**DRAFT LETTER OF OFFER**
*(Private & Confidential)*
*For Equity Shareholders of the Company Only*

# SHREE PRECOATED STEELS LIMITED

(Originally incorporated as RVS Steels and Allied Industries Limited on 18/03/1985. Thereafter the name of the company was changed to Shree Precoated Steels Limited on 24/10/1985 and fresh certificate of incorporation consequent to change of name was obtained from the Registrar of Companies, Maharashtra, Mumbai. The Registered office of the Company was changed from Kolhapur to Rehman Bldg. ,Fort, Mumbai w.e.f. 04/10/1986 then to Hanuman Bldg., Fort, Mumbai w.e.f. 07/02/1990 then to 'Royal Classic", Link Road, Andheri (W), Mumbai w.e.f 01/08/2000 and again to 'Citi Mall", Link Road, Andheri (W), Mumbai – 400053 w.e.f. 26/10/2002.)

**Registered Office** : 'Citi Mall", Link Road, Andheri (W), Mumbai – 400053.
Tel: (91-22) 56984000, Fax: (91-22) 26325902. E-mail: spsl@vsnl.com ,
Website: www.spsl.com ; Contact Person : Shri Anil Somani

**OFFER FOR 2,55,38,750 EQUITY SHARES OF RS.10/- EACH FOR CASH AT PREMIUM OF RS. 10/- PER SHARE (I.E. AT A PRICE OF RS. 20/- PER SHARE) AGGREGATING TO RS. 5107.75 LACS ON A RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF 1 (ONE) EQUITY SHARE FOR EVERY 2 (TWO) EQUITY SHARES (I.E. 1:2) OF RS. 10/- EACH HELD ON THE RECORD DATE (I.E. __________).**
**(THE ISSUE PRICE (RS.20/-) PER EQUITY SHARE IS TWO (2) TIMES OF THE FACE VALUE (RS.10/-)**

## GENERAL RISKS

Investment in Equity and Equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or the adequacy of this document.

**The attention of investors is drawn to the statement of Risk Factors appearing on page nos. iv to viii of this Letter of Offer.**

## ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in context of the Issue, that the information contained in this Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions, expressed herein are honestly held and that there are no other facts, the omission of which 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). The Company has received in-principle approval from BSE vide their letter no. _____________ dated _____ for listing of the equity share being issued in terms of this Letter of Offer. The company has applied to the National Stock Exchange of India (NSE) for listing of the existing Equity Shares of the Company. Subject to their approval the Equity Shares being issued in terms of this letter of offer will also be listed on NSE. .

**LEAD MANAGER TO THE ISSUE**

KEYNOTE
CORPORATE SERVICES LTD
307, Regent Chambers,
Nariman Point, Mumbai - 400 021.
Tel. : (022) 2202 5230 Fax : (022) 2283 5467
Website: www.keynoteindia.net
E-mail: mbd@keynoteindia.net
SEBI Regn. No.: INM 000003606
AMBI Regn No: AMBI/040

**REGISTRAR TO THE ISSUE**

**SHAREX DYNAMIC (INDIA) PVT. LTD.**
17/B, Dena Bank Building,
2nd Floor, Horniman Circle,
Fort, Mumbai – 400 001
Tel: (022) 22702485 Fax: (022) 22641376
Website: www.sharexindia.com
E-mail: sharexindia@vsnl.com
SEBI Reg. No.: INR000002102

| ISSUE OPENS ON | LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS | ISSUE CLOSES ON |
|---|---|---|
| [•] | [•] | [•] |

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# III. DEFINITIONS/ABBREVIATIONS

## GENERAL TERMS

| | | |
|---|---|---|
| Act | : | The Companies Act, 1956 & subsequent amendments thereto. |
| Articles | : | Articles of Association of Shree Precoated Steels Limited |
| Board | : | Board of Directors of Shree Precoated Steels Limited |
| BSE/Designated Stock Exchange | : | The Stock Exchange, Mumbai. |
| CDSL | : | Central Depository Services (India) Ltd. |
| Company/SPSL | : | Shree Precoated Steels Limited |
| EPS | : | Earning Per Share (EPS = Profit After Tax/No. of Equity Shares) |
| FEMA | : | The Foreign Exchange Management Act, 1999 |
| FERA | : | Foreign Exchange Regulation Act, 1973 |
| HUF | : | Hindu Undivided Family |
| Memorandum | : | Memorandum of Association of Shree Precoated Steels Limited |
| NRE | : | Non-Resident External |
| NRI | : | Non-Resident Indian. |
| NSDL | : | National Securities Depository Ltd. |
| NSE | : | National Stock Exchange of India Limited |
| Offer/Issue | : | Offer for 2,55,38,750 Equity Shares of Rs. 10/- each for cash at a premium of Rs.10/- per share (i.e. at a price of Rs.20/- per share) aggregating to Rs.5107.75 Lacs on a rights basis to the existing equity shareholders of the Company in the ratio of ONE Equity Shares for every TWO Equity Shares held (i.e. 1:2) as on [•] |
| PAN | : | Permanent Account Number |
| PAT | : | Profit After Tax |
| Letter of Offer | : | This Letter of Offer dated ___________ |
| RBI | : | Reserve Bank of India |
| ROC | : | Registrar of Companies, Maharashtra, Mumbai |
| RONW | : | Return on Networth {RONW = Profit After Tax/Networth)*100} |
| RTA | : | Registrar & Transfer Agent |
| SEBI | : | Securities and Exchange Board of India. |
| CAF | : | Composite Application Form |
| Equity Shareholders | : | Equity shareholders of the Company whose names appear as:<br>▪ Beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form *and*<br>▪ On the Register of Members of the Company in respect of the Equity Shares held in physical form. |
| NAV | : | Net Asset Value |

**COMPANY/INDUSTRY RELATED TERMS**

| | | |
|---|---|---|
| CCL | : | Colour Coating Line |
| CGL | : | Continuous Galvanizing Line |
| CRM | : | Cold Rolling Mill |
| MT | : | Metric Tonne |
| DNV | : | Det Norske Veritas |
| EMS | : | Environment Management System |
| TPA | : | Tonnes Per Annum |
| FOB | : | Free On Board |
| BIFR | : | Board for Industrial & Financial Reconstruction |
| JNPT | : | Jawaharlal Nehru Port Trust |
| MSEB | : | Maharashtra State Electricity Board |
| TKS-CS | : | ThyssenKrupp Stahl AG |

# IV. RISK FACTORS

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

The Letter of Offer also includes statistical data regarding the Steel industry. This data has been obtained from industry publications, reports and other sources that the Company and the Lead Manager believes to be reliable. Neither the Company nor the Lead Manager has independently verified such data. The Managements' proposal to address the risks has been enumerated wherever applicable.

## INTERNAL RISK FACTORS

### 1. Litigations

There are litigations / disputes/ cases pending against the Company / Promoter / Directors and Group companies :

**A. Litigations against the company :**

The company is involved in certain legal proceedings, incidental to its business and operations, which if determined against the company, could have an adverse impact on the results of operations and financial condition of the company.

- The list of pending cases is as follows :

| Sr. no | Particulars | No. of cases/disputes | Amount involved where quantifiable (Rs. In lacs) |
|---|---|---|---|
| 1 | Civil Proceedings | 7 | 69.17 |
| 2 | Labour Related | 1 | 1.00 |
| 3 | Income Tax related | 9 | 10981.40 |

- A statutory due in respect of sales tax to the extent of Rs.135.77 lacs which has remained unpaid for a period of more than 6 months from the date they became payable.

**B. Litigations against the group companies / promoters / directors**

- **The list of pending cases against Promoters / Directors is as follows :**

| Sr. no | Particulars | No. of cases/disputes | Amount involved where quantifiable (Rs. In lacs) |
|---|---|---|---|
| 1 | Civil Proceedings | 4 | 2474.52 |
| 2 | Appeals against orders in civil proceedings | 1 | 3.00 |
| 3 | Criminal Cases | 3 | Not Quantifiable |
| 4 | Special Leave Petitions | 30 | 2800.00 |
| 5 | Income Tax related | 2 | 5.18 |

➢ **The list of pending cases against Group Companies is as follows :**

| Sr. no | Particulars | No. of cases/disputes | Amount involved where quantifiable (Rs. In lacs) |
|---|---|---|---|
| 1 | Civil Proceedings (High Court) | 9 | 107.87 |
| 2 | Civil Proceedings (City Civil Court) | 7 | Not Quantifiable |
| 3 | Appeals against orders in civil proceedings | 2 | 1.03 |
| 4 | Co-operative Court | 1 | Not Quantifiable |
| 5 | Consumer related | 4 | 7.11 |
| 6 | Income Tax related | 4 | 126.04 |
| 7 | DRT Matter | 2 | Not Quantifiable |

**For more information on 'Litigation initiated against the Company, Litigation initiated against the promoters / directors / group companies, please refer to Chapter XIV "LEGAL AND OTHER INFORMATION" on page no. 63 of this Letter of Offer.**

**C. Litigations by the Company / Promoters / Directors / Group Companies**

The Company is also involved in various litigations initiated by the Company, the Promoters / Directors and the Group Companies, the summary of which is as follows :

| Sr. no. | Particulars | No. of cases/disputes | Amount involved where quantifiable (Rs. in lacs) |
|---|---|---|---|
| 1 | Litigations filed by the Company | 19 | 170.35 |
| 2 | Litigations filed by the Promoters | 4 | 10.20 |
| 3 | Litigations filed by the Group Companies | 31 | 4.88 |

For details please refer page no. 68 of the Letter of Offer.

**2. Contingent Liabilities**

As of 31/03/2005, the Company has some contingent liabilities as detailed below, determination of which against the Company may adversely affect the financial position.

a. Estimated amount of contracts remaining to be executed on capital account & not provided (net of advances) is Rs.6167.55 Lacs.
b. Bank Guarantees provided to third parties aggregating to Rs.940.00 Lacs.
c. Letters of Credit aggregating to Rs.2537.71 Lacs
d. Bills discounted with Banks amounting to Rs.9171.45 Lacs.
e. Suit filed against the Company not acknowledged as debts of Rs.53.28 Lacs.
f. Liability that may arise on account of the Financial Institution exercising their right of recompense as per the BIFR Scheme.

In respect of Contingent dues on account of sales tax, income tax and excise dues disputed by the Company and not being paid vis a vis forums where such disputes are pending are as follows:

| Name of statute | Nature of Dues | Amount (in Lacs) | Year | Forum where pending |
|---|---|---|---|---|
| West Bengal Sales Tax Act. | Ex-parte order passed | 0.79 | 1997-98 & 1998-99 | The Company is in the process of filing appeal. |
| Income Tax Act | Block Assessment demand | 2908.58 | 1988-89 to 1992-93 | The application of the Company is pending with Settlement Commission. |
| Central Excise Act, 1944 | Penalty levied for variation in stock of finished goods. | 41.97 | 1997.98 | The Company is in the process of filing appeal with CESTAT, Mumbai. |
| **Total** | | **2951.34** | | |

3. **The total cost of the project is not appraised by any Bank or financial Institution.**

**Management's proposal**
The company has drawn plans for the proposed rights issue to raise funds to finance the long term working capital requirements required for ongoing expansion project. The assessment of the expansion project has been carried out by State Bank of India based on the techno economic viability study carried out by M/s M.N. Dastur & Company. The estimates of balancing equipments to the extent of Rs.1373.00 lacs are based on the experience of the management. The balancing equipments are required to be installed for the present manufacturing facilities.

4. T**he Company was declared Sick Industrial unit in 2000.**

Due to recession in construction and automobile industry, shortage of quality raw materials, inadequate working capital finance and high interest rate, non implementation of backward integration project in time the Company went into losses. On account of this the networth of the Company was eroded by more than 50% in 1998 and Company was referred to BIFR under provision of Section 3(1) (o) of Sick Industrial Companies (Special) Provisions Act, 1985. Subsequently the Company was declared as a Sick Unit on 03/03/2000 and ICICI Bank Ltd. was appointed as an Operating Agency to appraise the rehabilitation proposal for the Company. The Rehabilitation scheme was sanctioned by BIFR on 13/11/2002 which provided for one time settlement and deferred payment plan towards dues to the Financial Institutions & Bankers.

**Management's Proposal**
The rehabilitation scheme sanctioned by BIFR has been completely implemented in all aspects, resulting into restructuring of equity capital, reduction in debts and availability of adequate working capital, which along with higher capacity utilization and sales realization has contributed to improved performance. Hence the company has been discharged from the purview of the Sick Industries Companies Act, 1985 w.e.f. 04/11/2004 and the Company ceased to be a Sick Industrial Company.

5. **Business Portfolio Risk**

Excessive dependence on any business could threaten the company's income & profits. If conditions become adverse particularly in export market.

**Management's Proposal**
The Company has already established globally with its product quality and commercial competitiveness through continuous measures in employing improved technologies to match with the competitors.

6. **Import Risk**

The Company's products could be out-priced by lower cost imports.

**Management's Proposal**
The Company is pioneer in producing Colour coating products and is the largest exporter of the products in India. Looking to the Company's capabilities to the quality production and competitiveness in the pricing, the Company will be in a position to price its products as per the market scenario, thus company does not perceive any adverse impact on the performance. Company is focusing mainly on export sales and only around 30% is domestic sales, hereby enjoys protection from cheap exports.

7. **Industrial Risk**

Joint ventures of warehouses form multinationals around vicinity of the Company may result in consumers lifting less quantity of products directly form the Company.

**Management's Proposal**
The Company has already cast in its planning the implementation of diversification into high value coated products to meet every customer's end use as well as to set up its own warehouses and service center facilities.

**8. Brand and Awareness Risk**

The Company's brands may be poorly positioned and result in a drop of off-take.

**Management's Proposal**
The Company has entered into long term collaboration with TKS CS, the second largest European Steel producers of quality, cold rolled, galvanized and colour coated products as well as Metalume high value products. The Company's image will be greatly improved by this collaboration.

**9. Cyclical Risk**

A vulnerability to business cycles could affect the Company's capacity to sustain a growth in income, profits and shareholders value.

**Management's proposal**
Business cycles are getting shorter over the years in this industry. To protect its profits, the Company has cut cost and restructured its business. The Company has graduated to the value-added segment. Breakeven levels have dropped. Relevant product mix innovations are expected to accelerate growth.

**10. The success of the Company is substantially dependent on the management team.**

The success of business of the Company is substantially dependent on its management team and key personnel and their leaving the Company could adversely affect the business. Further, the ability to maintain the position substantially depends on the ability to attract, motivate and retain such personnel.

**Management's Proposal**
The Company has a comprehensive Human Resources policy and has been able to retain its key management team in the past.

**11. Risk relating exchange rate fluctuation**

The Company imports raw material used for production which subjects it to foreign exchange exposure. The fluctuations in foreign exchange rates might have an impact on the financial performance of the Company.

**Management's Proposal**
Looking at the volatility in the foreign exchange market, especially since last one year the Company has prepared FOREX Manual defining the strategy to cover the foreign exchange, fixing the bench mark for exports and imports transactions based on the prevailing exchange rates on the date of the booking of the orders. Apart from the above the Company has also appointed the dedicated FOREX consultant to advise the Company on the day to day basis about the strategy to be adopted by the Company. Therefore the Company is fully equipped to tackle the foreign exchange fluctuations risk.

**12. Unsecured loans are repayable on demand basis**

As on 31/03/2005, the Company has outstanding unsecured loans aggregating Rs.11,898.16 Lacs repayable on demand basis. Unscheduled demand of these loans and payments thereof, may impact on liquidity positions.

**Management's Proposal**
The promoters have brought in funds from time to time in terms of the scheme for re-schedulement, day to day operations and for implementation of expansion project on hand. The amount to the extent of rights entitlement and subscription to undersubscription in the present rights issue will be adjusted.

**EXTERNAL RISK FACTORS**

**1. Change in Technology**

Technology plays a vital role in manufacturing plants. The Company's failure or inability to adopt any change in technology might place its competitors at an advantage in terms of cost, efficiency and timely delivery of final products.

2. **Competition**

The Company operates in a globally competitive business environment. Increasing competition may force the Company to reduce prices of its products, which may reduce the revenues and margins and/or also decrease its market share, either of which could have an adverse effect on the business, financial condition and operations of the Company.

3. **Change in Import & Export Regulation**

Any change in regulations, domestic or international, having an impact on the Steel market and its inputs will affect the industry as a whole. Such changes may be in the nature of introduction of quota, tariff barrier, subsidies etc. and could adversely affect the business, financial condition and the operations of the Company.

4. **A slowdown in economic growth in India could cause the business to suffer**

Any slowdown in the growth of Indian economy or future volatility in global commodity prices, could adversely affect the business, including the future financial performance, shareholders' funds and ability to implement strategy and the price of the Equity Shares.

5. **Significant change in the Government's economic liberalization and deregulation policies**

The Government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on public and private sector entities, including the Company, and on market conditions and prices of Indian securities, including in the future on Company's Equity Shares. The present Government, which was formed after the Indian parliamentary elections in April-May 2004, is headed by the Indian National Congress and is a coalition of several political parties. Any significant change in the Government's policies or any political instability in India could adversely affect the business and economic conditions in India and could also adversely affect the business, future financial performance and the price of Company's Equity Shares.

6. **Terrorist attacks and other acts of violence or war involving India.**

Terrorist attacks and other acts of violence or war may negatively affect the Indian stock markets and also adversely affect the global financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect the business, results of operations and financial condition.

India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on the Company.

Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel and transportation more difficult. Such political tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including the Equity Shares and on the market for the Products.

7. **Decline in India's foreign exchange reserves.**

At present, India's foreign exchange reserve is the sixth largest in the world. A decline in forex reserves could result in reduced liquidity and higher interest rates in the Indian economy. Reduced liquidity or an increase in interest rates in the economy following a decline in foreign exchange reserves could adversely affect business and financial performance of the Company and the price of Equity Shares.

8. **Downgrading of India's debt rating.**

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact the ability to raise additional financing from domestic & overseas markets, and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on the business and financial performance and adversely affect the ability to raise resources at competitive rates.

9. **Sensitivity to the economy and extraneous factors**

The Company's performance is highly correlated to the performance of the economy and the financial markets. The health of the economy and the financial markets in turn depends on the domestic economic growth, state of the global economy and business and consumer confidence, among other factors. Any event disturbing the dynamic balance of these diverse factors would directly or indirectly affect the performance of the Company.

**HIGHLIGHTS :**

1. One of the largest manufacturers of Colour Coated Steel and Aluminium Sheets/Coils in India.
2. Received status of "Three Star Export house" from Government of India.
3. 5$^{th}$ fastest growing Mid Size Company in India (Source – Business Today Special 13/03/2005).
4. State-of-Art colour coating plant with an annual capacity of 90,000 MT per annum.
5. Accredited with ISO-9001 certification for CCL and are members of European Coil Coating Association.
6. Accredited with ISO : 14001 : 1996 certificate from DNV for EMS.

**NOTES :**

1.

| | | |
|---|---|---|
| Preissue Networth (as on 31/03/2005)<br>Preissue Net Asset value (as on 31/03/2005) | : | Rs.11373.33 Lacs<br>Rs.22.27 per share |
| Issue Size | : | Offer for 2,55,38,750 Equity Shares of Rs. 10/- each for cash at a premium of Rs.10/- per share (i.e. at a price of Rs.20/- per share) aggregating to Rs. 5107.75 Lacs on a rights basis. |
| Cost per share to the promoter | : | Rs.10/- |

2. There is no interest of promoters/directors/key management personnel other than reimbursement of expenses incurred or normal remuneration or benefits.

3. There are no other transaction except following since past 6 months on the stock exchange in the shares of the Company by the Promoters/Directors of the Company.

| Name | No. of Shares | Nature | Avg. Price (Rs.) | Period |
|---|---|---|---|---|
| Shashikant S. Ajmera | 10465 | Sale | 60.37 | 01/01/2005 to 30/06/2005 |
| Harshad N. Sarvaiya | 435 | Purchase | 52.00 | 01/01/2005 to 30/06/2005 |

4. Related party disclosures: For details please refer to page nos. 57 & 58 of this Letter of Offer.

5. The lead manager and the Company shall update this Letter of Offer and keep the shareholders/public informed of any material changes till the listing and trading commencement.

## V. INTRODUCTION

### Industry Summary

The steel industry witnessed a remarkable turnaround, buoyed by a spurt in the international prices. The domestic industry capitalized on this buoyancy, with a sharp surge in exports, particularly to China. In the domestic market, user industries like automobiles, housing and infrastructure sector and the consumer durable sectors continue to report strong growth. The International Iron and Steel Institute (IISI) forecasts that the total use of finished steel products in 2005 will exceed 1 billion metric tones for the first time. Total world demand is grow by 3.7% in 2005, an increase of 36 million tones (mmt) compared to 2004.

As per the estimates of Tenth Five-Year Plan (2003 to 2007), the construction sector (housing and commercial, infrastructure, and industrial) is set to grow at around 12%. It is estimated that the domestic demand for steel will remain buoyant at around 8-10% during 2004-05 and 2005-06, promising good fortunes for the players. Indian steel producers performed well during the fiscal 2003, 2004 and 2005 despite the global industry being faced with one of the most challenging operating and business environments in the last decade. With improved pricing and worldwide demand growth of steel products, most of the Indian steel manufacturers reaped the benefits of increased exports, reporting substantial improvement in profitability and overall financial position.

### Business Summary

The Company is a member of US$300 million Ajmera Group of Companies having presence in Steel, Construction, Cement, Textiles, Printing, Hotels, Info-tech and Entertainment park headed by Shri C.S. Ajmera, Chairman & Managing Director of the Company.

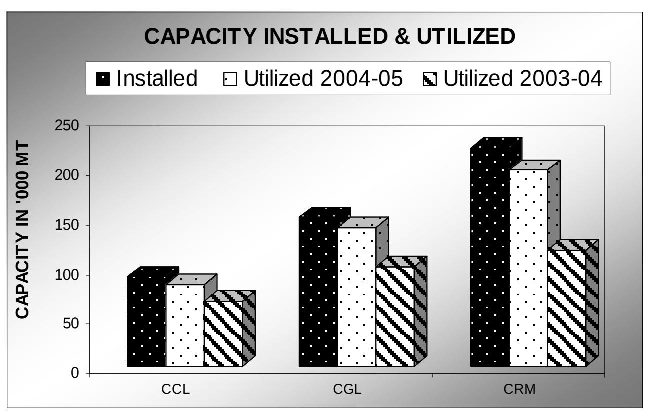
The Company has, in the recent past, consolidated its position and strength as a supplier of best Color Coated Steel Coils and sheets. This has been the result of concerted and systematic efforts in several areas such as restructuring, up gradation of technology, enhancement of operational efficiency, bench marking of quality processes and rightsizing the workforce, cost reduction measures, quality product development, aggressive marketing efforts and branding. Continued focus on these measures coupled with the economic upturn has resulted in improving the overall performance of the Company.

The Company during 2004-05, achieved all time record Production, Sales volume in the Domestic and Export markets, business growth and all round progress. The Company recorded a turnover of Rs. 79033.27 Lacs during the year 2004-05 with a capacity utilization at all time high of 90%.

### Production Facilities

The company operates from its plant located at gat No. 740, Sanaswadi, Pune Nagar Road, Tehsil Sirur, Pune.

| | Present Installed capacity (MT) | Present Utilised Capacity (MT) |
|---|---|---|
| CCL | 90,000 | 82,375 |
| CGL | 1,50,000 | 1,39,938 |
| CRM | 2,20,000 | 1,98,191 |




### Issue Details

Offer for 2,55,38,750 Equity Shares of Rs. 10/- each for cash at a premium of Rs.10/- per share (i.e. at a price of Rs.20/- per share) aggregating to Rs. 5107.75 Lacs on a rights basis to the existing equity shareholders of the Company in the ratio of one equity share for every two Equity Shares held on record date [•]. The face value of the Equity Shares is Rs. 10/- per share and the Issue Price (Rs.20/-) is 2 times of the face value.

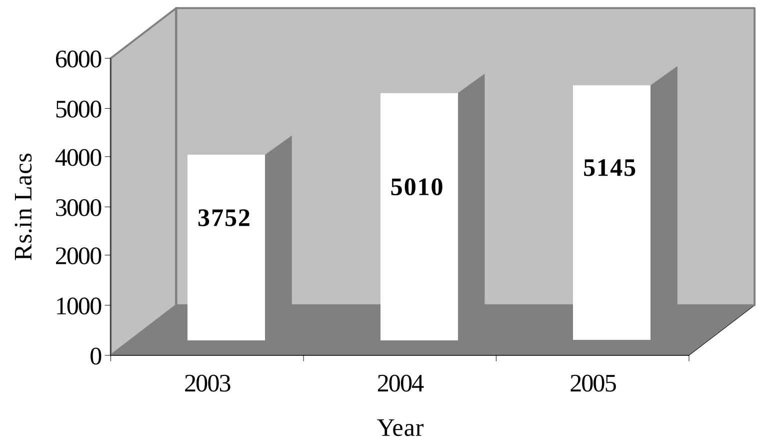
**Summary of Financial Data**

Please read the following data in conjunction with the detailed Auditors' report on page no. 49 under the heading 'FINANCIAL INFORMATION'

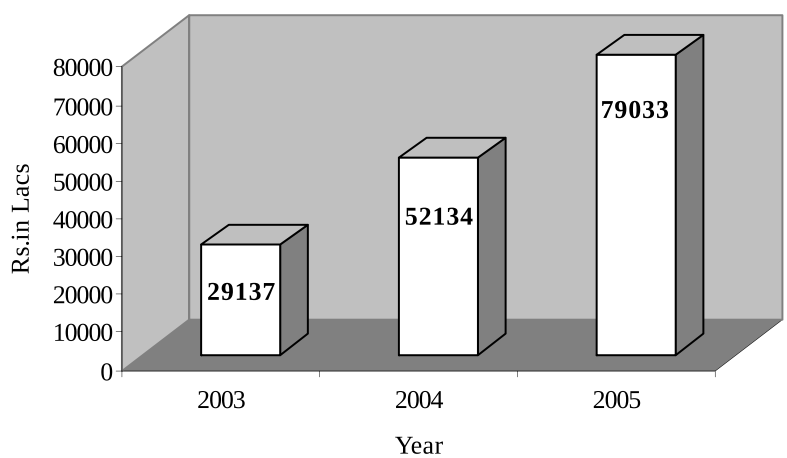
**(Rs. in Lacs)**

| **Description** | **As at 31st March** | | |
|---|---|---|---|
| | **2005** | **2004** | **2003** |
| Turnover Gross | 79033 | 52134 | 29137 |
| Export Turnover | 48179 | 30821 | 13517 |
| PBT | 3245 | 3258 | 2228 |
| PAT | 3239 | 3257 | 2228 |
| Equity Share Capital | 5108 | 4448 | 560 |
| Reserves & Surplus | 6266 | 2377 | 1273 |
| Networth | 11373 | 6824 | 1833 |

**CASH PROFIT**




**SALES**




**Dear shareholder(s),**

The Board of Directors in their meeting held on 17/06/2005 have decided to make the following offer to the equity shareholders of the Company on rights basis.

Issue of 2,55,38,750 Equity Shares of Rs. 10/- each for cash at a premium of Rs.10/- per share (i.e. at a price of Rs.20/- per share) aggregating to Rs. 5107.75 Lacs on a rights basis to the existing equity shareholders of the Company in the ratio of One equity share for every Two Equity Shares held on record Date [•]. The face value of the Equity Shares is Rs. 10/- per share and the Issue Price (Rs.20/-) is 2 times the face value.

## VI. GENERAL INFORMATION

| | | |
|---|---|---|
| Name of the Company | : | **SHREE PRECOATED STEELS LIMITED** |
| Registered Office | : | 'Citi Mall", Link Road, Andheri (W), Mumbai – 400053.<br>Tel: (91-22) 56984000, Fax: (91-22) 6325902.<br>E-mail: spsl@vsnl.com , Website: www.spsl.com |
| Plant | : | Gat No. 740, Sanaswadi, Pune Nagar, Road, Tehsil Sirur, Pune – 412208 |
| Contact person: | : | Shri Anil Somani – Company Secretary |
| Registration No. | : | 35659 |
| Registrar of Companies | : | Registrar of Companies Maharashtra, Mumbai. |

**IMPORTANT**

1. This Issue is pursuant to the resolution passed by the Board of Directors in their meeting held on 17/06/2005 and subject to the approval from shareholders in the ensuing 18th Annual General Meeting to be held on 18/07/2005.
2. This Issue is applicable to such Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company at the close of business hours on the Record Date [•].
3. Your attention is drawn to the section on risk factors starting from page no. (iv) of this Letter of Offer.
4. Please ensure that you have received the CAF with this Letter of Offer.
5. Please read the Letter of Offer and the instructions contained herein and in the CAF carefully before filling in the CAFs. The instructions contained in the CAF are an integral part of this Letter of Offer and must be carefully followed. An application is liable to be rejected for any non compliance of the Letter of Offer or the CAF.
6. All enquiries in connection with this Letter of Offer or CAFs should be addressed to the Registrar to the Issue, quoting the Registered Folio number/ DP and Client ID number and the CAF numbers as mentioned in the CAFs.
7. The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of the Letter of Offer with SEBI.
8. All the legal requirements as applicable till the filing of the Letter of Offer with the Designated Stock Exchange have been complied with.

**BOARD OF DIRECTORS**

The Board of Directors of the Company comprises of:

- Shri Chhotalal S. Ajmera, Chairman & Managing Director
- Shri Rajnikant S. Ajmera, Managing Director
- Shri Ishwarlal S. Ajmera, Wholetime Director
- Shri M. Sivaramakrishnan, Director-Technical
- Shri Jagdish J. Doshi, Director
- Shri Ambalal C. Patel, Director
- Shri Inderpal S. Kalra, Nominee Director-IDBI

**BRIEF DETAILS OF DIRECTORS OF THE COMPANY**

**Shri Chhotalal S. Ajmera, Chairman & Managing Director:** Aged around 67 years. Industrialist having 45 years of over all experience in various fields including construction with more than 17 years experience in steel industry.

**Shri Rajnikant S. Ajmera, Managing Director:** Aged around 52 years. Industrialist having 30 years of over all experience in various fields including construction with more than 17 years experience in steel industry. He is Diploma holder in Civil Engineering.

**Shri Ishwarlal S. Ajmera, Wholetime Director:** Aged around 80 years. Industrialist having 50 years of over all experience in various fields including construction with more than 17 years experience in steel industry.

**Shri M. Sivaramakrishnan, Director-Technical:** Aged around 66 years. He is B.E. (Hon's) in Mechanical Engineering. He is having more than 34 years experience in Iron & Steel Industries.

**Shri Jagdish J. Doshi, Director:** Aged around 74 years. He is M.S.(Illinois), D.I.C. (London) , B.E. (Hons.), Bombay, P.Eng. (Ontario, Canada). He had a 48 years experience in the field of Steel Industry.

**Shri Ambalal C. Patel, Director:** Aged around 61 years. He is Bachelor of Engineering (Metallurgy) from Indian Institute of Science, Bangalore. He is having a vast experience in metallurgy of nearly 30 years. He is having deep knowledge in the project evaluation, project finance, project appraisal, follow up recovery, finance co-ordination with financial institutions and nationalized Banks and handling BIFR cases.

**Shri Inderpal S. Kalra, Nominee Director-IDBI:** Aged around 46 years. He is a graduate in engineering and has more than 21 years of experience in project management and establishment of projects. He is currently working as Deputy General Manager –Project Appraisal Department-Industrial Development Bank of India (IDBI) and is having expertise knowledge of more than 14 years in project finance and Rehabilitation scheme of Sick Industries.

**ISSUE MANAGEMENT TEAM**

***Compliance Officer***
Shri Anil O. Somani
Company Secretary
'Citi Mall", Link Road, Andheri (W), Mumbai - 400053
Tel: (022) 56984000, Fax: (022) 26325902
Email: anil@ajmera.com

***Bankers to the Company***

**Bank of Baroda**
10/12, Mumbai Samachar Marg,
Fort, Mumbai – 400001.
Tel: (022) 22021434
Fax: (022) 22021445

**Dena Bank**
Corporate Finance Branch
C-10 G- Block
Bandra Kurla Complex
Bandra (East)
Mumbai – 400 051
Tel: (022) 26545005
Fax: (022) 22181612

**The Federal Bank Ltd.**
32-B. S. Marg,
Fort, Mumbai – 400 001.
Tel: (022) 22655041
Fax: (022) 22654464

**Abu Dhabi Commercial Bank Ltd.**
75-B, Veer Nariman Road
Churchgate, Mumbai – 400 020.
Tel: (022) 22855658
Fax: (022) 22870686

**Allahabad Bank**
Industrial Finance Branch,
Appejay House
Churchgate, Mumbai - 400020
Tel: (022) 22823060
Fax: (022) 22020422

**ISSUE MANAGEMENT TEAM**

**Lead Manager to the Issue**

KEYNOTE
CORPORATE SERVICES LTD

307. Regent Chambers
Nariman Point, Mumbai – 400 021
Tel: (022) 22025230, Fax: (022) 22835467
Website: www.keynoteindia.net
E-mail: mbd@keynoteindia.net
SEBI Regn No: INM 000003606
Contact Person: Mr. Satish Mangutkar

**Registrars to the Issue**

**SHAREX DYNAMIC (INDIA) PVT. LTD.**
17/B, Dena Bank Building,
2nd Floor, Horniman Circle,
Fort, Mumbai – 400 001
Tel: (022) 22702485 Fax: (022) 22641376
Website: www.sharexindia.com
E-mail: sharexindia@vsnl.com
SEBI Reg. No.: INR000002102

**Bankers to the Issue**

**CANARA BANK,**
Capital Market Service Branch,
11, Homji Street, Fort,
Mumbai – 400 01

***Auditors to the Company***

**V. Parekh & Associates**
Chartered Accountants
37, Hamam Street, Fort,
Mumbai – 400 001
Tel: (022) 22653555
Fax: (022) 22654370

**INTERSE ALLOCATION OF RESPONSIBILITIES**

Not Applicable

**CREDIT RATING/DEBENTURE TRUSTEE**

This being an issue of Rights Equity Shares, no Credit Rating or appointment of Debenture Trustee is required.

