TILAKNAGAR INDUSTRIES LIMITED

(Originally incorporated as Maharashtra Sugar Mills Limited on 29/07/1933 under the Companies Act, VII of 1913. The company was amalgamated with its wholly owned subsidiary Tilaknagar Distilleries & Industries Limited w.e.f. 04/08/1993. The name of the Company was changed to Tilaknagar Industries Limited after the said amalgamation, subsequently fresh Certificate of Incorporation was obtained from the Registrar of Companies, Maharashtra, Mumbai on 06/08/1993.)

Registered Office : Industrial Assurance Building, 3rd Floor, Churchgate, Mumbai – 400 020.
Tel: (91-022) 22831718, Fax: (91-022) 22046904.
Contact Person : Mr. G.C. Shah, Company Secretary
E-mail: tiliquor@eth.net, Website: www.tilind.com

Works : P.O. Tilaknagar, Station Belapur (C.Rly), Dist. Ahmednagar, Maharashtra – 413720
Tel: (02422) 265123, Fax: (02422) 265135.

OFFER FOR 19,08,356 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. 381.67 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 OF RS.20/- PER EQUITY SHARE IS TWO (2) TIMES OF THE FACE VALUE.

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. (__) to (___) 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.

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
e-mail: til_rigths@keynoteindia.net
Sebi Regn. No.: INM 000003606
AMBI Regn No: AMBI/040

REGISTRAR TO THE ISSUE

BIGSHARE SERVICES PVT. LTD.
E/2, Ansa Industrial Estate,
Saki Vihar Road, Sakinaka,
Andheri(E), Mumbai – 400 072.
Tel.: (022) 2847 3474/0652 Fax: (022) 2847 5207
e-mail : bigshare@bom7.vsnl.net.in
SEBI Regn. No.: INR000001385

ISSUE OPENS ON :	
LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS :	
ISSUE CLOSES ON :	

II. TABLE OF CONTENTS

III. DEFINITIONS AND ABBREVIATIONS

SEBI	:	Securities and Exchange Board of India.
The Act	:	The Companies Act, 1956.
FERA	:	Foreign Exchange Regulation Act , 1973
FEMA	:	The Foreign Exchange Management Act, 1999
FDA	:	Food & Drug Administration
RBI	:	Reserve Bank of India
M.T.	:	Metric Tone
The Company/ TIL	:	Tilaknagar Industries Limited.
Memorandum	:	Memorandum of Association of Tilaknagar Industries Limited
Articles	:	Articles of Association of Tilaknagar Industries Limited
Board	:	Board of Directors of the Tilaknagar Industries Limited
IMFL	:	Indian Made Foreign Liquor
PLL	:	Potable Liquor License
RTD	:	Ready to Drink
Offer/Issue	:	Rights issue of 19,08,356 equity shares of Rs. 10/- each for cash at a premium of Rs.10/- per share aggregating to Rs. 381.67 to equity shareholders of the company on rights basis.
Letter of Offer	:	This Letter of Offer dated ____________
Designated Stock Exchange /BSE	:	The Stock Exchange, Mumbai.
FII	:	Foreign Institutional Investor
LIC	:	Life Insurance Corporation of India Limited
NRI	:	Non Resident Indian.
OCB	:	Overseas Corporate Bodies
CAF	:	Composite Application Form

IV. RISK FACTORS

A. INTERNAL TO THE COMPANY

1. Contingent Liabilities not provided for as per audited accounts of the company as on 31/01/2005 are as follows:

a) Bank Guarantee	:	Rs. 41.00 lacs
b) Advance Payment guarantee for securing Advance payment of US$ 3.00 Million received by the Company Against export commitment.	:	US$ 3.08 Million

Management Proposal

a) The Bank guarantees issued are in the normal course of business of the company.

ΞIII. Advance Payment Guarantee issued by the Bank is for securing the advance payment of US $ 3.00 Million received by the Company from the Overseas party for executing the export order. The company is in the process of executing the export order.

2. The company has taken Advance Payment of US$ 3.00 Million (1$ = Rs.43.25 as per present rate) from overseas party for executing the export order. The exports against the said Advance Payment were to be made within a period of 1 year as per the permission granted by the Reserve Bank of India. The company could export only 5% of the order during the year and requested RBI to extend the period. RBI, Foreign Exchange Department, Mumbai has vide their letter no. FE.CO.EXD.1/4/05.43.00/2004-05 dated 22/02/2005 granted extension of six months for completing the export. The Company is in the process of executing the order within the extended period of 6 months.

Management Proposal

Abnormal hike in the price of molasses, the basic raw material led to increase in the prices of the final products. As such the price at which the exports contract was made, became unremunerative for the Company. The Company, therefore, decided to renegotiate the prices for export order with the overseas party and go slow on executing the order.

3. The company is mainly engaged in manufacture of IMFL products and the main raw material is molasses, which is by-product of sugar. Due to short-fall in sugar-cane production, on account of drought during the last season, there has been substantial increase in the prices of molasses which has affected the profitability of company and other liquor companies.

Management Proposal

Increase in the prices of molasses is purely seasonal in nature and the prices are expected to settle down once the new sugar cane crop come during the year. To tide over the situation, molasses is being imported at competitive price from nearby countries.

4. The input costs of the products of the company may increase due to various reasons. In case the company is not able to pass on such increase to the consumers because of competition or otherwise, it may affect the profitability of the company.

Management Proposal

The Company constantly endeavours to procure raw materials and packing materials at the lowest prices using its long term association with the suppliers and developing new sources. The company will also follow prudent pricing policy to keep the costs under check.

5. The license for manufacturing potable liquor (PLL) and other manufacturing licenses (refer page no.43 & 44) of the company have expired on 31/03/2005.

   Management Proposal

   The company has already applied to State Excise for renewal of all the licenses and paid the requisite license fees. Renewal is expected shortly.

6. The consent from Maharashtra Pollution Control Board (MPCB) for discharge under Section 25/26 of Water Act 1974 and under Section 21 of the Air (Prevention and Control of Pollution) Act 1981 for distillery division has expired on 20/06/2004.

   Management Proposal

   The Company had applied to MPCB vide their letter no.TIL/WKS/ETP/246 dated 17/04/2004 for renewal of consent. However MPCB advised the company to install certain system for pollution control in the plant which has been complied with. The consent is now awaited.

7. Any failure to keep abreast of the latest trends in the IMFL industry may adversely affect the competitiveness and ability of the Company to compete with newer generation products.

   Management Proposal

   The company is in the liquor business of over 5 decades and has requisite expertise and ability to adapt to newer generation products and technology. The company is well aware of the development of market prescription, consumer preferences, competition, regulations etc.

8. The company's sustained growth depends on its ability to attract and retain skilled personnel. Failure of the Company to attract and retain skilled personnel could adversely affect the Company's growth prospects.

   Management Proposal

   The company has devised a sound human resource policy to develop and retain its key management personnel and talent and the company has been able to retain the significant part of this manpower, talent and its employee turnover has been very low over the years.

9. The present requirement of funds have not been appraised by the Banks/Financial institutions and is based on the estimates of the company. The funds proposed to be raised through the present issue could be utilized at the discretion of the Board of Directors of the company.

   Management Proposal

   The Company has recently undertaken its Capital Expenditure Plan. The objective of this issue is to augment long term working capital requirements, to install re-distillation plant & to enhance the brand positioning. The net funds received by the company after adjusting the secured and unsecured loans from promoters and issue expenses would be mainly utilized for the abovementioned purposes.

10. As on 31/01/2005 Sundry debtors exceeding more than 6 months were Rs.286.44 lacs for in the accounts.

    Management Proposal

    The company believes that debtors exceeding 6 months are realizable and hence not provided.

11. The Company depends on the bottling arrangements entered into with other companies for IMFL supplies to different states. The company is therefore exposed to the inability of any of these tie-up units for supply of IMFL due to any reason including non renewal of licences. These tie up contracts can be terminated by either party. Further details of these contracts or arrangements are given on page no. 19.

    Management Proposal

    In case of such an eventuality, the company can either try to utilize the capacity available with other manufacturers in the same area or increase production of its own or other contracted party. Moreover, these tie-ups are reciprocative in nature and it is a practice followed by most of the companies in the trade & hence company do not foresee any problem in this area.

12. There are following outstanding litigation against the company, its group and directors.

Against	Amount (Rs. in lacs)
Company	104.46
Group Company	1.44

For the details of litigations against the company, associates, directors refer page no. 42 & 43 of this letter of offer.

B. EXTERNAL TO THE COMPANY

1. IMFL industry is heavily regulated by the Government. The business of the company is subject to the State Government policy on excise. Changes in the fiscal policies of the Government could have an adverse impact on the profitability of the company. A significant change in the Government liberalization and deregulation policies could affect business and economic conditions in India and the business of the company in particular. Adverse changes in other regulation such as the distribution norms may affect the operations of the company. States may individually decide to impose prohibition on the sale of alcoholic beverages, including IMFL, as has been done in the past.

    Management's proposal

    This is a risk applicable to the entire industry. The Company will address the same as and when required by falling in line with other industry players.

2. IMFL industry is witnessing high level of competition as the domestic players gear up to compete for a larger share of the market. The entry of multinationals in the domestic liquor business has led to increased competition. Growing competition may force the company to reduce the prices of its products and services, which may reduce its revenues and margins and/or decrease its market share, either of which could have a materially adverse effect on its business, financial condition and results of operations.

    Management's proposal

    In view of favourable market scenario, prospects of liquor industry are very promising. The company, therefore, does not foresee any problem despite competition and entry of multinationals. The company's products command a good brand equity and has augment its market share in the semi premium and regular categories. The company aims to keep growth with the dynamic business strategy and plans to broad-base its product mix by introduction of new products. The Company is now making conscious efforts to enhance the brand positioning and has allocated specific funds for the said purpose.

3. The IMFL industry has negative perception in the Indian cultural context. This leads to circumstances like ban on advertising of alcoholic beverages in the print/ TV media, which is not conducive to business development.

Management's proposal

This is a risk applicable to the entire industry. With the globalization and opening of the economy the perception of the consumers is gradually changing. Nonetheless the industry is registering a positive growth year on year.

4. Evolving IMFL industry standards, changing customer preferences and new product introductions have an important impact on the Company's business. The Company's success depends on its ability to keep pace with these changes. In addition, products developed by competing companies may make the Company's products less competitive.

Management's proposal

This is a risk applicable to the entire liquor industry. The Company is constantly endeavouring to keep pace with the latest developments in the industry and is gradually strengthening its position to enhance its market share by introducing new products, appointing new distributors, extensive geographical coverage etc.

5. IMFL business is seasonal in nature with the sales volume dipping during the period April to June each year because of summer.

Management Proposal

This is a risk applicable to entire industry. Lower sales volumes in the first quarter are compensated by higher sales volumes in remaining quarters / festive seasons.

6. Any change in policies by the countries, in terms of tariff and non-tariff barriers, from which the company imports its raw materials and/or to which its products are exported, will have an impact on the company's profitability. Similarly, any adverse movement in the exchange rate may have corresponding effect on the export realization/cost of imports and consequently affect the company's profitability.

Management's proposal

Whenever such policy changes affect the company's business, the company would work towards complying with or reckoning the policy changes and adopt appropriate strategies to sustain the effects on its business.

7. Floods, earthquakes, terrorist attacks and other acts of violence or war/destruction involving India and other countries where the company sells its products/imports its raw materials could adversely affect the Company's business. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately affect the Company's business, financial conditions and results of operations.

Management's proposal

The consequences of any of the above are unpredictable and the company may not be able to foresee events that could have a material adverse effect on its business, financial conditions or results of operations.

NOTES TO RISK FACTORS:

1.

Preissue Networth (as on 31/03/2004)	:	Rs.503.84 lacs
Preissue Networth (as on 31/01/2005)	:	Rs.712.26 lacs.
Issue Size	:	Offer for 19,08,356 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. 381.67 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 (i.e. 1:2) as on __________ (Record Date)
Cost per share to the promoter	:	Rs. 12.85
Book Value per share (as on 31/03/2004)	:	Rs. 13.20
Book Value per share (as on 31/01/2005)	:	Rs. 18.66

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

3. The lead manger and the Company undertakes to update this offer document and keep the public informed of any material changes till the receipt of listing and trading permission.

