be considered under the Retail Bidders portion for the purposes of allocation and Bids for a Bid amount of more than Rs. 50,000 would be considered under the Non-Institutional Bidders portion for the purposes of allocation; by FIIs for a minimum of such number of Equity Shares and in multiples of [•] thereafter that the Bid Amount exceeds Rs. 50,000; for further details see “Maximum and Minimum Bid Size” at page[•] of this Draft Red Herring Prospectus.
- In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
- Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation.

**Payment Instructions**

We shall open an Escrow Account of the Company with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form. The BRLM and Syndicate Member(s) shall also open Escrow Accounts of the Syndicate with one or more of the Escrow Collection Banks for the collection of the margin 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**

1. The Bidders for whom the applicable Margin Amount 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 member of the Syndicate.
2. **In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow**

**Account of the Company 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 members of the Syndicate by the BRLMs.**

3. The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:

- (i) In case of Resident Bidders: **"Escrow Account- Talbros Automotive Components Limited Public Issue"**
- (ii) In case of Non Resident Bidders: **"Escrow Account- Talbros Automotive Components Limited Public Issue- NR"**

In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.

- In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

4. Where a Bidder has been allocated a lesser number of Equity Shares than what the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of the Company.
5. The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders till the Designated Date.
6. 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 Public Issue Account with the Bankers to the Issue.
7. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

Payments should be made by cheque, or demand drafts drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the center where the Bid cum Application Form is submitted. Outstation cheque/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ 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 42/24.47.00/2003-2004 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest will not be accepted.

### **Submission of Bid-cum-Application Form**

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by Account Payee cheques or drafts shall be submitted to the BRLM/Syndicate Member at the time of submitting the Bid-cum-Application Form. The BRLM/Syndicate Member may at their discretion waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.

**No separate receipts shall be issued for the money payable on submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the BRLM/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 dispatched 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 in single or joint names will be deemed to be multiple bids if the sole and/ or first bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

We reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

#### **PAN or GIR Number**

Where the maximum Bid for Equity Shares by a Bidder is for the total value of Rs. 50,000 or more, i.e. the actual numbers of Equity Shares Bid for multiplied by the Bid Amount is Rs. 50,000 or more, the Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her Permanent Account Number (PAN) allotted under the I.T. Act or where the same has not been allotted, the General Index Register (GIR) Number and the Income-Tax Circle, Ward or District. In case neither the PAN nor the GIR number has been allotted, the Bidders must mention "Not allotted" in the appropriate place. Bid-cum-Application Forms without this information will be considered incomplete and are liable to be rejected.

### **Unique Identification Number (UIN)**

In terms of SEBI (Central Database of Market Participants) Regulations, 2003 as amended from time to time and SEBI Notification dated November 25, 2003 and July 30, 2004, circular dated August 16, 2004 and press release dated December 31, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified investor, its Promoters and directors have been allotted unique identification numbers (UIN) save and except: (i) those Promoters or directors who are persons resident outside India, who are required to obtain UIN before December 31, 2005; and (ii) where such specified investor being a body corporate has applied for allotment of a UIN before December 31, 2004 and has not yet been allotted the UIN until the disposal of his application or, where he has filed an appeal, till the disposal of the appeal, as the case may be. In terms of the above it shall be compulsory for specified investor being a body corporate making application in this Issue to give their UIN. In case where a body corporate has made an application for such number before December 31, 2004 but the same has not been allotted, or where an appeal has been filed, but not disposed off, the investor shall indicate the same in the space provided in the Application Form. Application forms from specified investors being body corporate not providing their UIN or UIN application status, in cases where they have applied for such UIN before December 31, 2004, shall be liable to be rejected.

Further, SEBI by its Circular No. MAPIN-1/2005 dated January 4, 2005 has stated that:

- “The SEBI (Central Database of Market Participants) Regulations, 2003 were notified on November 20, 2003. Pursuant to the notification dated July 30, 2004 issued under the captioned Regulations, SEBI has, *inter alia*, specified in terms of sub-regulation (2) of regulation 6 that “All investors being bodies corporate as ‘specified investors’, along with their promoters and directors are required to obtain a UIP before December 31, 2004.”
- “However, it is clarified that “wherever the President of India / Central Government / State Government is a promoter, it is exempted from the requirement of obtaining a UIN under regulation 6(2) of SEBI (Central Database of Market Participants) Regulations, 2003”.

In terms of the above it shall be compulsory for specified intermediaries and specified investors being bodies corporate making an application in this Offer to provide their unique identification number.

### **Our Right to Reject Bids**

The Company and the members of the Syndicate reserve the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders and Employees, we would 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 technical grounds, including the following:-

1. Amount paid doesn't tally with the amount payable for the highest value of Equity Shares bid for;
2. Bank account details (for refund) are not given;
3. Age of First Bidder not given;
4. Bid by minor;
5. PAN or GIR Number not given if Bid is for Rs. 50,000 or more;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than the lower end of the Price Band;

8. Bids at a price more than the higher end of the Price Band;
9. Bids at cut-off price by Non-Institutional and QIB Bidders;
10. Bids for number of Equity Shares, which are not in multiples of [●];
11. Category not ticked;
12. Multiple bids as defined in this Draft Red Herring Prospectus;
13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Bids accompanied by Stockinvest/money order/ postal order/ cash;
15. Bids not duly signed by the sole/joint Bidders;
16. Bid-cum-Application Form does not have the stamp of the Syndicate Member;
17. Bid-cum-Application Form does not have Bidder's depository account details;
18. Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid-cum-Application Form; or
19. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
20. In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary's identity;
21. Bids by OCBs;
22. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act.
23. Bids by NRIs not disclosing their residential status.
24. Bids by specified investors being body corporates who do not provide their UIN or UIN application status, in cases which have applied for such UIN before December 31, 2004.