**MONITORING AGENCY**

Not Applicable

**APPRAISING ENTITY**

Not Applicable

**MINIMUM SUBSCRIPTION**

i) If the Company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having been returned unpaid or withdrawal of applications, the Company shall forthwith refund the entire subscription amount received within 42 days from the date of closure of the issue .

ii) If there is a delay beyond 8 days after the Company becomes liable to pay the subscription amount (i.e. 42 days after closure of the issue), the Company shall pay interest for the delayed period at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Act.

**UNDERWRITING/ STANDBY SUPPORT**

This issue of Equity Shares is not being underwritten and/or no standby support is being sought for the said issue.

**ISSUE SCHEDULE**

| ISSUE OPENS ON | LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS | ISSUE CLOSES ON |
|---|---|---|
| [•] | [•] | [•] |

## VII. CAPITAL STRUCTURE OF THE COMPANY

| No. of Shares<br>As at March 31, 2005 ( Pre issue and adjusted for Post issue) | Aggregate Nominal Value (Rs.) |
|---|---|
| A. **Authorized Capital** | |
| 8,50,00,000 Equity Shares of Rs. 10/- each | 85,00,00,000 |
| 1,50,00,000 Preference Shares of Rs.10/- each | 15,00,00,000 |
| B. **Issued Subscribed & Paid-up Capital** | |
| 5,10,77,500 Equity Shares of Rs. 10/- each | 51,07,75,000 |
| C. **Present Rights Issue** | |
| 2,55,38,750 Equity Shares of Rs. 10/- for a cash premium of Rs. 10/- per Equity Share. | 25,53,87,500 |
| D. **Post Issue Capital** | |
| 7,66,16,250 Equity Shares of Rs. 10/- each | 76,61,62,500 |
| E. **Share Premium Account** | |
| Before the Offer | 9,26,64,000 |
| After the Offer | 34,80,51,500 |

**Notes to Capital Structure:**

**1) Details of present Equity Share Capital are as follows:**

| Date of Allotment | Face Value (Rs.) | Issue Price (Rs.) | No. of Shares | Cumulative No. of shares | Nature of allotment | Consideration | % to Post Issue Capital (%) |
|---|---|---|---|---|---|---|---|
| Upto 1992 | 10/- | 10.00 | 9,85,070 | 9,85,070 | Prior to Initial Public Offer | Cash | - |
| 1992-93 | 10/- | 10.00 | 1,79,89,930 | 1,89,75,000 | Public Issue | Cash | - |
| 11/03/1998 | 10/- | 10.00 | 3,70,00,000 | 5,59,75,000 | Preferential Allotment to promoters | Cash | - |
| | | | | **55,97,500** | Refer note (a) | | **10.96** |
| 17/07/2003 | 10/- | 10.00 | 3,88,80,000 | 4,44,77,500 | Shares issued pursuant to BIFR order. | Cash | 76.12 |
| 10/08/2004 | 10/- | 24.04 | 65,21,464 | 5,09,98,964 | Preferential Allotment to NRIs and Individuals. (refer note b) | Cash | 12.77 |
| 16/08/2004 | 10/- | 24.04 | 78,536 | 5,10,77,500 | | Cash | 0.15 |
| **Total** | | | | **5,10,77,500** | | | 100.00 |

***Notes:***

a) 5,59,75,000 Equity Shares of Rs.10/- each issued were reduced to 55,97,500 Equity Shares of Rs.10/- each in the ratio of 1:10 pursuant to BIFR order dated 13/11/2002.

b) 65,21,464 Equity Shares of Rs.10/- each are under lock-in upto 09/08/2005 and 78,536 Equity Shares of Rs.10/- each are under lock-in upto 15/08/2005.

c) The Promoter Directors had during the year on 10/03/2005 pursuant to BIFR order pledged their shares in favour of Financial Institutions.

2. The present issue being a rights issue, provisions of promoters' contribution and lock-in are not applicable

**3. Present Rights Issue :**

| Type of Instrument | Ratio | Face Value (Rs.) | No. of shares | Issue Price (Rs.) | Consideration |
|---|---|---|---|---|---|
| Equity Shares | 1:2 | 10/- | 2,55,38,750 | 20/- | Cash |

**4. Pre & Post issue shareholding pattern of the Company is given below:-**

| | Category | Pre-issue shareholding | | Post-issue shareholding | |
|---|---|---|---|---|---|
| | | **No. of shares** | **%** | **No. of shares** | **%** |
| **A.** | **Promoter's Holding** | | | | |
| | Indian Promoters & their relatives | 2,93,09,122 | 57.38 | 4,39,63,683 | 57.38 |
| | Persons Acting in Concert | 14,33,333 | 2.81 | 21,50,000 | 2.81 |
| | **Sub Total** | **3,07,42,455** | **60.19** | **4,61,13,683** | **60.19** |
| **B.** | **Non-Promoters Holding** | | | | |
| | **1) Institutional Investors** | | | | |
| | a. Mutual Funds and UTI | 3,65,572 | 0.72 | 5,48,358 | 0.72 |
| | b. Banking, Financial Institution / Insurance Companies | 34,339 | 0.07 | 51,508 | 0.07 |
| | **Sub Total** | **3,99,911** | **0.78** | **5,99,866** | **0.78** |
| | **2) Others** | | | | |
| | Private Corporate Bodies | **5,07,340** | 0.99 | 7,61,010 | 0.99 |
| | Indian Public | 1,27,40,064 | 24.94 | 1,91,10,096 | 24.94 |
| | NRIs | 66,85,320 | 13.09 | 1,00,27,980 | 13.09 |
| | Any Other | 2,410 | 0.00 | 3,615 | 0.00 |
| | **Sub Total** | **1,99,35,134** | **39.03** | **2,99,02,701** | **39.03** |
| | **Grand Total** | **5,10,77,500** | **100.00** | **7,66,16,250** | **100.00** |

*Investor are requested to refer para on 'Fractional entitlement' on page no. 72. The total numbers of shareholders in the company are 43,800.

**5. The shareholding pattern of the promoter group is as detailed below:**

| Particulars | Present | | Post Rights | |
|---|---|---|---|---|
| | **No. of Equity Shares of Rs.10/- each** | **% of Present Capital** | **No. of Equity Shares of Rs.10/- each** | **% of post issue capital** |
| a) Promoters/Directors | 22,15,733 | 4.34 | 33,23,600 | 4.34 |
| b) Immediate relatives of promoters (Spouse, parent, child, brother, sister) | 2,20,64,037 | 43.20 | 3,30,96,055 | 43.20 |
| c) Company in which 10% or more of the share capital is held by the promoter his immediate relative firm or HUF in which the promoter or his immediate relative is a member. | - | - | - | - |
| d) Company in which the Company mentioned in (c) above holds 10% or more of the share capital | 14,33,333 | 2.81 | 21,50,000 | 2.81 |
| e) HUF in which aggregate share of the promoter and his immediate relatives is equal or more than 10% of the total | 50,29,352 | 9.84 | 75,44,028 | 9.84 |
| **Total** | **3,07,42,455** | **60.19** | **4,61,13,683** | **60.19** |

The promoters/directors/associates intend to subscribe to their entitlement in this rights issue in full. In case of under subscription promoters/directors/associates have undertaken vide their letter dated 01/07/2005 to subscribe to unsubscribed portion in full. Presuming no subscription is received from other shareholders the promoters' shareholding shall increase to 73.46% of the post rights issue equity capital of the Company.

The allotment to the promoters/ directors even if they subscribe to unsubscribed portion to the fullest extent will not result in public shareholding falling below the permissible minimum level. Thus the provisions of clause 17 of SEBI (Delisting of Securities) Guidelines 2003 are not applicable.

The Promoters/Directors of SPSL have brought in funds by way of unsecured loans to the extent of Rs.11398.70 lacs. The promoters have given their consent to adjust the said loan against their Rights entitlement to the extent of Rs 3074.20 Lacs. The money brought in by the Promoters/Directors will be adjusted against the share application money due from them towards their subscription in the rights issue component and also towards subscription to un-subscribed portion if any in the present rights issue.

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

7. Equity Shares of the Company are being traded in compulsory dematerialized mode. The market lot of the Equity Shares is 1 (one).

8. There are no other transactions in the securities of the Company during preceding 6 months which were financed/undertaken directly or indirectly by the promoters, their relatives, their group companies or associates or by the above entities directly or indirectly through other persons except mentioned below:

| **Name** | **No. of Shares** | **Nature** | **Avg. Price (Rs.)** | **Period** |
|---|---|---|---|---|
| Shashikant S. Ajmera | 10465 | Sale | 60.37 | 01/01/2005 to 30/06/2005 |
| Harshad N. Sarvaiya | 435 | Purchase | 52.00 | 01/01/2005 to 30/06/2005 |

9. The ten largest shareholders two years prior to the date of filing of this Letter of Offer with Stock Exchange are as follows :

| **Sr. No.** | **Name of the Shareholders** | **Number of Equity Shares** | **% of shareholding** |
|---|---|---|---|
| 1. | Hetal S. Ajmera | 2,62,760 | 4.69 |
| 2. | Sanjay C. Ajmera | 2,23,204 | 3.99 |
| 3. | Veena C. Ajmera | 2,21,494 | 3.96 |
| 4. | Atul C. Ajmera | 2,16,686 | 3.87 |
| 5. | Chhotalal S. Ajmera | 2,14,244 | 3.83 |
| 6. | Kokila S. Ajmera | 1,94,855 | 3.48 |
| 7. | Shashikant S. Ajmera | 1,73,139 | 3.09 |
| 8. | Nimish S. Ajmera | 1,70,377 | 3.04 |
| 9. | Rajnikant S. Ajmera | 1,38,235 | 2.47 |
| 10. | Jyotiben N. Ajmera | 1,34,035 | 2.39 |
| | **Total** | **19,49,029** | **34.82** |

10. The ten largest shareholders as on 10 days prior to the date of filing of the Letter of Offer with Stock Exchanges are as follows :

| **Sr. No.** | **Name of the Shareholders** | **Number of Equity Shares** | **% of shareholding** |
|---|---|---|---|
| 1. | Jayant V. Kamdar | 22,00,000 | 4.31 |
| 2. | Naseer Ali Shaban | 22,00,000 | 4.31 |
| 3. | Manojkumar K. Brahmbhatt | 22,00,000 | 4.31 |
| 4. | Dhaval R. Ajmera | 14,56,073 | 2.85 |
| 5. | Ajmera Cements Pvt. Ltd. | 14,33,333 | 2.81 |
| 6. | Bharati R. Ajmera | 13,84,401 | 2.71 |
| 7. | Rajnikant S. Ajmera (HUF) | 13,43,880 | 2.63 |
| 8. | Rajnikant S. Ajmera | 13,30,390 | 2.60 |
| 9. | Manoj I. Ajmera | 13,18,510 | 2.58 |
| 10. | Bhavana S. Ajmera | 11,36,920 | 2.23 |
| | **Total** | **1,60,03,507** | **31.33** |

11. The ten largest shareholders as on the date of filing of the Letter of Offer with Stock Exchanges are as follows :

| Sr. No. | Name of the Shareholders | Number of Equity Shares | % of shareholding |
|---|---|---|---|
| 1. | Jayant V. Kamdar | 22,00,000 | 4.31 |
| 2. | Naseer Ali Shaban | 22,00,000 | 4.31 |
| 3. | Manojkumar K. Brahmbhatt | 22,00,000 | 4.31 |
| 4. | Dhaval R. Ajmera | 14,56,073 | 2.85 |
| 5. | Ajmera Cements Pvt. Ltd. | 14,33,333 | 2.81 |
| 6. | Bharati R. Ajmera | 13,84,401 | 2.71 |
| 7. | Rajnikant S. Ajmera (HUF) | 13,43,880 | 2.63 |
| 8. | Rajnikant S. Ajmera | 13,30,390 | 2.60 |
| 9. | Manoj I. Ajmera | 13,18,510 | 2.58 |
| 10. | Bhavana S. Ajmera | 11,36,920 | 2.23 |
| | **Total** | **1,60,03,507** | **31.33** |

12. The Company/Promoters/Directors/Lead Merchant Bankers have not entered into buyback or similar arrangements for purchase of securities issued by the Company.

13. The Equity Shares of the company are of face value of Rs.10/- and marketable lot is 1 (one). At any given time there shall be only one denomination for the shares of the Company and the disclosures and accounting norms specified by SEBI from time to time will be complied with.

14. The Company shall not make any further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner during the period commencing from the submission of the Letter of Offer to SEBI for the Rights Issue till the securities referred in the Letter of Offer have been listed or application money refunded on account of failure of the issue.

15. The Company does not propose to alter the capital structure by way of split or consolidation of the denomination of the shares or the issue of shares on a preferential basis or issue of bonus or rights or further public issue of shares or any other securities within a period of six months from the date of opening of the present issue.

16. The entire issue price is to be paid on application hence there will be no partly paid up shares arising out of this issue.

## VIII. OBJECTS OF THE OFFERING

**OBJECT OF THE ISSUE**

The objects of the present issue of equity shares on rights basis are:

1. To meet the Long Term Working Capital requirements of the Company.
2. To finance balancing equipments.
3. To meet the expenses of the issue

**COST OF PROJECT**

(Rs. in crores)

| | |
|---|---|
| Long term working capital | 36.76 |
| Balancing equipments | 13.73 |
| Issue expenses | 0.59 |
| **Total** | **51.08** |

**MEANS OF FINANCE**

(Rs.in crores)

| | |
|---|---|
| Rights Issue | 51.08 |
| **Total** | **51.08** |

**DETAIL BREAK UP OF COST OF PROJECT**

**1. Working Capital Requirement**

***Background***

Company has planned for major expansion to capitalize the market opportunities by expanding its existing capacities as under:

| **Line of Production** | **Existing Capacity (TPA)** | **Enhanced Capacity (TPA)** | **Total Capacity (TPA)** |
|---|---|---|---|
| Cold Rolled Mill (CRM) | 2,20,000 | 3,50,000 | 5,70,000 |
| Continuous Galvanized Line (CGL) | 1,50,000 | 3,00,000 | 4,50,000 |
| Colour Coating Line (CCL) | 90,000 | 3,00,000 | 3,90,000 |

The assessment of the expansion project is carried out by the State Bank of India based on the Techno-Economic viability study carried out by M/s. M.N. Dastur & Company. The project is under implementation and it is expected to be in commercial operation by September 2005.

The total project cost is estimated at Rs. 224.03 crores. The Company has received sanctions from Banks & Financial Institutions to part finance the said expansion as follows:

- State Bank of India : Rs.40.00 crores
- Allahabad Bank : Rs.50.00 crores
- IDBI : Rs.30.00 crores

The Company is proposing to fund balance of Rs.104.03 crores through equity participation, Unsecured loans and Internal Accruals.

***Assessment of Working capital requirement***

The working capital requirements of the company are assessed at Rs. 175.00 crores (fund based) and at Rs.275.00 crores (non-fund based) for the year 2005-06. The same assessment is based on the appraisal and assessment note for working capital requirements for 2005-06 by Bank of Baroda, Corporate Financial Services, Fort, Mumbai, the leader of the consortium of lending bank.

*Calculation of maximum permissible bank finance*

**(Rs. in crores)**

| **Sr. No.** | **Particulars** | **31/03/2005 (Audited)** | **31/03/2006 (Estimate)** |
|---|---|---|---|
| 1 | Total current Assets (including export receivables) | 427.86 | 591.93 |
| 2 | Less: Other current liabilities (other than bank borrowings) | 229.93 | 257.58 |
| 3 | Working capital gap (1-2) | 197.93 | 334.34 |
| 4 | Minimum stipulated margin (25% of current assets excluding export receivables). | 13.43 | 90.43 |
| 5 | Actual projected net working capital | 70.76 | 159.34 |
| 6 | Item 3 – 4 | 184.49 | 243.91 |
| 7 | Item 3 – 5 | 127.16 | 175.00 |
| 8 | Maximum permissible bank finance (Item 6 to 7 whichever is lower) | 127.16 | 175.00 |

***Net Working Capital (NWC)***

Based on the assessment note the NWC is expected to increase from Rs.70.76 crores to Rs.159.34 crores. The increase of Rs.88.58 crores in NWC is mainly on account of additional margin money for working capital requirement on account of said expansion to the extent of Rs.48.14 crores and balance of Rs.40.00 crores for the existing operations.

The Company proposes to provide for said NWC as follows:

- Proceeds of Rights issue : Rs.36.76 crores
- Internal Accruals : Rs.51.83 crores

The financial position based on audited accounts as on 31/03/2005 is as follows:

**(Rs.in Crores)**

| | **As on 31/03/2005 (Actual)** |
|---|---|
| Gross sales | 790.33 |
| - Domestic | 236.73 |
| - Export | 553.60 |
| Net Sales | 748.97 |
| Other Income | 5.36 |
| Manufacturing Expenses | 672.74 |
| Administration Selling Expenses | 76.87 |
| Other non-operative Expenses | 0.09 |
| PBDIT | 69.05 |
| Interest | 14.85 |
| Depreciation | 21.82 |
| PBT | 32.38 |
| PAT | 29.62 |
| Cash Accruals | 51.44 |

***Inventory & Receivables Holding Levels:***

| Particulars | Industry Level (Months) | Audited 31/03/2005 | Projection 31/03/2006 |
|---|---|---|---|
| Raw Materials | | | |
| - Domestic | | 144.58 | 213.52 |
| (Months) | 2.30 | (2.91) | (2.84) |
| - Imported | | - | |
| (Months) | | | |
| Finished Goods | 1.27 | 70.12 | 84.03 |
| (Months) | | (1.34) | (1.00) |
| Receivables | | | |
| - Domestic | 1.33 | 19.76 | 25.70 |
| (Months) | | (1.00) | (1.00) |
| - Imported | | 144.18 | 230.19 |
| (Months) | | (3.13) | (3.00) |
| Sundry Creditors | | | |
| - Amount | 4.90 | 179.86 | 207.40 |
| (Months) | | (3.62) | (2.76) |

***Justification for holding levels :***

**Raw Materials :**

**Local / Imported :**

Year 2004-2005 was very volatile in respect of the HR prices, specifically during the second half of the year. In view of this, the RM Inventory has gone up to 2.91 months as on 31.03.2005.

Company is required to keep stocks of H.R. Coils of different qualities as per IS standard grade API grade of different thickness and width, with different colours and chemical proposition (Manganese, Silicon, Sulphur, Phosphorus, Carbon) as per orders under execution.

Looking to the same and present scenario, the company has projected holding level at 2.84 months.

**Finished Goods**

The company is consistently exporting more than 70% of its exports in its overseas market and the ships for the destinations are sailing only once or twice in a month, for which the company has to hold the finished goods inventory for more than a month. It is economical to export in bulk and to negotiate the prices with the shipper.

Looking to the 2004-05 holding level of 1.34 months and the requirement, in the present assessment holding level of 1.00 month is projected. The finished goods holding level in the month of March 2005 has gone up, because the company cancelled export orders due to falling prices in international markets. The inventory level has since come down.

**Receivables**

**Local Receivables:**

Major customers for domestic sales are white goods manufacturers and the construction industries. The market trend is to provide 30-60 days credit. The actual holding level as on 31.03.2005 was 1.00 month and the same level is projected for 2005-06.

**Export Receivables**

The export orders are backed by Letters of Credit – both sight (10%) and usance (with period ranging from 60-120 days). Accordingly the average level has been estimated at –3- months.

**Sundry Creditors**

Payment for procurement for domestic raw material is required to be made under Letters of Credit. Company procures majority of its domestic purchases under LC, with 2-3 months usance. Imported raw materials are also required to be procured under L/C. Company proposes to import materials under average 180 days usance. The transit time from shipment date to Indian Ports and Port to Factory is generally –3- months. Therefore, the company has estimated creditors level of 2.76 months.

***Calculation of drawing Power :***

| | ( In Crores) |
|---|---|
| Total Stock & Receivables (31.03.2006) | 561.85 |
| Less:<br>Creditors (net of LC margin @ 10%) 186.67 | |
| Net Stock receivable | 375.18 |
| Less: 25% Margin | 93.80 |
| Drawing Power | 281.39 |
| **Limit Proposed** | **175.00** |

Thus the accepted level of current assets and current liabilities as reflected above support the drawing power of the company to avail the assessed MPBF of Rs.175.00 Crores.

***Bank Limits***

The existing limits of Rs.270.00 Crores (fund based Rs.100.00 crores and non-fund based Rs.170.00 crores) are shared amongst consortium banks as follows:

| | | (Rs in Crores) |
|---|---|---|
| **Name of Bank** | **% Share** | **Amount** |
| Bank of Baroda | 31.56 | 85.20 |
| Dena Bank | 25.48 | 68.80 |
| Allahabad Bank | 25.48 | 68.80 |
| Federal Bank | 12.74 | 34.40 |
| Abu Dhabi Com. Bank | 4.74 | 12.80 |
| Total | **100.00** | **270.00** |

The sharing pattern for the increased limits is to be discussed and finalized in the consortium meeting.

**2. Balancing Equipments**

The Company proposes to install additional balancing equipments for the existing operations. The cost of such balancing equipments is estimated by the Company at Rs.13.73 crores the details of which are as follows:

| Sr.No. | Equipment | Cost (Rs.in crores) | Name of supplier | Status of Order |
|---|---|---|---|---|
| 1 | Forklift (4 no) | 0.93 | The Company has not identified any suppliers. | Orders are yet to be placed. However it will be procured from local market. |
| 2 | Weigh Bridge | 0.50 | | |
| 3 | High Speed Trimming Line | 9.59 | | |
| 4 | New slitting Line | 2.15 | | |
| 5 | Design & Engineering | 0.55 | | |
| | **Total** | **13.73** | | |

**3. Issue Expenses**

The break up of issue expenses is as given below:

| Sr. No. | Particulars | Amount (Rs. in crores) |
|---|---|---|
| 1 | Fees to the intermediaries | 0.25 |
| 2 | Printing & Stationery and Postage expenses | 0.20 |
| 3 | Advertisement and other Miscellaneous Expenses | 0.14 |
| | **Total** | **0.59** |

**APPRAISAL**

The expansion project has been appraised by State Bank of India. However the cost of balancing equipment proposed to be purchased from this rights issue is not appraised by any Bank or Financial Institution.

**STATUS OF IMPLEMENTATION**

The proposed expansion is under implementation and the Company has deployed Rs.114.71 crores on project as per audited accounts as on 31/03/2005 which is funded as follows:

**(Rs. in crores)**

| | | |
|---|---|---|
| Proceeds from preferential issue | : | 15.87 |
| Long Term borrowings | : | 30.00 |
| Unsecured Loans from Promoters | : | 68.84 |
| **Total** | **:** | **114.71** |

The Promoters have brought in an amount of Rs.68.84 crores till 31/03/2005 towards implementation of the project. The promoters have undertaken to convert the unsecured loans towards their rights entitlement. Further the promoters have also undertaken to subscribe to the unsubscribed portion, if any, in the present rights issue from the remaining shareholders. The total size of the rights issue is Rs.51.08 crores.

The proposed expansion project, which was taken up in the beginning of October 2003 is in the advanced stage of implementation. Detailed Engineering, covering Civil & Structural, Utilities and Electrical, Instrumentation & Automation engineering have been completed.

The installation of the major equipment like CRM-3 and CGL-2 are almost completed and balance installation work is expected to be completed by September 2005.

**SOURCES & DEPLOYMENT OF FUNDS**

M/s V. Parekh & Associates., Chartered Accountants, and Statutory Auditors of the Company have certified vide their certificate dated 07.07.2005 that the sources and deployment of funds in respect of the expansion project of the company as at 31.03.2005 is as flollows :

| Sr. No. | Particulars | Amount Incurred/ Deployed so far (Rs.in Lacs) |
|---|---|---|
| 1. | **Deployment of funds** | |
| | Increase in Capital Work in Progress | 11471.15 |
| | | |
| | **Total** | **11471.15** |
| | | |
| 2 | **Sources of funds** | |
| | Proceeds from issue of Share Capital | 1586.64 |
| | Proceeds from Long Term Borrowings | 3000.00 |
| | Proceeds from Unsecured loan | 6884.51 |
| | | |
| | **Total** | **11471.15** |

**INTERIM USE OF FUNDS**

Pending deployment of funds raised through the rights issue would be deployed by the company judiciously in the secured fixed deposits and other short term secured investment opportunities.

**BASIC TERMS OF THE ISSUE**

| | |
|---|---|
| **Face Value** | Each Equity Share has the face value of Rs. 10/-. |
| **Issue Price** | Each Equity Share is being offered at a price of Rs. 20/- (including a premium of Rs. 10/- per share). |
| **Entitlement Ratio** | The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of 1 (One) Equity Shares for every 2 (Two) Equity Shares (i.e 1:2) held as on the Record Date. |
| **Market Lot** | The market lot for the Equity Shares in dematerialised mode is one. In case of physical certificates, the Company would issue one certificate for the Equity Shares allotted to one folio ("Consolidated Certificate"). |
| **Terms of Payment** | 100% of the issue price i.e Rs. 20/- shall be payable on Application. |

## BASIS FOR ISSUE PRICE

### Qualitative Factors

1. One of the largest manufacturers of Colour Coated Steel and Aluminium Sheets/Coils in India.
2. Received status of “Three Star Export house” from Government of India.
3. 5th fastest growing Mid Size Company in India. (Source : Business Today Special – 13/03/2005)
4. State-of-Art colour coating plant with an annual capacity of 90,000 MT per annum.
5. Accredited with ISO-9001 certification for Colour Coating Line and are members of European Coil Coating Association.
6. Accredited with ISO 14001 : 1996 certificate from DNV-Netherland for EMS.
7. Turnover of the company for the financial year ended 31.03.2005 was Rs. 79033.27 Lacs.

### Quantitative Factors (based upon adjusted Profit and Loss Account)

**(a) Earnings Per Share (EPS)**

| Year ended 31st March | EPS(Rs) | Wts |
|---|---|---|
| 2002-03 | 4.15 | 1 |
| 2003-04 | 7.32 | 2 |
| 2004-05 | 6.08 | 3 |
| Weighted Average EPS | 6.17 | |

**(b) Price Earning Ratio (PE)**

| | Offer Price of Rs.20/- per share |
|---|---|
| P/E(based on EPS on 31/03/2005) | 3.29 |
| P/E(based on weighted average EPS) | 3.24 |

**(c) Return on Networth (RONW)**

| Year | RONW(%) | Wts |
|---|---|---|
| 2002-03 | (731.30) | - |
| 2003-04 | 47.70 | 2 |
| 2004-05 | 26.05 | 3 |
| Weighted Average RONW | 31.53 | |

(Figures in the bracket indicate negative figures)

**(d)**

| | |
|---|---|
| Minimum RONW required to maintain pre-issue EPS (at price of Rs.20/-) | 28.20 |

**(e) Net Asset Value (NAV)**

| | |
|---|---|
| NAV (pre issue) | 22.27 |
| NAV (post issue) (at price of Rs.20/-) | 32.27 |

**(f) Industry P/E Ratio**

| | |
|---|---|
| Highest (Kalyani Steel) | 22.2 |
| Lowest (Mukand) | 2.4 |
| Average | 4.3 |
| (Source: Capital Market Jun 20- Jul 3, 2005, Sector : Steel/Large) | |

**(g) Comparison of key ratios with the companies of comparable size in the same industry group**

| Name of the company | FV (Rs.) | Sales as on 31/03/2005 (Rs.in Cr.) | EPS | MP as on 7/07/2005 | P/E Multiple |
|---|---|---|---|---|---|
| SPSL | 10/- | 790.33 | 6.08 | 45 | 7.40 |
| Essar Steel | 10/- | 6116.7 | 18.3 | 49.75 | 2.72 |
| Jindal Vijaynagar | 10/- | 6352.0 | 63.8 | 262.85 | 4.12 |
| Lloyds Steel | 10/- | 1397.5 | 2.6 | 15.75 | 6.06 |
| SAIL | 10/- | 29114.4 | 16.5 | 50.30 | 3.05 |
| MUSCO | 10/- | 522.0 | 15.6 | 103.45 | 6.63 |
| Mah. Seamless | 10/- | 773.5 | 29.5 | 367.3 | 12.45 |
| Mukand | 10/- | 1511.5 | 28.8 | 72.3 | 2.51 |
| National steel | 10/- | 1416.3 | 5.2 | 25.25 | 4.86 |
| Uttam Galva | 10/- | 2094.1 | 11.8 | 46.35 | 3.93 |
| Welspun Guj.Stah | 5/- | 1038.1 | 3.6 | 68.50 | 19.03 |

*(Source: Capital Market Jun 20-Jul 3, 2005, Sector :Steel/Large)*

The Issue Price of Rs. 20/- per share is 2 times the Face Value of Rs.10/- per share of the Equity Shares being issued. The minimum Return on Networth required to maintain preissue EPS of Rs. 6.08 is 28.20% whereas the Company has earned an RONW of 26.05% for the period ended 31/03/2005. The offer price of Rs. 20/- is 3.29 times the pre-issue EPS, which is lower than the Average P/E multiple for the industry sector in which the Company operates. The offer price is at 55% discount to the present market price of the shares of the company.

Considering the above qualitative and quantitative factors, the issue price of Rs.20/- per equity share is justified.

**TAX BENEFITS TO THE COMPANY AND ITS MEMBERS**

The Company has been advised by M/s. V. Parekh & Associates auditors of the Company vide their certificate dated 01/07/2005 that under the Income Tax Act, 1961 and other Laws, the following tax benefits inter alia will be available to the Company and Shareholders of the Company. The following benefits are available under the Income Tax Act and other Laws to the Company and its Shareholders, (Indian Residents, NRI's, FIIS, etc.)

The tax benefits available under the current provisions of the Income tax Act, 1961 and other applicable tax laws for the time being in force subject to fulfillment of respective provision of law, for the proposed right issue being made by the Company. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

**A TAX BENEFITS AVAILABLE TO THE COMPANY**

**A.1 UNDER THE INCOME TAX ACT, 1961 (THE ACT)**

1. Under Section 32 of the Act, the Company is entitled to depreciation on (i) tangible fixed assets, being building, machinery, plant and furniture, and (ii) intangible assets, being know-how, patents, copy rights, trade mark, licenses, franchises of other business and rights of similar nature acquired on or after the 1st day of April, 1998 for the use thereof in the Company's business. Further, the initial depreciation will be allowed @20% on new machinery or plant used in the business of manufacturing or production of any article or thing.

2. Under Section 35 of the Act and subject to the provision therein, the Company would be entitled to deduction in respect of expenditure laid out or expended on scientific research relating to the business.

3. Under Section 10 (34) of the Act, dividend income referred to in Section 115 – O is exempt from tax in the hands of the Company.

4. Under Section 10 (36) of the Act, income arising from transfer of long term capital asset, being an eligible equity share in a Company purchased on or after March 1, 2003 and before March 1, 2004 and held for a period of twelve months is exempt from tax in the hands of the Company.

5. Under Section 10 (38) of the Act, income arising from transfer of long-term capital asset, being an equity share of a Company is exempt from tax, if the transaction of such sale has been entered into on or after the date on which Chapter VII of the Finance (No. 2) Act, 2004 being Securities Transaction Tax (STT) has come into force i.e. on or after October 1, 2004 and such transaction is chargeable to STT under that Chapter.

6. Under Section 111A of the Act, the short term capital gain on transfer of equity share shall be chargeable to tax @10% (plus applicable surcharge and education cess), if the transaction of such sale has been entered into on or after the date on which chapter VII of the Finance (No. 2) Act, 2004 being Securities Transaction Tax (STT) has come into force i.e. on or after October 1, 2004 and such transaction is chargeable to STT under that Chapter. Deduction under Chapter VI-A of the Act is not available on such income.

7. Under Section 112 and other relevant provisions of the Act, the long term capital gains arising on transfer of long term capital assets shall be taxed at the rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to Section 48 of the Act. However, in case of listed securities, the long term capital gain (not covered under Section 10(36) & 10(38) of the Act) can be taxed at 10% (plus applicable surcharge and education cess) without indexation, at the option of shareholder. Deduction under Chapter VI-A of the Act is not available on such income.

**A.2 UNDER THE WEALTH TAX ACT, 1957 (THE ACT)**

The Company is liable to pay wealth tax as per the provisions of Wealth tax Act, 1957 at the rate of 1% in respect of certain assets owned by the Company subject to the basic exemption of Rs. 15 Lacs.