4. Related Party transaction

The details of transactions held between related parties during the period ended 31/01/2005 are as follows:

Name of Party	**Relation**	**Amount (Rs. in lacs)**
Shri A.A.Dahanukar, Chairman & Whole Time Director	Key Management	2.58
Shri P.M. Salaskar, Managing Director	Key Management	11.39

V. INTRODUCTION

Business Summary

The Company is engaged in the business of manufacture, marketing and sale of Industrial Alcohol, Indian Made Foreign Liquor (IMFL), alcohol based chemicals and sugar cubes with IMFL being the core business. The Company has established its distinct identity in IMFL business with steady growth and production of high quality liquor brands.

Under the chemical business the company manufacturers alcohol based chemicals such as Di-ethyle Oxolate (DEO) which is used as intermediary by pharma companies, Turkey Red Oil etc.

The Company also manufactures sugar cubes under its own brand names "LOTUS" & "SENATE" and on a job work basis for others.

Industry Summary

The total IMFL market stands at approximately 100 million cases and has grown at around 9% over the past 10 years. The IMFL market consists of Whisky, Rum, Brandy, Gin and Vodka.

Whisky is the largest selling IMFL with around 60% of the market share. The whisky segment is further classified into Scotch, Super Premium, Premium, Prestige/Deluxe,, Regular, Medium and Cheap segment. Regular whisky is the single largest segment in the whisky market, comprising approximately 40% of the whisky market.

Issue Details

Issue of 19,08,356 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. 381.67 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. __________).

Summary of Financial Data

Please read the following data in conjunction with the detailed Auditors' report on page 29 under the heading 'FINANCIAL INFORMATION'

(Rs.)

Description	As At 31/01/2005	As at 31st March			As at 30th September	
		2004	2003	2002	2000	1999
Total Income	892,850,174	943,696,774	604,257,528	788,501,842	392,999,821	259,221,666
PAT	13,334,016	13,021,052	8,142,495	12,840,291	4,938,341	(3,071,959)
Share Capital	38,167,120	38,167,120	38,167,120	31,500,460	31,500,460	31,500,460
Reserves & Surplus	41,800,540	28,466,524	20,612,345	18,220,703	5,380,412	442,071

Dear Shareholder(s)

The Board of Directors of the Company pursuant to a resolution passed on 21/03/2005 u/s 81(1A) of Companies Act, 1956 though postal ballot have decided to offer 19,08,356 equity shares of Rs. 10/- each for cash at premium of Rs.10/- per share aggregating to Rs.381.67 lacs to the existing equity shareholders of the Company on rights basis in the ratio of 1 (One) equity share for every 2 (Two) equity shares (i.e.1:2) held as on __________ (hereinafter referred to as "Record Date"). The issue price of Rs. 20/- per equity share is two (2) times the face value.

VI. GENERAL INFORMATION

Name of the Company	:	**TILAKNAGAR INDUSTRIES LIMITED**
Registered Office	:	Industrial Assurance Building, 3rd Floor, Churchgate, Mumbai – 400 020. Tel: (91-022) 22831718, Fax: (91-022) 22046904. E-mail: tiliquor@eth.net, Website: www.tilind.com
Works	:	P.O. Tilaknagar, Station Belapur (C.Rly), Dist. Ahmednagar, Maharashtra – 413720 Tel: (02422) 265123, Fax: (02422) 265135.
Registration No.	:	1992 of 1933-1934
Address of the Registrar of Companies	:	100, Everest, Marine Drive, Mumbai – 400 002.

BOARD OF DIRECTORS

Shri A. A. Dahanukar (Chairman),
Mr. P. M. Salaskar (Managing Director)
Mr. S. V. Muzumdar (Non Ex. Director)
Mr. V. B. Haribhakti (Non Ex. Director)
Mr. S. H. Junnarkar (Non Ex. Director)
Mrs. P. S. Jha (Non Ex. Director)
Dr. V.K.Kanhere, (Non Ex. Director)

BRIEF DETAILS OF CHAIRMAN & MANAGING DIRECTOR

Shri A. A. Dahanukar (Chairman), is a graduate in Electrical Engineering and has done Masters in Engineering Management from Stanford University, U.S.A. He joined the Board in 2001 and is presently Chairman & Whole Time Director of the company.

Mr. P. M. Salaskar (Managing Director), is a graduate in economics & law from University of Mumbai and is FCS and DAM. He has extensive knowledge and experience in Corporate Finance, Law, Management & Administration.

COMPLIANCE OFFICER AND COMPANY SECRETARY

Mr. G.C. Shah
Company secretary
Industrial Assurance Building
Churchgate, Mumbai – 400 020.
Tel: (91-022) 22831718, Fax: (91-022) 22046904.
E-mail: tiliquor@eth.net

ΞIII. The investors may contact the aforesaid compliance officer in case of any pre-issue/post-issue related problems.

BANKERS TO THE COMPANY

Canara Bank
Prarthana Samaj Building,
160, raja Ram Mohan Roy Road,
Girgaum, Mumbai – 400 004.

Indian Overseas Bank
Breach candy Branch,
65/67, Mazda mansion,
Bhulabhai Desai Road,
Breach Candy, Mumbai – 400 026.

ISSUE MANAGEMENT TEAM

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
e-mail: til_rigths@keynoteindia.net
Sebi Regn. No.: INM 000003606
AMBI Regn No: AMBI/040
Contact Person: Mr. Uday S. Patil

REGISTRAR TO THE ISSUE

BIGSHARE SERVICES PVT. LTD.
E/2, Ansa Industrial Estate,
Saki Vihar Road, Sakinaka,
Andheri€, Mumbai – 400 072.
Tel. : (022) 2847 3474/0652 Fax : (022) 2847 5207
e-mail : bigshare@bom7.vsnl.net.in
SEBI Regn. No.: INR000001385

BANKERS TO THE ISSUE

To be appointed.

AUDITORS TO THE COMPANY

Batliboi & Purohit
Chartered Accountants
National Insurance Building
204, Dadabhoy N. road,
Mumbai – 400 001.
Tel: (022) 22077941, Fax: (022) 22074260
E-mail : bpca@bom7.vsnl.net.in

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

UNDERWRITING/ STANDBY SUPPORT

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

VII. CAPITAL STRUCTURE OF THE COMPANY

No. of shares	Aggregate Nominal Value (In Rs.)
A. **Authorized Capital**	
1,00,00,000 Equity Shares of Rs.10/- each	10,00,00,000
B. **Issued Subscribed & Paid-upCapital**	
38,16,712 Equity Shares of Rs.10/- each	3,81,67,120
C. **Present Rights Issue**	
19,08,356 equity shares of Rs. 10/- for a cash at premium of Rs.10/- per share	1,90,83,560
D. **Post Issue Capital**	
57,25,068 equity shares of Rs. 10/- each	5,72,50,680
E. **Share Premium Account**	
Before the Offer	36,36,390
After the Offer	2,27,19,950

Notes to Capital Structure:

ΞΙς. Details of present Equity Share Capital are as follows:

Sr. No	Date of allotment	Face Value (Rs)	Issue Price (Rs)	No. of shares	Nature of allotment (Rights/ Bonus etc.)	Conside-ration	Cumulative Capital
1	Capital as on 01/04/1994	10/-	-	15,52,675	Re-constituted capital consequent upon amalgamation of Tilaknagar Distilleries & Industries Limited with The maharashtra Sugar Mills Ltd. in the year 1993.	-	1,55,26,750
2	22/07/1994	10/-	10.00	15,52,675	Rights issue at par in the ratio of 1:1.	Cash	3,10,53,500
3	14/02/1996	10/-	16.78	44,696	Issued and allotted to M/s ALTAIR, France in pursuance of collaboration agreement.	Conside-ration other than cash	3,15,00,460
4	20/06/2002	10/-	15.00	6,66,666	Preferential allotment made to promoters.	Cash	3,81,67,120
TOTAL				**38,16,712**			**3,81,67,120**

2. Promoters' Contribution and Lock-in

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/-	19,08,356	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	20,41,373	53.49	30,62,059	53.49
	Sub Total	**20,41,373**	**53.49**	**30,62,059**	**53.49**
B.	**Non-Promoters Holding**				
	1) Institutional Investors				
	a. Mutual Funds and UTI	-	-	-	-
	b. Banking, Financial Institution / Insurance Companies	4,48,217	11.74	6,72,325	11.74
	c. FIIs	-	-	-	-
	Sub Total	**4,48,217**	**11.74**	**6,72,325**	**11.74**
	2) Others				
	Private Corporate Bodies	1,45,338	3.81	2,18,007	3.81
	Indian Public	11,77,333	30.84	17,66,001	30.84
	NRIs	4,451	0.12	6,676	0.12
	Sub Total	**13,13,622**	**34.42**	**19,90,684**	**34.42**
	Grand Total	**38,16,712**	**100.00**	**57,25,068**	**100.00**

*Investor are requested to refer para on 'Fractional entitlement' on page no.50. The total number of shareholders in the company are 10013.

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	13,71,440	35.93	20,57,160	35.93
b) Immediate relatives of promoters (Spouse, parent, child, brother, sister)	1,40,492	3.68	2,10,738	3.68
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	5,29,441	13.87	7,94,161	13.87
d) Company in which the Company mentioned in I above holds 10% or more of the share capital	-	-	-	-
e) HUF in which aggregate share of the promoter and his immediate relatives is equal or more than 10% of the total	-	-	-	-
Total	**20,41,373**	**53.49**	**30,62,059**	**53.49**

The promoters/directors/associates intend to subscribe to their entitlement in this rights issue in full. In case of under- subscription promoters/directors/associates intend to subscribe to unsubscribed portion in full. In such a case (assuming no subscription from other shareholders) their holding will increase upto 68.99% 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 as undertaken 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 have extended loans to the Company, to the extent of Rs.130.00 lacs from time to time for the working capital requirement of the company. The promoters have given their consent to adjust the said loan against their Rights entitlement. 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. Details of loans given by the promoters are as follows:

Name of Promoter/Director	Amount (In lacs)
Late Shri Arun D Dahanukar.*	Rs.130.00

Ξς. *Consequent upon death of Shri Arun D. Dahanukar, the loan has been transferred in the name of Shri Amit. A. Dahanukar as per the probate.*

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. Details of transactions by the promoters / their associate concerns during last 6 months are as follows:

Name of shareholders	No. of shares bought	No. of shares sold	Date of Transaction	Price (Rs.)	Nature of Transaction
M.L.Dahanukar & Co. Pvt. Ltd.	29412	-	14/10/04	37.50	Off-Market Deal
M.L.Dahanukar & Co. Pvt. Ltd.	-	13500	31/01/05	37.50	Off-Market Deal

Other than the above there are no 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.

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	Percentage of shareholding
1.	Amit A. Dahanukar	8,99,214	23.56
2.	Life Insurance Corporation of India	5,24,612	13.75
3.	Arun Dattatraya Dahanukar	4,44,028	11.64
4.	M.L.Dahanukar & Co. Pvt. Ltd.	3,02,628	7.92
5.	Arunoday Investment Pvt. Ltd.	1,19,823	3.14
6.	S. A. Dahanukar	68,354	1.80
7.	Kalpana Taranath Kamath	50,000	1.31
8.	ALTAIR, France	44,696	1.17
9.	Shreenath Prabhu Enterprises	42,912	1.13
10.	Ajay Sheth	41,003	1.06
	Total	**25,37,270**	**66.48**

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	Percentage of shareholding
1.	Amit Arun Dahanukar	13,55,419	35.51
2.	Life Insurance Corporation of India	4,33,852	11.37
3.	M. L. Dahanukar & Co. Pvt. Ltd.	3,97,115	10.40
4.	Biju P. John	1,67,835	4.40
5.	Arunoday Investments Pvt. Ltd.	1,32,326	3.46
6.	S. A. Dahanukar	66,542	1.74
7.	Anupama Finance & Leasing Ltd.	64,000	1.67
8.	Priyadarshini A. Dahanukar	39,872	1.04
9.	Kamala Sunil Gadekar	39,040	1.02
10.	Anupama A. Dahanukar	33,898	0.88
	Total	**27,29,899**	**71.49**

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	Percentage of shareholding
1.	Amit Arun Dahanukar	13,55,419	35.51
2.	Life Insurance Corporation of India	4,33,852	11.37
3.	M. L. Dahanukar & Co. Pvt. Ltd.	3,97,115	10.40
4.	Biju P. John	1,67,835	4.40
5.	Arunoday Investments Pvt. Ltd.	1,32,326	3.46
6.	S. A. Dahanukar	66,542	1.74
7.	Anupama Finance & Leasing Ltd.	64,000	1.67
8.	Priyadarshini A. Dahanukar	39,872	1.04
9.	Kamala Sunil Gadekar	39,040	1.02
10.	Anupama A. Dahanukar	33,898	0.88
	Total	**27,29,899**	**71.49**

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.