#### **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 dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed among the Company, the Depositories and the Registrar:

1. An Agreement dated December 28, 2004 among NSDL, the Company and Karvy Computershare Private Limited; and
2. An Agreement dated December 10, 2004 among CDSL, the Company and Karvy Computershare Private Limited

#### **Bids from any Bidder without the following details of his or her depository account are liable to be rejected:**

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
2. **The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's Identification number) appearing in the Bid cum Application Form or Revision Form.**
3. Equity Shares allotted to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
4. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the Bidder(s).

5. 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.
6. 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/her Depository Participant.
7. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. All the stock exchanges where Equity Shares are proposed to be listed are connected to NSDL and CDSL.
8. **The trading of our Equity Shares would only be in dematerialized form for all investors in the demat segment of the respective Stock exchanges.**

## **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, number of Equity Shares applied for, date of Bid Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

## **Procedure and Time Schedule for Allotment of Equity Shares**

We reserve, at its absolute and uncontrolled discretion and without assigning any reason thereof, the right to accept or reject any Bid in whole or in part. In the case of Retail and Non-Institutional Bidders, the rejection of any Bid is only on grounds of technical non-compliance with the specified procedure. 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. We will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. We shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not dispatched and/ or dematerialized credits are not made to investors within two working days from the date of allotment.

## **Disposal of Applications and Applications Money**

We shall ensure despatch of Allotment advice or refund orders and giving of benefit to the beneficiary account with Depository Participants and submission of the Allotment and Listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. We shall ensure the despatch of refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and despatch of refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

We shall use its best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, we further undertake that:

- i) Allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- ii) We would ensure despatch of refund orders within 15 days of the Bid/Issue Closing Date; and

- iii) We 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 are not dispatched and/or dematerialized credits are not made to investors within the 15 day time prescribed above.

We will provide adequate funds required by the Registrars to the Issue for despatch of refund orders or allotment advice.

Refunds will be made by cheque, pay orders or demand drafts drawn on a bank appointed by our Company as a refund banker 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**

We shall pay interest at the rate of 15% per annum on the excess Bid Amount received by us if refund orders are not dispatched within 15 days from the Bid/Offer Closing Date as per the Guidelines issued by the Government of India, 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**

#### **1. For Retail Individual Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the successful Retail individual Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Bidders and QIBs shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allocation shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares or in multiples of one Equity Share. For the method of proportionate basis of allocation, refer below.

#### **2. For Non Institutional Bidders**

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIBs and Retail Portion shall be available for allocation to Non- Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares or in multiples of one Equity Share. For the method of proportionate basis of allotment refer below.

#### **3. For QIB Bidders**

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIBs will be made at the issue price.
- The Issue size less allocation to Non-Institutional portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- The allocation would be decided by us in consultation with the BRLMs and would be at their sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- The aggregate allocation to QIB Bidders shall not be more than [•] Equity Shares.

#### **Method of Proportionate Basis of Allocation in the Retail and Non-Institutional Portions**

Bidders will be categorized according to the number of Equity Shares applied for by them.

- The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of shares applied for) multiplied by the inverse of the over-subscription ratio.
- Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares, applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate allotment is less than [•] Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of [•] Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above.

If the proportionate allotment to a Bidder works out to a number that is more than [•] but is a fraction, the fraction would be rounded off to the higher whole number if that decimal is 0.5 or more. If that decimal 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.

If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

#### **DISPOSAL OF APPLICATIONS AND APPLICATION MONEY**

We shall give credit to the Beneficiary Account with Depository Participants within two (2) working days of finalisation of the basis of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs.1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first applicant's sole risk.

In accordance with the Act, the requirements of the Stock Exchange and the SEBI Guidelines, We further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Offer closing date
- Dispatch of refund orders will be done within 15 days from the Bid/Issue closing date
- Our Company shall pay interest at 15 % per annum (for delay beyond 15 days time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credit are not made to investors within the 15 day time period prescribed above.

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.

#### **DESPATCH OF REFUND ORDERS**

Our Company shall ensure dispatch of refund orders of value over Rs. 1,500 by Registered/ Speed Post only and adequate funds for the purpose shall be made available to the Registrars of the Company.

#### **INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS / REFUND ORDERS:**

Our Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received by us if refund orders are not dispatched within 15 days from the Bid/Issue closing date as per the Guidelines issued by the GOI/Ministry of Finance pursuant to their letter no. F-8/6/SE/79 dated July 21, 1983, as amended by their letter no. F/14/SW/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.

#### **UNDERTAKING BY THE COMPANY**

We undertake as follows:

- (a) that the complaints received in respect of this Offer shall be attended to by us expeditiously and satisfactorily;
- (b) that all steps shall take all steps 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;
- (c) that the funds required for despatch of refund orders / allotment advice/ certificates by registered post or speed post shall be made available to the Registrar to the Issue by the Issuer;
- (d) that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
- (e) that no further issue of Equity Shares shall be made until the Equity Shares Offered through this Draft Red Herring Prospectus are listed or until the Bid Money's are refunded on account of non-listing, under-subscription etc.