**B TAX BENEFITS AVAILABLE TO THE MEMBERS**

**B.1 UNDER THE INCOME TAX ACT, 1961 (THE ACT)**

**TO RESIDENT MEMBERS:**

1. Under Section 10 (34) of the Act, dividend income referred to in Section 115 – O is exempt from tax.

2. Under Section 10 (38) of the Act, income arising from transfer of long-term capital asset, being an equity share is exempt from tax, if the transaction of such sale has been entered into on or after the date on which Chapter VII of the Finance (No. 2) Act, 2004 being Securities Transaction Tax (STT) has come into force i.e. on or after October 1, 2004 and such transaction is chargeable to STT under that Chapter.

3. Under Section 111A of the Act, the short term capital gain on transfer of equity share of a Company shall be chargeable to tax @10% (plus applicable surcharge and education cess), if the transaction of such sale has been entered into on or after the date on which chapter VII of the Finance (No. 2) Act, 2004 being Securities Transaction Tax (STT) has come into force i.e. on or after October 1, 2004 and such transaction is chargeable to STT under that Chapter. Deduction under Chapter VI-A of the Act is not available on such income.

4. Under Section 112 and other relevant provisions of the Act, the long term capital gains arising on transfer of long term capital assets shall be taxed at the rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to Section 48 of the Act. However, in case of listed securities, the long term capital gain (not covered under Section 10 (36) & 10 (38) of the Act) can be taxed at 10% (plus applicable surcharge and education cess) without indexation, at the option of shareholder. Deduction under Chapter VI-A of the Act is not available on such income.

5. In accordance with Section 54EC of the Act and subject to the conditions specified therein, long term capital gains arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of six months after the date of such transfer in specified bonds mentioned under the Section. The amount so exempt from tax shall, however, will be chargeable to tax subsequently, if the new asset is transferred or converted into money within three years from the date of their acquisition.

6. In accordance with Section 54ED of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of the shares in the Company shall be exempt from tax if the capital gains are invested within a period of six months from the date of such transfer, in the acquisition of specified Equity Shares mentioned under the Section. The amount so exempt from tax shall, however, be chargeable to tax subsequently, if the new asset is transferred or converted into money within one year from the date of their acquisition.

7. In accordance with Section 54F of the Act and subject to the conditions therein, long term capital gains arising on transfer of shares in the Company held by an individual or HUF shall be exempt from tax if the net sale consideration is utilized within a period of one year before or two years after the date of transfer for purchase of a new residential house, or for construction of a residential house within a period of three years from the date of transfer.

**TO NON-RESIDENTS MEMBERS:**

1. Under Section 10 (34) of the Act, dividend income referred to in Section 115 – O of the Act is exempt from tax in the hands of the shareholders.

2. Under Section 10 (38) of the Act, income arising from transfer of long-term capital asset, being an equity share is exempt from tax, if the transaction of such sale has been entered into on or after the date on which Chapter VII of the Finance (No. 2) Act, 2004 being Securities Transaction Tax (STT) has come into force i.e. on or after October 1, 2004 and such transaction is chargeable to STT under that Chapter.

3. Under the first proviso to Section 48 of the Act, in case of a non-resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuation in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. However, the capital gain will be taxed as per the provision of Section 111A or 112 of the Act as applicable.

4. Under Section 111A of the Act, the short term capital gain on transfer of equity share of a Company shall be chargeable to tax @10% (plus applicable surcharge and education cess), if the transaction of such sale has been entered into on or after the date on which chapter VII of the Finance (No. 2) Act, 2004 being Securities Transaction Tax (STT) has come into force i.e. on or after October 1, 2004 and such transaction is chargeable to STT under that Chapter. Deduction under Chapter VI-A of the Act is not available on such income.

5. Under Section 112 and other relevant provisions of the Act, the long term capital gains arising on transfer of long term capital assets shall be taxed at the rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to Section 48 of the Act. Indexation is not available if investment made in foreign currency as per first proviso to Section 48 of the Act. However, in case of listed securities, the long term capital gain (not covered under Section 10(36) & 10(38) of the Act) can be taxed at 10% (plus applicable surcharge and education cess) without indexation, at the option of shareholder. Deduction under Chapter VI-A of the Act is not available on such income.

6. As per the provisions of Section 115A of the Act, in the case of a non resident or a foreign Company, the tax payable on dividends other than dividends referred to in Section 115-O of the Act shall be 20% (plus applicable surcharge and education cess) of such income. It shall not be necessary for such assessee to furnish the Return of Income if their only source of income is investment income and tax has been deducted at source from such income under the provisions of chapter XVII B of the Act.

7. In accordance with Section 54EC of the Act and subject to the conditions specified therein, long term capital gains arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of six months after the date of such transfer in specified bonds mentioned under the Section. The amount so exempt from tax shall,

however, will be chargeable to tax subsequently, if the new asset is transferred or converted into money within three years from the date of their acquisition.

8. In accordance with Section 54ED of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of the shares in the Company shall be exempt from tax if the capital gains are invested within a period of six months from the date of such transfer, in the acquisition of specified Equity Shares mentioned under the Section. The amount so exempt from tax shall, however, will be chargeable to tax subsequently, if the new asset is transferred or converted into money within one year from the date of their acquisition.

9. In accordance with Section 54F of the Act and subject to the conditions therein, long term capital gains arising on transfer of shares in the Company held by an individual or HUF shall be exempt from tax if the net sale consideration is utilized within a period of one year before or two years after the date of transfer for purchase of a new residential house, or for construction of a residential house within a period of three years from the date of transfer.

10. **SPECIAL PROVISIONS FOR NON-RESIDENT INDIAN MEMBERS:**

10.1 A Non-Resident Indian (i.e. individual being a citizen of India or person of Indian origin) has the option to be governed by the special provisions of chapter XII-A of the Act, according to which:

10.2 Under Section 115E of the Act, where shares in a Company are subscribed for in convertible foreign exchange by a non-resident Indian then income from long term capital gains (not covered under Section 10 (36) & 10 (38) of the Act) on transfer of shares shall be charged to tax @10% (plus applicable surcharge and education cess) without indexation as per first proviso to Section 48 of the Act.

10.3 Under Section 115F of the Act, the long term capital gains arising from the transfer of shares of a Company, where these were acquired in convertible foreign exchange, shall be exempt from tax provided that the net consideration is invested in any specified asset (including share in the Company) within six months after the date of transfer of the asset. The amount so exempt from tax shall, however, will be chargeable to tax subsequently, if the new asset is transferred or converted into money within three years from the date of their acquisition.

10.4 Under Section 115G of the Act, a non-resident Indian is not required to file a Return of Income under Section 139(1) of the Act, if his total income consists only of income from investments or long term capital gains earned on transfer of such investments or both and tax has been deducted at source from such income under the provisions of chapter XVII B of the Act

10.5 Under Section 115I of the Act, a non-resident Indian has the option of not being governed by the special provisions of chapter XII-A for any assessment year by furnishing his return of income under Section 139 of the Act declaring therein that the provision of this chapter shall not apply to him for that assessment year.

**TO FOREIGN INSTITUTIONAL INVESTORS:**

Under Section 115AD of the Act Foreign Institutional Investors (FIIs) will be charged to tax as under:

1. On income (other than income by way of dividend referred to in Section 115-O of the Act) from shares in the Company shall be taxable @20% (plus applicable surcharge and education cess)
2. On long term capital gains (not covered under Section 10(38) of the Act) arising from transfer of shares in the Company shall be taxable @10% (plus applicable surcharge and education cess)
3. On short term capital gains arising from the transfer of shares in the Company shall be taxable @30% (plus applicable surcharge and education cess). However, if such transfer is covered by Section 111A of the Act, tax shall be payable @10% (plus applicable surcharge and education cess).

**TO VENTURE CAPITAL COMPANIES/FUNDS:**

In terms of Section 10(23FB) of the Act, 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 income from sale of shares of the Company.

### B.2 UNDER THE WEALTH TAX ACT, 1957

1. Shares of the Company are not covered under the definition of 'Assets' under Section 2(ea) of the Wealth Tax Act, 1957 and accordingly are not liable to wealth tax.

**Notes**

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2005 and will be available only to the sole/first named holder in case the shares are held by joint holders.
2. In respect of non-resident, the tax rate and the consequent taxation mentioned above shall be further subject to any benefits available under the double taxation avoidance agreement, if any, between India and the country in which the non-resident has fiscal domicile.
3. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

## IX. ABOUT ISSUER COMPANY

### INDUSTRY OVERVIEW

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries and has not been prepared or independently verified by the Issuer or the Lead Manager.

### INDUSTRIAL SCENARIO :

Regulatory events and effect of macro-economic policies As per the Union Budget proposal for the F.Y. 2004-05

1. The Excise duty is increased from 8% to 12%
2. Government of India has announced its intentions to invest about Rs.60,000/- Crores in various infrastructure projects like roads, projects, etc.

### INDUSTRY OUTLOOK:

- For the first time in 20 years, there is demand growth all over the world for steel. Global steel demand is rising on the back of accelerated infrastructure activity in China, CIS and India, housing boom in USA and white goods resurgence in Europe

- In India, China and other Asian countries the demand is led by emphatic investment activities in infrastructure.

- Iraq reconstruction work is expected to fuel further demand for steel over the next three years. China is consuming steel like never before for its infrastructure with investments such as Three Georges projects on Yangtze as well as part of its build up to the Beijing Olympics in 2008 and the Shanghai Expo in 2010.

- The demand supply gap is expected to increase and this will drive steel price northwards, even as the global steel industry is not prepared for this demand onslaught.

- The cost rationalization & the improved price realizations have helped steel manufacturers cope with increased raw material cost & still post good growth in profits in the last year.

- The strength that the domestic steel industry gained in the last 3 years was again put to test earlier last year, when steel prices fell, though only to recover later.

### INDIAN STEEL MARKET

- In the domestic arena the growth potential of the industry lies in the fact that not only the color-coated sheets are in demand, there is significant demand for the C R Coils and Galvanized Sheets as well. CCL can be used as a substitute for CGL. With growing consciousness about quality in India there would be a shift in demand from Galvanized Coils to Color Coated Coils and hence there is huge potential for CCL. There is also the thrust laid on infrastructure facilities in India, one of them being construction industry.
- Now it is being forecast by analysts that the Indian steel sector will continue to witness growth in at lest next few years backed by domestic drivers such as infrastructure & automobile demand along with close co-relation with the rising global trend.

### I. C.R.SHEETS / COILS DOMESTIC MARKET :

- The demand for CR steel and electrical sheets is posed to grow at an accelerated rate with the economic development and rise in the income levels. The demand for CR coils/ sheets is estimated to grow from the current level of four Million tones to over seven Million tones by the end of tenth Five-Year Plan based on the demand from the downstream industries.

- The compact cold rolling mill technology with 4 hi and 6 hi stands adopted by the Indian and the global CR industry, embraces the advantages of both lower investment and production costs, vis-à-vis the convention tandem mills.

- Cold rolling industry in India comprises broadly of two segments : Integrated Producers and Secondary Producers, utilizing hot rolled coils from the domestic and foreign sources for the production of cold rolled products.

**II. GALVANIZED SHEETS / COILS-DOMESTIC MARKET :**

- Factors affecting the demand of galvanized sheet are given below:

| SEGMENT | FACTORS FAVOURING DEMAND |
|---|---|
| Roofing, Paneling, Fencing & Shutters | Prospects of higher growth in the housing sector, especially rural housing. |
| Trunks, drums, tubs, cans, containers, Buckets & tanks | High growth in storage equipment, due to development in rural economics and increased transport of industrial goods. |
| Agricultural Implements | Increased in mechanized farming. |
| Furniture | Increase in per capital income. |
| Automobile Appliance Sector | New Joint Ventures. |

- There is very good potential in the domestic market for a high value Precoated Galvanized Product in the OEM Segment and Building Industry Segment. The current domestic production of coated steel is 21 Lacs tons. The bulk of the production is in galvanized form. The growth expected in the industry is 10% - 12% and it is expected that by the year 2007-08, the production may grow upto 30 Lacs tons.

- A summary of segment wise the projected demand & supply position is given below:-

**III. COLOR COATED SHEETS/ COILS – DOMESTIC MARKET:**

- Industry Capacity: The domestic market for Color Coated Sheets comprises of

| | | **2005-06 Projected (MT)** | **2006-07 Projected (MT)** | **2007N08 Projected (MT)** |
|---|---|---|---|---|
| | Total Domestic Production | 2753000 | 2923000 | 3069000 |
| | GP- Export | 1404000 | 1498000 | 1523000 |
| | GP-Domestic Sale | 1149000 | 1225000 | 1246000 |
| 1 | Roofing | 1287000 | 1447000 | 1604000 |
| 2 | Containers | 3468000 | 526000 | 583000 |
| 3 | Furniture | 117000 | 132000 | 146000 |
| 4 | Implements | 117000 | 132000 | 146000 |
| 5 | Automobiles | 117000 | 132000 | 146000 |
| 6 | Appliances | 234000 | 263000 | 292000 |
| | **Total** | 5340000 | 2632000 | 2917000 |
| | **Gap** | 4191000 | 1407000 | 1671000 |

- ✓ OEM Sector 30000 MT per year
- ✓ Roofing Sector 40000 MT per year
- ✓ Others 5000 MT per year

**GLOBAL MARKET**

- The exports market has improved considerably in view of the worldwide surge in the steel industry and the significant demand for the same from China as well as other countries. Quality Consciousness has been increasing among European countires, China, & Middle East countries and hence a shift in demand from CGL to CCL is expected. This is expected to generate substantial business volume

- Global Steel Industry is witnessing an upward trend in consumption as well as pricing. Demand in Steel is also driven by a rise in investments in infrastructure and growing demand from the construction and automobile segments.

- As per CRISINFAC, the medium demand forecast for various steel product is as under:-

  GP/GC Sheets : 6.90%
  CR Flats : 11.00%
  HR Coils : 7.00%
  HR Flats : 7.00%
  Long Products : 7.50%
  Finished Steel : 7.20%

**I. CR SHEETS / COILS-EXPORT MARKET :**

- Increasing global demand for thinner gauge CR steel strips, particularly in Africa, China, and South East Asia has helped in developing a long-term export market.

- Globally, steel consumption trends have all along been positive. The newer markets are emerging everywhere with fresh opportunities for the industry. Under the changing scenario, the CR/GP steel costs manufacturer in India will have demand not only in India but also in the world.

- Besides, meeting the domestic requirements, CR industry is also the main exporter of CR Coils/sheets, galvanized sheets, color coated and electrical sheets to a large number of countries. The total export of CR and Galvanized Sheets by the Indian industry is poised to touch one Million ton mark in the current year.

**II. GALVANIZED SHEETS / COILS-EXPORT MARKET:**

- The fact that Indian producers are one of the few producers that produce thinner (<0.4mm) gauge galvanized steel products, helped Indian Steel producers to significantly step up exports to the US.

- China/ US taken together can take full capacity of Indian Steel products production considering the following scenario at China.

  GI/GPGI Demand - 20 Million Tons
  Supply Domestic - 8 Million Tons
  Supply Import - 12 Million Tons

  Scenario after 3-4 years in China:

  Overall Demand - 20 Million Tons
  Domestic Supply - 8 Million Tons
  Capacity Addition - 8 Million Tons
  Gap - 4 Million Tons

This is considering no increase in demand. However, demand growth will be 10% p.a. certainly which means actual demand will be 25 Million tons plus and thus the gap will wider to 9 Million tons. As India has developed as a prospective supplier the total availability.

## III. COLOR COATED SHEETS / COILS-EXPORT MARKET:

- The total annual demand for Color Coated Sheets in Europe exceed 1.2 Million MT.
- Some of the neighboring countries in the Middle East and Indian Sub-continent have no domestic manufacturing capacities and the segment is therefore open for full exploitation.
- The total annual requirements of exisiting 7 large overseas customer is above 3,44,000 MT per month.
- The Demand of the coated steel is increasing since the last 5 years & it will grow further as per the Euorpean Coil Coating Association (ECCA) The coated steel consumption is follows:-

**COATED STEEL : WORLD SATISTICS**

| Sr.No. | Application | Total in '000 Tons | % |
|---|---|---|---|
| 1. | Building | 8822 | 62.50 |
| 2. | Transport | 713 | 5.10 |
| 3. | Appliance | 1611 | 11.40 |
| 4. | Furniture | 206 | 1.50 |
| 5. | Packaging | 43 | 0.30 |
| 6. | Miscellaneous | 458 | 3.20 |
| 7. | Sotckiest | 541 | 3.80 |
| 8. | Exports | 1726 | 13.20 |
| | **Total** | **14120** | **100.00** |

The advance countries, including Europe and America are consuming coated sheets in very large quantities. A total consumption of coated sheets is 14 million tons and it is fast increasing. The western world is presently importing nearly 4 million tons of coated sheets from India, Japan, and Korea, etc.

**WORLD STEEL DEMAND**

The International Iron and Steel Institute (IISI) forecasts that the total use of finished steels products in 2005 will exceed 1 billion metric tones (mmt) compared to 2004.

In 2006, IISI forecasts the use of finished steel products will grow by 4.8% and reach 1.05 billion metric tones. A recovery in the world's economic activity will guarantee growth in steel demand in a wider range of countries. In addition to continuing growth of 9.2% in China, the forecast is for growth rates of 6.4% in India.

During 2005/2006, the broad pattern of small but positive real growth in steel demand will continue in the industrialized countries. This will be combined with faster rates of growth in developing countries.

**Apparent Steel Demand 2004-2006 (in mmt)**

| | 2004 | 2005 | 2006 | 2004-05 | 2005-06 |
|---|---|---|---|---|---|
| World | 967.9 | 1004 | 1052.5 | 3.705 | 4.80% |
| EU-15 | 145.7 | 147.3 | 149.4 | 1.10% | 1.40% |
| Germany | 35.9 | 35.6 | 36.5 | 0.80% | 2.70% |
| Other Europe | 26.1 | 27.3 | 28.8 | 4.70% | 5.60% |
| CIS | 52.0 | 50.6 | 52.5 | -2.80% | 3.80% |
| USA | 115.9 | 111.9 | 113.7 | -3.50% | 1.60% |
| Central & South America | 33.3 | 36.2 | 33.9 | 8.60% | 7.60% |
| Africa | 18.7 | 19.6 | 20.6 | 4.20% | 5.10% |
| Middle East | 27.6 | 29.1 | 30.9 | 5.40% | 6.20% |
| Asia-Pacific | 465.2 | 527.6 | 561.5 | 6.50% | 6.40% |
| China | 285.0 | 293.0 | 320.0 | 10.60% | 9.20% |
| India | 32.3 | 34.3 | 38.5 | 6.20% | 6.40% |
| Japan | 76.9 | 78.5 | 78.5 | 2.10% | - |
| South Korea | 47.2 | 47.0 | 49.3 | -0.40% | 4.90% |
| Rest of Asia | 73.8 | 74.8 | 77.2 | 1.40% | 3.20% |

## BUSINESS OVERVIEW

The year 2004-2005 has witnessed a phenomenal growth in all steel products world wide. While the demand for construction industry has shot up, the demand for flat steel products specifically have gone up very appreciably, both in terms of price increase of the products as well as the volume.

The price increase, especially for the hot rolled coils have been quite steep. Since input of the Cold Rolling Mill Complex centers around the availability and price of the input hot rolled coils, the Company had to bring in its best efforts in sourcing of this commodity from several domestic producers by way of long term contracts and resort to import of Hot Rolled Coils of right quality selectively from global sources. The Company has been successful in its efforts in these areas. The auto industry in the export section have registered a phenomenal growth and demand for Cold Rolled & Galvanized Steel in these markets have bounced with an increased trend over the past year.

The European market has now expanded with the induction of new countries in its ambit and with the import regulations covered under the EU Policy; the exports in these new regions have opened up new arenas for exports for the Cold Rolled, Galvanized and Colour Coated products. The North American markets have now become more flexible in its imports and Company's efforts are focused in this direction for exports to these countries.

In the Private sector, the year 2004-05 has witnessed more capacity creation for Colour Coated products, which have commenced reasonably successful production to cater to the domestic front as well as exports. It is very necessary at this point to emphasize the actions taken by the Company.

The Company has the unique distinction of being a **"Leader"** in Colour Coating Market, both domestic and exports, the Company has taken long strides in maintaining its leadership by way of embarking on a major expansion in the Cold Rolling and Colour Coated products during this year.

The Company's CRM production with its expansion facilities places its production increase of CRm capacity from the existing 220,000 TPA to over 540,000 TPA. This increase in cold rolling capacity has been achieved by the installation of the high speed 4-High Cold Rolling Mill with the most modern features of Flatness Control System and Level-2 Automation to produce finish Cold Rolled coils at finish speed of 1400 MPM with a capacity output of 350,000 TPA.

The Company has successfully installed its highest speed Galvanizing Line of the state of the art technology to produce over 300,000 TPA of Continuous, Hot-Dip, Galvanized products with the most up to date gadgets to produce all varieties of Galvanized products to cater to the needs of the North American markets.

Added to this, the Colour Coated products capacity of the present level of 90,000 TPA is being modernized for a production of 120,000 TPA by installation of the world's first near Infra-Red curing technique based second Colour Coating Line (CCL-2) with all its supporting auxiliaries of Solvent Recovery system of the highest technology to produce over 300,000 TPA will bring Company, the largest producer of Colour Coated Sheets in the Asian Region.

Besides the installation of three major facilities of the new CRM, the all vertical - Non-ox – in line continuous annealed Hot Dip Galvanizing Line (CGL-2) and the Near Infra-Red Colour Coating Line (CCL-2), the Company took steps to augment the various supporting facilities such as installation of Propane Storage System for fuel, Water Treatment and Softening Plant, new Cooling Towers, full-scale PSA Ammonia / Hydrogen plant etc.

It is very worthwhile to mention that for the most optimum operation of the Hydrochloric Acid Pickling Line, the Company has become the first to install in this region, a full scale Hydrochloric Acid Regeneration Plant of the most modern technology to provide total recovery of used acid with least HCL PPM escape and the purest iron oxide (byproduct) recovery unit for quality export of high value iron oxide. With the commissioning of these plants, Company will become the **"Leader"** in Colour Coated markets in the Asian Region as well as the biggest CRM Complex producer for colour coated products.

The Company has taken strides in collaboration with global partners to maintain its technological excellence of international competitors. The first step the Company has taken is to sign with **M/s. ThyssenKrupp Consulting Services (TKS-CS)** – Europe's second largest steel producer of coated products of world wide repute for the overall quality control improvements for the entire CRM Complex units starting from the input raw material as well as production of diversified coated products. The Company has taken steps in introduction of the **METALUME product** (Zinc-Alum coated product) to produce in a big scale. This product, currently being imported in this country and having world-wide demand, will place Company's capability in this area of being the **"FIRST"** major producer of Metalume products for domestic and world-wide export markets from the first quarter of next year.

In keeping with the continued and improved performances, the Company has made record sales (Rs. 790 Crores) in the F.Y.2004-05 over the previous year F.Y.2003-04 (Rs. 521 Crores). Thus, with the expansion facilities, the Company is poised for a phenomenal growth in terms of turn over as well as production in the coming year.

## DETAILS OF THE BUSINESS OF THE COMPANY

### Location of the project

SPSL plant is built on a land size of 250000 Sq.Mtrs. at Sanaswadi, which is 32 Km. from Pune, the second largest city in Maharashtra. The plant is well connected by road, rail and air. The plant of the company is within the radius of 160 Km. of two major ports namely Mumbai Port trust, & JNPT.

### Present Capacities and utilization thereof for the year 2004-05

| | Present capacity (MT) | Actual Capacity (MT) |
|---|---|---|
| CCL | 90,000 | 82,375 |
| CGL | 1,50,000 | 1,39,938 |
| CRM | 2,20,000 | 1,98,191 |

### Plant & Machinery

The Company has a well equipped Steel plant. The plant is technologically upgraded from time to time by adding balancing equipments. New technology and process available is adopted and implemented. The Company has set-up a plant to manufacture Colour Coated Galvanized/Aluminium Sheets & Coils, Galvanized Sheets & Coils, Cold Rolled Sheets & Coils with the installed capacity of 90000 MT, 150,000 MT & 2,20,000 MT respectively.

Balancing equipments to be purchased out of the issue proceeds will be installed and located in the existing factory premises.

### Manufacturing Process

The Company has Colour coated coils, sheets and Protiles as its Flag ship product.

The manufacturing cycle is as follows:-

Hot rolled coils from domestic & international integrated steel producers are obtained to the nearest width of the finished product.

1) The Hot Rolled Coils are trimmed to the correct width in a stand alone HR side Trimming line. Alternatively, the coil can be side trimmed in the following pickling line or after cold rolling in independent high speed side trimming lines.

2) a) The side trimmed coils are pickled in a push pickling line with Hydrochloric Acid, rinsed and dried to remove the scales to provide a clean hot rolled coil surface to cold rolling mills. The pickling line is designed to pickle 510,000 tonnes of HR Coils per year.

   b) The Pickling line waste acid is regenerated in the acid recovery plant to totally regenerate waste the acid and used in the line. No fresh acid is needed. Besides 4000 tonnes of high purity Export quality iron oxide are produced per year.

3) The picked coils are colled rolled to the final size in 3 Nos. Reversing Cold rolling mills – CRM –1, CRM-2, CRM-3, together having a capacity to cold roll over 600,000 tonnes / year. In the present phase of the project the mills are loaded for cold rolling as follows:

   a) CRM-1 : 130,000 Tonnes/ Year (750 m/ minute speed)
   b) CRM –2 : 120,000 Tonnes / Year (1000 m/ minute speed)

c) CRM – 3 : 260,000 Tonnes / Year (360,000 Tonnes/ Year Capacity)
1400 meters/ minute

The CRM-3 of 1400 m/ minute finishing speed is equipped with Automatic flatness of Control System besides level –II automation, and laser speed controlled Mass Flow AGC System.

Coils are cold rolled in to 4 to 5 passes.

4) Cold Rolled coils are side trimmed if required in 3 side trimming lines to correct width.
   a) Side Trimming Line No. 1 : 400 meters/ minute
   b) Side Trimming Line No.2 & 3 : 600 meters/ minute.

5) The side trimmed coils are fed through two galvanizing lines with non-ox and annealing furnace with air-knife coating control and inline Tension leveling and 4 high skin pass mill and passivation system to produce hot dip galvanized coils in strip thickness range of 0.15mm to 1.6mm thick and 700 mm to 1300 wide in coating weights of 100 gms / M2 to 375 gms/ M2 both sides.
   a) Galvanizing Line No.1 : 120 m/ minute process speed
      150,000 / year of galvanized coils
      Galvanizing Line No.2 : 180 meters/ minute process speed
      300,000 tonnes / year galvanized coils

   b) The cold rolled strip is cleaned for roll coolant carry over by plasma and ultrasonic cleaning and dried. The dried strip then enters the furnace through a preheat tunnel utilizing waste heat recovery upto 250 deg C strip temperature. The strip is heated and cleaned in a non-oxidizing direct fired heating section to 680 deg C and enters into radiant tube-section soaking section for softening upto 730 deg C to 750 deg C. The softened strip is jet cooled to 460 deg C and enters the zinc bath. The coating is controlled by air knives and measured by coating gauges.

      The coated strip is further cooled to 40 deg C and enters into skinpassing and tension leveling section. The levelled strip is passivated by chromic acid and infra red dried and coiled.
   c) The galvanized coil with its substrate textured by skin passing and tension leveling becomes the feed stock for the colour coating line No.1 existing and the new colour coating line No.2 which will go into operation by July/ August this year 2005.

6) **Colour Coating**
   a) The existing colour coating line is of Cockerill-Steinhurtey design and technology and installed and commissioned in 1991 for ultimate production of 12,000 tonnes / year (under modernization)
   b) The galvanized skinpassed and tension leveled strip is processed through this line.
   c) Strip is subjected to multistage alkali chemical cleaning and rinsing.
   d) The chemically cleaned strip is subjected to no rinse conversion caotind and dried. The conversion coated strip is prime coated at top surface and bottom flash coat in a S-Type prime coater by Reverse Roll Coating technique. The strip with the wet paint coated surface travels in the form of a catenary throught the primer oven with flash off and forced convection heating and dried to 230 deg C through its travel time of 22 to 24 seconds. The primer coated strip is water quenched and dried to 40 deg C and is finish coated by a S- type finish coated with top coat polyester paint and again cured in a finish catenary oven and water quenched and dried.
      The finish colour coated sheet optionally can be applied with protective guard film and coiled.
   e) Colour coated lines can be finished in a profiling lines or colour slit lines or cut to length sheets as per customer's choice. The existing colour coating lines will produce 120,000 Tonnes / year when speeded upto 120 m/ minute (by 1$^{st}$ quarter 2006) from the present level of 90,000 tonnes/ year at 64m/ minute process speed.

7) The manufacturing process of second colour coating line (CCL-2) with a production capacity to 300,000 Tonnes / year and to be commissioned by July/ August 2005 will be the first of its kind in the World in the aspect of paint curing and solvent treatment system (of the solvent evaporating from paint) with very high operating economies.
   While the process steps are similar to colour coating line No.1, the following are the additional features:
   I. Highest speed colour coating line of 180m/ minute.
   II. Strip Alkali cleaning is by plasma/ ultrasonic with brush cleaning.

III. The conversion coating is by vertical chemical coater with infra red drive (which dries only the coating in 1.0 second without heating the strip)

IV. ONE (1) S-type primer coater on sliding bearing and load cells with reverse roll coating technique.

V. There will be three finish coated i.e. T-type coater completely computerized with 2 finish coating heads and a finish coated giving the capability to change colour without stopping the line.

VI. The NIR curing oven is high powered employing near infra red radiation (derived from space vehicle reentry heating) to cure paint in 1.5 to 3.0 seconds for industrial curing finishes. The prime and finish ovens of NIR have the following glaring advantages on operating economies.

- Drying time in 1.5 to 3.0 seconds against 22-24 seconds with conventional ovens.
- Oven temperature for operation is 250 deg C against 420 deg C with conventional ovens.
- No rotating parts eliminating 1 MW power circulating fans oven burners conventionally.
- Oven length 7 to 8 meters against over 70 meters with conventional oven.
- Can be started and stopped in a fraction of a second as against 1 ½ to 4 hours to restart with conventional ovens.
- Building structures and service utilities considerably reduced.
- Availability of line increased fro 6500 to 7000 hours annually.

8) The solvent recovery system of Eisenmann Germany operates on zero fuel consumption with every attractive economies.

**Collaboration**

The Company entered into collaboration agreement with M/s ThyssenKrupp Consulting Services (TKS-CS), Europe's second largest steel producer of coated products of world wide repute for the overall quality control improvements for the entire CRM Complex units starting from the input raw material as well as production of diversified coated products.

The Company has signed an agreement with TKS-CS on 18/02/2005 for a period of 5 years for a technical know-how ushering in the modern concepts of quality for Cold Rolled and Coating operations of Shree Precoated Steels in all its activities from the raw material to the finished product.

The Collaboration agreement covers the production of Metalume and Metafan Coated Products which will be produced by SPSL beginning from the 1st quarter of 2006 in its existing plant facilities.

TKS-CS, a business sector of ThyssenKrupp Stahl, was formed in 1969 with the aim of making the technological know-how gained in the field of steel making available to customer throughout the world. The Company is one of the largest suppliers of flat steel in the world, with a liquid steel production of around 15 million tones per year with a turnover of around 20 billion Euro annually. THS-CS has successfully completed more than 700 projects worldwide in the course of almost 30 years.

**Infrastructure Facilities**

**1. Raw materials**

The major raw materials required by the Company are HR Coils, GP Coils, Aluminium, Zinc, Paints & Chemicals and Galvalume Coils. The consumption of these materials by the Company during the year 2004-05 is as follows:

| Raw Material | Unit | Quantity | Value (Rs.in Lacs) |
|---|---|---|---|
| HR Coils | MT | 203484 | 51591.32 |
| GP Coils | MT | 985 | 314.49 |
| Aluminium | MT | 316 | 364.45 |
| Zinc | MT | 7179 | 3967.03 |
| Paints & Chemicals | Ltrs. | 2346347 | 3441.46 |
| Galvalume Coils | MT | 942 | 413.05 |

The Company is procuring these raw materials from domestic as well as from international market. The Company has imported raw materials costing Rs.40,490.05 Lacs during the year 2004-05. The Company is constantly endeavoring to procure raw materials at the lowest prices using its experience, relationships with the suppliers and economies of scale enjoyed.

## 2. *Utilities*

**Water:** The Company has yearly sanction quota of 0.02 Mcm. of non-irrigation water use from Govt. of Maharashtra, Water Resources Department, Pune Irrigation Division, Pune.

**Power:** The requirement of electric power and annual energy consumption for the plant operation including the current operations as well as for the proposed expansion facilities is estimated as follows:

| | | For proposed facilities | Total |
|---|---|---|---|
| 30 minute maximum demand | : | 16.5 MVA | 25 MVA |
| Annual energy consumption | : | 115 mill kWh | 175 mill kWh |

The Company had received sanction of 65809 KW from MSEB vide their letter no.SE/PRC/T/HT/2002/7789 dt. 22/12/2004 for its existing plant.

**Environmetal:** The Company has Establishing a most modern Hydrochloric Acid Regeneration Plant, designed for ZERO discharge of HCL and associated solid emission exceeding the expectations of Statutory Regulations and Special Regenerative Thermal Oxidization System for total solvent recovery of the colour coating ovens with discharges of carbon and Nox emissions well below the Euro Norms of Statutory Regulations. The company has also installed Special Effluent Treatment Plant for the new and existing colour coating facilities for the total liquid disposal of the effluents with ZERO discharge from the plant boundary.