VIII. PARTICULARS OF THE ISSUE

OBJECT OF THE ISSUE

The company proposes to raise resources by way of Rights issue to part finance the cost of :

a) Installing additional re-distillation plant.
b) Working capital requirement.
c) Brand positioning and other related expenses.
d) Rights issue and other preliminary expenses.

The main object clause of the Memorandum & Articles of Association of the company enables the company to undertake the existing activities and the activities for which the funds are being raised through the present issue.

COST OF PROJECT

(Rs. in lacs)

Sr. No.	Particulars	Amount
a)	Additional re-distillation plant	350.00
b)	Provision for Working capital gap	162.00
c)	Brand Positioning expenses.	40.00
d)	Issue Expenses	30.00
	TOTAL	**582.00**

Break up the cost of project

a) Installation of additional re-distillation plant.

As at Present re-distillation plant is used to the fullest capacity. The company proposes to install additional re-distillation plant to enhance the production. The cost for installation is estimated at Rs.350.00 lacs.

b) Provision for working capital gap

The company has drawn audited accounts upto a period ending 31/01/2005. Based on the audited financials for the period ended 31/01/2005, the computation of maximum permissible bank finance for working capital as per company's estimates is as follows:

(Rs. in lacs)

Sr. No.	Particulars	Amount
1	Total current Assets	3785.80
2	Other current liabilities	1883.17
3	Working capital gap	1902.63
4	Minimum stipulated net working capital (i.e. 25% of working capital gap or 25% of total current assets whichever is higher)	946.45
5	Actual projected net working capital (as per CMA data)	1108.73
6	Item 3 minus item 4	956.18
7	Item 3 minus item 5	793.90
8	Maximum permissible bank finance (Item 6 to 7 whichever is lower)	793.90
9	Working capital gap (Item 6 minus item 8)	162.28
	Say	162.00

The company enjoys working capital facilities from existing bankers to the extent of Rs. 800 lacs. The provision for working capital gap as above is made by the company. The promoters have brought in funds from time to time to fund the said requirements. The promoters have already bought in funds amounting to Rs.130.00 lacs from time to time towards working capital requirements. The balance fund of Rs.32.28 lacs will be funded by the issue proceeds.

c) Brand Positioning

The company plans to modernize /upgrade its plant, reduce labour cost and replace high cost debts. Over the years it has built a strong asset base and operates on strong principles with clean image. It has developed loyal distributors and retailers.

The company is also putting in place several measures on the marketing front to sustain its performance. New distributors are being appointed to make the presence felt in the market wherever required.. The improvement in product quality is being continuously envisaged. Special attention is given to package of the end product. The company has made major breakthrough in exports and is able to seek new markets in Angola, Congo, South Africa and Middle East.

With this background the company now wishes to make vigorous efforts to position itself in the market segment by creating a brand value. The market awareness is being increased by way of various initiatives such as advertising, sponsoring some of the major sports and/or cultural events, improvements in packaging, presentations to prospective international clients, importers etc. The company wishes to develop a full-fledged dynamic and dedicated marketing team to spearhead initiatives. The company has estimated the cost of this effort to the extent of Rs. 40.00 lacs to be incurred in next couple of months.

d) Issue Expenses

For the purposes of the Rights issue, following expenses are required to be incurred.

Sr. No.	Particulars	Amount (Rs. in Lacs)
1	Market intermediary fees i.e Lead Manager & Registrar to the issue.	10.00
2	Legal fees	2.00
3	Advertisement	8.00
4	Printing & Stationary	4.00
5	Statutory fee	0.60
6	Postage	5.00
6	Others	0.40
	Total	**30.00**

MEANS OF FINANCE

(Rs. in lacs)

Sr. No.	Particulars	Amount
1	Issue of equity shares on rights basis in the ratio of 1 equity share for every 2 equity shares held at a price of Rs.20/- per share	381.67
2	Term Loan from Banks/Financial Institutions	175.00
3	Internal Accruals	25.00
	TOTAL	**582.00**

Note :

The company has a sanction of term loan of Rs. 500 lacs in place from SICOM Ltd. for acquisition of fixed assets as per the scheme submitted to SICOM. The company has till date availed Rs. 325 lacs towards the capital expenditure already incurred. The company proposes to avail Rs. 175 lacs out of the said sanction for the aforesaid purposes. The promoters have already brought in an amount of Rs. 130.00 lacs to finance ongoing fund requirements of the company from time to time. The promoters have consented for adjusting the loans towards their subscription to the right issue entitlement.

APPRAISAL

The project is not being appraised by any Bank or Financial Institution.

SCHEDULE OF IMPLEMENTATION

M/s Batliboi & Purohit., Chartered Accountants, and Statutory Auditors of the Company have certified vide their certificate dated 04/05/2005 that the schedule of implementation of the said project is as under.

1. Brand positioning expenses and the working capital funds would be incurred in the normal course of the business.
2. Re-distillation plant would be installed by the Company by January, 2006.

SOURCES AND DEPLOYMENT OF FUNDS

The company has already spent an amount of Rs.130.00 Lacs towards working capital. M/s Batliboi & Purohit, Chartered Accountants, and Statutory Auditors of the Company have certified vide their certificate dated 04/05/2005 that an expenditure of Rs.131.00 Lacs has already been incurred on the project upto 31/01/2005. Details of the sources and deployment of funds as per the certificate are as follows:

Sr. No.	Particulars	Cost of the Project (Rs.in lacs)	Amount Incurred/Deployed so far (Rs.in lacs)	Remarks
1	Installation of Re-distillation Plant	350.00	-	The Company is in the process of identifying the supplier and placing the order.
2	Provision for Working Capital gap	162.00	130.00	Amount already financed by the promoters as loan.
3	Brand positioning	40.00	-	-
4	Issue Expenses	30.00	1.00	Towards part payment of fees to various intermediaries.
	Total	**582.00**	**131.00**	

DETAILS OF BALANCE FUND REQUIREMENTS

The total cost of the project is estimated at Rs. 582.00 lacs, which is proposed to be financed by way of rights issue of Rs.381.67 lacs, internal accruals of Rs. 25 lacs. The balance is proposed to be financed by way of term loan from SICOM to the extent of Rs. 175 lacs. The company has received the sanction for the total term loan of Rs. 500 lacs as per the scheme out of which Rs. 325 lacs has been availed.

INTERIM USE OF FUNDS

In terms of the schedule of implementation, the re-distillation plant would be functional by January 2006. In the interim period, 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 shall have 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/-).
Entitlement Ratio	The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of 1 Equity Shares for every 2 Equity Shares (i.e 1:2) held as on the Record Date.
Market Lot	The market lot for the Equity Shares in apitalization 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	The issue price per Equity Share shall be payable as follows: 100% of the issue price i.e Rs. 20/- shall be payable on Application.

BASIS FOR ISSUE PRICE

Qualitative Factors

1. Existing, Profit making, Dividend Paying Company**.**

Quantitative Factors

(a) Earnings per Share

Year	EPS (Rs)	Wts
2002-03	2.14	1
2003-04	3.45	2
10 Months ending on 31/01/2005	4.24*	3
Weighted Average EPS	3.63	

*Annualised

(b) P/E Ratio

P/E(based on annualized EPS on 31/01/2005)	4.72
P/E(based on weighted average EPS)	5.51

(c) Return on Networth

Year	RONW(%)	Wts
2002-03	16.94	1
2003-04	25.84	2
10 Months ending on 31/01/2005	22.46*	3
Weighted Average RONW	22.67	

*Annualised

(d) Minimum RONW required to maintain preissue EPS (%)	22.19

(e) Net Asset Value(Rs.)

NAV (pre issue)	18.66
NAV (post issue)	19.11

(f) Industry P/E Ratio

Highest (United Breweries)	155.60
Lowest (Tilaknagar Industries)	11.90
Average	43.80
(Source: Capital Market Apr.25 – May 8, 2005, Sector : Breweries & Distilleries)	

The last traded price of the equity share as on 05/05/2005 the date on which the Board of Directors approved the draft letter of offer was Rs. 44.10.

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 pre-issue EPS of Rs.4.24 is 22.19% whereas the Company has already earned an RONW of 22.46% for the period ended 31/01/2005. The offer price of Rs.20/- is at a PE multiple of 5.51 based on weighted average EPS of Rs.3.63, which is lower than the Average P/E multiple of the industry sector in which the Company operates. The offer price is at 54.65% discount to the present market price of the shares of the company (Rs. 44.10 as on 05/05/2005)

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

TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS MEMBERS UNDER THE CURRENT PROVISIONS OF VARIOUS EXISTING DIRECT TAX LAW

The Company has been advised by M/s. Batliboi & Purohit, the Auditors of the Company by their letter dated 4.05.2005, that under the current tax law presently in force in India as also proposed under the Finance Bill 2005, the following benefits are available to the Company and to its Shareholders. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

A. To the Company:

1. The Company will be entitled to claim depreciation allowance at the prescribed rates on tangible assets under Section 32 of the Income Tax Act in respect of capital expenditure on redistillation. As proposed in the Finance Act, 2005, the Company will get depreciation to the extent of 35% in the first year and in the subsequent years, it will be @ 15% on the reducing balance.

2. The Company will be entitled to the deduction of the whole of the expenditure incurred on Brand promotions related to the business carried on by the Company in the year in which such expenditure is incurred, in accordance with the provisions of Section 37 of the Income Tax Act.

3. In accordance with and subject to the conditions specified in section 35D of the Income Tax Act, the Company is entitled to amortization, over a period of five years, of all expenditure in connection with the proposed Rights Issue, subject to the overall limit prescribed in the said section.

B. To the Members of the Company:

Resident Members

1. In terms of section 10(34) of the Income tax Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the Company) is exempt from tax.

2. In accordance with section 10(23D) of the Income tax Act, all Mutual Funds registered under the Securities and Exchange Board of India Act or set up by public sector banks or a public financial institutions or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax all their income, including income from investment in the shares of the Company.

3. In terms of section 10(38) of the Income tax Act, any long term capital gain arising to the members from the transfer of a long term capital asset being an equity shares in a company on or after 1st day of October 2004, where such transaction is chargeable to securities transaction tax, would not be liable to tax in the hands of the member.

4. In terms of section 111A of the Income tax Act, any short term capital gain arising to the members from the transfer of a short term capital asset being an equity shares in a company or unit of an equity oriented fund on or after 1st day of October 2004, where such transaction is chargeable to securities transaction tax, would be subject to tax at a rate of 10 per cent (plus applicable surcharge and Education Cess)

5. In accordance with, and subject to the conditions and to the extent specified in section 54EC and 54ED of the Income Tax Act, long term capital gains tax arising on transfer of the shares of the Company shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase/acquisition of specified assets.

6. In accordance with, and subject to the conditions and to the extent specified in Section 54F of the Income Tax Act, long term capital gains arising on the transfer of the shares of the Company held by an individual or

7. Hindu Undivided family shall be exempt from capital gains tax if the net sales consideration is utilized, within a period of one year before or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years subject to the condition that the assessee should not own more than one residential house, other than the new asset, on the date of transfer of original asset and the assessee should not purchase or construct any residential house, other than the new asset, in case of purchase within a period of one year after the date of transfer or original asset and in case of construction, within a period of three years after the date of transfer of original asset.