#### **UTILISATION OF OFFER PROCEEDS**

Our Board of Directors certifies that:

- (a) all monies received out of the Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

- (b) details of all monies utilized out of the Issue 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 utilized;
- (c) details of all unutilized monies out of the Fresh Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

## **IX: MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF TALBROS AUTOMOTIVE COMPONENTS LIMITED**

The Authorized capital of our Company is Rs. 1,500 lacs divided into 150 lacs Equity Shares of Rs. 10/- each.

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of our Company are detailed below:

|                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dematerialization of Securities                     | (2) Notwithstanding anything contained in these Articles, the company shall be entitled to dematerialize its existing as well as new shares and other securities and to offer the same in a dematerialized form pursuant to the Depositories Act, 1996.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Issue of Securities and option for investors        | (3) (a) Notwithstanding anything contained in these Articles, every issue of securities by the company may be in dematerialized form and the company shall intimate the details of allotment to the depository immediately on allotment of such securities.<br>(b) Every existing member or any person subscribing to securities offered by the company shall have the option either to receive security certificates or to hold the securities with a depository. Such a member or person who is the beneficial owner of the securities can, at any time opt out of a depository if, permitted by the law, in respect of any security in the manner provided by the Depositories Act, 1996 and the company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of Securities.<br>(c) If a person opts to hold his security with a depository, the company shall intimate such depository the details 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. |
| Rights of Depositories and Beneficial owners        | (4) (a) Notwithstanding anything contained in any other Law for the time being in force or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the benefit owner.<br>(b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have other membership rights in respect of the securities held by it.<br>(c) Every person holding securities of the company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the company. The beneficial owner of securities shall be entitled to all the rights and benefits and to be subject to all the liabilities in respect of his securities, which are held by a depository.                                                                                                                                                                                                                                                                                |
| Distinctive number of Securities held in depository | (5) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers of securities issued by the company shall apply to securities held with depository(ies).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

### **CAPITAL**

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Capital                                  | 3. The Authorized Share Capital of the Company shall be such amount and be divided into such shares as may, from time to time, be provided in clause 5 of the Memorandum of Association of the Company.                                                                                                                                                                                                                                                                                                                                                                                          |
| Increase and alteration of Share Capital | 4. Subject to Section 17 of the Act, the Company may by an ordinary resolution in General Meeting from time to time alter the conditions of the Memorandum as follows, that is to say, it may :<br>(a) increase its share capital by such amount as it thinks expedient by issuing new shares of such amount as may be deemed expedient and the new share shall be issued on such terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation thereof shall direct and if no direction be given, as the Board of Directors shall |

determine, but that no greater right or higher privilege shall in any event be created over the then existing shares and not inconsistent with any provisions of these Articles;

(b) consolidate and divide all or any of its shares capital into shares of larger amount than its existing shares;

(c) convert all or any of its fully paid up shares into stock and reconvert the stock into fully paid up shares of any denomination;

(d) sub-divide in shares or any of them into shares of smaller amount than that fixed by the Memorandum, so however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on such reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and

(e) cancel shares which, on the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person and diminish the amount of its shares capital by the amount of the shares so cancelled. A cancellation of shares in pursuance of this clause shall not be deemed to be a reduction of share capital within the meaning of the Act.

(f) classify the unclassified share capital into equity share/preference share or in any other class of shares and to alter, change, consolidate the same into fully paid up shares of any denomination.

How far new  
shares rank with  
shares of original  
capital

5. Except so far as provided by the conditions of issue or by these presents with no greater right or higher privilege being created over the then existing issued shares but otherwise ranking pari-passu in all other respects, any capital to be raised by the creation of new shares shall be considered part of the then existing unissued capital and shall be subject to the provisions herein contained and of the Act applicable to the shares of the Company.

Reduction of share  
capital

6. Subject to the provisions of the Act that Company may by Special Resolution in General Meeting reduce its share capital or Share Premium Account in any way and capital may be paid off upon the footing that it may be called again or otherwise, and paid up capital may be cancelled without reducing the nominal amount of the shares by the like amount to the intent that the unpaid and uncalled capital shall be increased by the like amount.

## SHARES

Shares to be  
numbered  
progressively

7. The shares in the capital shall be numbered progressively.

Shares at the  
disposal of the  
Directors

8. Subject to the provisions of the Act and these Articles, the shares shall be under the control of the Board of Directors, who may allot or otherwise dispose them of to such persons on such terms and conditions and either at a premium or at par or at a discount and at such times as the Board thinks fit. Option or right to call of shares shall not be given to any person or persons except with the sanction of the Company in the General Meeting.

The Board may  
issue shares as  
fully paid up

9. 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 services rendered to the Company in the conduct of its business, or otherwise for consideration other than cash and any shares which may be so issued shall be deemed to be fully paid up shares.