The Company has obtained consent no. BO/ROP/PUNE-127/R/CC/428 dated 02/08/2001 under Air Pollution Act, Water Pollution Act from Maharashtra Pollution Control Board (MPCB) for its existing plant. The consent is valid till 30/09/2005. The Company was also obtained consent no. BO/Pune-148/CE/CC-361 dated 02/06/2004 from MPCB for its expansion project for manufacturing of 42000 MT/M Colour Coated Sheets. The said consent is valid till commissioning of the said unit.

## 3. *Manpower*

The Company has signed a Wage Agreement with the recognized Union for the next four (4) years based on the above. This will secure industrial peace for the Company's production plans and objectives.

Present manpower deployed in of the Company is as follows:

| Department | PRESIDENT / DIR / VP / GM / DGM / AGM | Sr.Mgr / Mgr. | Dy.Mgr / Asst. Mgr. | Sr.Off / Off / Engrs / Jr. Off./ Trainee | Workmen / Bargainable | Total |
|---|---|---|---|---|---|---|
| CCL - Prodn. | 2 | 4 | 2 | 15 | 68 | **91** |
| CCL - Mech.Maint. | 1 | 0 | 3 | 4 | 24 | **32** |
| CCL - Elect. | 0 | 1 | 4 | 4 | 7 | **16** |
| CGL - Prodn. | 0 | 1 | 6 | 12 | 38 | **57** |
| CGL - Mech. Maint | 0 | 2 | 5 | 15 | 20 | **42** |
| CGL - Elect. | 2 | 3 | 1 | 8 | 9 | **23** |
| CRM - Prodn. | 1 | 3 | 4 | 44 | 0 | **52** |
| CRM - Mech. Maint. | 1 | 1 | 1 | 41 | 0 | **44** |
| CRM - Elect. | 1 | 1 | 2 | 21 | 0 | **25** |
| Planing | 2 | 0 | 1 | 8 | 4 | **15** |
| Project | 3 | 5 | 3 | 24 | 0 | **35** |
| Project - I | 0 | 0 | 0 | 6 | 0 | **6** |
| CIVIL | 0 | 1 | 0 | 4 | 0 | **5** |
| CCL - QA | 0 | 0 | 5 | 11 | 0 | **16** |
| CGL - QA | 0 | 0 | 2 | 8 | 1 | **11** |
| CRM - QA | 0 | 0 | 1 | 2 | 0 | **3** |
| Systems | 0 | 0 | 1 | 0 | 0 | **1** |
| Commercial | 2 | 2 | 4 | 14 | 5 | **27** |
| Materials | 0 | 2 | 3 | 7 | 0 | **12** |
| Stores | 0 | 0 | 0 | 9 | 7 | **16** |

| Department | PRESIDENT / DIR / VP / GM / DGM / AGM | Sr.Mgr / Mgr. | Dy.Mgr / Asst. Mgr. | Sr.Off / Off / Engrs / Jr. Off./ Trainee | Workmen / Bargainable | Total |
|---|---|---|---|---|---|---|
| Despatch | 0 | 1 | 2 | 16 | 10 | **29** |
| Accounts | 2 | 2 | 6 | 11 | 0 | **21** |
| EDP | 0 | 1 | 1 | 3 | 0 | **5** |
| President Office / CE Office | 1 | 0 | 0 | 3 | 0 | **4** |
| Director Office | 3 | 1 | 0 | 1 | 0 | **5** |
| Pers & HRD | 2 | 1 | 0 | 4 | 0 | **7** |
| Administration | 1 | 1 | 2 | 8 | 14 | **26** |
| Security | 0 | 0 | 0 | 1 | 13 | **14** |
| Transport | 0 | 0 | 2 | 2 | 17 | **21** |
| Marketing | 1 | 3 | 1 | 5 | 0 | **10** |
| Export | 1 | 2 | 1 | 2 | 0 | **6** |
| Ahmedabad Branch | 0 | 0 | 1 | 2 | 0 | **3** |
| Banglore Branch | 0 | 1 | 0 | 0 | 0 | **1** |
| Delhi Branch | 0 | 1 | 1 | 0 | 0 | **2** |
| Kolkatta Branch | 0 | 0 | 1 | 0 | 0 | **1** |
| Hyderabad Branch | 0 | 0 | 1 | 0 | 0 | **1** |
| Production CGL - 02 | 0 | 0 | 3 | 22 | 0 | **25** |
| Mech.Maint. CGL - 02 | 0 | 0 | 1 | 1 | 0 | **2** |
| Mech.Maint. CRM - 03 | 0 | 0 | 0 | 2 | 0 | **2** |
| Electrical CGL - 02 | 0 | 0 | 0 | 7 | 0 | **7** |
| Electrical CRM - 03 | 0 | 0 | 0 | 9 | 0 | **9** |
| Total Trainess | 0 | 0 | 0 | 41 | 0 | **41** |
| **Total Factory + Branch** | **26** | **40** | **71** | **397** | **237** | **771** |
| Mumbai Office | 2 | 0 | 2 | 6 | 0 | **10** |
| **Grand Total** | **28** | **40** | **73** | **403** | **237** | **781** |

**Property**

The Company has its registered office at ‘Citi Mall”, Link Road, Andheri (W), Mumbai – 400053. The manufacturing facilities are located at Gat No. 740, Sanaswadi, Pune Nagar, Road, Tehsil Sirur, Pune – 412208. Both these properties are owned by the Company.

**Purchase of Property**

The company is not proposing to purchase any property in the form of building or other structures from the proceeds of the present rights issue.

**Products**

**METACOLOR** galvanized Steel, Aluminium, Stainless Steel Sheets are treated with chemicals to enhance its paint adhesion and corrosion resistance. Epoxy and Polyster resins are then applied by reverse coating technique and baked in sophisticated Computer Controlled Oven. The result is a product which is highly resistance to corrosion & weathering and has excellent workability and durability.
***Outdoor Uses:*** Roofing & Cladding, Siding, Shutters, Store and Traffic Signage etc.
***Indoor uses:*** Air Conditioner, Housing Refrigerators, Washing Machines, Steel Furniture, Office machines, Distribution Boards, Switchbox panels, Doors, Wall etc.

**METAGALVA** Manufactured through SPSL's unique Non-Ox & Thermal Refining & Annealing process and uniformly hot dipped Zinc Coating, the Galvanized Steel Strips have superior corrosion resistance and excellent formability.
**Automobile Uses:** Bus bodies, Automobile heat Shields, Mufflers, Catalytic Converter Covers, Exhaust Pipes etc.
**Outdoor Uses:** Roofing, Cladding, Siding, Shutters, Store and Traffic Signage, Highway Guardrails, Conduit Pipes, Culverts etc.
**Indoor Uses:** Air Conditioner Housings, Refrigerators, Steel Furniture, Showcases, Switchbox panels, Doors, Wall panels, Partitions, Chimneys, Fireplaces, Stoves, heat Exchangers, Water heaters, Furnaces, Incinerators and Gas etc.

**METACOR** is cold rolled in a modern and highly advanced computerized Cold Rolling Mill where strip shape, dimensions and tolerances are closely and continuosly monitored to meet the demands of greater product diversity and consistent quality.
**Uses:** Automotive, Electronic appliances, Communication Equipments etc.

**Customers**

1. Domestic

- Whirlpool
- Lloyds
- Multicolor
- Keyston
- Sachi
- Aplicom
- Interarch
- Bhushan
- Ralson
- Tata BP Solar
- Color Roof
- Rajmohan Roofing
- Calvin

2. International

i) European Community

- Isopan (Italy)
- Catena Building
- Profilia metal
- Isomec
- Kalipinos
- Europerfil
- Batiroc
- SPO
- Isolpack
- Metecno
- Gurracio
- Mettalemporiki
- Security Aluminium
- Ferrodisa
- Comet
- SOGECO
- Breda Technologies
- Mattonadil
- Isobau Hellas
- Forflesa
- Bamesa
- Cisabec

ii) South East Region

- Zhejiang Metals
- Zhejiang Minerals
- Nankwang
- Zhejiang materials
- Ever-last
- Guangdong
- Zhejiang Metals and materials
- Nigbo Arts and Crafts

iii) North American

- Jemison Demsey
- Majestic Steel
- Baldwin
- Winner Steel
- Shefield

**Market**

The year 2004-05 has been very good for the Steel Industry in general and there was a steep rise in the price realization in the International markets. The demand for steel products also showed an upward trend particularly in European, US and South African markets. Due to the revival of the global economy and the resurgence in the domestic demand the steel prices in the domestic market also showed improvement.

The Company continued to export Colour Coated Steels, Galvanized Steels and Cold Rolled Steels (Products) and expanded its market base, which resulted in a robust growth of 56 % in the above products. The exports during the year 2004 – 05 in FOB value have been of Rs. 48,179 Lacs as against Rs. 30,821 Lacs for the previous year.

The domestic sales during the year 2004 – 05 was Rs. 20,806 Lacs as against Rs. 12,832 Lacs for the previous year 2003 – 04 showing a growth of 62 %. The Company is continuing its efforts to accelerate the growth in Domestic Market.

**Future Outlook:**

SPSL has put into place key capabilities that should, in the next few years, make the Company, a leader in the domestic steel market and a substantial player in the export market.

The Company aspires to become an “Economic Value Adding” and “Wealth Generating” Company. During the current year the Company is confident of maintaining the same growth rate as of the last year with the additional production capacity.

**Competitiveness :**

The Company has established globally its product quality and commercial competitiveness. This has been achieved with the continuing measures in employment of improved technology to match with the competitors’ as well as the satisfaction of its end users / customers. The Company has upgraded its plant and equipment to keep pace with the above.

The Company has embarked a radical change in sourcing the most updated technology in its sphere of activities covering the Cold Rolling, Galvanizing process and the Colour Coating process. The Company is expected to mantle itself and present to the industry the latest state of art in all its process.

With the Company’s expansion plans and with TKS-CS, know-how collaboration will result in production of high value added products with improved quality of international competence.

The Company has already taken measures for acquiring the skills needed to scale the demands of the growth in response to the business climate. It is needless to stress that the fortunes of the business lie on the success of achievements with OEM customers which it predominantly caters.

**Principal Competitors**

- Indian Seamless
- Jindal Saw
- Kalyani Steel
- MUSCO
- Mah. Seamless
- Mukand
- National steel
- PSL
- Ruchi Strips
- Surya Roshni
- Uttam Galva
- Welspun Guj.Stah

## X. HISTORY OF THE COMPANY

**BRIEF HISTORY**

SPSL was incorporated on 18/03/1985. SPSL is promoted by the Ajmera group, which is headed by Shri Chhotalal S. Ajmera as Chairman & Managing Director and Shri Rajnikant S. Ajmera, Managing Director of of the Company.

SPSL was originally incorporated as RVS Steels and Allied Industries Limited on 18/03/1985. Thereafter the name of the company was changed to Shree Precoated Steels Limited on 24/10/1985 and fresh certificate of incorporation consequent to change of name was obtained from the Registrar of Companies, Maharashtra, Mumbai.

SPSL commenced operations in the year 1991 as the first unit in the country to produce colour coated coils of international standards with an annual production of 50,000 tonnes.

Continued recession in construction and automobile industry, shortage of quality raw materials, inadequate working capital finance and interest rate resulted in losses in the Company and the networth of the Company eroded more than 50%. The Company was referred to BIFR in October 1998. Certain relief and concessions were consequently been provided by the terms lenders under BIFR order dated 11/11/2002. The BIFR vide its letter dated 04/11/2004 discharged the Company from the purview of BIFR.

Due to favourable market conditions in India and worldwide for steel the Company has shown remarkable performance in the year 2003-04 and 2004-05. The sales Turnover of the Company increased from Rs.52,134 Lacs in 2003-04 to Rs. 79,033.27 Lacs in 2004-05.

The main business lines of SPSL is manufacture of galvanized sheets/coils and colour coated galvanized sheets/coils. The products are made to international standards like ASTM,DIN,BS,JIS & IS and marketed under the brand name of METACOLOR and METAGALVA. Almost 80% of SPSL's products are exported to countries in Europe, Asia & Africa.

**SPSL Journey at glance:**

| | |
|---|---|
| 1985 | ▪ Incorporated on 18th March 1985 with the name as RVS Steels & Allied Industries Limited with the registered office at 2113.K.E. Meena Minar, Tara Rani Chowl; Kolhapur – 416 003<br>▪ The name of was changed from RVS Steels & Allied Industries Limited to the present Shree Precoated Steels Limited on 24th October 1985. |
| 1986 | ▪ Certificate of Commencement of business obtained from ROC, Mumbai on 16th January 1986.<br>▪ The Registered office was shifted from Kolhapur to Mumbai on 23rd October 1986 |
| 1990 | ▪ The Registered Office of the Company from Rehman Bldg., 24, Veer Nariman Road, 2nd floor, Mumbai – 400 023 was shifted to Hanuman Bldg., 308, Perin Nariman Street, Fort, Mumbai – 400 001 on 7th February 1990 |
| 1989-92 | ▪ The Company approached Financial Institutions with a proposal to set-up a plant for 64000 MT PA of Colour Coated Sheets and 120000 MT PA of Galvanizing Sheets capacities. |
| 1992 | ▪ The Financial Institutions observed adequate capacity in GP/GC Sheets segment and recommended setting up of the Colour Coated capacity only.<br>▪ The Company came out with Initial Public Offer (IPO) on 9th March, 1992. |
| 1993 | ▪ Accordingly, the Company commissioned the CCL under technical collaboration with Cockeril Mechanical Industries, Belgium. The cost over run of Rs.12.55 crores was funded by promoters through unsecured loans. |
| 1994 | ▪ The Company identified that CR and GP/GC sheets of the requisite quality are not available in India, to run Colour Coating Plant and thereby the capacity utilization remained at about 10%<br>▪ It approached the institutions with a proposal to set up the CR and GP/GC line for 120000 MT per year capacity each at a project cost of Rs.153.60 Crores. Means of finance included rights cum public issue of Rs.59.98 Crores including equity contribution from Essar Gujarat. |

| | | |
|---|---|---|
| 1995 | ▪ | The public issue could not be launched due to poor sentiment in the capital market and Essar Gujarat backed out to bridge the rights and public issue gap. |
| 1996 | ▪ | Despite the above company commissioned the GP/GC plant but the CR Mill costing Rs.45.00 Crores remained in the customs warehouse for want of funds till 2000. |
| 1997 | ▪ | CGL commissioned in October 1997. |
| 1999 | ▪ | The Company was admitted to BIFR. |
| 2000 | ▪ | The Registered Office of the Company at Hanuman Bldg., 308, Perin Nariman Street, Fort, Mumbai – 400 001 was shifted to Royal Classic, Link Road, Andheri (West), Mumbai – 400 058 on 1st August 2000. |
| 2001 | ▪ | CR Mill commissioned in 2001 with the promoters fund and commercial production started in 2002. |
| 2002 | ▪<br>▪ | The Registered Office of the Company was shifted from Royal Classic, Link Road, Andheri (West), Mumbai – 400 058 to the present location at "Citi Mall", Link Road, Andheri (West), Mumbai – 400 053 on 26th August 2002.<br>BIFR final order passed on 13th November 2002. |
| 2003 | ▪<br>▪<br>▪ | CR Mill II commissioned & commercial production started.<br>The company, pursuant to the BIFR order; reduced its present capital of Rs.55.95 Crores by 90% to Rs.5.59 Crores.<br>The Promoters of the Company infused funds to the tone Rs.37.52 Crores and were allotted Equity Shares along with IDBI (Rs.1.36 Crores) totaling to Rs.38.88 Crores on 17th July, 2003. |
| 2004 | ▪<br>▪<br>▪ | Company came out with flying colors, and registered a record growth Turnover Rs.52134 Lacs & PAT Rs.3257 Lacs.<br>Positive net worth<br>Applied for deregistration with BIFR within record 2 years time. |
| 2005 | ▪<br>▪<br>▪<br>▪ | Company declared as 5th Fastest Growing Mid size Company (Business Today Special March 13, 2005 edition.)<br>Record Turnover of the Company of Rs.790.33 Crores.<br>ISO 140001: 1996 Certification from DNV – Netherlands for conforming the Environmental Management System<br>Awarded with "Three Star Export House" from Government of India – JDGFT. |

**MAIN OBJECT OF THE COMPANY**

The main objects of the company are as follows:

(As set out in the Memorandum and Articles of Association of the Company)

1. To carry on the business of manufacturers, processors, distributors, importers, exporters, buyers, sellers, agents and stockists and to market, assemble, alter, repair and deal in all sorts of plain and corrugated PVC coated and Vinyl coated galvanized sheets, GP/GC sheets, steel and alloy steel ingots, steel and alloy steel billets, all kinds of steel and metal furniture and all kinds of re-rolled sections, flats, angles, rounds, squares, hexagons, octagons, rails, joints, channels, steel trips, sheets, plates, deformed bars, plain and cold twisted bars, bright bars, shafting and steel structurals.

2. To carry on all or any of the business of manufacturers, processors, importers, exporters, of and dealers in all kinds of ferrous and non-ferrous metals meant for any industrial or non-industrial use whatsoever and to carry on the business in cold or hot rolling, re-rolling, slitting, edge-milling, sheeting, stamping pressing, extruding, forging, drawing, flattening straightening, heat treatment of all kinds of steel and other metals or any other kind of steel and other metals or any other kind of strips sheets foils, tapes, wires, rods, plates and any other sections, shapes or forms.

3. To carry on business of all or any kind of iron and steel founders, steel melters, steel makers, steel shapers and manufacturers, mechanical engineers and fabricators, contractors, tool makers, brass founders, metal workers, manufacturers of steel, metal and malleable grey, casting including ferrous, non-ferrous, special and alloy steel, spring steel, forging quality steel manufacturers, processors of all types of forged components and accessories, alloys, nuts, bolts, steel rounds, nails, tools all types of hard-ware items, plate makers, wire drawers, tube manufacturers, galvanisers japaners, re-rollers, annealors, enamellers, and electroplates and to buy, take on lease hire, sell, import, export, manufacture, process, repair, convert, let on hire, otherwise deal in such products, raw materials stores, packing materials, by-products and allied commodities, machineries, rolling stock implements, tools, tensils, ground tools materials and conveniences of all kinds, and generally to carry on the said business in all or any of its branches.

4. To purchase or otherwise acquire, construct, carry out, equipment maintain, alter, improve, develop, manage work, sell, let on hire, deal in, control and superintendent any factories, plants, warehouses, workshops, sheds, dwellings, offices, shops, stores, building, electric light and gas works and power plants, telephone, and all kinds of works, machinery, apparatus, reservoirs, water-works, tanks, labour lines, and houses, wharves, furnaces, crushing works and other works and conveniences which may seem directly or indirectly necessary to conducive to any of the objects of the company and to contribute to, subsidise or otherwise assist by taking part in any such operations.

**SUBSIDIARIES OF THE COMPANY**:

The Company has no subsidiaries within the meaning of Section 4 of the Act.

**SHAREHOLDERS AGREEMENT**

There is no separate agreement between any shareholder and Company.

**STRATEGIC/ FINANCIAL PARTNERS**

The company does not have any strategic/financial partner.

## XI. MANGEMENT OF THE COMPANY

**BOARD OF DIRECTORS**

| Name, Age, Qualification, Address, Designation | Other Directorship | Exp. (in yrs.) | Date of Appointment |
|---|---|---|---|
| **Shri Chhotalal S. Ajmera**<br>67 years, Higher Secondary,<br>B-6, Pramukh Palace, Kapole CHSL, J.V.P.D. Scheme, Juhu, Mumbai-400049.<br>Chairman & Managing Director | ▪ AG Estates Pvt. Ltd.<br>▪ Ajmera Cements Pvt. Ltd.<br>▪ Ajmera Steels Strips ltd.<br>▪ Ajmera Water 'N' Amusement Park Pvt. Ltd.<br>▪ Bombay Freezco Pvt. Ltd.<br>▪ Mahnit Investment Pvt. Ltd.<br>▪ Rushabh Investment Pvt. Ltd.<br>▪ Yogi Nagar Vasahat Pvt. Ltd. | 46 | 06/10/1986 |
| **Shri Rajnikant S. Ajmera**<br>53 Years, D.M.E (Civil)<br>B-6, Pramukh Palace, Kapole CHSL, J.V.P.D. Scheme, Juhu, Mumbai-400049.<br>Managing Director | ▪ AG Estates Pvt. Ltd.<br>▪ Ajmera Cements Pvt. Ltd.<br>▪ Ajmera Steels Strips ltd.<br>▪ Bombay Freezco Pvt. Ltd.<br>▪ Broadllyne Infoservices Pvt. Ltd.<br>▪ Kunnuj Investments Pvt. Ltd.<br>▪ Nilkant Tech park Pvt. Ltd.<br>▪ Shree Ram Estates Ltd.<br>▪ Yogi Nagar Vasahat Pvt. Ltd. | 30 | 06/10/1986 |
| **Shri Ishwarlal S. Ajmera**<br>81 years, Higher Secondary<br>B-16, Jay Mahavir,<br>R.B.Mehta Rd., Ghatkoper (E)<br>Mumbai – 400 077.<br>Wholetime Director | ▪ AG Estates Pvt. Ltd.<br>▪ Ajmera Cements Pvt. Ltd.<br>▪ Ajmera Steels Strips ltd.<br>▪ Ajmera Water 'N' Amusement Park Pvt. Ltd.<br>▪ Shree Ram Estates Ltd.<br>▪ Yogi Nagar Vasahat Pvt. Ltd. | 50 | 20/01/1992 |
| **Shri M. Sivaramakrishnan**<br>66 years, B.E.(Hon's) in Mechanical Engg.<br>Flat no.101, Soverign,<br>Road no.4, Kalyani Nagar,<br>Pune-411014<br>Director-Technical | Nil | 35 | 29/10/2001 |
| **Shri Jagdish J. Doshi**<br>75 years, M.S. (lllinois), D.I.C. (London), B.E. (Hons) Bombay, P.Eng. (Ontario, Canada), Consulting Engg.<br>41A, Meher Apartments,<br>Off Altamount Road,<br>Mumbai – 400026.<br>Director | ▪ Four Seasons Marine & Air Services Ltd.<br>▪ Super Stainless and Hi Alloys ltd. | 48 | 20/01/1992 |
| **Shri Ambalal C. Patel**<br>62 years, B.E. (Metallurgy)<br>14/B, Shreyansnath Society, Opp.Gunjan Apts., Behind Dharnidhar Derasar, Vasna<br>Ahmedabad – 380 007.<br>Director | ▪ SAL Steel Ltd.<br>▪ Panchmahal Steel Ltd.<br>▪ Jindal Hose Ltd.<br>▪ Shri Gajanand Paper ltd. | 30 | 05/09/2003 |
| **Shri Inderpal S. Kalra**<br>46 years,<br>B-84, Maker Kundan Garden, Opp. Lido Cinema, Juhu Tara Road, Juhu,<br>Mumbai – 400 049.<br>Nominee Director-IDBI | ▪ Filatex India Ltd.<br>▪ Simrone Pharmaceutical industries Ltd. | 22 | 05/03/2004 |

## CORPORATE GOVERNANCE

The extract of report on Corporate Governance as incorporated in Clause 49 of the Listing Agreement with the Stock Exchange is set out below:

### A. Company's philosophy on Code of Governance:-

SPSL believes in and practices good Corporate Governance. The Company's essential character is shaped by the very values of transparency, customer satisfaction, honesty, integrity, professionalism and accountability. The Company continuously endeavors to improve on these aspects on an ongoing basis. The Company follows the principles of fair representation and full disclosures in all its dealings and communications, thereby protecting rights and interests of all its Shareholders & other stakeholders.

We also view Corporate Governance in its widest sense, almost like a Trustee ship. We believe that a Company needs to leverage resources to translate opportunities into reality; to infuse people with a vision, which sparks dynamism and entrepreneurship, creates a system a succession, which combines stability with flexibility and continuity with change.

### B. Board of Directors:-

#### a. Composition & category of Directors:-

The Board of SPSL consists of Seven Directors (earlier Eight Directors). The composition and category of Directors is as follows:

| Name of Directors | Designation | Category |
|---|---|---|
| Chhotalal S. Ajmera | Chairman & Managing Director | Promoter & Executive |
| Rajnikant S. Ajmera | Managing Director | Promoter & Executive |
| Ishwarlal S. Ajmera | Wholetime Director | Promoter & Executive |
| M. Sivaramakrishnan | Director – Technical | Executive |
| Jagdish J. Doshi | Director | Independent & Non-Executive |
| Ambalal C. Patel | Director | Independent & Non-Executive |
| Inderpal S. Kalra | Nominee Director – IDBI | Independent & Non-Executive |
| K. Kannan | Special Director - BIFR | Independent & Non-Executive |

The Company, during the year, was discharged from the purview of the Sick Industries Companies Act, 1985 (SICA), consequently, the Board for Industrial and Financial Reconstruction (BIFR) withdrew its Special Director Shri K. Kannan from the Board of the Company with effect from 4th November 2004.

Apart from sitting fees paid for attending Board / Committee Meetings, the Non-executive Directors did not have any pecuniary relationship or transactions with the Company, during the year 2004 – 05. All non-executive Directors with their diverse knowledge, experience and expertise provide valuable contribution in the deliberations and decisions of the Board.

#### b. Attendance at the Board Meeting & the last Annual General Meeting and other directorship & Memberships in other Boards and Board Committees:-

| Name of Directors | Attendance | | Directorship in Public Limited Companies | | Memberships / Chairmanships in Committees |
|---|---|---|---|---|---|
| | Board Meetings | Last AGM | Listed | Unlisted | |
| Chhotalal S. Ajmera | 1 | No | - | 2 | - |
| Rajnikant S. Ajmera | 5 | Yes | - | 3 | - |
| Ishwarlal S. Ajmera | 1 | Yes | - | 2 | - |
| M. Sivaramakrishnan | 5 | No | - | - | - |
| Jagdish J. Doshi | 4 | Yes | - | 2 | - |
| Ambalal C. Patel | 5 | No | 3 | 4 | 2 |
| Inderpal S. Kalra | 4 | No | 1 | 1 | 1 |
| K. Kannan * | 3 | Yes | 4 | 4 | 6 |

*Part of the year

None of the Directors were a Member in more than 10 Committees or a Chairman in more than five Committees across all outside Companies in which he was a Director.

**c. Number of Board Meetings held:-**

During the financial year 2004 – 05, Five Board Meetings were held on the following dates:

| Date of Meeting | Directors Present |
|---|---|
| 27th April 2004 | 6 |
| 19th June 2004 | 7 |
| 24th July 2004 | 5 |
| 28th October 2004 | 5 |
| 28th January 2005 | 5 |

**AUDIT COMMITTEE**

**Constitution and Composition:-**

SPSL continued to derive immense benefits from the deliberation of the Audit Committee. During the year under review, the Audit committee was reconstituted w. e. f. 28th October 2004, with Shri Jagdish J. Doshi as the Chairman of the Committee (earlier Shri K. Kannan) along with Shri Ambalal C. Patel and Shri M. Sivaramakrishnan as the Member of the Committee.

The Minutes of the Audit Committee Meetings are circulated to the Board, discussed and taken note of. The terms of reference of the Audit Committee are: -

1. To review the Company's financial reporting process and disclosure of its financial information;
2. To review the quarterly / half yearly Unaudited Financial Results of the Company;
3. Periodically interact with the Internal Auditors to review their reports and discuss adequacy of internal control system & internal audit functions;
4. Reviewing with Management and Statutory Auditors to discuss the scope of audit, their observations and suggestions on accounts, accounting policies and accounting standards;
5. Reviewing with Management the annual financial statement before submission to the Board;
6. To recommend the appointment of Statutory Auditors and fixation of their fees and also approval for payment of any other services.

**Meetings and attendances:-**

During the financial year 2004 – 05, Five Audit Committee Meetings were held on following dates – 27th April 2004; – 19th June 2004; – 24th July 2004; – 28th October 2004; – 28th January 2005

The Meetings were scheduled well in advance. In addition to the Members of the Audit Committee, these Meetings were attended by Managing Director as a Special Invitee. The Meeting were also attended by the Head of Finance and Internal Audit functions, the Statutory Auditors of the Company, Concurrent Auditors, Internal Auditors and those executives of the Company whose presence were considered necessary. The Company Secretary acted as the Secretary to the Audit Committee.

| Name of Directors | No. of Meetings attended |
|---|---|
| Shri Jagdish J. Doshi | 4 |
| Shri Ambalal C. Patel | 4 |
| Shri M. Sivaramakrishnan * | 1 |
| Shri Ishwarlal S. Ajmera * | 2 |
| Shri K. Kannan * | 3 |

*Part of the year

**REMUNERATION COMMITTEE**

The Remuneration Committee had been reconstituted at the Board Meeting held on 28th October 2004, with Shri Jagdish J. Doshi as the Chairman of the Committee (earlier Shri K. Kannan) along with Shri Ambalal C. Patel and Shri M. Sivaramakrishnan to recommend / review the remuneration package of the Managing / Wholetime

Directors based on financial position of the Company, trend in the Industry, qualification, experience, performance and other defined criteria.

The Remuneration Committee of the Company is vested with all the necessary powers and authority to ensure appropriate disclosure on the remuneration of Managing / Wholetime Directors, and to deal with all elements of remuneration package of all such Directors. This includes formulation of policies for their service contract, notice period, etc.

| Name of Directors | No. of Meetings attended |
|---|---|
| Shri Jagdish J. Doshi | 2 |
| Shri Ambalal C. Patel | 1 |
| Shri M. Sivaramakrishnan * | 1 |
| Shri Ishwarlal S. Ajmera * | - |
| Shri K. Kannan * | 1 |

*Part of the year.

The Remuneration Committee met twice during the Financial Year 2004 – 2005 on 27th April 2004 and on 3rd January 2005 to decide on to revise the remuneration payable to Shri Chhotalal S. Ajmera, Chairman & Managing Director, Shri Rajnikant S. Ajmera, Managing Director, Shri Ishwarlal S. Ajmera Wholetime Director and Shri M. Sivaramakrishnan, Director – Technical of the Company. The minutes of the Remuneration Committee Meetings were circulated and discussed at the Board Meeting.

**Remuneration of Directors:-**

a. Details of the remuneration paid to the Managing / Executive Directors and the sitting fees paid to Non – Executive Director for attending Board Meetings, Audit Committee Meetings and other Board Committee Meetings for the Financial Year ended 31st March 2005 is given below: -

**(In Rs.)**

| NAME OF DIRECTOR | SITTING FEES | SALARY | PERKS | TOTAL |
|---|---|---|---|---|
| Shri Chhotalal S. Ajmera * | - | 1,000,000 | 400,000 | 1,400,000 |
| Shri Rajnikant S. Ajmera * | - | 600,000 | 200,000 | 800,000 |
| Shri Ishwarlal S. Ajmera * | - | 94,200 | 31,400 | 125,600 |
| Shri M. Sivaramakrishnan | - | 454,813 | 354,242 | 809,055 |
| Shri Jagdish J. Doshi | 25,500 | - | - | 25,500 |
| Shri Ambalal C. Patel | 20,500 | - | - | 20,500 |
| Shri Inderpal S. Kalra | 7,000 | - | - | 7,000 |
| Shri K. Kannan | 13,500 | - | - | 13,500 |
| | **66,500** | **2,149,013** | **985,642** | **3,201,155** |

*Directors have been paid remuneration for part of the year (previous year Rs. Nil).

1. No commission or fixed components & performance linked incentives have been paid to the non-executive directors.
2. The company has not yet introduced any stock options to its directors/employees.
3. All the executive directors have a contract period of 5 years and either party is entitled to terminate the contract by giving not less than six months notice in writing to the other party.
4. No severance fees is payable to any of the aforementioned executive directors.

**SHAREHOLDERS / INVESTORSGRIEVANCE COMMITTEE**

The Shareholders Grievance Committee comprises of three Directors viz. Shri Rajnikant S. Ajmera heading as the Chairman, Shri Jagdish J. Doshi and Shri Ishwarlal S. Ajmera. Shri Anil O. Somani, Company Secretary has been nominated as the Compliance Officer to ensure the due compliance of SEBI requirements and to look in to shareholders' grievances on a day-to-day basis and to liaise with SEBI in the matter of investors' complaints.

The term of reference of the Committee includes attending to requests received for transfer, split, Consolidation as well as issue of duplicate certificates, and other allied matters like dematerialization of Shares etc. and completes the process and dispatches the certificates quickly, well with in the stipulated time.

During the financial year 2004 – 2005 the Committee met 26 times. The composition and the Meetings attended by the Members are as under:-

| Name of Director | No. of Meetings attended |
|---|---|
| Shri Rajnikant S. Ajmera | 26 |
| Shri Jagdish J. Doshi | 20 |
| Shri Ishwarlal S. Ajmera | 26 |

Share transfers / transmissions etc. as approved by the Committee are notified to the Board at regular intervals and are taken on record by the Board at their Meetings.

| | |
|---|---|
| Number of complaints received from the shareholders during April 2004 to March 2005 | 785 |
| Number not solved to the satisfaction of the Shareholders as on 31st March 2005 | NIL |
| Number of pending share transfers as on 31st March 2005 | NIL |

**SHAREHOLDING OF DIRECTORS**

| Name & Address | Number of Shares |
|---|---|
| Shri Chhotalal S. Ajmera | 880054 |
| Shri Rajnikant S. Ajmera | 1330390 |
| Shri Ishwarlal S. Ajmera | 5289 |
| Shri M. Sivaramakrishnan | Nil |
| Shri Jagdish J. Doshi | Nil |
| Shri Ambalal C. Patel | Nil |
| Shri Inderpal S. Kalra | Nil |

**INTEREST OF DIRECTORS**

All the Directors may be deemed to be interested to the extent of reimbursement of expenses, if any, payable to them under the articles. The Directors may also be deemed to be interested to the extent of the shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a Director/ Member respectively and the shares if any, out of the present Offer that may be subscribed for and allotted to them or their relatives or any Company in which they are Directors / members of firms in which they are partners.