Non-Resident Indian has the option to be governed by the provisions of Chapter XII-A of the Income Tax Act according to which;

a. Under Section 115E of the Income Tax Act, any income from investment acquired out of convertible foreign exchange will be taxable at 20% (subject to surcharge as applicable) while income from long-term capital gains on transfer of shares of the Company acquired out of convertible foreign exchange shall be taxed at the rate of 10% (subject to surcharge as applicable).

b. Under Section 115F of the Income Tax Act, subject to the conditions and to the extent specified therein, long-term capital gains arising to a Non-Resident Indian from transfer of shares of the Company acquired out of convertible foreign exchange shall be exempt from capital gains tax if the net consideration is invested within six months of the date of transfer of the asset in any specified asset or in any saving certificates referred to in clause 4(B) of Section 10 of the Income Tax Act.

c. Under Section 115G of the Income Tax Act, it is not necessary for a Non-Resident Indian to file a return of income under Section 139(1) of the Act, if his total income consists only of investment income and/or long term capital gains earned on transfer of such investment acquired out of convertible foreign exchange, and the tax has been deducted at source from such income under the provisions of Chapter XVII-B of the Act.

C. Under 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.

D. Under the Wealth Tax Act, 1957:

Shares of the company will not be treated as an asset within the meaning of section 2(ea) of the Wealth Tax Act, 1957, hence the shares will not be liable to wealth-tax.

E. Under the Gift Tax Act, 1958 :

Gift of shares of the company made on or after October 1, 1998 would not be liable to Gift tax.

Please note that all the above tax benefits will be available only to the sole/first named holder in case the shares are held by joint holders. Legislation, its judicial interpretation and the policies of the regulatory authorities are subject to change from time to time, and these may have a bearing on the advice that we have given. Accordingly, any change or amendment in the law or relevant regulations would necessitate a review of the above. Unless specifically requested, we have no responsibility to carry out any review of our comments for changes in laws or regulations occurring after the date of issue of this Note.

In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the Country in which the non-resident has fiscal domicile.

The above Statement of Possible Direct Tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of ordinary shares. The statements made above are based on the tax laws in force as also under the Finance Bill, 2005 and as interpreted by the relevant taxation authorities as of date.

IX. ABOUT THE ISSUER COMPANY

INDUSTRY OVERVIEW

Industry Structure and developments:

The total IMFL market stands at approximately 100 million cases and has grown at around 9% over the past 10 years. The IMFL market consists of Whisky, Rum, Brandy, Gin and Vodka.

The country liquor market is a regional market with small manufacturers spread across the State but is estimated to be around 2½ times of the local IMFL market. On the other hand, the major IMFL manufacturers have a nation wide presence.

Whisky is the largest selling IMFL with around 60% of the market share. The whisky segment is further classified into Scotch, Super Premium, Premium, Prestige/Deluxe,, Regular, Medium and Cheap segment. Regular whisky is the single largest segment in the whisky market, comprising approximately 40% of the whisky market. This segment is also the most competitive with nearly 30 brands competing in the segment.

With increase in the price at the consumer level due to higher taxation, there is a downward shift towards cheaper products in key whisky and rum segment. The major volume growth in the whisky segment is coming in from the cheap segment. The cheap whisky segment has grown at a CAGR of 28% over the past 3 years.

Prestige/Deluxe segment has recorded impressive growth over the past 3 years and the growth rate is likely to remain strong in future.

The low per-capita consumption in India, the high volume in the unorganized cheap segment of the spirits business with its likely transition into the organized sector, the changing consumer perception of alcohol and the progressive regulatory changes are the key drivers to the growth of this industry.

Risks and concerns/opportunities and threats:

In India, excise duty on alcohol is a State levy, not a Central levy and each State controls the excise duty structure and also the distribution system of potable liquor. Moreover inter State sales of IMFL attracts export duty in the state of manufacture and import duty in the State of sale. This results in high prices at the consumer level and acts as a big trade barrier. Therefore for all practical purposes a Company has to have a manufacturing set up of its own or a bottling tie-up in a State to sell in that particular State.

State level levies prevent economies of scale, increase costs and inefficiencies, hamper growth and reduce government collections. Steps have been undertaken to introduce uniform excise duty across the States and revenue sharing agreement for inter state sales. When these regulations are put in place, they will provide a stimulus for the growth of the liquor industry in India.

The liquor industry is suffering from over taxation and over regulation, which has impeded the profitability even in the face of continuing growth in demand for liquor products. Recent regulatory changes have imposed a further burden in the industry by an amendment of section 206 C of the Income tax Act. The Government of India has imposed a mandatory Income Tax of 1% to be collected at source on sales. This have had an impact of increasing the price of liquor products at the hands of the consumer.

Further, widening the scope of service tax and increase in the rate of service tax have had a direct impact by way of increased expenditure on the Company.

Distribution of IMFL is also regulated in some states either through auctions (as in Haryanna, Punjab etc.) or through government procurement agencies (as in Tamil Nadu and Andhra Pradesh etc.). These regulations create monopolistic environment, stifle entrepreneurship spirit and hamper growth.

The present distribution system is affecting the revenue collections of the states and the state governments are increasingly looking to liberalise the distribution system. Uttar Pradesh is a good case in point where the excise revenues witnessed a quantum leap once the distribution system was de-regulated in financial year 2002. Stagnating excise revenues (from liquor) are also forcing state governments to re-look at archaic systems.

Recently Madhya Pradesh & Rajasthan Governments have also de-regulated the IMFL distribution system to improve its revenue collections.

The industry is also constrained to cope with a ban on advertising of products. Advertising, the most effective tool for building brands and communication about products, has been denied to the liquor industry.

Keeping with its commitment with WTO, the Government of India has been consistently reducing the import duty on foreign liquor and spirits, although some measures of protection have been granted by the imposition of the countervailing duties. Lowering of duties has facilitated the entry of large liquor MNCs in India and the domestic brands are beginning to loose substantial market share to India specific brands of MNCs. However, new avenues will open for the established domestic companies for entering into manufacturing/marketing tie-ups with the MNCs' who are wanting to have presence in India.

With duties coming down over a period of time and imported liquor coming under the purview of OGL, there have emerged excellent opportunities for their trading in the domestic market. Products like imported scotch, wines, beer and other ready to drink products etc. should have good opportunities.

Future growth of the Industry:

The future growth in the Indian IMFL market will be in the prestige, regular and the cheap IMFL segments. A rapidly increasing middle class population, rising income levels, shifting consumer preferences and increase in the number of choices available to the consumer will further improve the above average growth in the regular, prestige and premium segment. Similarly progressive regulations, decline in poverty line population will increase the market for regular and cheap IMFL.

The foreign players will dominate the super-premium and premium segment and the Indian players could see a decline in market share in these segments. It is expected that lot of domestic majors will tap the potential of upgrading the large country liquor market in to IMFL. Country Liquor is hitherto dominated by local players.

Even amongst the various IMFL segments Vodka, White Rum and brandy are expected to grow at above industry growth rates albeit on a very low base.

BUSINESS OVERVIEW

The Company is engaged in the business of manufacture, marketing and sale of Industrial Alcohol, Indian Made Foreign Liquor (IMFL), alcohol based chemicals and sugar cubes with IMFL being the core business. The Company has established its distinct identity in IMFL business with steady growth and production of high quality liquor brands. The Company's brand portfolio includes Mansion House range, Senate Whisky, Courier Napoleon Brandy, Savoy Club range, Classic Whisky, Royal Choice range etc..

Under the chemical business the company manufacturers alcohol based chemicals such as Di-ethyle Oxolate (DEO) which is used as intermediary by pharma companies, Turkey Red Oil etc.

The Company also manufactures sugar cubes under its own brand names "LOTUS" & "SENATE" and on a job work basis for others.

MARKET

Since last 10 years, the Indian liquor industry has evolved at every stage. To start with, the industry has changed from being seller's market to a buyer's market. Consumer groups, which were earlier targeted as one large demographic island, have got fragmented into distinct psychographics' groups. Brand and media roliferation, information boom and easy access to wide variety of brands have all had a significant impact on the buying behaviours of consumers, who are now clearly seeking "value" over "price". In many ways this reflects branding of a commodities market which was dominated by heritage brands. Sociologically, the country has undergone a sea change. Lifestyles have changed drastically. Today, drinking in moderation is not looked upon as a social taboo. Youngsters today are often seen sharing a drink with their parents which was unheard of a decade ago except among a very few upper class families. Social drinking among women is also on the rise.

Unlike a decade ago, the consumer today also has a number of options in terms of brands and segments. A fast emerging change is in terms of flavour substitution depending on consumption occasion. Earlier an average consumer would stick to a preferred flavour, say a whisky or rum but now the flavour basket has many more like whites, wine, RTD etc. Marketers need to understand the trigger for such switches and evolve the marketing initiative.

The market is fiercely competitive and marketers are fighting for value share, value paradigms are being redefined, new fronts of customer engagements are being created.

Key Drivers

Some of the key drivers of the liquor Industry are Duty structures, Excise rules and regulations, product-pricing, marketing initiatives to promote the brand and to communicate with the customers, distribution and several regulatory issues like licenses to manufacture, labeling etc. On issues of excise and duties, these are fast coming to WTO levels. The industry does not have many entry barriers and with the opening up of the economy there are multiple ways of market entry; it could be Bottled in India (BII) or Bottled in origin (BIO) or Bulk import and locally bottled. While this will enable world class quality brands entering India, there is a fear that the stagnating markets overseas may trigger dumping of cheap liquor into the Indian market, which will not be a healthy trend for both the Indian consumer as well as the domestic liquor players.

The IMFL industry in India is estimated at nearly 100 million cases and is growing at 9 per cent per annum. Consumption is largely skewed towards whisky, which accounts for over 54 per cent of the market. Brandy accounts for 14 per cent, rum for 27 per cent and whites (Gin, Vodka, others) for 5 per cent.

Challenges

A highly regulated environment and poor shopping infrastructure in the alco-bev industry is unfortunately diametrically opposite to the direction India is heading. Consumer today is demanding more and more information on products and services and in absence of a communication platform the industry faces a major handicap.

Types of Market

Based on the involvement of the government in the distribution and pricing of liquor in each state the market can be broadly classified into three types:

-Government Market
-Auction Market
-Open Market

Government Market: In a government market, the respective state government is the wholesale distributor of liquor and purchased directly from the company.

Auction Market : In auction markets, the state is bifurcated into smaller areas. The government, at regular intervals (typically annually), auctions the right to distribute and retail liquor in these areas during a specified period, to private parties. This auction is based on the minimum guaranteed tariff payment to the government over the specified period. Wholesale operations and retail outlets are owned/ operated only by those parties that win the auction for that particular area. These private parties that win the auction negotiate with liquor manufacturers to acquire liquor at competitive prices. Typically, all auction winners enter into inter-se arrangements to procure liquor at most competitive prices, and retail the same at relatively higher prices to recover minimum guarantees committed by them to the government during the auction process.

Open Market: In this market, there is little or no government intervention in the pricing and distribution of liquor. The manufacturers sell liquor to the wholesaler/distributor who in turn sells it to the retail outlets. Pricing is free and is determined by market forces. The government issues wholesale/ retail licenses for a fee. However, in certain markets, new licenses are not freely available.

DETAILS OF THE BUSINESS OF THE COMPANY

LOCATION OF THE PROJECT

The plants are situated at Tilaknagar in Shrirampur in the district of Ahmednagar, Maharashtra. This is a sugar belt area where availability of basic raw material like molasses, alcohol is in plenty. The Company has a Distillery plant, Potable Liquor plant, Chemical plant. The Plant is certified as ISO 9001: 2000. The proposed re-distillation plant will be installed at the same place where existing plant is located.

PLANT & MACHINERY, TECHNOLOGY ETC.

The Company has a well equipped Distillery, IMFL plant, and Chemical unit. The plants are technologically upgraded from time to time by balancing of the equipments. New technology and process available is adopted and implemented. The Company proposes to install additional re-distillation plant in the existing factory premises & has obtained quotation from the regular supplier for the same.

MANUFACTURING PROCESS

Pre-Fermentation Process (Stage I)

The principle of the process is mainly growth of active yeast cell mass which is required for fermentation process. The growth of yeast takes place due to consumption of sugar present in molasses which is diluted with water at the time of start up of pre-fermentation process. Baker's yeast is added in dilute molasses for pre-fermentation.