Acceptance  
shares of

10. An application signed by or on behalf of an applicant for shares in the Company followed by an allotment of any shares therein shall be an acceptance of the shares and every person who thus or otherwise accepts any shares and whose name is on the Register shall be a shareholder of the Company.

|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Deposits and calls, etc. to be a debt payable immediately | 11. The money (if any) which the Directors shall on allotment of any shares being made by them require or direct to be paid byway of deposit, call or otherwise in respect of any share, shall immediately on allotment of such shares become a debt due to and recoverable by the Company from the allottee thereof and shall be paid by him accordingly.                                                  |
| Installments on shares to be duly paid                    | 12. If by the conditions of allotment of any share the whole or part of the amount or issue price thereof shall be payable by installments, every such installment shall, when due, be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the share or by his heirs, executors, administrators and legal representatives, as the case may be. |

## CERTIFICATES

|                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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| Certificates                                                        | 13. (a) Certificates of title to shares shall be issued under the Seal of the Company, which shall be affixed in the presence of and signed by two Directors and the Secretary or some other person approved by the Board for the purposes.<br><br>(b) A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means such as engraving in metal or lithography, but not by means of a rubber stamp; Provided, however, that notwithstanding anything contained in this Article, the certificate of title to share may be executed and issued in accordance with such other provisions of the Act or the rules made thereunder as may be in force for the time being and from time to time. The certificate shall be made out in favour of not more than four persons.                                                                                                                                                                          |
| Member's right to certificate                                       | 14. Every member shall be entitled free of charge to one certificate for all the shares registered in his name and if he sells part of his holding, to one certificate for the balance, or he may (upon paying such fee as the Board of Directors may from time to time determine) have several certificate, each for one or more share(s). The company shall, within three months after the allotment of any of its shares, debentures or debenture stock or within two months after the application for the registration of the transfer of any shares, debentures or debenture stock complete and have ready for delivery the Certificates of all shares, debentures and the Certificates of all debenture stock allotted or transferred, as the case may be, unless the conditions of issue of the shares, debentures or debenture stock otherwise provide. Every certificate of shares shall specify the numbers and denote numbers of the shares in respect of which it is issued and the amount paid up thereon. |
| Issue of new certificate in place of one defaced, lost or destroyed | 15. If any Certificate is lost or destroyed or defaced, mutilated or torn or has no further space on the back thereof for endorsement of transfer then, (i) in case of lost or destroyed certificate(s) upon proof to the satisfaction of the Board of Directors as to its loss or destruction and on execution of such indemnity as the Board deems adequate, and (ii) in any other case, upon surrender of the certificate to the Company, a new certificate in lieu thereof shall be issued to the person entitled to such certificate. Any new or renewed certificate may be marked as such.                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Right to refuse Sub-division of shares                              | 15A. Notwithstanding anything to the contrary contained in the Articles, the Board of Directors or a Committee thereof may in their absolute discretion not accept applications for sub-division of shares into denominations of less than the marketable lot, except when such a sub-division is required to be made to comply with a statutory provision or an order of a competent court of law or a request from a member to convert his holdings of odd lots of shares into marketable lots. Provided that the Directors shall be entitled to allow an application for sub-division of shares of less than marketable lot, if in their opinion refusal to allow such an application is likely to result in undue hardship and/or prejudice to any holder of shares of the Company.                                                                                                                                                                                                                                 |

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| Exemption from fee                                   | 16. The Company shall not charge any fee :<br>(a) for sub-division and consolidation of share and debenture certificates and for sub-division of Letters of Allotment and split, consolidation, renewal and pucca Transfer Receipts into denominations corresponding to the market units of trading;<br>(b) for sub-division of renounceable Letters of Right; and<br>(c) for issue of new Certificate in replacement of those which are old, decrepit or worn out or where the spaces on the reverse for recording transfers have been fully utilised. |
| To which of joint holders certificates to be issued  | 17. The certificate of shares registered in the names of two or more persons shall be delivered to the person first named in the Register.                                                                                                                                                                                                                                                                                                                                                                                                              |
| The first named of joint holders deemed sole holders | 18. 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 notice and all and any other matters connected with the Company and the rights of the share-holders (except with regard to the transfer of shares), be deemed the sole holder thereof.                                                                                                                                                                                                 |
| Compliance with Stock Exchange Regulations           | 19. The Board shall comply with the Rules, Regulations and requirements of any Stock Exchange or the Rules made under the Act or the Rules made under the Securities Contracts Regulations Act, 1956 or any other law or Rules applicable relating to the issue of certificates.                                                                                                                                                                                                                                                                        |

### UNDERWRITING AND BROKERAGE

|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| Commission for placing shares        | 20. Subject to the provisions of the Act, the Company may at any time pay a commission to any person in consideration of :<br>(a) his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in, or debentures of, the Company, or<br>(b) his procuring or agreeing to procure subscriptions, whether absolutely or conditionally, for any shares in or debentures of the Company. |
| Payment of interest on share capital | 21. Subject to the provisions of the Act, the Company may pay any interest on share capital out of capital.                                                                                                                                                                                                                                                                                                           |

### TRANSFER AND TRANSMISSION OF SHARES

|                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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| Register of transfers                                                 | 22. The Company and/or Share Transfer Agents of the company shall keep a book called "The Register of Transfer" and therein shall fairly and distinctly enter the particulars of every transfer or transmission of any share.                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Directors may refuse to register transfer or transmission             | 23. The Board of Directors may decline to register any transfer of or the transmission by operation of law of the rights to any shares in or debentures of the Company, provided that registration of a transfer of a share shall not be refused on the ground alone that the transferor either singly or jointly with any other person(s) is indebted to the Company on any account whatsoever, except a lien on the share(s). The registration of a transfer shall be conclusive evidence of the approval by the Board of the transfer, but so far only as regards the share or shares in respect of which the transfer is so registered and not further or otherwise |
| Instrument of transfer to be let at office as evidence of title given | 24. Every instrument of transfer duly executed and stamped shall be left at the Registered Office of the company or at the office of Share Transfer Agent of the company for the registration, accompanied by the certificate of the shares to be transferred and such other evidence as the company/the share transfer agent may require to prove the title of the transferor's right to get the shares transferred.                                                                                                                                                                                                                                                   |
| Where instrument of transfer to be retained                           | 25. All instruments of transfer which shall be registered shall be retained by the Company. The Board of Directors may cause to be destroyed all transfer deeds lying with the Company after such period as they may determine.                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Transfer of shares                                                    | 26. No share held in the names of two or more persons shall be transferred                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