**CHANGE IN BOARD OF DIRECTORS**

The changes in the Board of Directors since past three years are as follows:

| Name of Director | Date of Appointment/ Resignation | Reason for Appointment/Resignation |
|---|---|---|
| Shri K. Kannan | 04/11/2004 | Special Directorship withdrawn by BIFR |
| Shri Chhotalal S. Ajmera | 01/08/2004 | Reappointed pursuant to Resolution passed at the $17^{th}$ AGM held on 26/07/2004. |
| Shri Rajnikant S. Ajmera | 01/08/2004 | |
| Shri Ishwarlal S. Ajmera | 01/08/2004 | |
| Shri Ambalal C. Patel | 26/07/2004 | Appointed as Director of the Company after ceasing to be an Additional Director at the $17^{th}$ AGM held on 26/07/2004. |
| Shri Inderpal S. Kalra | 05/03/2004 | Appointed as Nominee director of IDBI. |
| Shri Ambalal C. Patel | 05/09/2003 | Appointed as an Additional Director vide circular resolution dated 05/09/2003. |
| Shri T. Raghvendran | 30/04/2003 | Nominee directorship withdrawn by ICICI Ltd. |
| Shri M. Sivaramakrishnan | 18/12/2002 | Appointed as Wholetime Director designated as Director- technical after ceasing to be Director of the Company. |
| Shri P. Datta | 13/03/2002 | Nominee Directorship withdrawn by Sicom Ltd. |

**DETAILS OF PERSONAL GUARANTEES**

The Chairman & Managing Director, Managing Director and Wholetime Director of the Company have given their personal guarantee for all the credit facilities of the Company.

## MANAGEMENT

The Company is promoted by the Ajmera Group and is headed by Mr. Chhhotalal S. Ajmera as Chairman & Managing Director of the Company. Mr. Rajnikant S. Ajmera is the Managing Director of the Company who looks after the day to day working of the Company along with Mr. Chhotalal S. Ajmera. The Company's Management is accountable to the Board of Directors. The Board comprises of Technical as well as professionals in respective fields. The following professionals in various fields to assist them at the head office and the factory.

## DETAILS OF KEY MANAGERIAL PERSONNEL

The Company is managed by its Board of Directors, assisted by qualified professionals, with vast experience in the field of production/finance/distribution/marketing and corporate laws. Following are the key functionaries in the different divisions of the Company:

SPSL employs over 781workers. Following are the key functionaries in the different divisions of the Company:

The detail of our key managerial personnel are as follows:

| Sr. No. | Name of the Person | Designation | Age | Date of appt. | Qualification | Previous Company Experience |
|---|---|---|---|---|---|---|
| 1 | Prashant Saxena | President | 51 | 21-Nov-02 | B.E. (Hon's) in Metallurgical Engineering | 1999 to 2002 Aa a Vice President. Projects with Meta Strips Limited, Goa |
| 2 | Sanjay C. Ajmera | Vice President - Exports | 38 | 30-Sep-99 | Business Management | Career started with the Company. |
| 3 | Ashwin B. Ajmera | Vice President - Local | 39 | 30-Sep-99 | Graduate in Commerce | Career started with the Company. |
| 4 | Brig. Booman Rajan | Vice President - HR | 59 | 15-Feb-02 | Master In HRD & Personnel Management | Served in Indian Army for 33 years and retired as a Brigadier. |
| 5 | Anil O. Somani | Company Secretary | 29 | 20-Jun-02 | B. Com., ACA, ACS | Prequalification - Worked with Sterling Biotech Limited for 1.9 years & 4 years Article Ship with M/s. H. S. Hathi & Co., Chartered Accountants |

All the abovementioned key managerial personnel are permanent employees of our company. The remuneration of each of our key managerial personnel is as per the provisions of Section 217(2A) of the Companies Act, 1956.

### Changes in Key Managerial Personnel

| Name | Designation & Functional Area | Date of Change | Nature |
|---|---|---|---|
| Anil O. Somani | Company Secretary | 19/06/2004 | Appointed |
| Shri Girish M. Nadkarni | Company Secretary & DGM (Finance & Accounts). | 13/08/2003 | Resigned |
| Shri Girish M. Nadkarni | Company Secretary & DGM (Finance & Accounts). | 23/09/2002 | Appointed |
| Shri Krishnan K. Manaloor | Chief Financial Controller & Company Secretary | 31/08/2002 | Expired |

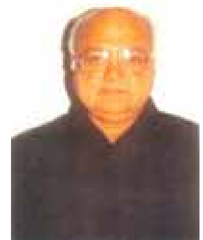
The Company has not issued any Employee Stock Option Scheme to its employees till date.

## XII. PROMOTERS

SPSL is promoted by the Ajmera group, which is headed by Shri Chhotalal S. Ajmera as Chairman & Managing Director of the Company and Shri Rajnikant S. Ajmera, Managing Director of the SPSL.

Presently promoter group of the Company are holding 3,07,42,455 (60.19%) Equity Shares of the Company. Shri Chhotalal S. Ajmera, Shri Rajnikant S. Ajmera and Shri Ishwarlal S. Ajmera are the core promoters of the Company holding 22,15,733 (4.34%) Equity Shares of the Company. The remaining 2,85,26,722 (55.85%) Equity Shares are held by their friends & relatives, HUFs.

**OTHER DETAILS OF CORE PROMOTERS**

| Name, Designation, and Address | Functions/ overall experience | PAN/Bank Account No./Voter ID /Passport No./Driving License No. | Photograph |
|---|---|---|---|
| **Shri Chhotalal S. Ajmera,**<br>Chairman & Managing Director<br>B-6, Pramukh Palace,<br>Kapole CHSL, J.V.P.D.<br>Scheme, Juhu,<br>Mumbai-400049. | Overall control on affairs of the Company. | **PAN:** AALPA2970L<br>**Bank:** Dena Bank<br>**Bank A/C No**. 19503<br>**Passport No:** Z 111667 |  |
| **Shri Rajnikant S. Ajmera,**<br>Managing Director<br>B-6, Pramukh Palace,<br>Kapole CHSL, J.V.P.D.<br>Scheme, Juhu,<br>Mumbai-400049. | Looks after finance, marketing and overall operations of the Company. | **PAN:** AALPA2739H<br>**Bank A/C No**. 19503<br>**Bank A/C No**. 19521<br>**Passport No:** Z 1590358 |  |
| **Shri Ishwarlal S. Ajmera,**<br>Wholetime Director<br>B-16, Jay Mahavir,<br>R.B.Mehta Rd.,<br>Ghatkoper (E)<br>Mumbai – 400 077. | Looks after day-to-day operations including office administration.. | **PAN:** AAPPA0521P<br>**Bank:** Dena Bank<br>**Bank A/C No**. 19509<br>**Passport No:** E 0539487 |  |

**OTHER VENTURES OF THE PROMOTERS**

**1. Ajmera Cements Private Ltd**

Date of Incorporation: 11/09/1981
Names of Directors: Mr. Bandish B. Ajmera, Mr. Chhaganlal s. Ajmera, Mr. Natwarlal S. Ajmera, Mr.Rajnikant S. Ajmera, Mr. Shahshikant S. Ajmera, Mr. Chhotalal S. Ajmera, Mr. Bhogilal S. Ajmera, Mr.Ishwarlal S. Ajmera.
Business: To carry on business as manufacturers, dealers in cements and cementitios materials and builders requisites made of cement and cemantitios materials.

**(Rs. in Lacs)**

| Particulars (year ending 31st March ) | 2003-04 | 2002-03 | 2001-02 |
|---|---|---|---|
| Operating and other Income | 535.54 | 796.06 | 1076.47 |
| Profit / (loss) before tax (PBT) | 13.92 | (35.68) | (36.06) |
| Profit / (loss)after tax (PAT) | 13.92 | (35.68) | (36.06) |
| Equity Share Capital | 2293.65 | 883.00 | 65.00 |
| Reserves and Surplus/ (Accumulated losses) | 28.23 | 28.23 | 28.23 |
| Earning per share (EPS) Rs. | 2.14 | (5.49) | (5.55) |
| Book Value (Face value of Rs.10/- per share) Rs. | 10.39 | 10.32 | 14.34 |

**2. AG Estate Private Limited**

Date of Incorporation: 09/08/1988
Names of Directors: Mr. Chhotalal S. Ajmera, Mr. Ishwarlal S. Ajmera, Mr. Rajnikant S. Ajmera, Mr.Shailesh B. Ajmera, Mr. Shashikant S. Ajmera.
Business: To carry on the business of Estate Builders, Dealers, Brokers, Commission Agents, General Contruction, Constractors, Property and Developers.

**(Rs. in Lacs)**

| **Particulars (year ending 31st March )** | **2003-04** | **2002-03** | **2001-02** |
|---|---|---|---|
| Operating and other Income | 0.00 | 0.00 | 0.00 |
| Profit / (loss) before tax (PBT) | 0.00 | 0.00 | 0.00 |
| Profit / (loss)after tax (PAT) | 0.00 | 0.00 | 0.00 |
| Equity Share Capital | 635.09 | 635.09 | 635.09 |
| Reserves and Surplus/ (Accumulated losses) | 0.46 | 0.46 | 0.46 |
| Earning per share (EPS) Rs. | 0.00 | 0.00 | 0.00 |
| Book Value (Face value of Rs.10/- per share) Rs. | 10.01 | 10.01 | 10.01 |

**3. Anumal Investments Private Ltd**

Date of Incorporation: 12/12/1982
Names of Directors: Mr. Bhogilal S. Ajmera, Mr. Sanjay C. Ajmera
Business: To acquire and hold shares, stocks, debentures stocks, etc. and to carry on activities of Investment Company.

**(Rs. in Lacs)**

| **Particulars (year ending 31st March )** | **2003-04** | **2002-03** | **2001-02** |
|---|---|---|---|
| Operating and other Income | 0.00 | 0.00 | 0.00 |
| Profit / (loss) before tax (PBT) | 0.04 | 0.04 | 0.04 |
| Profit / (loss)after tax (PAT) | 0.04 | 0.04 | 0.04 |
| Equity Share Capital | 0.002 | 0.002 | 0.002 |
| Reserves and Surplus/ (Accumulated losses) | - | - | - |
| Earning per share (EPS) Rs. | (195.25) | (190.00) | (194.50) |
| Book Value (Face value of Rs.10/- per share) Rs. | 10.00 | 10.00 | 10.00 |

**4. Ajmera Water ‘N’ Amusement Park Private Ltd**

Date of Incorporation: 23/04/1998
Names of Directors: Mr. Chhotalal S. Ajmera, Mr. Ishwarlal S. Ajmera
Business: To carry on business of operating owing leasing water sport complexes, amusement park and relation centres and have them developed and turn to account any land, purchased, leased, exchanged or acquired by the Company.

**(Rs. in Lacs)**

| **Particulars (year ending 31st March )** | **2003-04** | **2002-03** | **2001-02** |
|---|---|---|---|
| Operating and other Income | 6.14 | 0.00 | 0.00 |
| Profit / (loss) before tax (PBT) | 3.39 | (3.12) | (6.61) |
| Profit / (loss)after tax (PAT) | 3.39 | (3.12) | (6.61) |
| Equity Share Capital | 2502.45 | 2502.45 | 2259.96 |
| Reserves and Surplus/ (Accumulated losses) | - | - | - |
| Earning per share (EPS) Rs. | 0.014 | (0.012) | (0.029) |
| Book Value (Face value of Rs.10/- per share) Rs. | 10.00 | 10.00 | 10.00 |

5. **Ajmera Steel Strips Limited**

Date of Incorporation: 23/08/1991
Names of Directors: Mr. Chhotalal S. Ajmera, Mr. Ishwarlal S. Ajmera, Mr. Rajnikant S. Ajmera, Mr. Natvarlal S. Ajmera, Mr. Bhogilal S. Ajmera, Mr. Shashikant S. Ajmera, Mr. Chhaganlal S. Ajmera.
Business: To carry on business as manufacturers, Processors, distributors, importers, exporters, buyers, sellers and to market & deal in all sort of steel strips plain and corrugated PVC coated and Vinyl coated galvanized sheets, CRCA, GP/GC etc.

**(Rs. in Lacs)**

| **Particulars (year ending 31st March )** | **2003-04** | **2002-03** | **2001-02** |
|---|---|---|---|
| Operating and other Income | 0.00 | 0.00 | 0.00 |
| Profit / (loss) before tax (PBT) | (0.23) | (0.11) | (0.08) |
| Profit / (loss)after tax (PAT) | (0.23) | (0.11) | (0.08) |
| Equity Share Capital | 20.00 | 20.00 | 0.07 |
| Reserves and Surplus/ (Accumulated losses) | - | - | - |
| Earning per share (EPS) Rs. | (0.11) | (0.06) | (115.94) |
| Book Value (Face value of Rs.10/- per share) Rs. | 10.00 | 10.00 | 10.00 |

6. **Prayosha Financing and Construction Company Limited**

Date of Incorporation: 02/08/1988
Names of Directors: Mr. Bandish B. Ajmera, Mr. Dhaval R. Ajmera, Mr. Sonali A. Ajmera.
Business: To invest, buy, sell, transfer, hypothecate and dispose of any shares, stocks, securities, properties, gold, silver and to finance industrial enterprises whether by way of making loans or advances to or by subscribing to the Capital of Private Industrial Enterprises in India.

**(Rs. in Lacs)**

| **Particulars (year ending 31st March )** | **2003-04** | **2002-03** | **2001-02** |
|---|---|---|---|
| Operating and other Income | 0.00 | 0.00 | 0.00 |
| Profit / (loss) before tax (PBT) | (0.86) | (0.17) | (0.53) |
| Profit / (loss)after tax (PAT) | (0.86) | (0.17) | (0.53) |
| Equity Share Capital | 97.63 | 97.63 | 97.63 |
| Reserves and Surplus/ (Accumulated losses) | - | - | - |
| Earning per share (EPS) Rs. | (0.009) | (0.018) | (0.005) |
| Book Value (Face value of Rs.10/- per share) Rs. | 10.00 | 10.00 | 10.00 |

7. **Shree Ram Estate Private Limited**

Date of Incorporation: 08/01/1960
Names of Directors: Mr. Ishwarlal S. Ajmera, Mr. Rajnikant S. Ajmera, Mr. Shashikant S. Ajmera.
Business: To purchase, tape on lease or in exchange or otherwise acquire any lands and buildings in/at or elsewhere and any estate or interest in and any rights connected with any such lands and bldgs

**(Rs. in Lacs)**

| **Particulars (year ending 31st March )** | **2003-04** | **2002-03** | **2001-02** |
|---|---|---|---|
| Operating and other Income | 22.28 | 48.31 | 221.56 |
| Profit / (loss) before tax (PBT) | 22.28 | 48.31 | 221.56 |
| Profit / (loss)after tax (PAT) | 20.38 | 44.07 | 202.81 |
| Equity Share Capital | 7.50 | 7.50 | 7.50 |
| Reserves and Surplus/ (Accumulated losses) | 305.84 | 285.46 | 241.61 |
| Earning per share (EPS) Rs. | 271.68 | 584.64 | 2704.11 |
| Book Value (Face value of Rs.100/- per share) Rs. | 4177.82 | 3906.14 | 3221.50 |

**8. Sankalpa Holdings Private Limited**

Date of Incorporation: 20/04/1982
Names of Directors: Mr. Bandish B. ajmera, Mr. Nilesh H. Savaria, Mr. Sonali A. Ajmera.
Business: To carry on the business of Investment Company and to buy, underwrite, invest acquire and hold stocks, debentures debentures-stock, bonds, notes obligation and securities issued or guaranteed by any Company or body corporate and debentures-stock, bonds, notes obligation savings certificates and securities issued or guaranteed by any state or Central Govt.

**(Rs. in Lacs)**

| **Particulars (year ending 31st March )** | **2003-04** | **2002-03** | **2001-02** |
|---|---|---|---|
| Operating and other Income | 0.00 | 0.00 | 0.00 |
| Profit / (loss) before tax (PBT) | 0.19 | 0.12 | 0.09 |
| Profit / (loss)after tax (PAT) | 0.19 | 0.12 | 0.09 |
| Equity Share Capital | 1.07 | 1.07 | 1.07 |
| Reserves and Surplus/ (Accumulated losses) | 0.15 | 0.34 | 0.46 |
| Earning per share (EPS) Rs. | (1.77) | (1.13) | (0.92) |
| Book Value (Face value of Rs.10/- per share) Rs. | 11.35 | 13.12 | 14.26 |

**9. Yoginagar Vasahat Private Limited**

Date of Incorporation: 18/12/1981
Names of Directors: Mr. Bhogilal S. Ajmera, Mr. Chhaganlal S. Ajmera, Mr. Chhotalal S. Ajmera, Mr.Ishwarlal S. Ajmera, Mr. Natwarlal S. Ajmera, Mr. Rajnikant S. Ajmera, Mr. Shashikant S. Ajmera.
Business: Building & Construction

**(Rs. in Lacs)**

| **Particulars (year ending 31st March )** | **2003-04** | **2002-03** | **2001-02** |
|---|---|---|---|
| Operating and other Income | 0.00 | 0.00 | 0.00 |
| Profit / (loss) before tax (PBT) | (0.06) | (0.07) | (0.06) |
| Profit / (loss)after tax (PAT) | 0.06 | 0.07 | (0.06) |
| Equity Share Capital | 3.60 | 3.60 | 3.60 |
| Reserves and Surplus/ (Accumulated losses) | 0.01 | 0.01 | - |
| Earning per share (EPS) Rs. | (8.53) | (9.56) | (8.58) |
| Book Value (Face value of Rs.500/- per share) Rs. | 501.39 | 501.39 | 500.00 |

**10. Prabhag Investments Private Limited**

Date of Incorporation: 06/04/1981
Names of Directors: Mr. Manoj I. Ajmera, Mr. Shashikant S. Ajmera.
Business: To acquire and hold shares, stocks, debentures stocks, etc. and to carry on activities of Investment Company

**(Rs. in Lacs)**

| **Particulars (year ending 31st March )** | **2003-04** | **2002-03** | **2001-02** |
|---|---|---|---|
| Operating and other Income | 0.00 | 0.00 | 0.00 |
| Profit / (loss) before tax (PBT) | 0.43 | 0.42 | 0.43 |
| Profit / (loss)after tax (PAT) | 0.43 | 0.42 | 0.43 |
| Equity Share Capital | 0.02 | 0.02 | 0.02 |
| Reserves and Surplus/ (Accumulated losses) | - | - | - |
| Earning per share (EPS) Rs. | (214.75) | (209.50) | (213.00) |
| Book Value (Face value of Rs.10/- per share) Rs. | 10.00 | 10.00 | 10.00 |

**11. Mahnit Investments Private Limited**

Date of Incorporation: 27/09/1982
Names of Directors: Mr. Chhotalal S. Ajmera, Mr. Shailesh B. Ajmera.
Business: To acquire and hold shares, stocks, debentures stocks, etc. and to carry on activities of Investment Company.

**(Rs. in Lacs)**.

| **Particulars (year ending 31st March )** | **2003-04** | **2002-03** | **2001-02** |
|---|---|---|---|
| Operating and other Income | 0.00 | 0.00 | 0.00 |
| Profit / (loss) before tax (PBT) | (0.04) | (0.04) | (3,870) |
| Profit / (loss)after tax (PAT) | (0.04) | (0.04) | (3,870) |
| Equity Share Capital | 0.15 | 0.15 | 15,200 |
| Reserves and Surplus/ (Accumulated losses) | 0.39 | 0.39 | 0.39 |
| Earning per share (EPS) Rs. | (2.57) | (2.50) | (2.55) |
| Book Value (Face value of Rs.10/- per share) Rs. | 35.92 | 35.92 | 35.92 |

**12. Kunnuj Investments Private Limited**

Date of Incorporation: 06/09/1982
Names of Directors: Mr. Natwarlal S. Ajmera, Mr. Rajnikant S. Ajmera.
Business: To acquire and hold shares, stocks, debentures stocks, etc. and to carry on activities of Investment Company.

**(Rs. in Lacs)**

| **Particulars (year ending 31st March )** | **2003-04** | **2002-03** | **2001-02** |
|---|---|---|---|
| Operating and other Income | 0.00 | 0.00 | 0.00 |
| Profit / (loss) before tax (PBT) | 0.03 | 0.03 | 0.03 |
| Profit / (loss)after tax (PAT) | 0.03 | 0.03 | 0.03 |
| Equity Share Capital | 0.15 | 0.15 | 0.15 |
| Reserves and Surplus/ (Accumulated losses) | 0.39 | 0.39 | 0.39 |
| Earning per share (EPS) Rs. | (2.57) | (2.50) | (2.56) |
| Book Value (Face value of Rs.10/- per share) Rs. | 35.92 | 35.92 | 35.92 |

**13. Extrinsic Investments Company Private Limited**

Date of Incorporation: 27/07/1983
Names of Directors: Mr. Dhaval R. Ajmera, Mr. Nilesh H. Sarvaiya, Mr. Nimesh S. Ajmera.
Business: To invest the Capital and other funds of the Company and to finance Industrial enterprises & to promote Companies engaged in Industrial and trading business.

**(Rs. in Lacs)**

| **Particulars (year ending 31st March )** | **2003-04** | **2002-03** | **2001-02** |
|---|---|---|---|
| Operating and other Income | 0.00 | 0.00 | 0.00 |
| Profit / (loss) before tax (PBT) | 0.14 | 0.16 | 0.09 |
| Profit / (loss)after tax (PAT) | 0.14 | 0.16 | 0.09 |
| Equity Share Capital | 32.03 | 32.03 | 32.03 |
| Reserves and Surplus/ (Accumulated losses) | - | - | - |
| Earning per share (EPS) Rs. | (0.04) | (0.05) | (0.03) |
| Book Value (Face value of Rs.10/- per share) Rs. | 10.00 | 10.00 | 10.00 |

**14. Bombay Freezco Private Limited**

Date of Incorporation: 25/01/2000
Names of Directors: Mr. Bhogilal S. Ajmera, Mr. Chhotalal S. Ajmera, Mr. Rajnikant S. Ajmera, Mr.Shashikant S. Ajmera.
Business: To carry on business of icemakers, ice vendors, manufactures, hires of and dealers in refrigerators, refrigerating chambers and apparatus relating thereto, warehouse keepers and stores and processors of all commodities.

**(Rs. in Lacs)**

| **Particulars (year ending 31st March )** | **2003-04** | **2002-03** | **2001-02** |
|---|---|---|---|
| Operating and other Income | 0.00 | 0.00 | 0.00 |
| Profit / (loss) before tax (PBT) | (2.58) | (2.88) | (2.93) |
| Profit / (loss)after tax (PAT) | (2.58) | (2.88) | (2.93) |
| Equity Share Capital | 1975.47 | 1975.47 | 1975.47 |
| Reserves and Surplus/ (Accumulated losses) | - | - | - |
| Earning per share (EPS) Rs. | (0.01) | (0.01) | (0.01) |
| Book Value (Face value of Rs.10/- per share) Rs. | 10.00 | 10.00 | 10.00 |

**15. Rushabh Investments Private Limited**

Date of Incorporation: 11/01/1982
Names of Directors: Mr. Atul C. Ajmera, Chhotalal S. Ajmera, Mr. Kaushal Shah, Mr. Sanjay C. Ajmera, Ms. Veena C. Ajmera.
Business: To finance any person, firm, enterprise, corporation or company by way of making loans or advances to or subscribing for the capital with or without interest, whether against security or not, whether for a temporary or a fixed period.

**(Rs. in Lacs)**

| **Particulars (year ending 31st March )** | **2003-04** | **2002-03** | **2001-02** |
|---|---|---|---|
| Operating and other Income | 0.00 | 0.00 | 0.14 |
| Profit / (loss) before tax (PBT) | (0.60) | (0.60) | (0.06) |
| Profit / (loss)after tax (PAT) | (0.60) | (0.60) | (0.06) |
| Equity Share Capital | 2.00 | 2.00 | 2.00 |
| Reserves and Surplus/ (Accumulated losses) | 3.99 | 4.07 | 4.13 |
| Earning per share (EPS) Rs. | (0.30) | (0.30) | (0.03) |
| Book Value (Face value of Rs.10/- per share) Rs. | 29.97 | 30.39 | 30.67 |

**16. Nilkanth Tech Park Private limited**

Date of Incorporation: 14/10/2004
Names of Directors: Mr. Rajnikant Shamalji Ajmera, Mr. Dhaval Rajnikant Ajmera, Mr. Kamlesh Dhulia.
Business: To carry on the business as builders, real estate developers and general construction contractors and own, sell, acquire, process, development, construct, demolish or otherwise deal in construction, and development of all description like land building, soft ware Parks.

## XIII. FINANCIAL INFORMATION

### AUDITORS REPORT

The Board of Directors
**SHREE PRECOATED STEELS LIMITED**
"Citi Mall", Link Road, Andheri (West),
Mumbai – 400 053

Dear Sirs,

We have examined the Books of Accounts of **SHREE PRECOATED STEELS LIMITED** for the last five financial year ended 30th September 2000 (18 Months) 31st March, 2002 (12 months), 31st March 2003 (12 months), 31st March 2004 (12 months) and 31st March 2005 (12 months), which is the last day to which the accounts of the Company have been made up and audited by us. We confirm that the financial statements for the aforesaid period ended have been made in accordance with Schedule VI of the Company's Act, 1956 and as per accounting standards of the Institute of Chartered Accountants of India.

As required by Part II of Schedule II to the Company's Act, 1956 and as per guidelines issued by the Securities and Exchange Board of India ('SEBI') in pursuance of subsection (1) of Section 11 of the Securities and Exchange Board of India Act, 1992, we have examined the financial information contained in Annexures to this report which is proposed to be incorporated in the Draft Offer Document of **SHREE PRECOATED STEELS LIMITED ('THE COMPANY')** in connection with the issue of Equity Shares of Rs.10 each for cash at premium of Rs. 10 per share on rights basis to the existing Equity share holders of the company in the ratio of 1:2 held as on record date aggregating to Rs. 51,07,75,000.

Based on our examination of the above financial statement, we confirm that the relevant extracts of Balance Sheet and Profit & Loss Account as enclosed in **Annexure I** and this report has been made after giving effect to the following:

I. The impact of changes in accounting policies adopted by the company has been disclosed with retrospective effect;
II. The impact of qualification in the auditor's report where applicable has been adjusted; and
III. The impact of extra ordinary items has been disclosed separately in the financial statements.

The significant Accounting Policies and Notes to Accounts are enclosed in **Annexure II** to this report.

**Other Financial Information**

I. Accounting ratios relating to Earnings Per Share, Net Asset Value per share, Return on Net Worth and Return on Capital employed are given in **Annexure III**.
II. The capitalization statement of the Company as at $31^{st}$ March, 2005 is enclosed as **Annexure IV.**
III. The taxation statement for the preceding financial years of the company is enclosed as **Annexure V.**
IV. The transactions with companies in the promoter group and details and transaction with Group Company/promoters including Outstanding Loans taken by the company are enclosed in **Annexure VI.**

In our view the 'financial information as per audited financial statements' and 'other financial information' mentioned above is in accordance with the relevant requirements of Part II of Schedule II of the Company's Act, 1956 and as per guidelines issued by the Securities and Exchange Board of India.

**For M/s. V. Parekh & Associates**
Chartered Accountant
Sd/-
Rashesh V. Parekh
Partner
Membership No.: 38615

Place: Mumbai
Date: 01/07/2005

**ANNEXURE – I**

**STATEMENT OF PROFIT & LOSS ACCOUNT**

(Rs.in Lacs)

| | Year ended | 31-Mar-05 | 31-Mar-04 | 31-Mar-03 | 31-Mar-02 | 30-Sep-00 |
|---|---|---|---|---|---|---|
| | | **12 Mths** | **12 Mths** | **12 Mths** | **18 Mths** | **18 Mths** |
| **A.** | **Income** | | | | | |
| | **Sales :** Products Mfgd. By Company | 79,033.27 | 52,133.50 | 29,137.37 | 18,814.47 | 10,327.82 |
| | Less: Excise Duty | 3,393.16 | 2,249.62 | 1,254.72 | 1,804.76 | 0.00 |
| | | **75,640.11** | **49,883.88** | **27,882.64** | **17,009.71** | **10,327.82** |
| | Other income | 536.43 | 170.42 | 76.03 | 113.16 | 114.77 |
| | Increase / (Decrease) in Inventories | 4,259.68 | 1,510.28 | (936.08) | 189.94 | 828.49 |
| | **Total** | **80,436.22** | **51,564.58** | **27,022.60** | **17,312.81** | **11,271.08** |
| **B.** | **Expenditure :** | | | | | |
| | Raw Materials consumed | 59,656.04 | 36,840.26 | 17,831.13 | 13,296.62 | 7,841.78 |
| | Staff Costs | 1,128.45 | 900.81 | 608.55 | 623.75 | 523.61 |
| | Other manufacturing expenses | 4,212.80 | 3,002.37 | 2,047.13 | 1,428.43 | 746.21 |
| | Other Expenditures (Administrative, Selling etc.) | 8,525.84 | 4,724.01 | 1,987.22 | 1,414.80 | 2,087.52 |
| | Interest | 1,485.34 | 1,084.46 | 900.49 | 6,114.21 | 4,483.73 |
| | Depreciation | 2,182.44 | 1,754.36 | 1,420.34 | 1,237.04 | 1,059.80 |
| | **Total** | **77,190.91** | **48,306.27** | **24,794.84** | **24,114.86** | **16,742.65** |
| **C.** | **Net Profit / (Loss) before tax and extraordinary items & Prior period adjustment** | **3,245.31** | **3,258.31** | **2,227.76** | **(6,802.04)** | **(5,471.57)** |
| **D.** | Prior period adjustment | 6.71 | 1.83 | (104.52) | 5.42 | (79.04) |
| **E.** | Net Profit / (Loss) before tax and extraordinary items | 3,238.60 | 3,256.48 | 2,332.28 | (6,807.46) | (5,392.53) |
| **F.** | Extra-ordinary items | 0.00 | 0.00 | (16,467.07) | 0.00 | 0.00 |
| **G.** | Net Profit/(Loss) after Extraordinary Items before taxation | 3,238.60 | 3,256.48 | 18,799.35 | (6,807.46) | (5,392.53) |
| **H.** | Taxation | 276.25 | 1.25 | 0.19 | 0.96 | 0.00 |
| **I.** | **Net Proft / (Loss) after Tax** | **2,962.35** | **3,255.23** | **18,799.16** | **(6,808.42)** | **(5,392.53)** |
| **J.** | Balance brought forward | 1,103.59 | (2,151.64) | (20,950.80) | (14,142.38) | (8,749.85) |
| **K.** | **Balance Carried to Balancesheet** | **4,065.94** | **1,103.59** | **(2,151.64)** | **(20,950.80)** | **(14,142.38)** |

**Note ;**

a. Waiver of interest by the Term Lending Institutions. Accordingly, the company has credited interest of Rs. 1,14,29,32,062/- to the Profit & Loss Account, Rs. 49,19,18,007/- to Pre Operative expenses and Rs. 2,25,69,262/- to fixed Assets Accounts, where it was originally debited.

b. The scheme envisages the reduction of equity share capital by writing of 9 Equity Shares out of every 10 Equity Shares held by the share holders i.e. 90% of the current Equity Shares capital. The Board of Directors in order to implement the scheme, at its meeting held on 29th January 2003 resolved to cancel nine Equity Shares out of ten Equity Shares held with effect from 17th March 2003. Accordingly, the company has reduced its share capital by Rs. 50,37,75,000/- in the books.