Fermentation Process – (Stage II)

The principle of this process is to convert the sugar present in molasses into alcohol. It is an exothermic process carried out by micro organisms (i.e. bakers yeast). The pre-fermented mass from the pre-fermenter (stage I) is taken in to main fermentation tank followed by solution of raw molasses and water.

Nutrients & antibiotics are added as per requirement during fermentation process. Normally fermentation process completes within 24 hrs. However, the retention period of the process may vary depending on the climatic conditions. After complete fermentation process, the alcohol present in fermented wash is 8-5% v/v for A grade molasses.

Settling System (Stage III – A wash settling system)

The principle of this system is to separate the sludge available in molasses i.e. from fermented wash so that only supernant liquid will get transferred into clarified wash tank which is further going for distillation process.

Settling System (Stage IIIB – Sludge Settling System)

The objective of this system is to recover the alcohol from sludge which is separated from wash settling system. The sludge separated from wash settling system is diluted with water & transferred into sludge settling system, so that the supernant liquid (containing alcohol recovered from sludge) will flow to clarified wash tank & final sludge will be drain out for disposal.

Distillation System

The distillation is having five column system as :

1) *Analyser column*

The principle of this column is to separate the alcohol vapours from wash. Wash is fed at the top of the column. This column has 18 nos. of plates steam is fed at the bottom. This rises at the top & comes in contact with wash which is flowing down over each plate.

2) *De-Gassifying Column*

The principle of this column is to remove the non-condensable presents (Impure Alcohol Vapours). As well as low volatile products formed during fermentation process. The column contains five paltes. Wash at the top it comes into contact with the rising vapours form the bottom plate thus stripping of non condensable presents (Impure Alcohol Vapours) as well as volatile products takes place.

3) *Aldehyde Column*

The principle of this column is to concentrate the alcohol vapours rising from De-Gassifying column. The column is having 30 plates. The non condensables from De-Gassifying column is fed to this column.

Steam is fed at the bottom. The vapours carrying out from the top are condensed in two condensers. Partly it is fed back to the column as reflux & part is drawn as impure spirit. Bottom liquid is fed to exhaust column top for stripping of remaining alcohol.

4) *Rectification Column*

The main principle of this column is to concentrate the alcohol vapours carrying from Analyser Column. The column having 44 nos. of plates. The vapours are coming in contact with the indirect steam of exhaust column & from the top it goes first to beer heater. Then its principle condenser & vent condenser. The refluxes for the same are fed to top of Rectification Column part of the liquid from vent condenser is taken as impure spirit.

The rectified spirit is taken from the top plate of the column through cooler as R.S. Draw. Fusel oil is separated from fusel oil zone to De-canter & store in fusel oil storage.

5) *Exhaust Column*

The principle of this column is stripping out the balance alcohol from Aldehyde bottom & Rectification Column. The column consists of 12 Nos. of plates.

Re-distillation system

The re-distillation is having five column system as:

1) *Purification Column*

The principle of this column is to separate low boiling impurities which is presents in alcohol & water mixture. The column is heated by a vertical thermosyphon reboiler & the low boiling impurities-vapours are condensed in two condeners. The technical alcohol from second condenser is partially reflux and part of this is taken from top of prurifier column which is fed to fusel oil concentration column. Bottom liquid is fed to Rectification Column.

2) *Rectification Column*

The principle of this column is to concentrate the alcohol water mixture coming from purification botton. Reboiler is provided for boiling. The vapours from the top are condensed in two condenser is partially reflux & part of it's drawn as technical alcohol which is fed to head concentration column. Light and Heavy Fusel oil is separated from fusel oil zone which is further fed to fusel oil concentration column. Extra neutral alcohol is drawn from anyone plate from the top of five plates depending on the requirement of quality through densitometer.

3) *Exhaust Column*

The principle of this column is stripping out the balance alcohol from rectification column. The column consists of 18 nos. of plates.

4) *Fusel Oil Concentration Column*

The principle of this column is to concentrate the alcohol vapours coming from purification column as ester and from Rectification Column as light and heavy fusel oil. The column consists of 50 nos. of plates. The vapours from the top of the column are condensed in condenser part of it's send back to column as reflux and part of is taken as technical alcohol which is fed to Heads Concentration Column.

5) *Heads Concentration Column*

The principle of this column is to concentrate the alcohol coming from the top of the purification column, Rectification and Fusel Oil Concentration Column. It is diluted with soft water, the vapours from the top are condensed in two condensers, from second condenser. Partially liquid is fed to column as reflux and part of its taken as technical alcohol through densitometer as final technical alcohol. The balance liquid from the bottom of the column is fed to purification column through pump.

IMFL Blending/Bottling Process: Here, ENA, DM water and required additives are mixed in the blending tank. After mixing is complete, strength and colour adjustment is done to and testing is done to see if the blend matches the original. Further alteration, if any required is done and the blend is ready for bottling. It is shifted to filled tank to be filled in wash and cleaned bottles. Here, the bottles are sealed, labeled and monocartoned as may be the case. Quality control is done before the bottles are put into CC boxes. They are then moved to finished goods godown from where they are transported to different locations for final selling.

Cognac (Grape Spirit) Process: Grapes of good quality are selected after sample testing. These grapes are then brought to factory and crushed. The juice is transferred to fermentation tank where the wine yeast culture is added. The mass is allowed to ferment and is then transferred to primary distillation kettle and from there on to secondary distillation kettle. The spirit from the distillation is transferred to a tank and heater to 40^{o} C. The spirit is then stored in wooden casks for a year. The end result is Cognac Brandy and is as substitute in IMFL blending.

DEO Plant: SDS from distillation is introduced along with oxalic acid, PTSA and toluene in a reactor. Steam from boiler is introduced to reactor. The reactor gives out crude DEO and vapour which goes to decanter / separator where it is separated into organic and aqueous layer. The aqueous layer goes to a kettle where in the presence of heat it separates into alcohol and toluene and water is drained out. Crude DEO from the reactor goes to the Neutralizer where is releases Ammonium Oxalate, Ammonia Gas and natural DEO. Natural DEO is vacuum distilled, the impurities of which go back to the reactor and the pure DEO is stored in drums and sent for testing and are later shifted to storage tanks from where they are dispatched in tankers.

OUTSOURCING ARRANGEMENTS/ BOTTLING TIE-UPS.

The company, with a view to cater the different market efficiently, take advantage of the incentives available to the local industry in different states, to generate savings on account of freight duty, import duty, export duty etc. has entered into tie-up/bottling agreements with various companies. Under these arrangement, the company receives Royalty for licensing the brands for production and sale after meeting the variable cost of production and fixed profit margin to be retained by the contract tie-up unit. The details of such arrangements are given below:

Sr. No.	Name of the Company	Address	Date of Agreement	Period
1	Ugar Sugar Works Ltd.	Ugarkhurd , 591316, Dist.Belgaum, Karnataka.	17/05/2004	1st July, 2004 to 30th June, 2007
2	Sunshine Distilleries Pvt. Ltd.	E-1111, phase-III, Industrial Area,Bhiwadi, Alwar, Rajasthan.	14/08/2002	Initially for one year, renewable from time to time
3	N. V. Distilleries & Breweries Pvt. Ltd.	B-258,Naraina Industrial Area, Phase-I, New Derlhi.-110 048.	01/04/2005	1st April,2005 to 30th March,2007
4	Global Spirits and Foods	Plot No.59, B-5, Pilerne Industrial Estate, Bardez, Goa.	10/01/2005	10th January, 2006

Similarly the company has entered into arrangement with following companies for bottling of their products in the factory of the company for utilizing the spare capacity.

Sr. No.	Name of the Company	Address	Date of Agreement	Period
1	Radico Khaitan Ltd.	Barelly Road, Rampur,244901 (U.P.)	18/09/1999	Initially for three years, thereafter renewed from time to time.
2	Ugar Sugar Works Ltd.	Ugarkhurd, 591316, Dist.Belgaum, Karnataka	21/10/2004	1st November, 2004 to 30th October, 2006.
3	Jagatjit industries Ltd	P.O. Jagtjit Nagar, Dist, Kapurthala, Punjab.	29/06/2004	1st August, 2004 to 31st July,2006.

INFRASTRUCTURE

Availability of raw material

The details of raw material required by the company are as follows:

Material	Annual Requirement
a) Molasses	29,912 M.T.
b) Spirits	40,00,000 B.L.
c) Concentrate	11,630 B.L
d) Oxalic Acid/Chemicals	7,38,000 KG

Molasses, which is the by-product of sugar industries, is the major raw material for manufacture of alcohol. The company is situated in a sugar belt area where availability of basic raw material like molasses, alcohol is in plenty.

Due to short-fall in sugar cane production, on account of drought during the last season, coupled with less cultivation of sugar cane there is substantial increase in the prices of molasses. 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. The Company follows a prudent product pricing policy. The company is also importing molasses at competitive prices to bridge the gap.

Power

The details of power requirement of the company are as follows:

Distillery Division:	Distillery	150 KVA
	Boiler	90 KVA
	Bio-gas	30 KVA
	PLP	65 KVA
	Colony	60 KVA
	Total	**395 KVA**
Chemical Division:	Chemical	50 KVA
	Sugarcube	41 KVA
	C.L.P.	45 KVA
	Labour Colony	50 KVA
	Total	**185 KVA**

The company has received sanction letter dated 30.12.1986 from Mula Pravara Electric Co-operative Society Ltd, (MPECL) Shrirampur, for installation of 400 KVA Transformer for Distillery Division and sanction letter dated 20th Octobner,1992, from MPECL for installation of 250 KVA Transformer for Chemical Division. The existing power supply is sufficient to cater the need for proposed project.

Pollution

The company has received consents from Maharashtra Pollution Control Board vide letter dated 24.10.2002 to manufacture following products:

Sr. No.	Product
1	Rectified Spirit
2	Silent Spirit
3	Fusel Oil
4	IMFL

The said consent was expired on 20/06/2004. The Company had applied to MPCB vide their letter no.TIL/WKS/ETP/246 dated 17/04/2004 for renewal of consent. However MPCB advised the company to install certain system for pollution control in the plant which has been complied with. The consent is now awaited.

Manpower

The present strength of company's manpower is as follows:

Sr. No.	Grade	Strength
1	Management – I	96
2	Supervisory – A	12
3	Clerk – A	13
4	Skilled Labour – A	29
5	Semi Skilled Labour	44
6	Unskilled Labour	124
7	Support staff	8
	Total	**326**

The company will recruit additional personnel, if required for the new plant, at appropriate time.

THE PRODUCTS

The company is manufacturing following products:

Sr. No.	Product
1	Courrier Napoleon Brandy (CNB)
2	Mansion House Brandy (MHB)
3	Mansion House Whisky (MHW)
4	Mansion House Gin (MHG)
5	Senate Whisky (SW)
6	Classic Whisky (CW)
7	Royal Choice Whisky (RCW)
8	Savoy Club Dry Gin (SCDG)
9	Savoy Club Gin with Fresh Lime (SCG-Fl)
10	Royal Choice Duet Gin (RCDG)
11	Savoy Club Rum (SCR)
12	Royal Choice Rum (RCR)
13	Classic Vodka (CV)
14	Bouquet Brandy (BB)
15	Master's Whisky (MW)
16	Mater's Rum (MR)
17	Master's Brandy (MB)

Besides this the company manufactures alcohol base chemicals such as Di-Ethyl Oxalate (DEO, Turkey Red Oil and Liquid Soap. Company's R & D department has developed products like Anti-foaming paste, Alcohol based hanky perfume and Ethyl Butyrate (a chemical product).

CAPACITY

Sr. No.	Plant	Product	Installed capacity	% Capacity utilization
1	Primary distillation Plant	Rectified Spirit	9000 KL	79.40
2	Re-distillation Plant (E.N.A.)	Extra Neutral Alcohol	3000 KL	101.00
3	I.M.F.L.	I.M.F.L. Bottling	12,00,000 C/S	74.09
4	Chemical Plant (D.E.O.)	Di-ethyl Oxalate	600 MT	97.50
5	Chemical Plant (T.R.O.)	Turkey Red Oil	100 MT	55.00
6	Sugar Cube Plant	Sugar Cubes	336 MT	51.56

BUSINESS STRATEGY

The Company is engaged in the business of manufacture, marketing and sale of Industrial Alcohol, Indian Made Foreign Liquor (IMFL), alcohol based chemicals and sugar cubes with IMFL being the core business. The Company has established its distinct identity in IMFL business with steady growth and production of high quality liquor brands. Under the chemical business the company manufacturers alcohol based chemicals such as Di-ethyle Oxolate (DEO) which is used as intermediary by pharma companies, Turkey Red Oil etc. The Company also manufactures sugar cubes under its own brand names "LOTUS" & "SENATE" and on a job work basis for others.