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| held in joint names                                                             | except upon the signature of all joint holders of the shares for the time being and all acts required to be done by the holder of a share held in the name of two or more persons by all the persons in whose names the share is held for the time being. Nothing herein stated shall, however, entitle any one or more joint holders of a share to transfer his/their interest in the share without the transfer of the share as a whole                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Transmission of shares                                                          | 27. The executors or administrators of a deceased shareholder or the holder of a succession certificate shall be the only person to be recognised by the Company as having any title to his share except in case of joint holders in which case the surviving holder or holders or the executors or administrators of the last surviving holder shall be the only person(s) entitled to be so recognised but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share jointly held by him. Provided always that it shall be lawful for the Board of Directors in their absolute discretion to dispense with the production of Probate or Letters of Administration or Succession Certificate or other legal representation upon such terms as to indemnity or otherwise as the Directors may deem fit |
| Fee on transfer of transmission                                                 | 28. No fee shall be charged by the Company for the registration of a transfer of transmission of any shares or debentures or for the registration of any Power of Attorney, Probate, Letters of Administration or similar document.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Company not liable for disregard of notice prohibiting registration of transfer | 29. The Company shall incur no liability or responsibility in consequence of its registering or giving effect to any transfer of shares made or purported to be made by any apparent legal owner thereof (as shown or appearing on the Register) to the prejudice of any person(s) having or claiming any equitable or beneficial right, title or interest to or in the same notwithstanding that the Company may have had notice of such right, title or interest, or may have received notice prohibiting registration of such transfer.                                                                                                                                                                                                                                                                                                                           |
| Transmission of debentures                                                      | 30. The provisions of these Articles shall mutatis mutandis apply to the transmission of the right to debentures of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Compliance with Stock Exchange Regulations                                      | 31. The Board shall comply with the Rules, Regulations and requirements of any Stock Exchange or the Rules made under the Act or the Rules made under the Securities Contracts Regulations Act, 1956 or any other law or Rules applicable relative to the transfer or transmission of shares or debentures.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

## **CALLS AND LIEN ON SHARES**

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| Calls                         | 32. All calls shall be made on a uniform basis on all shares falling under the same class. Shares of the same nominal value on which different amounts have been paid up shall not be deemed to fall under the same class.                                                                                                                                                                          |
| Charge of interest on default | 33. (a) In place of the words "five per cent" appearing in Regulation 16(1) of Table "A" to Schedule I of the Act the words "ten per cent" shall be read.<br>(b) In place of the words "fourteen days" appearing in Regulation 10 and Regulation 13(2) of Table "A" to Schedule I of the Act the words "thirty days" shall be read.                                                                 |
| Directors may extend time     | 34. (a) The Board of Directors may from time to time at its discretion extend the time fixed for the payment of any call and may extend such time as to all or any of the share-holders who in the opinion of the Directors may fairly be entitled to such extension, but no shareholder shall be entitled to such extension save as a matter of grace and favour.                                  |
| Payment in advance of calls   | (b) Any amount paid up in advance of calls on any share shall not in respect thereof confer a right to dividend or to participate in the profits                                                                                                                                                                                                                                                    |
| Proof                         | 35. On the trial or hearing of any action for the recovery of any money due for any call it shall be sufficient to prove that the name of the member sued is entered in the Register as the holder of the shares in respect of which such debt accrued, and that the resolution making a call is duly recorded in the minute book of the Board of Directors' and it shall not be necessary to prove |

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|      | the appointment of the Directors who made such call nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt                                                                                                                                                                                                                                                                                               |
| Lien | <p>36. Fully paid up shares shall be free from all liens. The Company's lien on partly paid-up shares shall be restricted to money called or payable at a fixed time in respect of such shares.</p> <p>Such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall not operate as waiver of the Company's lien, if any, on such shares.</p> |

## FORFEITURE

|                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
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| Notice prior to forfeiture                          | 37. (a) Instead of the words "fourteen days" appearing in Regulation 30 of Table "A" to Schedule I of the Act the words "thirty days" shall be read                                                                                                                                                                                                                                                                                                                                                                                        |
| Notice after forfeiture                             | (b) When any share shall have been forfeited, notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture provided that the failure to give the notice shall not in any way invalidate the forfeiture                                                                                                                                                                                                                                                                                 |
| Arrears to be paid notwithstanding forfeiture       | 38. Any members whose share(s) shall have been forfeited shall notwithstanding be liable to pay and shall forthwith pay to the Company all calls, installments, interests and expenses owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment at the rate of nine per cent per annum and the Board of Directors may enforce the payments of such moneys or any part thereof if they think fit, but shall not be under any obligation so to do. |
| Title of purchaser and allottee of forfeited shares | 39. Any purchaser or allottee of forfeited shares shall not (unless by express agreement) be liable to pay any calls, amount, installments, interest and expenses owing to the Company prior to such purchase or allotment, nor shall be entitled (unless by express agreement) to any dividend, interest or bonus accrued or which might have accrued upon the share before the time of completing such purchase or before such allotment                                                                                                 |
| Partial payment not to preclude forfeiture          | 40. Neither a judgment nor a decree in favour of the Company for calls or other moneys due in respect of any part payment or satisfaction thereof nor the receipt by the Company of a portion or any money which shall at any time be due from any member in respect of any share either by way of principal or interest nor any indulgence granted by the Company in respect of payment of any such money shall preclude the Company from thereafter and at any time preceding to enforce a forfeiture of such share as herein provided.  |