**STATEMENT OF ASSETS & LIABILITIES**

(Rs.in Lacs)

| | As at | 31-Mar-05 | 31-Mar-04 | 31-Mar-03 | 31-Mar-02 | 30-Sep-00 |
|---|---|---|---|---|---|---|
| | | **12 Mths** | **12 Mths** | **12 Mths** | **18 Mths** | **18 Mths** |
| **A.** | **Fixed Assets :** | | | | | |
| | Gross Block | 22,491.07 | 21,472.51 | 18,525.43 | 12,299.48 | 12,200.56 |
| | Less Depreciation | 10,260.43 | 8,105.28 | 6,362.90 | 5,112.33 | 3,883.16 |
| | Net Block | 12,230.64 | 13,367.23 | 12,162.52 | 7,187.16 | 8,317.40 |
| | Capital Work - in - Progress | 13,524.48 | 2,053.33 | 1,520.43 | 12,043.12 | 8,755.58 |
| | **Total** | **25,755.12** | **15,420.56** | **13,682.95** | **19,230.28** | **17,072.98** |
| **B.** | **Investment :** | **0.00** | **0.11** | **0.10** | **5.10** | **5.10** |
| **C.** | **Current Assets, Loans and Advances :** | | | | | |
| | Inventories | 21,905.30 | 10,848.85 | 2,849.09 | 3,668.09 | 2,669.18 |
| | Sundry Debtors | 2,930.69 | 3,167.76 | 4,618.27 | 881.41 | 2,015.84 |
| | Cash and Bank Balances | 2,049.59 | 550.43 | 204.06 | 286.82 | 613.63 |
| | Loans and Advances | 6,729.66 | 4,281.88 | 1,933.62 | 1,154.00 | 814.09 |
| | Other Current Assets | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | **Total** | **33,615.24** | **18,848.92** | **9,605.04** | **5,990.33** | **6,112.74** |
| **D.** | **Liabilities and Provisions :** | | | | | |
| | Secured Loans | 9,239.70 | 5,583.96 | 9,064.75 | 30,861.04 | 24,416.55 |
| | Unsecured Loans | 14,769.73 | 7,785.38 | 8,622.70 | 3,164.42 | 2,110.78 |
| | Current Liabilities and Provisions | 23,987.60 | 14,075.91 | 5,919.54 | 6,541.23 | 5,208.37 |
| | **Total** | **47,997.03** | **27,445.25** | **23,606.99** | **40,566.70** | **31,735.70** |
| **E.** | **Networth** | **11,373.33** | **6,824.34** | **(318.90)** | **(15,340.98)** | **(8,544.88)** |
| **F.** | **Represented by** | | | | | |
| | Share Capital | 5,107.75 | 4,447.75 | 559.75 | 5,594.90 | 5,594.90 |
| | Reserves | 6,265.58 | 2,376.59 | (878.65) | (20,920.80) | (14,112.38) |
| | Miscellaneous Expenditure | 0.00 | 0.00 | 0.00 | 15.08 | 27.40 |
| | **Networth** | **11,373.33** | **6,824.34** | **(318.90)** | **(15,340.98)** | **(8,544.88)** |

**ANNEXURE – II**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

**1. SIGNIFICANT ACCOUNTING POLICIES:**

a **Basis of Accounting:**

i. The financial statements are prepared under Historical Cost Convention and on accrual basis and are in accordance with the requirements of the Companies Act, 1956 of India (the "Act").

ii. The Company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

b **Fixed Assets:**

Fixed Assets are stated at historical cost less accumulated depreciation. Cost is inclusive of inward freight, duties, taxes, installation expenses, Allocable Pre-operative expenses and net of cenvat credit.

c **Investments:**

Investments are stated at cost.

d **Depreciation:**

Depreciation has been provided on all the Assets on Straight Line Method, at the rates specified under Schedule XIV to the Act.

e **Transaction in Foreign Currency:**

i. Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.
ii. Monetary items denominated in foreign currencies at the year end and not covered by forward exchange contracts are translated at the year end rates and those covered by forward exchange contracts are translated at the rate ruling at the date of transaction as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transaction, such difference having been recognized over the life of the contract.
iii. Any income or expenses on account of exchange difference either on settlement or on translation is recognized in the profit and loss account.

f **Expenditure Pending Allocation:**

All the revenue expenses up to the date of commercial production are capitalized and allocated proportionately to the Fixed Assets.

g **Inventories:**

Items of Inventories are measured at lower of cost or net realizable value. Cost of Inventories comprise of all cost of purchase, cost of conversion and other cost incurred in bringing them to their present location and condition.

i. **Raw Materials**
At cost including incidental expenses.

ii. **Finished Goods**
Finished Goods includes saleable Work-in-Process, and is valued at cost inclusive of excise duty or net realizable value whichever is lower

iii. **Stores and Spares**
At cost including incidental expenses.

iv. **Scrap**
At realizable value.

v. **Goods in Transit**
At actual cost incurred up to the date of Balance Sheet.

h. **Borrowing Cost:**
Borrowing costs that are attributable to the acquisition or continuation of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowings cost are charged to revenue.

i. **Sales:**
Sales include excise duty, insurance, sales tax, freight outward, exchange rate fluctuation on exports and export incentives.

j. **Retirement benefit:**
Liability in respect of leave encashment and gratuity is provided on accrual basis. Company's contribution to statutory welfare funds is charged to Profit and Loss Account.

k. **Provision for Current & Deferred Taxation:**
Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred Tax resulting from "Timing difference" between book & taxable profits is accounted for using the tax rates and laws that have been enacted or substantially enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is reasonable certainty that the assets will be realized in future.

l. **Impairment of Assets:**
If the carrying amount of Fixed Assets exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of estimated future cash flows.

m. **Contingent Liabilities:**
Contingencies, which are likely to materialize into liabilities till the date of approval of Accounts by the Board of Directors and having material effect, are being provided for. Other contingencies are shown as Contingent Liabilities by way of Notes to Accounts.

**2. Notes to Accounts :**

**2.1 Contingent liabilities not provided for in respect of:**

a) Estimated amount of contracts remaining to be executed on capital account & not provided for (net of advances) is Rs.6,167.55 Lacs (Previous Year Rs. 4,882.80 Lacs).
b) Bank Guarantees provided to third parties aggregate Rs. 940.00 Lacs (Previous Year Rs.39.00 Lacs).
c) Letters of Credit aggregating to Rs. 2,537.71 Lacs (Previous Year Rs. 841.14 Lacs).
d) Bills discounted with Banks amounting to Rs. 9171.45 Lacs (Previous Year Rs. 3,737.07 Lacs).
e) Income tax demand raised by the authorities for the period 1988-89 to 1992-93 not accepted by the Company amounting to Rs 2908.58 Lacs (Previous Year Rs. 2908.58 Lacs) The Company has filed petition with the Settlement Commission under Section 245 (C) of the Income Tax Act, 1961. Any adjustment required would be accounted in the year in which final order is received.
f) Demand from Sales Tax Recovery Officer – Kolkatta for Rs.0.79 Lacs (Previous Year Rs. 0.79 Lacs)
g) Demand raised by Excise Authorities Rs. 41.97 Lacs (Previous year Rs. Nil).
h) Suit filed against the Company not acknowledged as debts of Rs. 53.28 Lacs (Previous Year Rs. Nil).
i) Liability that may arise on account of the Financial Institution exercising their right of recompense as per the Board for Industrial Financial Reconstruction (BIFR) Scheme.

**2.2 Auditors Remuneration**

Rs. in Lacs)

| Particulars | Amount |
|---|---|
| Audit Fees | 2.50 |
| Tax Audit Fees | 1.00 |
| Certification and other matters | 1.45 |
| Out of pocket expenses | 0.54 |
| **Total** | **5.49** |

**2.3 Managerial remuneration (excluding provision for Gratuity and provision for leave encashment on retirement) paid/payable to Directors:**

a. Managing / whole time directors:

(Rs. In Lacs)

| | **2004 – 05** |
|---|---|
| Salaries | 21.49 |
| Perquisites | 9.85 |
| Total (a) | 31.34 |

b. Directors other than managing / whole time directors:

| | |
|---|---|
| Sitting Fees | **0.67** |
| Total (b) | 0.67 |
| **Total (a+b)** | **32.01** |

No commission is payable to Wholetime Directors in view of waiver of commission by them for the current year under review. The Company has been advised that the computation of the net profit for the purpose of remuneration to Director under Section 349 & 350 of the Act need not be enumerated. Only fixed monthly remuneration has been paid to the Wholetime Directors.

**2.4 Secured Loans:**

**a. Term Loans**

(Rs. in Lacs)

| Name of the Financial Institution/Bank | Loan Disbursed * | Loan Outstanding on 31st March 2005 | Repayment Schedule | Security Offered |
|---|---|---|---|---|
| IDBI Ltd. | 2063.50 | 1444.60 | As per BIFR Order dated 7th November 2002 | As per note |
| IFCI Ltd. | 621.20 | 113.88 | | |
| IIBI | 1047.70 | 192.08 | | |
| SICOM | 1000.00 | 700.00 | | |
| Allahabad Bank | 3000.00 | 3000.00 | 28 equal quarterly installments after one year moratorium period. | |
| **Total** | **7,732.40** | **5,450.56** | | |

* Except Term Loan from Allahabad Bank, Term loan disbursed position of other Financial Institutions taken as on 30th September 2000 as per Board for Industrial and Financial Reconstructions (BIFR) Order dated 7th November 2002.

**Note :**

i. The Term Loans from Financial Institutions and Banks are secured by a first charge on the present and future immovable properties of the company and on plant and machinery present and future, and are collaterally secured by personal guarantees of Shri C.S. Ajmera, Shri R. S. Ajmera and Shri I.S. Ajmera, Promoter Directors of the company.

ii. Dues payable to financial institutions as per scheme of rehabilitation of BIFR are further secured by pledge of Promoter Directors’ shareholding in the company.

**b. Working Capital Facilities**

**(Rs. in Lacs)**

| **Name of the Bank** | **Fund Based** | **Fund based Outstanding on 31st March 2005** | **Rate of Interest** | **Security Offered** |
|---|---|---|---|---|
| Bank of Baroda | 3,155 | 2,155.65 | 8.50% | As per note |
| Dena Bank | 2,545 | 2,961.01 | 10.00% | |
| Allahabad Bank | 2,545 | 3,771.85 | 9.50% | |
| The Federal Bank Ltd. | 1,275 | 2,473.28 | 9.75% | |
| Abu Dhabi Commercial Bank Ltd. | 484 | 381.58 | 11.00% | |
| **Total** | **10,004** | **11,743.37** | | |

**Note :**

The Working Capital limits from consortium of banks are secured by a first charge on all the current assets of the company, present and future, book debts and receivables and second charge on the fixed assets of the company.

**2.5 Exchange Fluctuations :**

a) Materials consumed and Sales Turnover includes exchange rate difference of Rs.747.71 Lacs (Favorable) [Previous Year Rs. 46.35 Lacs (Favorable)] and Rs. 79.32 Lacs (Favorable) [Previous Year Rs. 35.17 Lacs (Adverse)] respectively.

b) Miscellaneous Expenses includes Rs. 348.47 Lacs (previous Year Rs. NIL) on account of exchange rate difference (adverse) on expiry/cancellation of Foreign Exchange Contract.

**2.6 Segment Information:**

The Company primarily deals in the business of Steel Products and hence there is no Primary reportable segment in the context of Accounting Standard AS – 17 issued by ICAI. As the Company's export turnover is significant in the context of the total turnover, geographical segment is considered as the Secondary Segment & is being reported.

(Rs. in Lacs)

| | | **2004 – 05** |
|---|---|---|
| Export Segment | Export Sales including Export Incentives | 54,834.51 |
| Local Segment | Local Sales net of excise duty | 20,805.60 |
| **Total** | | **75,640.11** |

**2.7 Installed Capacity and Actual Production :**

| | **F.Y. 2004-05** | | |
|---|---|---|---|
| | **Capacity** | **Production** | **%** |
| CCL | 90,000 | 82,375 | 92 |
| CGL | 150,000 | 139,938 | 93 |
| CR | 220,000 | 198,191 | 90 |

**2.8 Opening and Closing Stocks :**

Opening Stock Rs. 10848.85 Lacs
Closing Stock Rs. 21905.30 Lacs

**2.9 Raw Materials Consumed :** Rs. 59656.04 Lacs

**2.10 Value of Imports on C.I.F. Basis :** Rs. 42,940.77 Lacs

**2.11 Expenditure in Foreign Currency :** Rs. 664.32 Lacs

**2.12 Earnings in Foreign Currency :** Rs. 48,178.77 Lacs

**2.13 Small Scale Industrial Undertaking :**

Dues to SSI as on 31st March 2005 NIL

## ANNEXURE – III

## ACCOUNTING RATIO

**(Rs. In Lacs)**

| As at | 31-Mar-05 | 31-Mar-04 | 31-Mar-03 | 31-Mar-02 | 30-Sep-00 |
|---|---|---|---|---|---|
| | 12 Mths | 12 Mths | 12 Mths | 18 Mths | 18 Mths |
| **Earning per Share (EPS) (Rs.)** | | | | | |
| Basic W | 6.08 | 7.32 | 4.15 | (12.15) | (9.64) |
| Diluted | - | - | 5.01 | - | - |
| **Net Asset Value (NAV) (Rs. per share)** | 22.27 | 15.34 | (5.70) | (27.42) | (15.27) |
| **Return on Net Worth (RONW) (%)** | 26.05% | 47.70% | -731.30% | 44.38% | 63.11% |
| **Return on Capital Employed (ROCE)(%)** | 8.37% | 16.12% | 13.43% | -36.45% | -30.00% |

Note :

Earnings per share has calculated without taking into account Extraordinary items pertaining to waiver of interest by Term lending Institutions and Reduction in Capital as per terms of order issued by Board of Industrial and Financial Reconstruction.

## ANNEXURE – IV

## CAPITALISATION STATEMENT

**(Rs. in Lacs)**

| Particulars | Pre-issue as at 31st March 2005 | Post-issue as adjusted for the issue |
|---|---|---|
| **DEBTS:** | | |
| Short Term Debts | 14,769.73 | 14,769.73 |
| Long Term Debts | 9,239.70 | 9,239.70 |
| **Total** | **24,009.43** | **24,009.43** |
| | | |
| **SHAREHOLDERS FUND:** | | |
| Equity Shares Capital | 5,107.75 | 7,661.62 |
| Reserves & Surplus (Incl. Share Premium) | 6,265.58 | 8,819.46 |
| **Total** | **11,373.33** | **16,481.08** |
| | | |
| **Long Term Debts / Equity** | **2.11 : 1** | **1.46 : 1** |

**ANNEXURE – V**

**TAXATION STATEMENT**

| **Previous Year** | **2003-04** | **2002-03** | **2001-02** | **2000-01** | **1999-2000** |
|---|---|---|---|---|---|
| **Assessment Year** | **2004-05** | **2003-04** | **2002-03** | **2001-02** | **2000-01** |
| | | | | | |
| A. Tax at specified rate as applicable on book profit. | NA | NA | NA | NA | NA |
| B. Adjustments | | | | | |
| a. Difference between tax depreciation and book depreciation. | NA | NA | NA | NA | NA |
| b. Other adjustments | NA | NA | NA | NA | NA |
| Total adjustments | NA | NA | NA | NA | NA |
| C. Tax savings on adjustments | NA | NA | NA | NA | NA |
| D. Total Taxation | NA | NA | NA | NA | NA |
| E. Tax as per MAT | NA | NA | NA | NA | NA |
| F. Tax provided in the books | NA | NA | NA | NA | NA |

**Note :**
In respect of financial years 2003-04, 2002-03, 2001-02, 2000-01 and 1999-2000 the company did not have any eligible book profits liable for taxes and accordingly there was no tax liability under the provisions of the Income Tax Act, 1961. Accordingly the figures are stated as not applicable.

**ANNEXURE – VI**

**TRANSACTION BETWEEN COMPANY AND PROMOTERS, ASSOCIATES OF PROMOTERS FOR THE YEAR ENDED ON 31$^{ST}$ MARCH 2005.**

The related party and relationships, as identified by the Management and relied upon by the Auditors, with whom transactions have taken place during the year are:

a. **List of related parties and their relationship:**

| **Name of the Party** | **Relationship** |
|---|---|
| Ajmera Cement Private Limited | Associate |
| Ajmera Housing Corporation | Associate |
| Pramukh Development Corporation | Associate |
| Anik Development Corporation | Associate |
| Vijay Nagar Corporation | Associate |
| Broadllyne Infoservices Pvt. Ltd. | Associate |
| Bombay Freezco Pvt. Ltd. | Associate |
| Ajmera Water 'N' Amusement Park Pvt. Ltd. | Associate |
| Rushabh Investments Pvt. Ltd. | Associate |

**Key Management Personnel:**

| **Name of the Party** | **Relationship** |
|---|---|
| Shri M. Sivaramakrishnan | Whole time Director |

**Directors and their relatives:**

| Name of the Party | Relationship |
|---|---|
| Shri Chhotalal S. Ajmera | Chairman & Managing Director |
| Shri Rajnikant S. Ajmera | Managing Director |
| Shri Ishwarlal S. Ajmera | Wholetime Director |
| Shri Sanjay C Ajmera | Relative |
| Shri Bhogilal S. Ajmera | Relative |
| Shri Shashikant S. Ajmera | Relative |
| Shri Chhaganlal S. Ajmera | Relative |
| Shri Natwarlal S. Ajmera | Relative |
| Shri. Manoj I. Ajmera | Relative |
| Shri. Jayant I. Ajmera | Relative |
| Smt. Veena C. Ajmera | Relative |
| Shri. Atul C. Ajmera | Relative |
| Smt. Hetal S. Ajmera | Relative |
| Smt. Bharati R. Ajmera | Relative |
| Shri. Dhaval R. Ajmera | Relative |

b. **Related Party Transactions:**

(Rs. in Lacs)

| Transactions | Associates | Directors and Relatives | Key Management Personnel | Year ended Balances |
|---|---|---|---|---|
| Purchase of Goods | **7.37** | **NIL** | **NIL** | **23.25** |
| | ( 26.87) | (NIL) | (NIL) | ( 31.12) |
| Sale of Goods | **25.06** | **NIL** | **NIL** | **NIL** |
| | (7.63) | (NIL) | (NIL) | (NIL) |
| Finance received / (repaid) in form of Loans | **7360.33** | **(417.21)** | **NIL** | **11918.28** |
| | (1265.82) | (1640.66) | (NIL) | (4875.61) |
| Services Received | **106.23** | **NIL** | **NIL** | **99.67** |
| | (22.96) | (NIL) | (NIL) | ( 22.96) |
| Remuneration paid | **NIL** | **36.04** | **8.09** | **23.27** |
| | (NIL) | (2.50) | (4.80) | (NIL) |
| Rent Paid | **NIL** | **30.80** | **NIL** | **26.50** |
| | (NIL) | (NIL) | (NIL) | (NIL) |
| Interest Paid | **28.48** | **NIL** | **NIL** | **NIL** |
| | (NIL) | (NIL) | (NIL) | (NIL) |

Figures in Bold represents current financial year & others represents for previous year.

c. **Closing Balance of unsecured loans from promoters and Associate promoters as on 31st March 2005 is Rs. 11,898.16 lacs.**

**CHANGES IN ACCOUNTING PERIOD**

There has been no change in accounting period since past three years.

**SWOT ANALYSIS**

**1. STRENGTHS**

a) High class Colour Coating Line with backward integration in form of most modern, hot dip Galvanizing Line No. 2, Level-2 automated Cold Rolling Mill No. 3 with high quality cold rolled coils of exceptional standards.
b) World-class equipment and technology of its expansion with latest monitoring devices.
c) Top class quality control exercised on its CRM Complex and diversification with its collaboration with M/s TKS-CS, Germany for a period of five years.

d) High acceptance of our products in the Europe and Far-East markets with growing consolidated access to North American markets with encouraging access to US markets.
e) Improved and growing brand image of our products world-wide. High market share in Europe and Far-East markets.
f) Skilled and trained manpower of younger age group to accept all challenges.
g) Proximity to a good city (Pune) and JNPT (for export)
h) ISO 9001:2000 certification of our Quality Management System by DNV.
i) ISO 14001:1996 certification for world-wide recognition of our EMS efforts.
j) Long term contracts with leading domestic producers of HR Coils for ensuring consistent and competitive input feed stock.

**2. WEAKNESSES**

a) Sole dependence on MSEB power supply. No Captive Power Generation.
b) Sole dependence on local / imported HR Coils. Quality, cost and deliveries are uncertain. Too much working capital blocked in HR coils stock.
c) Need of warehouse facilities and to cater to the high volume traffic of input and output products of the plant.
d) The need for Hot Rolled Coil plant with backward integration in view of the large volume turnover of its existing facilities by expansion units being implemented.

**3. OPPORTUNITIES**

a) Worldwide boom in industrial growth and steel market is leading to large unfulfilled demand for our products. Many untapped domestic and overseas markets yet to be explored sales.
b) Entry into OEM and automobile sector markets with the commissioning of Company's high technology units covering very special features such as high class colour coated products and galvanized products and Metalume products to replace imported coated products and sizeable exports.
c) To set up an R&D center to develop new products and their applications to become a world leader in our business.
d) ISO 14001: 1996 certification with worldwide recognition of our EMS efforts to boost Exports.
e) Global sourcing of major raw materials, consumables and spares to ensure prompt deliveries at competitive cost.

**4. THREATS**

a) Lot of expansion activities in India by our competitors on capacity creations of colour coated products as well as overseas markets will put a lot of pressure on our sustained exports.
b) Loss of experienced, skilled and competent manpower
c) Government policies regarding Export/Import and local taxation.

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Overview of the business of the Company**

The Company has, in the recent past, consolidated its position and strength as a supplier of best Color Coated Steel Coils and sheets. This has been the result of concerted and systematic efforts in several areas such as restructuring, up gradation of technology, enhancement of operational efficiency, bench marking of quality processes and rightsizing the workforce, cost reduction measures, quality product development, aggressive marketing efforts and branding. Continued focus on these measures coupled with the economic upturn has resulted in improving the overall performance of the Company during the year 2004-05.

Performance is the key factor for the growth of any organization. Continuing the upward trend from the last couple of years, the Company during the year 2004-05, achieved all time record Production, Sales volume in the Domestic and Export markets, business growth and all round progress.

The year 2004-2005 has witnessed with a phenomenal zoom of growth in all steel products world wide. While the demand for construction industry has shot up, the demand for flat steel products specifically have gone up very appreciably, both in terms of price increase of the products as well as the volume.

The price increase, especially for the hot rolled coils have been quite steep. Since input of the Cold Rolling Mill Complex centers around the availability and price of the input hot rolled coils, the Company had to bring in its best efforts in sourcing of this commodity from several domestic producers by way of long term contracts and resort to import of Hot Rolled Coils of right quality selectively from global sources. The Company has been successful in its efforts in these areas.

The auto industry in the export section have registered a phenomenal growth and demand for Cold Rolled & Galvanized Steel in these markets have bounced with an increased trend over the past year.

The European market has now expanded with the induction of new countries in its ambit and with the import regulations covered under the EU Policy; the exports in these new regions have opened up new arenas for exports for the Cold Rolled, Galvanized and Colour Coated products. The North American markets have now become more flexible in its imports and Company's efforts are focused in this direction for exports to these countries.

Briefly, it is enough to say that the Company's Cold Rolling Mill production with its expansion facilities places its production increase of Cold Rolling Mill capacity from the existing 220,000 TPA to over 540,000 TPA.

This increase in cold rolling capacity has been achieved by the installation of the high speed 4-High Cold Rolling Mill with the most modern features of Flatness Control System and Level-2 Automation to produce finish Cold Rolled coils at finish speed of 1400 MPM with a capacity output of 350,000 TPA.

The Company has successfully installed its highest speed Galvanizing Line of the state of the art technology to produce over 300,000 TPA of Continuous, Hot-Dip, Galvanized products with the most up to date gadgets to produce all varieties of Galvanized products to cater to the needs of the North American markets.

Added to this, the Colour Coated products capacity of the present level of 90,000 TPA is being modernized for a production of 120,000 TPA by installation of the world's first near Infra-Red curing technique based second Colour Coating Line (CCL-2) with all its supporting auxiliaries of Solvent Recovery system of the highest technology to produce over 300,000 TPA will bring Company the largest producer of Colour Coated Sheets in the Asian Region.

Besides the installation of three major facilities of the new CRM, the all vertical - Non-ox – in line continuous annealed Hot Dip Galvanizing Line (CGL-2) and the Near Infra-Red Colour Coating Line (CCL-2), the Company took steps to augment the various supporting facilities such as installation of Propane Storage System for fuel, Water Treatment and Softening Plant, new Cooling Towers, full-scale PSA Ammonia / Hydrogen plant etc.

It is very worthwhile to mention that for the most optimum operation of the Hydrochloric Acid Pickling Line, the Company has become the first to install in this region, a full scale Hydrochloric Acid Regeneration Plant of the most modern technology to provide total recovery of used acid with least HCL PPM escape and the purest iron oxide (byproduct) recovery unit for quality export of high value iron oxide.

The Company has taken strides in collaboration with global partners to maintain its technological excellence of international competitors. The first step the Company has taken is to sign with **M/s. ThyssenKrupp Consulting Services (TKS-CS) –** Europe's second larges steel producer of coated products of world wide repute for the overall quality control improvements for the entire CRM Complex units starting from the input raw material as well as production of diversified coated products. The Company has taken steps in introduction of the **METALUME product** (Zinc-Alum coated product) to produce in a big scale. This product, currently being imported in this country and having world-wide demand, will place Company's capability in this area of being the **"FIRST"** major producer of Metalume products for domestic and world-wide export markets from the first quarter of next year.

In keeping with the continued and improved performances, the Company has made record sales (Rs. 790 Crores) over the previous year (Rs. 521 Crores). Thus, with the expansion facilities, the Company is poised for a phenomenal growth in terms of turn over as well as production in the coming year.

The Company has successfully taken great efforts to keep pace with the expansion by induction of high quality, skilled and trained manpower in the critical areas to cover both the existing and the expansion units in a most exemplary way to meet is targets of achievement of the project capacities in the shortest possible time.

The Company has successfully concluded the Training Programmes from highly professional institutions to impart the training for lower level, middle level and top level executives during the course of this year. The result of this management training programmes has imparted a sense of commitment, improved performance, quality and turn over by the respective personnel of various disciplines. This has resulted in the establishment of high professional competence through better training and HR development undertaken.

The capacity utilization and efficiency of the Lines has been realized for radical improvement. The down gradations and improvement in yield and reduction in cost have been successfully established down the line with scientific procedures of incentives at various levels, resulting in Company's growth of excellence.

**Significant developments since the date of last financial statement**

There are no material developments after the date of the latest balance sheet save and except as stated elsewhere in this document, that are likely to materially affect the performance and the prospects of the Company. The Company has not discontinued any of its existing business nor commenced any new business during past years.

**Factors that may affect results of Operations**

- **Unusual or infrequent events or transactions**
  - Technology plays a vital role in manufacturing plants. The Company's failure or inability to adopt any change in technology might place its competitors at an advantage in terms of cost, efficiency and timely delivery of final products.
  - Any change in regulations, domestic or international, having an impact on the Steel market and its inputs will affect the industry as a whole. Such changes may be in the nature of introduction of quota, tariff barrier, subsidies etc. and could adversely affect the business, financial condition and the operations of the Company.
  - Any significant change in the Government's policies or any political instability in India could adversely affect the business and economic conditions in India and could also adversely affect the business, future financial performance

- **Significant economic changes**

  Any slowdown in the growth of Indian economy or future volatility in global commodity prices, could adversely affect the business, including the future financial performance, shareholders' funds and ability to implement strategy and the price of the Equity Shares.

- **Competitive Conditions**

  The Company operates in a globally competitive business environment. Increasing competition may force the Company to reduce prices of its products, which may reduce the revenues and margins and/or also decrease its market share, either of which could have an adverse effect on the business, financial condition and operations of the Company.

**Results of Operations**

Results of operations for the last three years are as follows:

| Year ended | 31-Mar-05 | 31-Mar-04 | 31-Mar-03 |
|---|---|---|---|
| Gross Turnover | 79033.27 | 52133.50 | 29137.37 |
| Income | 80,436.22 | 51,564.58 | 27,022.60 |
| Net Profit / (Loss) before tax and extraordinary items & Prior period adjustment | 3,245.31 | 3,258.31 | 2,227.76 |
| Net Profit/(Loss) after Extraordinary Items before taxation | 3,238.60 | 3,256.48 | 18,799.35 |
| Net Proft / (Loss) after Tax | 2,962.35 | 3,255.23 | 18,799.16 |

**Comparison of Results of Operation**

**Financial year 2004-05 :** During the financial year 2004-05 the company recorded a turnover of 79033.27 Lacs as against Rs.52133.50 Lacs during 2003-04, an increase of 51.60% over the previous year. The operations resulted in a Gross Profit of Rs.3245.31 Lacs and Net Profit of Rs.2962.35 Lacs (a decline of 9% over the previous year).

**Financial year 2003-04 :** During the financial year 2003-04 the company recorded a turnover of 52133.50 Lacs as against Rs.29137.37 Lacs during 2002-03, an increase of 78.92% over the previous year. The operations resulted in a Gross Profit of Rs.3258.31 Lacs and Net Profit of Rs.18799.16 Lacs (an increase of 82.68% over the previous year).

**Risk relating to Foreign Exchange**

The Company imports raw material used for production which subjects it to foreign exchange exposure. The fluctuations in foreign exchange rates might have an impact on the financial performance of the Company.

## DIRECTORS' STATEMENT

In the opinion of the Directors, there have not arisen since the date of the last financial statements disclosed in the Letter of Offer, any circumstances that materially and adversely affect or is likely to affect the trading or profitability of the Company, or the value of its assets, or its ability to pay liabilities within the next 12 months.

## XIV. LEGAL AND OTHER INFORMATION

Save as stated herein under, the Company, have not defaulted in meeting any of its statutory or institutional dues and have made all payments/refunds on fixed deposits or no proceedings have been initiated against the Company, for any of the offences specified in paragraph 1 of Part I of Schedule XIII of the Companies Act, 1956. Further, there are no disputes/litigations towards tax liabilities or criminal prosecutions against the Company and its Directors for any offence, economic or otherwise civil litigations against the Company and its Directors, there are no material disputes/legal actions other than those disclosed below.

There are no pending proceedings initiated for economic offences against the Company. No disciplinary action/ investigation has been taken by the SEBI against the Company, its subsidiaries and sponsored institutions and its respective directors.

**OUTSTANDING LITIGATIONS AGAINST THE COMPANY**

- The summary of pending cases is as follows :

| Sr. | Particulars | No. of cases/disputes | Amount involved where quantifiable (Rs. In lacs) |
|---|---|---|---|
| 1 | Civil Proceedings | 7 | 69.17 |
| 2 | Labour Related | 1 | 1.00 |
| 3 | Income Tax related | 9 | 10981.40 |

- A statutory due in respect of sales tax to the extent of Rs.135.77 lacs which has remained unpaid for a period of more than 6 months from the date they became payable.

**The brief details of the pending cases are as follows :**

**1. Civil Proceedings :**

There are 7 civil proceedings pending before various courts such as High Court Mumbai, Civil Court, Thane, Civil Court Delhi and Civil Court Pune aggregating to an amount of Rs.69.17 lacs. These cases are mostly for recovery of dues and possession of property.

**2. Labour Related cases :**

There is one case filed by Mr. Rajinder Singh against the company in Labour Court, Delhi for claim of salary and other compensation amounting approximately to Rs.1.00 lacs.

**3. Income Tax Related Cases**

Following appeals / matters are pending at various stages relating to Income Tax Demand.

| Sr. No. | Assessment Year | Nature | Amount (Rs. in lacs) |
|---|---|---|---|
| 1 | 1987-88 to 1988-89 | Appeal u/s 245 D(4)* pending<br>* *Refers to Passing of the order by the settlement commission after giving an opportunity of being heard to the Assessee.* | 3.17 |
| 2 | 1994-95 | Appeal of Company with ITAT | 734.49 |
| 3 | 1995-96 | Appeal of Income Tax Department with ITAT*<br>* *Refers to Income Tax Appellate Tribunal* | 651.31 |
| 4 | 1996-97 | Appeal of Income Tax Department with ITAT | 1605.27 |
| 5 | 1997-98 | Appeal of Income Tax Department with ITAT | 278.58 |
| 6 | 1998-99 | Appeal of Income Tax Department with ITAT | 4501.03 |
| 7 | 1999-2000 | Order u/s 143(1)* of Income Tax Act<br>* *Refers to Intimation of Demand* | 1293.72 |
| 8 | 2000-01 | Order u/s 143(1)* of Income Tax Act<br>* *Refers to Intimation of Demand* | 1294.15 |
| 9 | 2001-02 | Order u/s 143(2)*<br>* *Refers to Notice received within 1 year from the date of return filed*<br>Appeal of the company is pending | 619.68 |

**Contingent Liabilities**

As of 31/03/2005, the Company has some contingent liabilities as detailed below, determination of which against the Company may adversely affect the financial position.

a. Estimated amount of contracts remaining to be executed on capital account & not provided (net of advances) is Rs.6167.55 Lacs.
b. Bank Guarantees provided to third parties aggregating to Rs.940.00 Lacs.
c. Letters of Credit aggregating to Rs.2537.71 Lacs
d. Bills discounted with Banks amounting to Rs.9171.45 Lacs.
e. Suit filed against the Company not acknowledged as debts of Rs.53.28 Lacs.
f. Liability that may arise on account of the Financial Institution exercising their right of recompense as per the BIFR Scheme.

In respect of Contingent dues on account of sales tax, income tax and excise dues disputed by the Company and not being paid vis a vis forums where such disputes are pending are as follows:

| Name of statute | Nature of Dues | Amount (in Lacs) | Year | Forum where pending |
|---|---|---|---|---|
| West Bengal Sales Tax Act. | Ex-parte order passed | 0.79 | 1997-98 & 1998-99 | The Company is in the process of filing appeal. |
| Income Tax Act | Block Assessment demand | 2908.58 | 1988-89 to 1992-93 | The application of the Company is pending with Settlement Commission. |
| Central Excise Act, 1944 | Penalty levied for variation in stock of finished goods. | 41.97 | 1997.98 | The Company is in the process of filing appeal with CESTAT, Mumbai. |
| **Total** | | **2951.34** | | |

**OUTSTANDING LITIGATIONS AGAINST PROMOTERS / DIRECTORS**

➢ **The summary of pending cases against Promoters / Directors is as follows :**

| Sr. no | Particulars | No. of cases/disputes | Amount involved where quantifiable (Rs. In lacs) |
|---|---|---|---|
| 1 | Civil Proceedings | 4 | 2474.52 |
| 2 | Appeals against orders in civil proceedings | 1 | 3.00 |
| 3 | Criminal Cases | 3 | Not Quantifiable |
| 4 | Special Leave Petitions | 30 | 2800.00 |
| 5 | Income Tax related | 2 | 5.18 |

**The brief details of the pending cases are as follows :**

**1. Civil Proceedings**

- There is one case filed by SICOM Ltd. against the promoter C.S.Ajmera and others for recovery of loan amount of Rs. 2474.52 lacs wherein the promoters were the guarontors. As per the BIFR order the amount payable is Rs. 2117.09 lacs out of which the company has repaid an amount of RS. 612.20 lacs and the balance outstanding is Rs. 1504.89 lacs. Same is being paid as per the scheme of BIFR & no amount is overdue.
- There are 3 civil proceedings pending before Civil Court, Pune, against the Promoters and directors of the company for matters relating to sharing of profits and other property related matters. The amounts involved in these cases are not quantifiable.