MARKETING STRATEGY

The focus of marketing has been to build brands, which would ensure a high growth in volume, a steady increase in market share as well as be strong enough to take on competition, both international and local. There has been a steady stream of marketing inputs- both in terms of quality and quantity, over the years.

MAJOR CUSTOMER

The major customers of the company are as follows:

- Andhra Pradesh Beverages Corporation Ltd.
- Kerala State Beverages Corporation Ltd.
- Mysore Sales International Ltd.
- Orissa State Beverages Corporation Ltd.
- Delhi State Industrial Development Corporation Ltd.
- Delhi State Civil Supplies Corporation Ltd.
- Delhi Tourists & Transport Development Corporation ltd.
- Karnataka State Beverages Corporation Ltd.
- Various Depots of Canteen Stores Department
- Chattisgarh beverages Corporation ltd.
- Ding Dong Liquors-Pondicherry, Mahe
- Pallavi Wines-Goa
- Megha Assam –Assam
- Santosh Marketing, Mumbai
- Grish Traders, Pune
- Asian Trsders, Kolhapur
- KSD Traders, Nagpur

PRINCIPAL COMPETITORS

- Mcdowell & Co. Ltd.
- Shaw Wallace & Co. Ltd.
- Radico Khaitan Ltd.
- Jagatjit Industries Ltd.
- Seagrams (I) Ltd.

PURCHASE OF PROPERTY

The company has been operating from the registered office at Mumbai. The manufacturing facilities are located at Tilaknagar, District Ahmednagar, Maharashtra. 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. The rights issue proceeds will be used for establishing another re-distillation plant at the existing premises.

X. HISTORY OF THE I

BRIEF HISTORY OF THE COMPANY

The Maharashtra Sugar Mills Limited, now Tilaknagar Industries Limited, a company incorporated on 29/07/1933, was engaged in the manufacture of sugar and allied products. The company had an unfailing record of dividend distribution for over 40 years. This company made good progress till about mid-60s. In deference with the Governments' policy to have sugar industry under the control of the co-operatives of farmers the Maharashtra Sugar Mills Limited, also handed over its sugar manufacturing activities alongwith the plant to Tasgaon Taluka Sahakari Sakhar Karkhana.

Tilaknagar Distilleries & Industries Ltd., was promoted by The Maharashtra Sugar Mills Limited in1973 as a wholly owned subsidiary which carried on the business of manufacture of Indian made Foreign Liquor (IMFL), Country Liquor, Industrial alcohol etc. This company had an excellent track record in regard to profitability and dividend distribution. The company developed quality IMFL products and established its own identity in the liquor industry as quality premium products. Consequent upon co-operativisation of sugar business, the Company's focus shifted to manufacture of spirit, Indian Made Foreign Liquor (IMFL), Industrial Alcohol and Chemicals. Due to its core competency in alcoholic beverages and conscious efforts put in by the management, the company swiftly established its distinct identity in the liquor industry. Some of the flagship brands being manufactured and marketed are *Mansion House whisky/brandy/Rum, Nepolean Courier brandy, Senate Whisky Savoy Club Gin, Classic Whisky/Vodka, Royal Choice Whisky, Rum etc.*

Since both the above companies were promoted by the same group and are situated in the same complex, in order to have administrative convenience, economies of scale and reduction in overheads, the management prudently amalgamated both the companies in 1993.

Pursuant to the scheme of amalgamation, Tilaknagar Distilleries & Industries Limited, was amalgamated with The Maharashtra Sugar Mills Limited effective from 4th August 1993, under the order of the Hon'ble High Court of Bombay. Upon the amalgamation becoming effective, the name of The Maharashtra Sugar Mills Limited, was changed to Tilaknagar Industries Limited with effect from 6th August 1993, and a fresh Certificate of Incorporation consequent upon the change of the name was issued by the Registrar of Companies, Maharashtra, on 6th August 1993.

MAIN OBJECTS OF THE COMPANY

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

1. To purchase, manufacture, produce, refine, prepare, import, export, sell and generally to deal in sugar, sugar-beets, sugar-cane, jaggery, gul, rab, molasses, syrups and melada, aerated and mineral waters, beverages of all kinds, beer, wines, spirits and other potable liquors and alcohol and all products or by-products thereof and food product generally and in connection therewith to promote, acquire, construct and operate sugar or other factories, buildings, mills, refineries, distilleries and breweries and all other works.
2. To plant, cultivate, produce and raise or purchase sugar-cane, maize, sugar beets, and other crops and to transact such other work or business as may be proper or necessary in connection with the above objects or any of them.

SUBSIDIARIES OF THE COMPANY:

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

SHAREHOLDERS AGREEMENTS

There is no separate agreement between any shareholder and Company.

OTHER AGREEMENTS
Nil

STRATEGIC PARTNERS
Not Applicable

FINANCIAL PARTNERS
Not Applicable

XI. MANAGEMENT

BOARD OF DIRECTORS

Name, Designation and Address	Age, Qualification	Other Directorships
Mr. Amit A. Dahanukar **Chairman** 10-A, “Ratnakar, 26, Dr. B. Indrajit Road, Malbar Hill, Mumbai-400006.	28 years B.E. , Masters in Engineering Management.	➢ M. L. Dahanukar & Co. Pvt. Ltd. ➢ Arunoday Investments Pvt. Ltd.
Mr. P. M. Salaskar **Managing Director** 601, ‘Godavari’, Kashinath Dhuru Street, Off. Veer Savarkar Road, Mumbai – 400 028.	64 years B.A., FCS, LLB, DAM	➢ M. L. Dahanukar & Co. Pvt. Ltd. ➢ Arunoday Investments Pvt. Ltd.
Mr. S. V. Muzumdar **Director** “Roxana”, 109, Maharshi karve Road, Mumbai – 400 020.	76 years B.A., LL.B.	➢ The Oudh Sugar Mills Ltd. ➢ Indian Link Chain Mfrs. Ltd. ➢ Industry House Ltd. ➢ M.L.Dahanukar & Co. Pvt. Ltd. ➢ Phil Corporation Ltd. ➢ Zuari Industries Ltd. ➢ Damanganga Processors Ltd.
Mr. V. B. Haribhakti **Director** Maker Tower, “B”, 5th Floor, Flat No. 51, Cuffe Parade, Mumbai – 400 005.	75 years B.Com, F.C.A.	➢ Bajaj Electricals Ltd. ➢ Rohit Pulp & Paper Mills Ltd. ➢ The Simplex Mills Company Ltd. ➢ The Anglo-French Drug Co.(Eastern) Ltd. ➢ Ester Industries Ltd. ➢ Lakshmi Automatic Loom Works Ltd. ➢ Prudential ICICI trust Ltd. ➢ Hindustan Composites Ltd. ➢ Haribhakti MRI Corporate Services Pvt. Ltd. ➢ Moors Rowland Consulting Pvt. Ltd.
Mr. S.H. Junnarkar **Director** 1702, Wallace Apartments-I, 1, Naushir Bharucha Marg, Mumbai – 400 007.	53 years B.Sc, LL.B, Advocate & Solicitor	➢ Ambuja Cement Eastern Ltd. ➢ IL & FS Infrastructure Development Corporation Ltd. ➢ Indian Petrochemicals Corp.Ltd. ➢ Inter-Connected Stock Exchange of India Ltd. ➢ Jai Corp. Ltd. ➢ Reliance Capital Ltd. ➢ Reliance Ind. Infrastructure Ltd. ➢ Reliance Ind. Investment & Holding Ltd. ➢ Reliance Life Insurance Co. Ltd. ➢ Reliance Ports & Terminals Ltd. ➢ Sterlite Industries (India) Ltd. ➢ Excel Crop Care Ltd. ➢ Sunshield Chemicals Ltd.

Name, Designation and Address	Age, Qualification	Other Directorships
Mrs. Pallavi S. Jha **Director** 201, Sterling Heritage, 39, N.S.Patkar Marg, Mumbai – 400 007.	40 years M.B.A.	➢ Walchand & Co. Pvt. Ltd. ➢ Walchand Capital Ltd. ➢ Vikhroli Metal Fabricators Ltd. ➢ Capital Images Public relations Pvt. Ltd. ➢ Walchand Cricketnext.com Pvt. Ltd. ➢ Walchand.com Pvt. Ltd. ➢ Walchand Securities Pvt. Ltd. ➢ Walchand Entertainment Pvt. Ltd.
Dr. V.K.Kanhere **Director** B-53/520, 3rd Floor, MIG VI Co-op Hsg. Society, Gandhinagar, Bandra, Mumbai – 400 051.	46 years B.Com, F.C.A., I.C.W.A., PhD.	-

COMPENSATION OF MANAGING DIRECTORS/WHOLE TIME DIRECTORS.

Remuneration paid to Managing Director and Whole Time Director as on 31/01/2005 is as under:

Managing Director	Rs. 11,39,123 p.a.
Chairman & Whole Time Director	Rs. 2,58,000 p.a.

CORPORATE GOVERNANCE

The provisions of “Corporate Governance” as introduced vide Clause 49 (as amended till date) of the Listing Agreement entered into are applicable to the Company. The Company has complied with all the requirements of the said Corporate Governance clause.

Details of committees formed under the provisions of corporate governance are as under:

Audit Committee

The Audit Committee constituted in accordance with the listing agreement comprise Shri V.B.Haribhakti, S.V.Muzumdar, S.H.Junnarkar, all Independent directors. Shri V. B. Haribhakti is the chairman of the committee. The Company Secretary, Mr. G. C. Shah acts as Secretary to the Committee.

Remuneration Committee

The Remuneration committee comprising of Shri V. B. Haribhakti and Shri S. V. Muzumdar is formed although it is a non-mandatory requirement, with Shri S. V. Muzumdar as the Chairman. The committee is responsible for recommending/reviewing the remuneration of the Managing/Whole-time director.

The Managing Director and Whole-time Director are paid remuneration as per the terms of contract of their appointment. The Non-executive directors do not draw any remuneration except sitting fees for the Board and Audit Committee meetings attended.

Shareholders/ Investors’ Grievances Committee

The Shareholders’/Investor Grievances Committee comprise of Shri S. V. Muzumdar, Shri V. B. haribhakti and Shri A. A. Dahanukar, with Shri S. V. Muzumdar as the Chairman. The Company Secretary, Mr. G. C. Shah is designated as Compliance Officer of the Company.

The committee looks into shareholders’/investors’ grievances, if any and approves transfer, transmission of shares, issue of duplicate share certificates.

SHAREHOLDING OF DIRECTORS

Name, Designation and Address	% Shareholding in TIL
Mr. Amit A. Dahanukar	35.51
Mr. P. M. Salaskar	0.38
Mr. S. V. Muzumdar	0.02
Mr. V. B. Haribhakti	0.02
Mr. S.H. Junnarkar	-
Mrs. Pallavi S. Jha	-
Dr. V.K.Kanhere	-

None of the Directors of TIL are holding qualification shares.

INTEREST OF DIRECTORS

All the directors may be deemed to be interested to the extent of the sitting fees and other remuneration for the services rendered and reimbursement of expenses, if any, payable to them under the articles. They may also 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, as the case may be.
- The shares, if any, out of the present issue, which may be subscribed for and allotted to them or their relatives or any company in which they are directors/Members or firms in which they are partners.

CHANGE IN BOARD OF DIRECTORS

The changes in the Board of Directors during the past three years is given below:

Name	Date	Reason
Mrs. Sharadini A. Dahanukar	04/08/2002	Demise
Mrs. Pallavi S. Jha	22/09/2004	Appointed
Dr. V. K. Kanhere	28/10/2004	Appointed

DETAILS OF GUARANTEES BY DIRECTORS

Mr. Amit A. Dahanukar has given personal guarantee to the Bankers and SICOM for the Term loans/working capital facilities/guarantees extended to the company.