## GENERAL MEETINGS

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| Business confined to election of Chairman while chair vacant               | 41. No resolution submitted to a meeting, unless proposed by the Chairman of the meeting, shall be discussed or put to vote until the same has been proposed by a member present and entitled to vote at such meeting and seconded by another member present and entitled to vote at such meeting |
| Member not entitled to vote will not be entitled to demand a poll          | 42. No member shall be entitled to demand a poll if any calls or other sums presently payable by him in respect of any shares registered in his name have not been paid or in regard to which the Company has exercised any right of lien                                                         |
| Chairman to be the sole judge of the validity of the vote tendered at poll | 43. The Chairman of any meeting shall be sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll                                                              |

## VOTING RIGHTS

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| Vote in respect of shares of deceased or insolvent members |    | 44. A person becoming entitled to a share by reason of the death or insolvency of the holder may vote in General Meeting in respect thereof in the same manner as if he were the registered holder of such share provided that at least forty-eight hours before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall have satisfied the Board of Directors of his right to transfer such shares unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof. If more than one person be entitled to a share by reason of death or insolvency as aforesaid, and if the name of such persons be not entered in the Register, then all jointly shall only be entitled to exercise the rights and vote in respect of the share. |
| Custody of instruments proxy                               | of | 45. Any instrument of appointment shall be confined to the object of appointing an attorney or proxy or substitute and shall remain permanently or for such time as the Board of Directors may determine, in the custody of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

## DIRECTORS

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| Number of Directors                                  | of    | 46. The number of Directors (excluding Directors nominated by financial institutions with whom the Company has dealings or otherwise nominated under any law for the time being in force) shall not be less than four and until otherwise determined by the Company in General Meeting, shall not be more than twelve                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Qualification of Directors                           | of    | 47. A Director shall not be required to hold any qualification shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Remuneration of Directors                            | of    | 48. In addition to any remuneration payable to the Directors or any of them, each Director shall be paid out of the funds of the company by way of remuneration for his services and attending meeting of the Board or Committee of the Board a fee not exceeding Rs. 20,000/- (Rupees Twenty Thousand Only) for each meeting of the Board or Committee of Board attended by him as may from time to time be fixed by the Board.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Special Remuneration                                 |       | 49. If the Director is called upon to go or reside out of his usual place of residence on the Company's business or to otherwise perform extra service or make special exertion or effort, the Board may arrange with such Director for special remuneration for such extra service or special exertion or effort either by a fixed sum or otherwise as may be determined by the Board.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Appointment of an alternate Director                 | an    | 50. The Board may appoint an alternate Director to act for a Director during his absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held and such appointment shall have effect and such appointee, whilst, he holds office as an alternate Director, shall be entitled to notice of meetings of the Board and to attend and vote there at accordingly, but shall ipso-facto vacate office if and when the original director returns to the State in which meetings of the Board are ordinarily held or the original Director vacates office as a Director.                                                                                                                                                                                                                                                                                                                                                                                                    |
| Appointment of Directors by Finance Corporation etc. | of by | 51. Where any investment and finance corporation such as the Industrial Finance Corporation of India, Industrial Credit and Investment Corporation of India, or any other Corporation, or any Bank or the Central or State Government makes a loan to or gives a guarantee for the supply of machinery or other equipment for the Company, such Corporation, Bank, Government or Body shall be entitled to appoint a Director or Directors "whole-time or non-whole time of the Company if that be agreed to as a condition for granting the loan or giving the guarantee. The Director(s) so appointed shall subject to the provisions of the Act, not be a Director(s) whose period of office is liable to determination by retirement by rotation. The Director(s) so appointed shall have the same powers and privileges as the Director(s) of the Company, and shall hold office at the pleasure of and shall be removable or substituted by another person by such Corporation, Bank, Government or Body, as the case |