**2. Matters wherein appeal has been filed in the High Court in respect of order passed**

An order dated 30/11/1998 in Special Civil Suit No. 502 of 1986 has been passed by the Hon'ble Judge, Pune for an amount of Rs.30,000/- and for settlement of accounts. The suit is decreed by the lower court with costs and the plantiff Mr. Shankra Masulkar & others are entitled to receive Rs.3 lacs from original defendands . An appeal has been filed by Mr. I.S. Ajmera against this order.

**3. Criminal cases**

- A Government officer has filed in the Criminal Metropolitian Magistrate Court Mulund, Mumbai u/s 26(1)dhb and 63(c ) of the Indian Forest Act, 1927 and 27(1) and 35 (6) of Wildlife Protection Act, 1972 for felling of trees at Anik Wadala Property and digging of earth in forest area. No amount is involved in this case.
- 2 cases have been filed by the Income Tax Officers in the Metropolitian Magistrate court Esplanade, Mumbai against the promoters regarding concealment of alleged income. The total amount involved in these cases is Rs.15,53,900/-

**4. Special Leave Petition**

21 Special Leave Petitions are pending before the settlement commission in respect of Assessment Years from 1989-90 to 1993-94 with regard to orders passed u/s 245D(1) and 245D(4) of Income Tax Act against some of the Group Companies, Promoters and other relatives. The amount involved is approximately Rs. 1607.03 lacs.

*[ 245D (1) refers to Procedure on receipt of an application u/s 245 C (Settlement of Demand) and 245D(4) refers to Passing of the order by the settlement commission after giving an opportunity of being heard to the Assessee.]*

**5. Income Tax Related Cases**

i) Following appeals / matters u/s 245D(4)* are pending at various stages relating to Income Tax.

| Sr. No. | Name of the entity | Assessment Year/Date of Order | Amount (Rs.in lacs) |
|---|---|---|---|
| 1 | Shashikant Shamalji Ajmera | 1987-88 to 1988-89 | 1.09 |
| 2 | Ishwarlal S. Ajmera HUF | 31/12/1998 | 1.52 |
| 3 | Manoj I. Ajmera | 31/12/1998 | 2.89 |
| 4 | Chhaganlal S. Ajmera HUF | 31/12/1998 | 16.73 |
| 5 | Bhogilal S. Ajmera | 31/12/1998 | 2.26 |
| 6 | Bhogilal S. Ajmera HUF | 31/12/1998 | 5.78 |
| 7 | Bandish V. Ajmera | 31/12/1998 | 4.01 |
| 8 | Veenaben C. Ajmera | 31/12/1999 | 18.33 |
| 9 | Sanjay C. Ajmera | 31/12/1998 | 7.05 |
| 10 | Bharatiben R. Ajmera | 31/12/1998 | 6.19 |

* *Refers to Passing of the order by the settlement commission after giving an opportunity of being heard to the Assessee.*

ii) An appeal is pending before ITAT in case of Mr. Ashwin B. Ajmera for an amount of Rs. 4.09 lacs for the assessment year 1993-94.

**OUTSTANDING LITIGATIONS AGAINST GROUP COMPANIES**

- **The summary of pending cases against Group Companies is as follows :**

| Sr. no | Particulars | No. of cases/disputes | Amount involved where quantifiable (Rs. In lacs) |
|---|---|---|---|
| 1 | Civil Proceedings (High Court) | 9 | 107.87 |
| 2 | Civil Proceedings (City Civil Court) | 7 | Not Quantifiable |
| 3 | Appeals against orders in civil proceedings | 2 | 1.03 |
| 4 | Co-operative Court | 1 | Not Quantifiable |
| 5 | Consumer related | 4 | 7.11 |
| 6 | Income Tax related | 4 | 126.04 |
| 7 | DRT Matter | 2 | Not Quantifiable |

**The brief details of the pending cases are as follows :**

**1. Matters filed in the High Court :**

- A case has been filed by Sportsfield Construction against Brihanmumbai Municipal Corporation, Ajmera Housing Corporation and others (A.O.No. 1074 of 2004) for matter relating to Boundary wall dispute of Raheja Kamat Club. No amount is involved.

- A case has been filed by Commissioner of Income Tax against Ajmera Steel Strips Ltd. (IT Appeal No. 440/04) u/s 260A of the IT Act, 1961 challenging an order passed by the IT Appellate Tribunal Mumbai (order dated 16/7/03) A.O.No. 1074 of 2004) for addition in income to the tune of Rs. 75 lacs.

- A Writ Petition 958 of 1999 dated 16/12/1999 has been filed by Dayashankar Yadav against S.S. Ajmera Trust and other against the closure notice of S.S Ajmera High School. Case is pending for hearing.

- A Writ Petition 2897 /03 has been filed by Dayashankar Yadav and 18 others against Vijay Nagar Corporation, S.S. Ajmera Trust, M.C.G.B, Deputy Director of Educaiton and State of Maharashtra against the direction to shift the existing S.S Ajmera High School to a new school building at Yogi Nagar. Case is pending for hearing.

- A Writ Petition 2367 of 2004 has been filed by Dayashankar Yadav against Vijay Nagar Corporation against the order dated 29/06/2004 passed by the Director of education to hand over the possession of S.S Ajmera High School by S.S. Ajmera Trust to Vijay Nagar Corporation. Case is pending for hearing.

- A Pauper Petition 18 of 2003 has been filed by Mr. Bharat Patil against Vijay Nagar Corporation, R.S. Ajmera and others for eviction from Yogi Nagar property. No amount is involved.

- A case has been filed by Manik Suryavanshi against Ajmera Housing Corporation (Suit No. 1284 of 1988) for specific performance of agreement for sale of flat or repayment of earnest money along with interest. The total amount involved including damages and interest is Rs. 29.87 lacs.

- A case has been filed by Deepak Manmohandas Fadia against Mala Enterprises and others (Suit No. 284 of 1979) for specific performance of agreement dated 19/1/67 for sale of 2 shops at Andheri (West).

- A case has been filed by Chintaman Patil and 2 others against Vijay Nagar Corporation , R.S. Ajmera, C. S. Ajmera and others (Suit No. 1341/84) for claim in 3 set of properties in Survey No. 71 Hissa No. 3 at Yogi Nagar, Borivali and to mention regarding the same in the agreement for sale in the 1$^{st}$ and 2$^{nd}$ set of properties and not the sell the 3$^{rd}$ set of property. The amount involved is Rs. 3 lacs towards damages and Rs. 0.25 lacs per month as mesne profits.

**2. Matters in City Civil Court, Mumbai**

- There are 5 cases filed by various parties regarding boundary wall disputes at Shastri Nagar and Anik Wadala. No amount is involved in the same.

- A case has been filed by Royal Classic Co-op. Hsg. Soc. against M/s. Israni properties, B.M.C and Pramukh Development Corporation for converting residential premises into commercial premises. No amount is involved in the same.

- A case has been filed by Dilip Lakhani & Others against DSJB Trust & Others challenging the development at Malad Dasha Shrimali Nagar. No amount is involved in the same.

3. **Matters wherein appeal has been filed in the High Court in respect of order passed**

- An order dated 09/02/1998 in City Civil Court, Mumbai in respect of Suit No.6388/91 in regard to Yogi Nagar property has been passed against Vijay Nagar Corporation in favour of Prakash Chogle & others. An appeal has been filed by Vijay Nagar Corporation against this order. The value of property as per agreement dated 10/09/80 is Rs. 1.03 lacs.

- An order dated 09/10/2001 in Notice of Motion no. 3677 of 2001 was passed in favour of Ascot Co-op. Hsg. Soc. regarding compound wall dispute. An appeal for stay of the operation of the order has been filed by Ajmera Housing Corporation.

4. **Co-operative Court**

An appeal no. 26/2005 is pending before the Co-operative Court in respect of dispute /case filed by S K Bidwe, President of Silver Arch (Bhakti Park Project, Wadala) against L.D. Assistant Registrar & Others where Anik Development Corporation is one of the defendants. The said dispute is pertaining to demand for separate and independent society and amount is not quantifiable.

5. **Matters in Consumer Forum**

4 cases have been filed in the consumer forum by various parties for matters relating to non provision of proper amenities in the flat, for conveyance of property and reimbursement of registration charges. Out of the above 4 cases in one case an order has been passed and the amount to be paid is Rs. 7.11 lacs plus interest @ 15 %.

6. **Income Tax Related Cases**

Following appeals / matters are pending at various stages relating to Income Tax.

| Sr. No. | Name of the entity | Nature | Assessment Year | Amount (Rs.in lacs) |
|---|---|---|---|---|
| 1 | Ajmera Cement Pvt. Ltd. | Appeal u/s 245 D(4) is pending | 1988-89 to 1993-94 | 26.33 |
| 2 | Sankalpa Holding Pvt. Ltd. | Appeal u/s 245 D(4) is pending | 1984-85 to 1993-94 | 1.24 |
| 3 | Rushabh Investments Pvt. Ltd. | Appeal before Commissioner of Income Tax (CIT) is pending | 1998-99 | 0.15 |
| 4 | Ajmera Steel Strips Ltd. | An appeal with High Court, Mumbai is pending | 1993-94 | 98.32 |

7. **Debt Recovery Tribunal**

The original application no. 2384/99 has been filed by Indian Bank v/s Larsen & Turbo and Vijay Nagar Apts. with regard to development of property. This relates to non payment of loan by L&T's employees to Indian Bank. The Vijay Nagar Apts. has been made one of the defendant no. 336. The amount is not quantifiable.

The appeal no. 167/2005 has been filed by L&T group of companies, Co-op. Hsg. Soc. Ltd. against Indian Bank & Others where Vijay Nagar Apts. is one of the defendants. This pertains to appeal to produce ledger account of Bank and Vijay Nagar Apts. is defendant no. 336. The amount is not quantifiable.

## OUTSTANDING LITIGATIONS BY THE COMPANY / PROMOTERS / GROUP COMPANIES

➢ **The summary of pending cases by Company / Promoters / Group Companies**

| Sr. no | Particulars | No. of cases/disputes | Amount involved where quantifiable (Rs. In lacs) |
|---|---|---|---|
| 1 | Litigations filed by the Company | 19 | 170.35 |
| 2 | Litigations filed by the Promoters | 4 | 10.20 |
| 3 | Litigations filed by the Group Companies | 31 | 4.88 |

**The brief details of the pending cases are as follows :**

**1. Litigations filed by the company**

| Sr. No. | Particulars | No. of Proceedings | Amount involved (Rs. In lacs) |
|---|---|---|---|
| 1. | **Civil Proceedings :** | | |
| | High Court Mumbai | 1 | 14.56 |
| | Civil Court Pune | 17 | 155.49 |
| 2. | **Criminal Proceedings** | | |
| | Criminal Court Pune | 1 | 0.30 |

**2. Litigations filed by the promoters**

| Sr. No. | Particulars | No. of Proceedings | Amount involved (Rs. In lacs) |
|---|---|---|---|
| 1. | **Civil Proceedings :** | | |
| | Small Causes Court | 1 | Nil |
| | Civil Court Pune | 1 | 0.70 |
| 2. | **Tribunal matters :** | | |
| | Motor Accident cases in Tribunal Mumbai | 2 | 9.50 (+ interest@ 12%) |

**3. Litigations filed by the group companies**

| Sr. no. | Particulars | No. of Proceedings | Amount involved (Rs. In lacs) |
|---|---|---|---|
| **1.** | **Civil Proceedings :** | | |
| | High Court Mumbai | 6 | Not quantifiable |
| | Writ petition in High Court | 3 | Not quantifiable |
| | City Civil Court | 1 | Nil |
| | Civil Court – Pune | 3 | 2.49 |
| | Small Causes Court | 13 | Not quantifiable |
| **2.** | **Criminal Proceedings** | | |
| | Criminal Court Pune | 1 | Nil |
| | Criminal Court – Mumbai | 1 | Nil |
| **3.** | **Consumer Forum** | 2 | 2.39 |
| **4** | **Labour Court** | | |
| **5** | **Charity Commissioner** | 1 | Nil |

## MATERIAL DEVELOPMENTS AFTER THE DATE OF THE LAST BALANCE SHEET

There are no material developments after the date of the last Balance Sheet.

## ADVERSE EVENTS

There are no adverse events affecting the operations of the Company occurring within one year prior to the date of filing of the offer document with the Regional Stock Exchange.

## GOVERNMENT APPROVALS

As per the Industrial Policy in July, 1991 no licenses are required for the products manufactured by the Company.

The Company had obtained following licenses and approvals for its operations:

- Factory license no. 74011 from Directorate of Industrial Safety & Health, Pune.
- sanction of electricity supply from MSEB vide their letter no.SE/PRC/T/HT/2002/7789 dt. 22/12/2004.
- Consent no. BO/ROP/PUNE-127/R/CC/428 dated 02/08/2001 under Air Pollution Act, Water Pollution Act from Maharashtra Pollution Control Board (MPCB) for its existing plant. The consent is valid till 30/09/2005.

Besides this the Company has received all the necessary permissions and approvals from the Government and various non-Government agencies for conducting business. No further approvals from any Government Authority are required by the Company to undertake the activities save and except those approvals which may be required to be taken in the normal course of business from time to time. It must be understood that in granting the above approvals the Government of India and Reserve Bank of India does not undertake any responsibility for the financial soundness of the undertaking or for the correctness of any of the statements made or opinions expressed in this regard.

## XV. OTHER REGULATORY AND STATUTORY DISCLOSURES

### AUTHORITY FOR THE PRESENT ISSUE

The Board of Directors at their meeting held on 17/06/2005 have approved the right issue of the Equity Shares of the Company of Rs 10/- per equity share to the existing holders of Equity Shares in the ratio of 1 (One) equity share for every 2 (Two) Equity Shares held by shareholders on a date to be announced by the Board (Record Date) for a total amount of around Rs 5701.75 Lacs and at price of Rs 20/- per equity share i.e. at a premium of Rs 10/- per equity share. The Company has proposed a special resolution to approve the same in the Annual General Meeting of the shareholders of the Company to be held on 18/07/2005.

### PROHIBITION BY SEBI

The Company, its Promoters, Directors or any of the Company's associates or group companies with which the Directors of the Company are associated as Directors or Promoters have not been prohibited from accessing the capital market under any order or direction passed by SEBI.

### ELIGIBILITY

SSPL is an existing listed Company. It is eligible to offer this Rights Issue in terms of Clause 2.4(iv) of the SEBI (DIP) Guidelines, 2000.

The promoters, their relatives, SPSL, group companies are not detained as willful defaulters by RBI/ Government authorities and there are no violations of securities laws committed by them in the past or pending against them.

### DISCLAIMER CLAUSE

**AS REQUIRED A COPY OF THIS LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. LEAD MANAGER M/S. KEYNOTE CORPORATE SERVICES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION 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 LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, M/S. KEYNOTE CORPORATE SERVICES LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 08/07/2005 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATION 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 FINALISATION OF THE LETTER OF OFFER 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 LETTER OF OFFER FORWARDED TO 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 SEBI, THE GOVERNMENT AND ANOTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;**

**(C) THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE; AND**

**(D) BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID.**

**THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 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 FOR ANY IRREGULARITIES OR LAPSES IN THE LETTER OF OFFER.**

**THE PROMOTERS / DIRECTORS OF SPSL VIZ. SHRI CHHOTALAL S. AJMERA, SHRI RAJNIKANT S. AJMERA, SHRI ISHWARLAL S. AJMERA, SHRI M. SIVARAMAKRISHNANSHRI JAGDISH J. DOSHI, SHRI AMBALAL C. PATEL, SHRI INDERPAL S. KALRA DECLARE AND CONFIRM THAT NO INFORMATION/MATERIAL LIKELY TO HAVE A BEARING ON THE DECISION OF INVESTORS IN RESPECT OF THE SHARES OFFERED IN TERMS OF THIS LETTER OF OFFER HAS BEEN SUPPRESSED WITHHELD AND / OR INCORPORATED IN THE MANNER THAT WOULD AMOUNT TO MIS-STATEMENT/MISREPRESENTATION AND IN THE EVENT OF ITS TRANSPIRING AT ANY POINT IN TIME TILL ALLOTMENT/REFUND, AS THE CASE MAY BE, THAT ANY INFORMATION/MATERIAL HAS BEEN SUPPRESSED/WITHHELD AND/ OR AMOUNTS TO A MIS-STATEMENT/MIS-REPRESENTATION, THE PROMOTERS/DIRECTORS UNDERTAKE TO REFUND THE ENTIRE APPLICATION MONIES TO ALL SUBSCRIBERS WITHIN 7 DAYS THEREAFTER WITHOUT PREJUDICE TO THE PROVISIONS OF SECTION 63 OF THE COMPANIES ACT.**

**CAUTION STATEMENT / COMPANY DISCLAIMER**

The Issuer Company accepts no responsibility for statements made otherwise than in this Letter of Offer or in the advertisement or in any other material issued by or at the instance of the Company and the Lead Manager and any one placing reliance on any other source of information would be doing so at his/her/their own risks.

**DISCLAIMER IN RESPECT OF JURISDICTION**

This offer is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, 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, or any other Trust law and who are authorised under their constitution to hold and invest in shares) and to NRIs, OCBs and FIIs as defined under the Indian laws. This Offer Document does not, however, constitute an offer to sell or an invitation to subscribe to securities issued hereby in any other jurisdiction. Any person into whose possession this Offer Document comes is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in India 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 Offer Document has been submitted to the SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Offer Document may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of Offer Document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of SPSL since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

## LISTING

The existing Equity Shares of the Company are listed on stock exchanges Mumbai (BSE). Application will be made to BSE, for listing and trading permission for the Equity Shares being issued pursuant to this Letter of Offer.

The Company has made an application vide letter dated 11/03/2005 to NSE for listing of existing Equity Shares of the Company. Subject to their approval, the Company will list the Equity Shares being offered in terms of this letter to NSE. This letter of offer has been filed with NSE for their in principal approval.

The company has passed resolution for de-listing of Equity Shares from The Delhi Stock Exchange Association Ltd. (DSE), The Stock Exchange, Ahmedabad (ASE) and The Calcutta Stock Exchange (CSE) on 21/03/2003 and have completed all the formalities as prescribed in SEBI (Delisting of Services) Guidelines 2003. No confirmation from DSE, ASE and CSE has been received till this date. The Company will not list the Equity Shares being issued in terms of this letter of offer on any of these Stock Exchanges.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by the stock exchange, the Company shall forthwith repay, without interest, all monies received from the applicants. In case of delay interest shall be paid in accordance with the provisions of Section 73 of the Act.

## DISCLAIMER CLAUSE OF THE STOCK EXCHANGE, MUMBAI (BSE)

The Stock Exchange, Mumbai (.the Exchange.) has given vide its letter dated [•] permission to the Company to use the Exchange's name in this draft Letter of Offer as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this draft Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

(i) Warrant, certify or endorse the correctness or completeness of any of the contents of this draft Letter of Offer; or
(ii) Warrant that this Company's securities will be listed or will continue to be listed on the Exchange;or
(iii) Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company; and its should not for any reason be deemed or construed that this draft Letter of Offer has been cleared or approved by the Exchange.

Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

## DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE OF INDIA LTD. (NSE)

As required, a copy of this draft Letter of Offer has been submitted to National Stock Exchange of India Limited (hereinafter refereed to as NSE). NSE has given vide its letter dated [•] permission to the Issuer to use the Exchange's name in this draft Letter of Offer as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this draft Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE that this draft Letter of Offer has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this draft Letter of Offer nor does it warrant that the Issuer's securities will be listed or will continue to be listed on the Exchange nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Issuer.

## FILING

A copy of this Letter of Offer has been filed with SEBI, Mittal Court, "B" Wing, Nariman Point, Mumbai – 400021, BSE, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001 (Designated Stock Exchange) and NSE, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051

The Company has received 'in-principle' approval for issue of the new shares from the BSE & NSE vide their letters dated _________________.

**IMPERSONATION**

Attention of the applicants is specifically drawn to the provisions of Sub-Section (1) of Section 68A of the Companies Act, 1956 which is reproduced below:

**"Any person who-**

(a) **makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or**

(b) **otherwise induces a Company to allot or register any transfer of shares therein to him, or any other person in a fictitious name,**

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

**CONSENTS**

Consents in writing of the Directors, Auditors, Lead Manager, Registrar to the Issue, to act in their respective capacities have been obtained and filed with Stock Exchanges at the time of filing this Letter of Offer and such consents have not been withdrawn up to the time of delivery of the Letter of Offer for registration with the stock exchanges.

The Auditors of the Company have given their written consent for the inclusion of their Report in the form and content as appearing in the Letter of Offer and also the tax benefits accruing to the Company and its members and such consents and reports have not been withdrawn up to the time of delivery of the Letter of Offer for registration with the Stock Exchanges.

**EXPERT OPINION**

The Company has not obtained any expert opinion for this issue.

**EXPENSES OF THE ISSUE**

| Sr. No. | Particulars | Amount (Rs. in Lacs) |
|---|---|---|
| 1 | Fees to the intermediaries | 25.00 |
| 2 | Printing & Stationery and Postage expenses | 20.00 |
| 3 | Advertisement and other Miscellaneous Expenses | 14.00 |
| | **Total** | **59.00** |

**UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION**

No Underwriting, Brokerage and selling Commission will be payable for this issue.

**PREVIOUS ISSUE**

The details of Equity Shares issued by the Company during past 3 years are as follows:

| Date of Allotment | Face Value (Rs.) | Issue Price (Rs.) | No. of Shares | Nature of allotment | Consideration |
|---|---|---|---|---|---|
| 17/07/2003 | 10/- | 10.00 | 3,88,80,000 | Shares issued pursuant to BIFR order. | - |
| 10/08/2004 | 10/- | 24.04 | 65,21,464 | Preferential Allotment to NRIs and Individuals. | Cash |
| 16/08/2004 | 10/- | 24.04 | 78,536 | | Cash |

**COMMISSION AND BROKERAGE ON PREVIOUS ISSUE**

The Company has not paid any commission or brokerage on previous issue.

**PROMISE VIS-À-VIS PERFORMANCE**

The company has not made any projections during its public issue opened on 09/03/1992.

**STOCK MARKET DATA FOR SHARES OF THE COMPANY**

**The Stock Exchange, Mumbai**

The following is the movement of the existing equity share of the Company listed and traded on The Stock Exchange Mumbai (BSE). Information regarding the Company's share prices at BSE is as given below:

| Particulars | High | | | Low | | | Average Price (Rs.) | Total Volume |
|---|---|---|---|---|---|---|---|---|
| | High (Rs) | Date | Volume on date of high (no of shares) | Low (Rs) | Date | Volume on date of Low (no of shares) | | |
| 2002 | 5.00 | 09/07/02 | 1200 | 1.65 | 28/03/02 | 700 | 3.32 | 41100 |
| 2003 | 4.60 | 25/02/03 | 5000 | 2.9 | 09/01/03 | 100 | 3.75 | 15200 |
| 2004 | 43.80 | 21/04/04 | 1500 | 5.16 | 23/01/04 | 600 | 24.48 | 2002683 |
| Jan. 05 | 40.00 | 03/01/05 | 9030 | 30.45 | 25/01/05 | 10880 | 35.22 | 192643 |
| Feb. 05 | 44.10 | 23/02/05 | 33339 | 36.65 | 01/02/05 | 41232 | 40.37 | 725537 |
| Mar. 05 | 66.45 | 17/03/05 | 22700 | 42.00 | 01/03/05 | 35780 | 54.22 | 618433 |
| Apr.05 | 57.85 | 11/04/05 | 16275 | 44.75 | 29/04/05 | 2185 | 51.30 | 155693 |
| May 05 | 53.00 | 16/05/05 | 4650 | 42.60 | 02/05/05 | 6160 | 47.80 | 192299 |
| June 05 | 48.30 | 01/06/05 | 12395 | 42.30 | 22/06/05 | 1051 | 45.30 | 97913 |

Week end price of Equity Shares of SPSL on the Mumbai Stock Exchange

| Week ended | Price (Rs) |
|---|---|
| 03/06/2005 | 46.90 |
| 10/06/2005 | 45.50 |
| 17/06/2005 | 45.60 |
| 24/06/2005 | 43.95 |
| 01/07/2005 | 44.65 |

The market price of SPSL as on 17/06/2005 immediately after the date on which the resolution of the Board of Directors approving the issue was passed i.e. 20/06/2005 is Rs.45.15.

**REDRESSAL OF INVESTOR GRIEVANCES**

The investor grievances against the Company will be handled by the Registrars and Transfer Agents in consultation with the secretarial department of the Company. To handle the grievances received, the Company has appointed Shri Anil O. Somani, Company Secretary as a Compliance Officer. He will supervise redressal of complaints received from the investors at the office of the Company as well as the Registrars to the Issue and ensure timely settlement. The company normally resolves various kinds of investor grievances within a period of 15 days.

All grievances related to the issue may be addressed to the Registrar to the issue quoting the application No. (including prefix), Number of preference shares applied for, amount paid on application, date, Bank and branch/ Collection centre where application was submitted .

**CHANGE IN AUDITORS**

There has been no change in Auditors of the Company since its inception.

**CAPITALISATION OF RESERVES OR PROFITS**

The company has not issued any shares by way of capitalization of general reserves or profits since inception.

**REVALUATION OF ASSETS**

The Company has not revalued any of its fixed assets since inception

## XVI. OFFERING INFORMATION

The Equity Shares now being offered are subject to the provisions of the Act and the terms and conditions of this draft Letter of Offer, the CAF, the Memorandum and Articles of Association of the Company, the approvals from the Government of India, FIPB and RBI, if applicable, the provisions of the Act, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, Listing Agreements entered into by the Company with Stock Exchanges, terms and conditions as stipulated in the allotment advise or letter of allotment or Security Certificate and rules as may be applicable and introduced from time to time, the FEMA and the Letters of Allotment/Equity Shares to be issued. Over and above such terms and conditions, the Equity Shares shall also be subject to applicable laws, guidelines, notifications and regulations relating to issue of capital and listing of securities issued from time to time by SEBI, the Government of India, RBI and or other authorities.

### RANKING OF EQUITY SHARES

The new Equity Shares proposed to be issued shall rank in all respects pari-passu with existing fully paid up Equity Shares save and except that the new Equity Shares shall not rank for dividend, if any, declared or paid by the Company in any period prior to the financial year in which they are allotted and in subsequent financial year, they shall rank for dividend, if any, declared or paid in proportion to the amount paid up thereon.

### PAYMENT OF DIVIDEND

The dividend is paid to all the eligible shareholders in terms of the provisions of the Companies Act, 1956 with regard to payment of dividend. The unclaimed dividend if any are transferred to Investor Protection Fund as prescribed under the Companies Act.

### FACE VALUE

The Face Value of Equity Shares of the company is Rs.10/-.

### ISSUE PRICE

The Equity Shares of the Rs. 10/- each are being issued at a price of Rs. 20/- per share in the present rights issue.

### RIGHTS OF EQUITY SHAREHOLDERS

The Shareholders are entitled to receive dividend, as and when declared and bonus and rights shares, as and when issued. Further, the rights of the above and other holders of shares are subject to the provisions of the Companies Act, 1956 the Memorandum and the Articles of Association of the Company, the terms of this Letter of Offer and other laws as applicable from time to time.

### MARKET LOT

The market lot for the Equity Shares held in the demat mode is one share. In case of physical certificate, the Company would issue one certificate for the Equity Shares allotted to one person ("Consolidated Certificate"). In respect of consolidated certificate, the Company will, only upon request from the equity shareholder, split & return such consolidated certificate into smaller denomination within 7 days time in conformity with the clause 3 of the Listing Agreement. No fee would be charged by the Company for splitting the consolidated certificate.

### NOMINATION

In terms of Section 109A of the Act, nomination facility is available in case of Equity Shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

The sole Equity Shareholder or first Equity Shareholder, along with other joint Equity Shareholders (being individual(s) may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. Person(s), being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same rights to which he would be entitled if he/she were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale/disposal of the Equity Share by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. When two or more persons hold the Equity Share(s), the nominee shall become entitled to receive the shares only on the demise of all the holders.

Fresh nominations can be made only in the prescribed form available on request at the Registered Office of the Company located at 'City Mall', Link Road, Andheri (w), Mumbai or such other place at such addresses as may be notified by the Company. The applicant can make the nomination by filling in the relevant portion in the CAF. Only one nomination would be applicable for one folio. Hence, in case the shareholder(s) has (have) already registered the nomination with the Company, no further nomination need to be made for Equity Shares to be allotted in this Issue under the same folio.

**In case the allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective Depository Participant of the applicant would prevail. If the applicant requires to change the nomination, they are requested to inform their respective Depository Participant.**

## MINIMUM SUBSCRIPTION

i. If the Company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having been returned unpaid or withdrawal of applications, the Company shall forthwith refund the entire subscription amount received within 42 days from the date of closure of the issue.

ii. If there is a delay beyond 8 days after the Company becomes liable to pay the subscription amount (i.e. 42 days after closure of the issue), the Company shall pay interest for the delayed period at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

## DISPOSAL OF ODD LOTS

The Company has not made any arrangements for the disposal of odd lot Equity Shares arising out of this Issue. The Company will issue certificates of denomination equal to the number of Equity Shares being allotted to the Equity Shareholder.

## ENTITLEMENT RATIO

The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of One Equity Share for every Two Equity Shares held as on the Record Date.

## BASIS OF THE OFFER

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date. The Company has in consultation with the Designated Stock Exchange fixed the Record Date for determining the shareholders who are entitled to receive this offer for Equity Shares on a rights basis. The Equity Shares are being offered for subscription in the ratio of One Equity Share for every Two Equity Shares held by the Equity Shareholders. The shareholders whose names appear as beneficial owners as per the list furnished by the depositories in respect of the Equity Shares held in electronic form and on the register of members of the Company in respect of the shares held in physical form on [•] at the close of business hours shall be entitled to the Equity Shares on the Rights basis in the ratio of One equity share for every Two Equity Shares held by them.

## OPTION TO SUBSCRIBE

Applicants to the Equity Shares of the Company issued through this Rights Issue shall be allotted the securities in dematerialized (electronic) form at the option of the applicant. The Company has signed a tripartite agreement with National Securities Depository Limited (NSDL) and Sharex (India) Pvt. Ltd. on 02/01/2004 and with Central Depository Services (India) Limited (CDSL) and Sharex (India) Pvt. Ltd. on 26/12/2003, which enables the Investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates.

## RIGHTS ENTITLEMENT

As your name appears as beneficial owner in respect of the shares held in the electronic form or appears in the register of members as an equity shareholder of the Company on the Record Date, you are entitled to this Rights Offer. The number of Equity Shares to which you are entitled is shown in Block I of Part A of the enclosed CAF and as shown in part A of the enclosed CAF.

## FRACTIONAL ENTITLEMENT

On applying the rights may lead to fractional entitlement to some of the shareholders. In such an event the fractional entitlement will be rounded off to the next higher integer. The additional entitlement shall be made available out of the entitlement of one of the promoters. The adjustment will be made in the composite application form so as to ensure is made within the issue size.

## JOINT-HOLDERS

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed (so far as the company is concerned) to hold the same as joint-tenants with benefits of survivorship subject to provisions contained in the Articles.

## OFFER TO NON-RESIDENT EQUITY SHAREHOLDERS/ APPLICANTS

Presently 66,86,720 Equity Shares aggregating to 13.09% of the present issued capital are held by NRIs/FIIs/OCBs on repatriation basis. Applications received from NRIs and other NR shareholders for allotment of Equity Shares shall be, inter alia, subject to the conditions imposed from time to time by the RBI under the FEMA in the matter of refund of application moneys, allotment of Equity Shares, issue of Letter of Allotment / share certificates, payment of interest, dividends, etc. General permission has been granted to any person resident outside India to apply shares offered on rights basis by an Indian Company in terms of FEMA and the rules and regulations thereunder. Vide notification dated June 18, 2003, bearing number FEMA 94/2003, RBI has granted general permission to Indian companies to issue rights/bonus shares to existing non-resident shareholders. The existing non-resident shareholders may apply for issue of additional shares and the Company may allot the same subject to the condition that the overall issue of shares to non-residents in the total paid up capital does not exceed the sectoral cap. In other words, non-residents may subscribe for additional shares over and above shares offered on rights basis by the company and renounce the shares offered in full or part thereof in favour of a person named by them. Residents may subscribe for additional shares over and above the shares offered on rights basis by the Company and also renounce the shares offered either in full or part thereof in favour of a person named by them. The Equity Shares issued under the Rights Issue and purchased by NR shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the previously held Equity Shares against which Equity Shares under the Rights Issue are issued.