MANAGEMENT ORGANISATION STRUCTURE

The functions of the Company are within the overall control and superintendence of Board of Directors of the company. The Chairman of the Company is Mr. Amit A. Dahanukar. The Managing Director of the Company, Shri P.M. Salaskar is in-charge of overall day to day functions of the Company. He is assisted by the key managerial personnel. The Board of Directors consists of independent directors and various committees are formed under the corporate governance requirements to look into respective functions.

KEY MANAGERIAL PERSONNEL

The Company is managed by its Board of Directors, assisted by qualified professionals, having wide experience in the field of production/finance/distribution/marketing and corporate laws.

The Management is assisted by the following key personnel:

Sr. No.	Name and Designation	Qualification(s)	Experience	Functional Area(s)
1.	Shri G. Gurunath A.G.M (Finance & Accounts)	B.Com / A.C.A.	9 years	Looking after finance, accounts and taxation functions.
2.	Mr. G.C. Shah Company Secretary	B.Com/ A.C.S./ L.L.B.	12 years	Looking after secretarial, legal and administration functions

Sr. No.	Name and Designation	Qualification(s)	Experience	Functional Area(s)
3.	Shri Gaurav Prakash V.P.Sales & Marketing	B.Sc/ M.B.A.	16 years	Looking after sales and marketing functions.
4.	Mr. P.S. Kulkarni Vice President (Purchase)	B.A.	30 years	Looking after Sourcing of materials and stores functions.
5.	Mr. U.S. Kewal Vice President (Technical)	B.Sc	32 years	Overall in-charge of the factory operations and chief blender.
6.	Shri Iqbal Kagdi G.M. (Technical)	B.Sc.	28 years	In-charge of the distillery operations and looking after production of IMFL and blending.
7.	Shri S.J.Velde G.M. (Liquor)	B.E.(Chem)	15 years	Looking after production of IMFL, chemicals, sugar cubes and manufacturing at tie-up units.

The above persons are on the rolls of the company as permanent employees

CHANGES IN KEY MANAGERIAL PERSONNEL

Name	Designation	Date of Joining	Date of Leaving	Reason
Shri Shubhasis Roy	V.P.Marketing & Sales	19/08/2003	07/01/2005	Resigned
Shri D. R. Kalaskar	G.M. (Chem)	02/05/2000	31/10/2003	Resigned
Shri Gaurav Prakash	V.P.Marketing & Sales	01/02/2005	-	Appointed

EMPLOYEES

Presently the company has strength of 326 personnel, the details of which are given on page no. 19 of this Letter of Offer. There has been no Employee Stock Option Scheme/ Employee Stock Purchase Scheme in existence as on date neither there are any other payments or benefits to officers of the company other than the salary.

XII. PROMOTERS

BACKGROUND

The company was promoted by Industrious group of 'Dahanukars' in Maharashtra, way back in 1933 and is presently headed by Shri Amit A. Dahanukar. Shri Amit Dahanukar, aged 28 years, is a graduate in Electrical Engineering and has done Masters in Engineering Management from Stanford University, U.S.A. He joined the Board in the year 2001 and is presently Chairman and Whole Time Director of the company.

OTHER DETAILS OF PROMOTER

Name, Designation, and Address	Functions/ overall experience	PAN/Bank Account No./Voter ID /Passport No./Driving License No.	Photograph
Shri Amit A. Dahanukar **Chairman** 10, 'Ratnakar', Dr. B.Indrajit Road, off Narayan Dabholkar Road, Malbar Hill, Mumbai – 400026.	Chairman	**PAN:** AADPD5278N **Bank A/C No**. SB A/c No. 5585676006 **Bank:** Citibank N.A. **Voter Id:** MT/04/024/042637 **Passport No:** U 932441 **Driving Licence No.** MH-01/95-34008	

THE DETAILS OF OTHER PERSONS IN THE PROMOTER GROUP

Shri Amit Dahanukar, Chairman of the company is the main promoter of the company. Other persons in the promoter group consists of Ms. Priyadarshini Dahanukar and Ms. Anupama Dahanukar, his sisters. The other companies in which 10% or more of the share capital is held by the promoter and his relatives are M/s Arunodaya Investment Pvt. Ltd. and M/s M. L. Dahanukar & Co. Pvt. Ltd., details of which are given on page no. 38 of this Letter of Offer.

CONFLICT OF INTEREST

None of associate companies of TIL are operating in business of distilleries. As such there is no conflict of interest among the associate companies and TIL.

PAYMENT TO PROMOTERS

Promoter may be deemed to be interested to the extent of remuneration for the services rendered and reimbursement of expenses, if any, payable to them under the articles. They may also 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, as the case may be.
- The shares, if any, out of the present issue, which may be subscribed for and allotted to them or their relatives or any company in which they are directors/Members or firms in which they are partners.

RELATED PARTY TRANSACTION

The details of transactions held between promoter & Company during the period ended 31/01/2005 are as follows:

Name of Party	Relation	Amount (Rs. in lacs)
Shri A.A.Dahanukar, Chairman & Whole Time Director	Promoter	2.58

XIII. FINANCIAL INFORMATION

AUDITORS REPORT

The Board of Directors
Tilaknagar Industries Ltd.
Industrial Assurance Bldg.
Churchgate
Mumbai – 400 020

Dear Sirs,

We have examined the Books of Accounts of Tilaknagar Industries Limited for the financial years ended 30th September 1999, 30th September 2000, 31st March 2002 (18 months), 31st March 2003, 31st March 2004 and for the period upto 31st January, 2005, which is the last date to which the accounts of the Company have been made up.

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 Tilaknagar Industries Limited in connection with the Rights issue of Equity shares of Rs. 10/- each, at a premium of Rs. 10/- each per share in the ratio of 1 Right share for every 2 Equity share held in the company.

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 **IA** respectively.

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

Other Financial Information

- Accounting ratios relating to Earnings Per Share, Net Asset Value per share and Return on Net Worth are given in **Annexure III**.
- The apitalization statement of the Company as at 31St January,2005 is enclosed as **Annexure IV.**
- The taxation statement for the preceding financial years of the company are enclosed as **Annexure V.**
- There are no transactions with companies in the promoter group and with Group Company/promoters including Outstanding Loans taken by the Company.

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 Batliboi & Purhoit
Chartered Accountants

Place : Mumbai
Date : 04/05/2005

K.K.Kshirsagar
(Partner)

ANNEXURE I

STATEMENT OF ASSETS & LIABILITIES

(In Rs.)

Description	As At 31/01/2005	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002	As at 30th September 2000	As at 30th September 1999
SOURCES OF FUNDS						
Shareholder's Fund						
a. Share Capital	38,167,120	38,167,120	38,167,120	31,500,460	31,500,460	31,500,460
b. Reserves & Surplus	41,800,540	28,466,524	20,612,345	18,220,703	5,380,412	442,071
	79,967,660	**66,633,644**	**58,779,465**	**49,721,163**	**36,880,872**	**31,942,531**
Loan Funds						
a. Secured Loans	89,475,503	20,270,792	80,781,229	60,072,673	55,795,390	54,190,759
b. Unsecured Loans	36,995,062	35,363,758	32,564,076	38,596,369	30,427,718	24,899,193
	126,470,565	**55,634,550**	**113,345,305**	**98,669,042**	**86,223,108**	**79,089,952**
Deferred Tax Liability	12,004,623	13,721,809	8,074,683	**-**	**-**	**-**
TOTAL	**218,442,848**	**135,990,003**	**180,199,453**	**148,390,205**	**123,103,980**	**111,032,483**
APPLICATION OF FUNDS						
Goodwill	3,836,695	3,836,695	3,836,695	3,836,695	3,836,695	3,836,695
Fixed Assets						
Gross Block	121,617,665	118,514,963	104,673,384	103,083,188	95,425,550	87,970,069
Less: Depreciation	79,114,686	74,028,620	69,404,267	65,473,898	58,903,946	55,831,797
Net Block	**42,502,979**	**44,486,343**	**35,269,117**	**37,609,290**	**36,521,604**	**32,138,272**
Capital Work in progress	-	-	-	-	459,704	2,396,108
Investments (Other than trade)	155,700	155,700	155,700	263,700	238,700	240,124
Current Assets, Loans & Advances						
Inventories	57,854,271	65,664,982	65,758,870	60,435,615	57,737,954	41,521,848
Sundry Debtors	220,808,792	176,850,041	126,740,585	118,315,588	116,604,082	82,283,980
Cash & Bank Balances	44,435,522	44,832,503	3,182,409	2,912,399	3,962,730	5,012,515
Loans & Advances	55,485,770	45,779,342	34,256,307	38,095,492	14,828,381	16,262,111
	378,584,355	**333,126,868**	**229,938,171**	**219,759,094**	**193,133,147**	**145,080,454**
Less Current Liabilities & Provisions						
Current Liabilities &Provision	215,378,851	261,864,952	99,707,993	116,058,119	111,085,870	73,239,345
	215,378,851	**261,864,952**	**99,707,993**	**116,058,119**	**111,085,870**	**73,239,345**
Net Current Assets	**163,205,504**	**71,261,916**	**130,230,178**	**103,700,975**	**82,047,277**	**71,841,109**
Miscellaneous Expenses to the extent not written off Profit and Loss Account	**8,741,970**	**16,249,349**	**10,707,763**	**2,979,545**	**-**	**580,175**
TOTAL	**218,442,848**	**135,990,003**	**180,199,453**	**148,390,205**	**123,103,980**	**111,032,483**

ANNEXURE IA

PROFIT & LOSS ACCOUNT

(In Rs.)

Description	For the period ended 31/01/2005	For the year ended 31/03/2004	For the year ended 31/03/2003	For 18 months period ended 31/03/2002	For the year ended 30/09/2000	For the year ended 30/09/1999
Income						
Sales	887,411,912	936,594,694	600,215,510	794,534,892	372,073,544	261,012,732
Other Income	7,361,964	7,643,842	1,711,685	4,241,014	3,756,241	4,814,771
Increase/(Decrease) in inventories	(1,923,702)	(541,762)	2,330,333	(10,274,064)	17,170,036	(6,605,837)
	892,850,174	**943,696,774**	**604,257,528**	**788,501,842**	**392,999,821**	**259,221,666**
Expenditure						
Cost of Materials	349,333,579	307,197,774	215,692,847	246,098,125	124,882,305	77,918,554
Excise Duty	285,788,889	372,461,611	201,268,841	297,267,808	145,607,340	81,223,847
Employees' Remuneration and Benefits	35,884,952	35,194,346	28,674,972	41,719,112	22,675,639	23,490,940
Manufacturing and Other Expenses	180,499,786	184,847,778	123,930,877	161,583,566	80,794,241	63,268,290
Interest	16,975,393	18,336,270	18,761,214	19,899,699	11,029,806	13,162,098
Depreciation	5,086,066	4,860,956	4,780,592	6,569,953	3,072,149	3,229,896
	873,568,665	**922,898,735**	**593,109,343**	**773,138,263**	**388,061,480**	**262,293,625**
Profit/(Loss) before tax and Extraordinary items	**19,281,509**	**20,798,039**	**11,148,185**	**15,363,579**	**4,938,341**	**(3,071,959)**
Taxation	5,782,814	7,647,126	2,967,279	1,700,000	-	-
Extra-ordinary items	164,679	129,861	38,411	823,288	-	-
Net Profit/(Loss) after tax	**13,334,016**	**13,021,052**	**8,142,495**	**12,840,291**	**4,938,341**	**(3,071,959)**

ANNEXURE II

NOTES TO THE ACCOUNT

1. Significant Accounting Policies :

(i) **Basis of Presentation**

The accounts have been prepared using historical cost convention and on the basis of going concern, in accordance with section 211(3C) and other provision of the Companies Act, 1956, with revenue recognized and expenses accounted on accrual basis. Insurance and other claims are accounted for as and when admitted by the appropriate authorities.

(ii) **Inventories** :

The valuation is done as per consistent practice followed by the Company.

a) Raw materials, Stores, Components and Work-in-Process at cost.
b) Finished Goods at manufacturing cost or market price whichever is less.