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| Managing Director and whole time Directors                | <p>may be.</p> <p>52. (a) The Directors may from time to time appoint one or more of their body to be the Managing Director or Managing Directors or whole-time Director or whole-time Directors of the Company for a term not exceeding five years at a time and may from time to time remove or dismiss him or them from office</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|                                                           | <p>(b) The Managing Director or the Managing Directors, or whole-time Director or whole-time Directors, while he or they continue to hold that office shall, subject to the provisions of the Act, not be Directors whose period of office is liable to determination by retirement by rotation but he or they shall ipso-facto cease to be Managing Director or Managing Directors or whole-time Director or whole time Directors if he or they cease to hold the office of a Director for any cause. For the purpose of this Article a Managing or a whole-time Director shall not be understood to have ceased to hold office of Managing or whole-time Director if, being required to retire as a Director he retires and is re-appointed.</p> <p>(c) The remuneration of a Managing Director or Managing Directors or whole-time Director or whole-time Directors shall be from time to time fixed by the Board and subject to the provisions of the Act, may be by way of fixed salary and/or Commission and in any mode, and may be in addition to any other remuneration which he may be entitled to as a Director.</p> <p>(d) The Board of Directors may from time to time subject to the provisions of the Act, entrust to or confer upon the Managing Director or Managing Directors or whole-time Directors for the time being such of the power(s) exercisable by such Director under these articles and the Act, as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions, as they think expedient, and they may confer such powers either collectively with or to the exclusion of or in substitution for all or any of the powers of the Directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers, provided that the Board shall not delegate the power to make calls on shareholders and to issue debentures or to raise new capital.</p> |
| Minimum Managerial remuneration in the absence of profits | <p>53. If in any financial year the Company has no profits or its profits are inadequate, the Company may pay to any Director(s) (including any Managing or whole-time Director), its Manager, if any, or if there are two or more of them holding office in the Company, to all or them together, by way of minimum remuneration such sum as it considers desirable.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Debenture Directors                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                                                           | <p>54. (a) Any trust deed for securing 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 the debentures or debenture stock of any person to be a Director or Directors of the Company and may empower such trustees or holders of debentures or debenture stock from time to time to remove any Director(s) so appointed.</p> <p>(b) Such Director(s) shall not be a Director(s) whose period of office is liable to determination by retirement by rotation.</p> <p>(c) The trust deed may contain such ancillary provisions relating to the Management of the Company or otherwise as may be arranged between the Company and the Trustees, and such provisions shall have effect notwithstanding any of the other provisions herein contained.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Director to retire by rotation                            | <p>56. Notwithstanding anything contained in these Articles, not less than two-third of the total number of Directors shall be the retiring Directors liable to retire by rotation and at every Annual General Meeting, one third of such of the Directors for the time being as are liable to retire by rotation, shall retire from office in accordance with the provisions of Section 255 of the Companies Act, 1956 and such retiring Directors shall vacate office on that date but shall be eligible for re-appointment.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Board may fill up                                         | <p>56A. Any casual vacancy occurring in the office of a Director caused by</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

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| casual vacancy | resignation, retirement or otherwise, may be filled up by the Board, but any person so appointed shall retain his office so long as the vacating Director would have retained the same if no vacancy had occurred. |
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## **BORROWING POWERS**

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| Conditions on which money may be borrowed                         | 57. The Board of Directors may from time to time raise or borrow or secure the repayment of any sum or sums in such manner and upon such terms and conditions in all respects as they think fit, in particular, by the issue of bonds, perpetual or redeemable debentures or debenture stock, or any mortgage, charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being. The Board shall exercise such power only by means of resolution(s) passed at a meeting of the Directors and not by circular resolutions                                                                                      |
| Debentures may be assignable, free from equities                  | 58. Debentures, debenture stock, bonds or other securities may be made assignable free from any equities the Company and the person to whom the same be issued.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Securities may be issued at a discount or with special privileges | 59. Any debentures, debenture stock, bonds 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 special privileges as to redemption, surrender drawings, allotment of shares, appointment of Directors and otherwise, provided however, that no debentures with the right to conversion into or allotment of shares shall be issued except with the consent of the Company in General Meeting.                                                                                                                                                                                                   |
| Mortgage of uncalled capital                                      | 60. If any uncalled capital of the Company is included in or charged by any mortgage or other security, the Board of Directors may by instrument under the Company's seal authorise the person in whose favour such mortgage or security is executed or any other person in trust for him to make calls on the members in respect of such uncalled capital and the provisions hereinbefore contained in regard to calls shall mutatis mutandis apply 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 Board's powers or otherwise and shall be assignable if expressed so to be |

## **POWERS OF DIRECTORS**

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| General Power of company vested in the Board | 61. Subject to the provisions of the Act, the control of the company shall be vested in the Board who shall be entitled to exercise all such powers, and to do all such acts, matters, deeds and things that the Company is authorised to exercise and do |
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## **DIVIDENDS**

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| Dividend and call together | 62. In additions to the powers in Regulation 96 of Table 'A' of Schedule I to the Act, any General Meeting declaring a dividend may make a call on the members of such amount as the meeting fixes but so that the call on each member shall not exceed the dividend payable to him and so that the call may be made payable at the same time as the dividend and the dividend may, if so arrange between the Company and the member, be set off against the call |
| Effect of transfer         | 63. A transfer of shares shall not pass the right to dividend declared thereon before the registration of the transfer.                                                                                                                                                                                                                                                                                                                                           |
| Retention in Certain cases | 64. The Directors may retain the dividends payable upon shares in respect of which any person is under Regulation 28 of Table 'A' of Schedule I to the Act entitled to become a member or which any person under the Regulation is entitled to transfer until such person shall become a member in respect thereof or shall duly transfer the same                                                                                                                |

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| Unclaimed Dividend | 65. No unclaimed dividend shall be forfeited by the Board and unpaid and/or unclaimed dividend shall be dealt with the accordance with Section 205A of the Companies Act, 1956. |
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### **SECRECY**

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| Secrecy | 66. Subject to the provisions of Act, no member shall be entitled to require discovery of any information respecting any details of the Company's trading or any matter in the nature of a trade secret, mystery of trade or secret process which may relate to the conduct of the business of the Company and which, in the opinion of the Directors, it may not be expedient in the interest of the members of the Company to communicate to the public. |
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### **INDEMNITY**