However, as per the provisions of AP DIR circular No. 14 dated September 16, 2003 (issued by the RBI), such shareholders who have been allotted the Equity Shares as OCBs would not be permitted to participate in the Rights Issue. Accordingly, shareholders/ applicants who are OCBs and wishing to participate in the Rights Issue would be required to submit approvals in relation thereto from the FIPB and the RBI. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares, payment of dividend etc. to the Equity Shareholders who are NR.

## NOTICES

All notices to the Equity Shareholder(s) required to be given by the Company shall be published in one English national daily with wide circulation, one Hindi national daily with wide circulation and/or, will be sent by ordinary post to the registered holders of the Equity Share(s) from time to time.

## ISSUE OF DUPLICATE EQUITY SHARE CERTIFICATE

If any Equity Share Certificate(s) is/are mutilated or defaced or the pages for recording transfers of Equity Shares are fully utilized, the Company against the surrender of such Certificate(s) may replace the same, provided that the same will be replaced as aforesaid only if the Certificate numbers and the Distinctive numbers are legible.

If any Equity Share Certificate(s) is/are destroyed, stolen, lost or misplaced, then upon production of proof thereof to the satisfaction of the Company and upon furnishing such indemnity/ surety and/or such other documents as the Company may deem adequate, duplicate Equity Share Certificate(s) shall be issued.

## PRINTING OF BANK PARTICULARS ON REFUND ORDERS

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the applicant's bank account are mandatorily required to be given for printing on refund orders. Bank account particulars will be printed on the refund orders / refund warrants, which can then be deposited only in the account specified. The Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

## OPTIONS AVAILABLE TO THE EQUITY SHAREHOLDERS

The Equity Shareholders will be having the following five options:

- Apply for his entitlement in part
- Apply for his entitlement in part and renounce the other part
- Renounce his entire entitlement
- Apply for his entitlement in full
- Apply for his entitlement in full and apply for additional Equity Shares

## HOW TO APPLY

### For Resident Indian Shareholders

Application should be made only on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Managers or by the Registrar to the Issue or by the Company at any offices except in the case of postal applications as per instructions given in the draft Letter of Offer. Payment should be made in cash (not more than Rs.20,000) or by cheque/bank draft/ drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the bankers clearing house located at the centre where the CAF is submitted and which is participating in the clearing at the time of submission of the application. Outstation cheques/money orders/postal orders will not be accepted and CAFs accompanied by such cheques/money orders/postal orders are liable to be rejected.

### For Non-Resident Shareholders on Non-Repatriation basis

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares shall, inter alia, be subject to the conditions as may be imposed from time to time by the Reserve Bank of India, in the matter of Refund of application moneys, allotment of Equity Shares, issue of Letters of Allotment/ certificates/ payment of dividends etc. For NRIs holding shares on non-repatriation basis, payment may also be made by way of cheque drawn on Non-Resident Ordinary (NRO) Account maintained in Mumbai or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai. In such cases, the allotment of shares will be on non-repatriation basis. If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO account, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected. All cheques/bank drafts accompanying the CAFs should be crossed. A/c Payee Only. and made payable to **"SPSL - Rights Issue - NR"** The CAF duly completed together with the amount payable on application must be deposited with the collecting bank/collection centres indicated on the reverse of the CAF, on or before the close of banking hours on or before the Issue closing date. A separate cheque or bank draft must accompany each CAF. Reference number of CAF should be mentioned on the reverse of the Cheque/Draft. New Demat account shall be opened for holders who have had a change of status from Resident Indian to NRI.

### The CAF consists of four parts:

Part A : Form for accepting the Equity Shares offered and for applying for additional Equity Shares
Part B : Form for renunciation
Part C : Form for application for renouncees
Part D : Form for request for split application forms

### Acceptance of Offer

You may accept the Offer and apply for the Equity Shares offered, either in full or in part by filling Block III of Part A of the enclosed CAF and submit the same along with the application money payable to the bankers to the

Issue or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board thereof in this regard. Applicants at centers not covered by the branches of collecting banks can send their CAF together with the demand draft, net of demand draft and postal charges, payable at Mumbai to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

You may apply for the Equity Shares offered wholly or in part by filling in the enclosed CAF and submitting the same along with the application money to the Bankers to the Issue or its designated branches on or before the closure of the subscription list. The CAF should be complete in all respects, as explained in the INSTRUCTIONS indicated in the CAF. The CAF should not be detached under any circumstances, otherwise the application(s) will be rejected forthwith.

**Application for additional Equity Shares**

You are also eligible to apply for additional Equity Shares over and above the number of Equity Shares offered to you provided you have applied for all the shares offered to you without renouncing them in full or in part. However, the additional Equity Shares cannot be renounced in full or in part, in favour of any other person(s).

If you desire to apply for additional Equity Shares, you may fill in the number of additional Equity Shares in Part A of the CAF. The allotment of additional Equity Shares will be at the sole discretion of the Board on an equitable basis with reference to the number of Equity Shares held by you on the Record Date in consultation with The Designated Stock Exchange. In the case of requests for additional Equity Shares by Non Residents, the allotment will be subject to the approval of Reserve Bank of India. The Board may reject any application for additional Equity Shares without assigning any reasons thereof.

**Renunciation**

You may renounce all or any of the Equity Shares, you are entitled to in favour of any individual, limited companies, or statutory corporations / institutions. However renunciation in favour of more than three persons as joint holders, trust or society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable trust laws and is authorised under its constitution to hold shares in a company), minors (unless acting through natural or legal guardians), Partnership Firms, or their nominees, or any of them will not be accepted.

Any renunciation from Resident(s) to Non- Resident(s) is subject to the renouncer(s)/ renouncee(s) obtaining requisite approval(s) of the Reserve Bank of India (RBI) and the said permission must be attached to the CAF.

**Procedure for renunciation**

(i) **To Renounce in WHOLE**

If you wish to renounce this offer in whole, please complete PART 'B' of the CAF enclosed with the Letter of Offer for the number of Equity Shares renounced and deliver the CAF duly signed to the person(s) in whose favour the Equity Shares are so renounced. All joint holders must sign as per specimen signatures recorded with the Company at the place provided for the purpose and in the same order.

The person(s), in whose favour the offer has been renounced (renouncees) should complete and sign PART C of the CAF. In case of joint renouncees, all joint renouncees must sign.

(ii) **To Renounce in PART**

If you wish to either accept this offer in part and renounce the balance of this offer the CAF must first be split into the requisite number of forms, by applying to the Registrar to the Issue. Please indicate your requirement of split forms in the space provided for this purpose in PART D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on or before the last date for receiving requests for split forms i.e. _____________.

If you wish to apply for Equity Shares jointly with any person(s) who is/are not already joint holder(s) with you, then it would amount to renunciation and the procedure of renunciation as mentioned above shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure as stated above shall have to be followed.

Further, this right of renunciation is subject to the express condition that the Board shall be entitled in its absolute and unqualified discretion to reject any such request for allotment of Equity Shares from renouncee(s) without assigning any reason thereof save where the Equity Shares have been renounced in favour of a person who is already a member of the Company.

Please note that:

a) Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid.

b) Only the person to whom this Letter of Offer has been addressed and NOT the renouncees shall be entitled to split forms. Forms once split cannot be resplit.

**Request for spilt forms:**

- Request for Split Forms should be addressed to the Registrar to the Issue so as to reach them on or before the last date for receiving of request for split forms by filling in PART D of the CAF.
- Requests for Split Forms will be entertained only once.

You may exercise any one of the following options with regard to the Equity Shares offered to you, using the enclosed CAF :

| Sr. No | Options available | Action Required | |
|---|---|---|---|
| 1. | Accept whole or part of the Equity Shares offered to you without renouncing the balance | Fill in and sign Part A indicating in Block III of Part A the number of Equity Shares accepted. If you accept all the equity share offered in Block II of Part A you may apply for additional Equity Shares. Indicate in Block IV the additional Equity Shares applied for. | |
| 2. | Renounce all the Equity Shares offered to you to one person (joint renouncees are deemed as one person) without your applying for any of the Equity Shares offered to you. | Fill in and sign Part B indicating the number of Equity Shares renounced in Block VII and handover the ENTIRE FORM to the renouncee. The renouncee/ joint renouncee(s) must fill in and sign Part C of CAF. | |
| 3. | Accept a part of your entitle<br>ment and renounce the balance or part of it to one or more Renouncee(s). | Fill in and sign Part D for the Split Form and send the ENTIRE CAF to the Registrar to the Issue. | |
| | **OR** | On receipt of Split Forms : | |
| 4. | Renounce your entitlement or part of it to one or more persons (joint renouncees are deemed as one person). | a<br>b | For the Equity Shares you are accepting, fill in and sign Part A.<br>For the Equity Shares you are renouncing fill in and sign Part B indicating the number of Equity Shares renounced in Block VII. Each of the renouncees should fill in and sign Part C. |

Note: If application is made jointly with any other person(s) who is/are not already joint holders or change in the sequence of names of joint holders, it will amount to renunciation and the procedure mentioned in (2) above will have to be followed.

**For applicants residing at places other than designated Bank Collecting branches.**

Applicants residing at places other than the cities where the Bank collection centres have been opened should send their completed CAF by registered post/speed post to the Registrars to the Issue, Sharex Dynamics (India) Pvt. Ltd. alongwith demand drafts, net of demand draft and postal charges, payable at Mumbai in favour of **"SPSL - Rights Issue"** crossed "A/c Payee only" so that the same are received on or before closure of the Issue i.e ___________.

The Company will not be liable for any postal delays and applications received through mail after the closure of the Issue are liable to be rejected and returned to the applicants. Applications by mail should not be sent in any other manner except as mentioned below.

**All application forms duly completed together with cash/cheque/demand draft for the application money must be submitted before the close of the subscription list to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The CAF alongwith application money must not be sent to the Company or the Lead Manager to the Issue or the Registrar to the Issue except as mentioned above. The applications are required to strictly adhere to these instructions. Failure to do so could result in the application being liable to be rejected by the Company, the Lead Manager and the Registrar not having any liabilities to such applicants.**

**Availability of duplicate CAF**

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue within 15 days from the Issue Opening Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the applicant violates any of these requirements, he / she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

**Application on Plain Paper**

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Rights Issue on plain paper, along with a Demand Draft payable at Mumbai which should be drawn in favour of the Company and send the same by registered post directly to the Registrar to the Issue.

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Issue Closing Date (i.e **_______**) and should contain the following particulars:

- Name of Issuer, being Shree Precoated Steels Limited.
- Name and address of the Equity Shareholder including joint holders
- Registered Folio Number/ DP and Client ID no.
- Number of shares held as on Record Date i.e (•).
- Certificate numbers and distinctive numbers, if held in physical form
- Number of Rights Equity Shares entitled
- Number of Rights Equity Shares applied for out of entitlement
- Number of additional Equity Shares applied for, if any
- Total number of Equity Shares applied for
- Total amount paid at the rate of Rs. 20/-per Equity Share
- Particulars of cheque/draft
- Savings/Current Account Number and name and address of the Bank where the Equity Shareholder will be depositing the refund order
- Applications for a total value of Rs, 50,000 or more, i.e. where the total number of securities applied for multiplied by the Issue price, is Rs. 50,000 or more the applicant or in the case of application in joint names, each of the applicants, should mention his/her PAN number allotted under the Income-Tax Act, 1961 and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN ("PAN Communication") along with the application for the purpose of verification of the number. Applicants who do not have PAN are required to provide a declaration in Form 60/ Form 61 prescribed under the I.T.Act along with the application. Applications without this photocopy/ PAN Communication/declaration will be considered incomplete and are liable to be rejected.
- In terms of SEBI (Central Database of Market Participants) Regulation, 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 number (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 applicant 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 applicant shall indicate the same in the space provided in the CAF. Applications from specified applicants being body corporate not providing their UIN or UIN application status in cases which have applied for such UIN before December 31, 2004, shall be liable to be rejected.

- In case of Non-Resident shareholders, NRE/FCNR/NRO Account No., name and address of the bank and branch.
- Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company
- Payment in such cases, should be through a demand draft, net of demand draft and postal charges, payable at Mumbai be drawn in favour of **"SPSL - Rights Issue"** crossed "A/c Payee only". Please note that those who are making the application on plain paper shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications. The Company shall refund such application amount to the applicant without any interest thereon.

**Quoting of PAN/GIR no. in the application forms**

Where an application is for allotment of securities in response to a rights issue, for a total value of Rs. 50,000/- or more i.e. the total number of securities applied for multiplied by the issue price, is Rs. 50,000/- or more the applicant or in the case of applications in joint names, each of the applicants, should mention his/her permanent account number (PAN) allotted under the Income-Tax Act, 1961 or where the same has not been allotted, the GIR number and the Income-Tax Circle/Ward/District. In case neither the permanent account number nor the GIR number has been allotted, the fact of non-allotment should be mentioned in the application forms. Application forms without this information will be considered incomplete and are liable to be rejected.

**Note on cash payment (section 269 ss)**

Having regard to the provisions of Section 269 SS of the Income Tax Act, 1961, subscriptions against applications for securities should not be effected in cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts, if the amount payable is Rs. 20,000/- or more. In case payment is effected in contravention of this provision, the application is liable to be rejected.

**Last date for submission of CAF**

The last date for receipt of CAF by the Bankers to the Issue together with the amount payable on application is ________. If the relevant CAF together with amount payable thereunder is not received by the Bankers/Registrar to the Issue on or before the close of banking hours on the aforesaid last date the offer contained in this Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose of the Equity Shares hereby offered as provided under "Basis of Allotment".

**Incomplete application**

CAFs which are not complete or are not accompanied with the application money amount payable are liable to be rejected.

**MODE OF PAYMENT**

**For Resident Applicants**

Payment(s) must be made by cheque/demand draft and drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the Bankers' Clearing House located at the centre where the CAF is submitted. A separate cheque/draft must accompany each CAF. Only one mode of payment should be used. Money orders, postal orders and outstation cheques will not be accepted and applications accompanied by any such instruments will be rejected.

Shareholders/Applicants residing at places other than those mentioned in the CAF and applicants who wish to send their applications but not having collection centres should send their application by Registered Post, ONLY to the Registrar to the Issue enclosing a demand draft drawn on a clearing Bank and payable at Mumbai ONLY net of bank charges and postal charges, before the closure of the issue.

Such cheque/drafts should be payable to **"(Name of The Bank)-A/c – SPSL - RIGHTS ISSUE".** All cheques/ drafts must be crossed 'A/c Payee only'. No receipt will be issued for the application money received. However, the Collection Centre receiving the application will acknowledge receipt of the application by stamping and returning the acknowledgement slip at the bottom of each CAF. The Company is not responsible for any postal delay/ loss in transit on this account.

**For Non-Resident Applicants/ FIIs**

Payments by Non-Resident Shareholders will be accepted by Indian Rupee Drafts purchased abroad or cheques/drafts drawn on Non-Resident External Account (NRE Account) or Foreign Currency Non-Resident Account (FCNR Account) maintained anywhere in India but payable at Mumbai or by Telegraphic Transfer in favour of the collecting Bankers by the concerned shareholders.

However, in case shares are held on a non-repatriable basis, payment may also be made by cheque /draft drawn on Non-Resident Ordinary Account (NRO A/c.) maintained anywhere in India but payable at Mumbai. Such cheques/drafts should be drawn in favour of " **SPSL - RIGHTS ISSUE – NRI/FII"** payable at Mumbai, India and shall be crossed A/c. Payee Only, Banker's Certificate regarding source of payment must be submitted with the CAFs wherever necessary.

The CAF alongwith cheques/drafts should be deposited with any of the branches of the Bankers to the Issue nominated for this purpose. The certificate of inward remittance, if any, must be sent only to the Registrar to the Issue, quoting the details of folio no. and the name and address of the branch of the Bankers to the Issue where CAF has been deposited before the closure of the issue.

**Application will not be accepted by the Lead Manager or by the Company**

**RIGHTS ENTITLEMENT**

As your name appears in the Register of Members of the Company on the Record Date, you are entitled to this Rights Offer on the basis mentioned above. The number of Equity Shares to which you are entitled as a Shareholder of the Company is shown in Part A of the CAF.

**TERMS OF PAYMENT**

The entire amount of Rs. 20/- per share is payable on application by all shareholders/applicants.

**FORFEITURE**

The allotment shall be made only on receipt of full application money as mentioned in "Terms of Payment". As such there will be no partly paid-up shares emerging from this issue & hence no requirement of any forefeiture.

**APPLICATION UNDER POWER OF ATTORNEY**

In case of applications under Power of Attorney or by Limited Companies or Bodies Corporates or Societies registered under the applicable laws, a certified copy of the Power of Attorney or the relevant authority, as the case may be, along with the certified copy of the Memorandum and Articles of Association or Bye-laws, as the case may be, must be lodged separately by registered post at the office of the Registrar to the Issue simultaneously with the submission of the CAF, indicating the serial number of the CAF and the name of the bank and the branch office where the application is submitted within 10 days of closure of the offer, failing which the application is liable to be rejected. In case the Power of Attorney is already registered with the Company, then the same need not be furnished again. However, the serial number of the Registration under which the Power of Attorney has been registered with the Company must be mentioned below the signature of the Applicant.

**BANK DETAILS OF THE APPLICANT**

The applicant must fill in the relevant column in the CAF giving particulars of Savings Bank/Current Account Number and the name of the Bank with whom such accounts is held, to enable the Registrar to the Issue to print the said details in the Refund Orders, if any, after the name of the payees. **Please note that provision of Bank**

**Account details has now been made mandatory and applications not containing such details are liable to be rejected.**

**APPLICATION NUMBER ON THE CHEQUE/DEMAND DRAFT**

To avoid any misuse of instruments, the applicants are advised to write the application number and name of the first applicant on the reverse of the cheque / demand draft.

**GENERAL**

(a) All applications should be made on the printed CAF provided by the Company and should be complete in all respects. Applications which are not complete in all respects or are made otherwise than as herein provided or not accompanied by proper application money in respect thereof will be refunded without interest.
(b) Please read the instructions in the enclosed CAF carefully.
(c) ALL COMMUNICATIONS IN CONNECTION WITH YOUR APPLICATION FOR THE EQUITY SHARES INCLUDING ANY CHANGE IN YOUR REGISTERED ADDRESS SHOULD BE ADDRESSED TO THE REGISTRAR TO THE ISSUE.
(d) Application Forms must be filled in ENGLISH in BLOCK LETTERS.
(e) Signatures should be either in English or Hindi or the languages specified in the Eighth Schedule to the constitution of India. Signatures other than in the aforementioned languages or thumb impressions must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal.
(f) In case of Joint Holders, all joint holders must sign the relevant parts of the Application Form in the same order and as per the specimen signatures recorded with the Company.
(g) In case of joint applicants, refunds and all payments will be made to the person whose name appears first on the application form and all communications will be addressed to him/her. To prevent any fraudulent encashment of refund orders by third parties, the Sole/First Applicant must indicate Saving / Current Account number and the name of the bank and its branch with whom such account is held in the space provided in the CAF for the purpose so that Refund Orders are printed with these details after the name. Applications without this information are liable to be rejected.
(h) The Application Form should be presented to the Bank in its entirety. If any of the Part(s) A,B,C and D of the Application Form(s) is /are detached or separated, such application will forthwith be rejected.
(i) All shareholders must submit the CAF along with remittance only to the Bankers to the Issue mentioned elsewhere in this Letter of Offer and not to the Company, the Registrar or the Lead Manager.
(j) Any dispute or suit action or proceedings arising out of or in relation to this Letter of Offer or in respect of any matter or thing herein contained and claimed by either party against the other shall be instituted or adjudicated upon or decided solely by the appropriate Court where Registered Office of the Company is situated.
(k) The last date for receipt of CAF alongwith the amount payable is **_________**. However, the Board will have the right to extend the same for such period as it may determine from time to time, but not exceeding 60 days from the date of opening of the subscription list. If the CAF together with the amount payable thereunder is not received by the bankers to the issue on or before the closure of the banking hours on the aforesaid date, or such date as may be extended by the Board, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose the Rights hereby offered.

*For further instructions please read CAF carefully.*

**DEMATERIALISATION**

As per the provisions of the Depositories Act, 1996, the shares of a body corporate may be held in dematerialized form i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode. The Equity Shares of SPSL are traded in the demat segment. The Company has entered into a tripartite agreement dated 02/01/2004 with the National Securities Depository Ltd. (NSDL) and Sharex (India) Pvt. Ltd. (Registrar and Transfer Agent) for dematerialisation of the Equity Shares of the Company. The Company has also entered into a tripartite agreement dated 26/12/2003 with the Central Depository Services Limited (CDSL) and Sharex (India) Pvt. Ltd. for dematerialisation of the Equity Shares of the Company. The ISIN No. granted to the Equity Shares of the Company is ISIN **INE298001019**.

An applicant has the option to seek allotment in physical or demat mode. An applicant who seeks allotment in demat mode must have atleast one Beneficiary Account with any of the Depository Participants (DP) of NSDL or CDSL registered with SEBI, prior to the application. Such applicants must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's ID Number) appearing under the head "Request for shares in electronic form" in the CAF.

**Applicant must indicate in the CAF, the number of shares they wish to receive in electronic form out of the total number of Equity Shares applied for. In case of partial allotment, shares will first be allotted in electronic form and the balance, if any, will be allotted in physical form.**

Names in the CAF should be identical to those appearing in the account details in the Depository. In case of joint holders, the name should necessarily be in the same sequence as they appear in the account details in the Depository.

No separate application for demat and physical shares is to be made. If such applications are made the application for physical shares will be treated as multiple applications and rejected accordingly. It may be noted that electronic shares can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL.

Non-transferable allotment letters/ refund orders will be directly sent to the applicant by the Registrar to the Issue

The applicant is responsible for the correctness of the applicants demographic details given in the share application form vis-à-vis those with his/her DP. Equity Shares allotted in demat mode will be credited directly to the respective Beneficiary Account.

## DISPOSAL OF APPLICATION AND APPLICATION MONEY

No receipt will be issued for application money received. However, the Bankers to the Issue receiving the CAF(s) will acknowledge its receipt by stamping and returning the acknowledgement slip at the bottom of each CAF. In the event of shares not being allotted in full, the excess amount paid on application will be refunded to the applicant within six weeks of the date of closure of the issue. The Board reserves its full, unqualified and absolute right to accept or reject any application in whole or in part and in either case without assigning any reason. In case an application is rejected in full, the whole of the application money received will be refunded and where an application is accepted in part the excess money will be refunded after adjusting the money payable for the shares allotted. All refunds will be made within six weeks of the date of closing of the Subscription List.

## BASIS OF ALLOTMENT

In the event of the issue being oversubscribed, the basis of allotment will be made only within the overall size of the Rights Issue, as stated in the Letter of Offer and the Board will proceed to allot the Equity Shares in consultation with the designated stock exchange in the following order of priority:

1. Full allotment to the Shareholders who have applied for their Rights entitlement, either in full or in part and also the renouncee(s) who have applied for Equity Shares renounced in their favour either in full or in part (subject to the other provisions contained under the paragraph titled "Renunciation").

2. Allotment to the shareholders who have applied for additional Equity Shares provided that they have applied for all the Equity Shares offered to them, provided there is a surplus after making full allotment under (1) above. The allotment of such additional Equity Shares will be made as far as possible on the basis of the Equity Shares held as on the Record Date.

3. Allotment to the renouncees who have applied for all the Equity Shares renounced in their favour and have applied for additional Equity Shares, as the Board may in its absolute discretion deem fit, provided there is a surplus after making full allotment (1) and (2) above.

4. Allotment to any other person as the Board may in their absolute discretion deem fit, provided there is a surplus after making full allotment under (1), (2), (3) above.

The unsubscribed portion of the Equity Shares, if any, offered to the shareholders after considering the application for Rights/Renunciation and additional Equity Shares, as above, shall be disposed off at the sole discretion of the Board of Directors of the Company.

In case of oversubscription the allotment would be done in a proportionate manner in consultation with the designated Stock Exchange.

## ALLOTMENTS/REFUNDS

### A) For applications made by Cheques/Drafts

The Company will issue and dispatch letter of allotment/securities certificate and/or letter of regret alongwith the refund orders or credit the allotted securities to the respective beneficiaries account, if any, within a period of six weeks from the date of closure of issue. If such money is not repaid with 8 days from the day the company becomes liable to pay it, the company shall pay that money with interest as stipulated under Section 73 of the Companies Act, 1956. Refunds, if any, will be made alongwith Allotment Letters and /or Regret Letters by refund order / pay order drawn on the Bankers to the Company and will be despatched within 6 weeks from the date of closure of Issue, by Registered Post if the amount of such refund exceeds Rs.1500/-. Such cheque refund order / pay order will be payable at par during their validity period at all centres where the applications are received. In case of joint applications, Refund Orders, if any, will be made out in the First applicant's name and all communication will be addressed to the person whose name appears on the CAF.

### B) For application by Non-Resident Indians / Foreign Institutional Investors (FIIs)

In case of Non-Resident Indians/FIIs who remit their application money from funds held in NRE/FCNR/NRO Accounts, refund/payment of interest and other disbursements, if any, shall be credited to such account, details of which should be furnished in the column provided for that purpose in the CAF. In case of non-residents who remit their application money through Indian Rupee drafts purchased from abroad, refunds/payments of interest and other disbursements, if any, will be made in US dollars at the exchange rate prevailing at such time, subject to the permission of the RBI. The Company will not be responsible for any loss on account of exchange fluctuations for converting the Indian Rupees amount into US Dollars.

## INTEREST IN CASE OF DELAY IN ALLOTMENT / DESPATCH

The Company agrees that it shall pay interest at the rate of 15% per annum if the allotment has not been made and/or the equity share allotment letters/refund orders have not been despatched and relevant Equity Shares have not been credited to the beneficiary account of the investors within 30 days from the date of closure of the issue.

All the pay orders / refund orders and Letter(s) of Allotment / Share Certificates will be despatched to the first named / sole applicant at his / her own risk. The Refund Orders will be payable at par in India at all the centres where the applications were originally accepted. The instruments will be marked "Account Payee Only" and in the name of the sole/first applicant. Bank charges, if any, for encashing such refund orders / pay orders will be payable by the applicants.

## DESPATCH OF REFUND ORDERS

The Company has given an undertaking that the requisite funds will be made available to the Registrar for complying with the requirement of despatch of refund orders / allotment letters. The Company shall ensure despatch of refund orders of value over Rs.1,500/- by Registered Post only and adequate funds will be made available to the Registrar.

## UNDERTAKING

The Board of Directors of SPSL state that: -

i) All the complaints in respect of the Rights Issue shall be attended to by the Company expeditiously and satisfactorily.
ii) That the Company shall take necessary steps for the purpose of getting the securities listed on the concerned stock exchange within the specified time.
iii) That the Company shall apply in advance for the listing of Equity Shares.
iv) That the funds required for despatch of refund orders/ allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue by the Company.
v) That the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time.
vi) That no further issue of securities shall be made till the securities offered through this Letter of Offer are listed or till the application money is refunded on account of non-listing, undersubscription etc.

## UTILISATION OF ISSUE PROCEEDS

The Board of Directors declares that:

i. The funds received against this Issue will be transferred to a separate Bank Account other than the Bank Account referred to sub-section (3) of Section 73 of the Act.
ii. Details of all moneys utilised out of the Issue shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the purpose for which such moneys has been utilised.
iii. Details of all such unutilised moneys out of the Issue, if any, shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the form in which such unutilised moneys have been invested.

The funds received against this Issue will be kept in a separate Bank Account and the Company will not have any access to such funds unless it satisfies the Designated Stock Exchange with suitable documentary evidence that the minimum subscription of 90% of the Issue has been received by the Company.

## XVII. OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS

The Contracts referred to in para (A) below (not being contracts entered into in the ordinary course of the business carried on by the Company or entered into more than two years before the date of this Letter of Offer) which are or may be deemed material, have been entered into by the Company.

The contracts together with the documents referred to in paragraph (B) below, copies of all of which have been attached to the copy of this Letter of Offer which has been delivered to the Stock Exchange, Mumbai (BSE) may be inspected at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day from the date of this Letter of Offer until the closing of the subscription list.

### A. MATERIAL DOCUMENTS

1. Copy of Memorandum of Understanding dated 24/06/2005 between the Company and Keynote Corporate Services Limited, Manager to the Issue.
2. Copy of Memorandum of Understanding dated 27/06/2005 between the Company and Sharex Dynamics (India) Pvt. Ltd., Registrar to the Issue.
3. Copy of Tri- Partite Agreement dated 02/01/2004 between the Company, Sharex (India) Pvt. Ltd. and National Securities Depository Limited.
4. Copy of Tri-Partite Agreement dated 26/12/2003 between the Company, Sharex (India) Pvt. Ltd. and Central Depository Services (India) Limited.
5. Copy of Collaboration Agreement dated 18/02/2005 between the Company and ThyssenKrupp Stahl AG.

### B. DOCUMENTS FOR INSPECTION

1. Copy of Memorandum and Articles of Association of the Company.
2. Copy of Prospectus dated 24/01/1992.
3. Copies of Annual report for the 18 months period ended on 31/03/2002, 2002-03 and 12 months period ended 2003-04 and 2004-05.
4. Copy of notice for AGM dated 18/07/2005.
5. Copy of resolution dated 17/06/2005 passed by the Board of Directors authorizing the proposed rights issue.
6. Copy of certificate dated 01/07/2005 issued by V. Parekh & Associates, Chartered Accountants and Statutory Auditors of the Company in terms of Part II Schedule II of The Companies Act 1956 including capitalisation statement, taxation statement and accounting ratios.
7. Copy of letter dated 01/07/2005 received from V. Parekh & Associates, Chartered Accountants and Statutory Auditors of the Company advising the company on the tax benefits available to the company and its shareholders.
8. Copy of letter dated 07/07/2005 received from V. Parekh & Associates, Chartered Accountants regarding Sources & deployment of funds.
9. Copy of BIFR order dated 07/11/2002 and 04/11/2004.
10. Copy of consent no. BO/ROP/PUNE-127/R/CC/428 dated 02/08/2001 under Air Pollution Act, Water Pollution Act from Maharashtra Pollution Control Board (MPCB) for its existing plant.
11. Copy of consent no. BO/Pune-148/CE/CC-361 dated 02/06/2004 from MPCB for its expansion project for manufacturing of Colour Coated Sheets.
12. Copy of appraisal note no. CFS/FRT/2/1228 dt. 23/07/2004 from Bank of India for renewal of fund based working capital limits and enhancement of non-fund based limits.
13. Copy of appraisal and assessment note dated 29/06/2005 from Bank of Baroda for working capital requirements for 2005-06.
14. Copy of sanction letter no.CFS/FRT/2094A dt.03/11/2004 from Bank of Baroda for working capital facility.
15. Copy of sanction letter no.CCD/251/2004 dt.09/03/2004 from Abu Dhabi Commercial Bank for working capital facility.
16. Copy of sanction letter no.KS 1390/2004 dt.01/11/2004 from Dena Bank for working capital facility.
17. Copy of sanction letter no.BBYA/CMS/SPSL/04 dt.23/10/2004 from Federal Bank for working capital facility.
18. Copy of sanction letter no.MIFB/B SPCS/1237 dt.14/09/2004 from Allahabad Bank for working capital facility.
19. Copy of sanction letter no.IDBI/PNBO/CFD/83 dt.27/05/2005 from IDBI for Term Loan facility.
20. Copy of sanction letter no.MIFB/B SPCS/24 dt.15/02/2005 from Allahabad Bank for Term Loan facility.

21. Copy of sanction letter no.CB:AMT-III:2005:06696 dt.07/02/2005 from State Bank of India for Term Loan facility.
22. Copy of MoA of and Annual report for the year ended 31/03/2002, 31/03/2003 and 31/03/2004 of following companies:

- Ajmera Cements Private Ltd
- AG Estate Private Limited
- Anumal Investments Private Ltd
- Ajmera Water 'N' Amusement Park Pvt. Ltd
- Ajmera Steel Strips Limited
- Prayosha Financing and Construction Company Ltd
- Shree Ram Estate Private Limited
- Nilkanth Tech Park Private limited
- Sankalpa Holdings Private Limited
- Yoginagar Vasahat Private Limited
- Prabhag Investments Private Limited
- Mahnit Investments Private Limited
- Kunnuj Investments Private Limited
- Extrinsic Investments Company Pvt. Ltd
- Bombay Freezco Private Limited
- Rushabh Investments Private Limited

23. List of pending litigations/disputes against the Company, Group Companies and filed by the Company.
24. Copy of application dated 11/03/2005 filed with NSE for listing of existing Equity Shares of the Company.
25. Copy of in-principle approval received from BSE vide their letter no. ______________ dated ___________ & from DSE vide their letter no.________ dt.___________.
26. Copy of SEBI observation letter No. ____________ dated ____________.

**DECLARATION**

That all the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government have been complied with and no statement made in Letter of Offer is contrary to the provisions of the Companies Act, 1956 and rules thereunder.

**Yours Faithfully**
**By the order of Board of Directors**
**Shree Precoated Steels Limited**
**Sd/-**

Shri Chhotalal S. Ajmera, Chairman & Managing Director

Shri Rajnikant S. Ajmera, Managing Director

Shri Ishwarlal S. Ajmera, Wholetime Director

Shri M. Sivaramakrishnan, Director-Technical

Shri Jagdish J. Doshi, Director

Shri Ambalal C. Patel, Director

Shri Inderpal S. Kalra, Nominee Director-IDBI

**Place**:
**Date:**