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| Indemnity                              | 67. (a) Subject to the provisions of Act, every Director, Manager, Managing Director or other officer of the Company and any person (whether an officer of the Company or not) employed by the Company as Auditor shall be indemnified out of the funds of the Company against all liability incurred by him as such Director, Manager, Managing Director, Officer or Auditor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Individual responsibility of Directors | (b) Subject to the provisions of the Act, no Director, Auditor or other officer of the Company shall be liable for the acts, receipts, neglects, or defaults of any other Director or Officer or for joining in any receipt or other act for conformity or for any loss or expense happening to or incurred by the Company through the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person, firm or company to or with whom any moneys, securities or effects shall be entrusted or for any loss occasioned by any error of judgement, omission, default or oversight on his part or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same shall happen through his own dishonesty. |

### **SEAL**

|      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Seal | 68. The Company shall have a Common Seal and the Board of Directors shall provide for the safe custody thereof. Subject to as otherwise required by the Act and the rules framed thereunder, the Seal shall not be affixed to any instrument except by the authority of a resolution of the Board and except in the presence of at least one Director and the Secretary or such other persons as the Board may appoint for the purpose, and such Director and Secretary or such other person as aforesaid shall sign every instrument to which the Seal of the company is so affixed in their presence. |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### **MISCELLANEOUS**

|                |                                                                                                                             |
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| Call of shares | 69. As option or right to call of shares may be given only to a person with the sanction of the Company in General Meeting. |
|----------------|-----------------------------------------------------------------------------------------------------------------------------|

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|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Applicability of the Act to matters not covered by the Articles | 70. Save as provided hereinabove in respect of any matter not covered under these Articles the provisions of the Act with such statutory modifications, rules, regulations or amendments, as may for the time being be in force, shall apply |
|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| Residual authority | 71. Wherever in the Act it is provided that the Company shall not have any right, privilege or authority or that Company cannot or shall not do or permit to be done any act, deed, matter or thing unless the Company is so authorised by its Articles, in the absence of specific authority in this behalf herein or in the Regulations in Table "A" of Schedule I to the Act, this Article hereby specifically authorise the Company and confers upon, the Company the necessary authority for the Company to have such right, privilege or authority and to do or permit to be done such act, deed, matter or thing, as the case may be. |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## **X: OTHER INFORMATION**

### **MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts not being contracts entered in the ordinary course of business carried on by our Company which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus delivered to Registrar of Companies, NCT of Delhi and Haryana at New Delhi for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office situated at 14/1, Delhi Mathura Road, Faridabad – 121 003, Haryana, India between 10.00 a.m. to 4.00 p.m. on any working day, excluding Saturday and Sunday, from the date of this Draft Red Herring Prospectus until the Issue closing date.

### **MATERIAL CONTRACTS**

1. Memorandum of Understanding dated December 14, 2004 with UTI Securities Limited, appointing them as the Book Running Lead Managers to this Issue
2. Memorandum of Understanding dated February 21, 2005 signed with Karvy Computershare Private Limited, appointing them as Registrar to the Issue.
3. Letter of Appointment dated February 9, 2005 of M/s. Crawford Bayley & Associates as Legal Advisor to the Issue.
4. Tripartite Agreement dated December 28, 2004 between the Company, Karvy Computershare Private Limited and NSDL.
5. Tripartite Agreement dated December 10, 2004 between the Company, Karvy Computershare Private Limited and CDSL.

### **DOCUMENTS FOR INSPECTION**

1. Memorandum and Articles of Association of Talbros Automotive Components Limited.
2. Certificate of Incorporation No. 55-2706 dated 8<sup>th</sup> September, 1956 from the Registrar of Companies, Delhi and Haryana to Payen Talbros Private Limited
3. Resolution passed under Section 81(1A) of the Act, at the Extra Ordinary General Meeting of the Company held on 14<sup>th</sup> December 2004.
4. Resolution Passed by the Board of Directors at their meeting held on 16<sup>th</sup> November, 2004 for the proposed Public Issue.
5. Consent from the Directors, Compliance Officer, Auditor, Lead Managers, Registrar to the issue, Bankers to the issue, Bankers to the Company, Underwriters, Legal Advisor and Tax consultant to act in their respective capacities.
6. Certificate dated 19<sup>th</sup> January 2005 from M/s. S. N. Dhawan & Co., Chartered Accountants & Co., Auditors of the Company detailing the tax benefits.
7. Auditor's report dated 19<sup>th</sup> January 2005 included in the Draft Red Herring Prospectus and copies of the Balance Sheet referred in the said report.
8. Copy of the Auditors Certificate dated 23<sup>rd</sup> February 2005 regarding the sources and deployment of funds as on February 23, 2005.
9. Copies of Listing Application made to The Stock Exchange, Mumbai and The Delhi Stock Exchange.

10. Copies of the Resolution dated 25<sup>th</sup> September 2004 appointing Mr. Umesh Talwar as the Vice-Chairman and Managing Director.
11. Copies of the Resolution dated 25<sup>th</sup> September 2004 appointing Mr. Nikhil Talwar as the Joint Managing Director
12. Copies of Power of Attorneys from Directors to sign the draft Red Herring Prospectus on their behalf.
13. Copies of in-principal approvals from BSE and DSE.
14. Copies of quotation obtained and purchase orders placed for plant and machinery.
15. SEBI Acknowledgement Card dated [●]

## **DECLARATION**

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the government or the guidelines issued by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

### **SIGNED BY THE DIRECTORS**

Mr. Naresh Talwar

Mr. Umesh Talwar

Mr. Nikhil Talwar

Mr. Anil K. Mehra\*

Mr. Rajive Sawhney\*

Mr. V. Mohan

\*: Signed by his duly constituted Attorney.

Place: Faridabad

Date: March 12, 2005