(iii) **Contingencies and events occurring after the Balance sheet date** :

a) Accounting for contingencies (gains and losses) arising out of contractual obligations are made only on the basis of mutual acceptances.

b) Material events occurring after the date of Balance Sheet are considered upto the date of approval of the accounts by the Board of Directors.

(iv) **Prior period adjustment** :

All items of income / expenditure pertaining to prior period in excess of Rs.10,000/- are accounted through prior period adjustment account.

(v) **Depreciation** :

Depreciation is calculated on the assets as under:

Particulars	Method of Depreciation
a. In respect of assets acquired prior to 30.09.1968	Depreciation calculated on written down value basis as per the provisions of section 205(2)(a) of the Companies Act 1956 at rates specified in Schedule XIV of the said act.
b. In respect of assets acquired since 01.10.1968	Depreciation has been calculated on the straight line basis as per the provisions of Section 205(2)(b) of the Companies Act 1956 at rates specified in Schedule XIV of the said act
On assets acquired under amalgamation from erstwhile Tilaknagar Distilleries & Industries Ltd. depreciation is charged as under :	
i. In respect of all assets, including Plant and Machinery acquired prior to 1st April 1980. and assets other than Plant and Machinery acquired/purchased after 1st April 1980.	Depreciation has been calculated on written down value basis as per the provisions under Section 205(2) (a) of the Companies Act 1956 at the rates specified in Schedule XIV of the said Act.
ii.In respect of Plant and Machinery acquired/purchased after 1st April 1980.	Depreciation has been calculated on the straight line basis as per the provisions under Section 205(2) (b) of the Companies Act 1956 at the rates specified in Schedule XIV of the said Act.

(vi) **Accounting for Research and Development** :

The Revenue Expenditure on Research and Development is charged to the Profit for the year in which it is incurred. Expenditure relating to development of new Product where not material in nature, is treated as revenue expenditure and written off in the year in which expenses are incurred.

(vii) **Revenue Recognition** :

The Sales are recognized on dispatch of goods to customer. Sales are net of trade discount and include state excise and exclude sales tax.

(viii) **Fixed Assets** :

The fixed assets are stated at cost of acquisition less accumulated depreciation in the financial books of the company. The assets purchased under Hire Purchase arrangements are accounted inclusive of the expenditure incurred till the assets is put to use.

(ix) **Accounting for effects of changes in Foreign Exchange Rates** :

Foreign Currency Transactions are accounted at the rate of exchange prevailing on the date of transaction and the difference in exchange between the date of transaction and the date of realization is charged to revenue account. Current Liabilities involving transactions in foreign currency are converted at exchange rates prevailing on the date of Balance Sheet. Any profit/loss arising out of such conversion is charged to Revenue Account of the year.

(x) **Accounting for Government Grants** :

Government grants are accounted for where it is reasonably certain that ultimate collection will be made from the appropriate authorities. The grants are accounted at the time of realization.

(xi) **Investments** :

Investments non trade, unquoted are stated at cost.

(xii) **Retirement Benefits** :

a.) *Gratuity*

On the basis of actuarial valuation as per the statement received from LIC group gratuity scheme, the provision for the future gratuity liability is adequately provided in the books.

b.) Leave Encashment.

The Company extends the benefit of encashment of leave to its employees while in service as well as on retirement. As the Company does not have any defined retirement benefit scheme in this respect, Accounting Standard AS-15 issued by the Institute of Chartered Accountants of India is therefore not considered applicable. Encashment of Leave accumulated while in service is at the option of employee and is accounted for, as and when claimed, hence not provided for.

(xiii) **Borrowing Cost** :

None of the Borrowing costs incurred during the year is attributable to the acquisition of Fixed Assets.

(xiv) **Earning Per Share** :

The Company reports basic and diluted earning per share in accordance with AS-20 issued by the Institute of Chartered Accountant of India. The basic as well as diluted EPS has been computed by dividing the Income available to equity shareholders by the weighted average No of equity shares outstanding during the accounting period.

(xv) **Accounting for Taxes on Income** :

a) Provision for Income Tax (Current Tax) is determined on the basis of the estimated taxable income of the current year in accordance with the Provisions of the income Tax Act, 1961.

b) Deferred Tax is recognized in respect of deferred tax assets (subject to the consideration of prudence) and to the extent there is virtual certainty that the asset will be realized in future and deferred tax liabilities on timing differences, being the difference between taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years.

(xvi) **Miscellaneous Expenditure** (To the extent not written off or adjusted)

Advertisement, Sales Promotion & Depot expenses (Incurred upto 31.03.2003) : Taking into consideration anticipated future benefits these are amortized over a period of three years.

Terminal Benefits of Employees : The terminal benefits incurred on account of retrenchments of glass division workers consequent upon closure of glass bottle manufacturing unit are written off over a period of five years.

2. Notes to Accounts

a) i) Intimations u/s 143(1)(a) of summary assessment under the Income Tax Act 1961 has been received upto the Assessment Year 2003-2004. No provision has been made in respect of disputed demands of Rs. 42 Lacs for the Assessment year 1992-93. However, an amount of Rs. 32 Lacs has been paid against these demands and treated as an advance-tax. Appeals and/or petitions in respect of these demands are pending before the Tax Authorities.

ii) Current Tax : Provision for Income Tax has been considered in accordance with the provisions of Income Tax Act, 1961.

iii) Deferred Tax Liability (Net) : The break up of the deferred tax liability as at 31st January 2005 is as under :

	Particulars	**Deferred Tax / assets (liability) as at 01.04.2004 (Rs.)**	**Charge / Credit**	**Deferred Tax / assets (liability) as at 31.01.2005 (Rs.)**
A	Deferred Tax Liability :			
	a.) Difference between Tax and Book Written Down Value.	2,21,87,088	2,51,788	2,24,38,876
	b.) Deferred Revenue Expenditure to the extent not written off.	1,62,49,349	-75,07,379	87,41,970
	c.) Expenses claimed in the return not provided for in the books	-	25,62,865	25,62,865
		3,84,36,437	**-46,92,726**	**3,37,43,711**
B	Deferred Tax Liability	3,84,36,437	-46,92,726	**3,37,43,711**
C	Deferred Tax Liability	**1,37,21,808**	**-17,17,186**	**1,20,04,622**

b.) Contingent liability :

i. Bank Guarantees issued by the Bank Rs. 41,00,000/- (Previous Year Rs.16,27,000/-).

ii. Bank Guarantee issued by the bank amounting to US $ 3.08 million equivalent to Rs.1355.20 lacs for securing the advance payments of US $ 3.00 million received from the overseas party against exports which is shown under the head Current Liabilities Schedule 'H' of the accounts.

c.) Secured / Unsecured Loan consist of amount payable within one year is as follows

Sr. No	**Particulars**	**As on 31.01.2005 (Rupees)**	**As on 31.03.2004 (Rupees)**
1	Hire purchase finance	5,31,872/-	2,65,889/-
2.	Fixed Deposit	11,05,000/-	14,30,000/-
3.	Term Loan Instalments	24,96,000/-	24,96,000/-
4.	Other Loans	7,43,220/-	7,43,220/-
5.	**Totals**	**48,76,092/-**	**18,96,289/-**

d.) Vehicles included in the Fixed Assets amounting to Rs. 16,22,835/- (Previous Year Rs. 10,92,981/-) acquired on Hire Purchases on which the vendors have lien. Payments of finance charges under Hire Purchase finance agreement for future period will be accounted as and when they fall due.

e.) Interest comprises of :

	For the period ended 31-01-2005 (Rupees)	**For the year 2003-2004 (Rupees)**
Interest on Term Loans & Fixed Deposits	16,37,055	7,91,953
Others	1,53,38,338	1,75,44,317
(Net of interest received on other accounts Rs.75,271/; Previous Year Rs.50,298/-)	1,69,75,393	1,83,36,270

f.) In order to conserve the resources, the Managing Director expressed a desire not to take any commission. Accordingly, the Managing Director has been paid salary and perquisites only as shown below :

	For the period ended 31-01-2005 (Rupees)	**For the year 2003-2004 (Rupees)**
Salary	5,57,420	5,36,129
Perquisites	5,81,703	5,20,483
	11,39,123	**10,56,612**

g.) Remuneration to Chairman & Whole Time Director :

	For the period 31-01-2005 (Rupees)	**For the year 2003-2004 (Rupees)**
Salary	1,50,000	1,80,000
Perquisites	1,08,000	1,74,600
	2,58,000	**3,54,600**

h.) Excise duty payable on finished goods is accounted for on the clearance of the goods from the factory. Such excise duty payable on finished goods manufactured but yet to be cleared from the factory as at 31st January, 2005 estimated at about Rs. 20.71 lakhs (Previous Year Rs. 54.62 lakhs) has been provided in the books & also considered in valuation of closing stock of finished goods. However this will not affect the results under review.

i.) Sundry Creditors includes Rs. 42.50 lacs (Previous Year Rs. 58.87Lacs) due to small scale industrial undertaking to the extent such parties have been identified from available information and Rs. 394.82 Lacs (Previous Year Rs.749.54 Lacs) due to the Creditors other than small scale industrial undertakings. Names of Small Scale Industrial undertaking where outstanding exceeds Rs. 1.00 Lac for more than 30 days are as follows.
(Elite Printers, Embassy Bio Products, Herald Publications Pvt. Ltd., Hindusthan Closures & Containers, Kaushal Arts, Khandelwal Caps & Closures P. Ltd., M. P. Caps Pvt. Ltd., Popular Enterprises, Rishiraj Industries Industries, Royal Agencies, Shri Parashati Printers Pvt. Ltd., Simfar Packaging, Shree Ganesh Print & Pack Industries.)

j.) The Award given by Honorable Arbitrator in the matter of Company's dispute with M/s Rairu Distilleries Ltd, was contested before the Bombay High Court by writ petition.The petition was dismissed by the single judge.The Company has preferred an appeal before the division bench against the dismissal of Company's petition and Company's appeal has been admitted with a direction to deposit the awarded amount in the court.The Company has deposited Rs.201 lacs with the court and treated as advance under the head Advance recoverable in cash or in kind or for value to be received. The amount not provided in the books as the matter is sub-judice.

k.) i**.** Details of Deferred Revenue Expenditure **:** The expenses incurred on advertisement and Sales Promotion during the year 2000-02 to 2002-03, were amortized over a period of three years. With the Accounting Standard –26 on intangible assets coming into effect from 01.04.2003, such expenses of Rs.18.79 lacs incurred during the period ended 31.01.2005 have been fully charged to the Profit & Loss A/c, while amortization of the balance of deferred expenses as on 31st March 2003 continues as before.

ii. Pursuant to the closure permission granted to the Company, the glass bottle manufacturing unit of the Company was declared closed. Consequent upon closure, the Company's share of liability on account of gratuity and other compensation payable to the workmen was ascertained at Rs. 183.90 lacs against which an amount of Rs. 145.30 lacs was paid during the last year, which have been recognized as deferred revenue expenditure and is being written off over a period of 5 years. Out of balance amount a sum of Rs. 18.79 lacs have been paid during the period ending 31.01.2005 and is charged to the Revenue Account.

l.) **Segment Reporting** :

The Company is predominantly engaged in the business of manufacture and sale of Indian made foreign liquor and its related products which constitute a single business segment.

m.) **Related Party Disclosures** :

The disclosures pertaining to the related parties as required by the Accounting Standard 18 "Related Party Disclosure" issued by the Institute of Chartered Accountants of India, as applicable , are as under :

i. Key Management of the company and their remuneration is as under :

a.) Mr. Amit A Dahanukar, Chairman & Whole Time Director : Remuneration paid during the year amounted to Rs. 2.58 lacs (Previous Year Rs. 3.54 lacs)
b.) Mr. P.M. Salaskar, Managing Director, the remuneration paid during the year amounted to Rs. 11.39 lacs (Previous Year Rs. 10.56 lacs)

n.) Earning per share :

(In Rs.)

	For the period ended 31-01-2005	**For the year 2003-2004**
Profit after Current & Deferred Tax	1,34,98,695	1,31,50,913
Weighted average shares outstanding during the year (in nos)	38,16,712	38,16,712
Earnings Per Share	4.24 (Annualised)	3.44 (Basic)

o.) The company has undertaken the exercise of determining the impairment in the value of assets as per AS-28, which has become mandatory with effect from 01.04.2004. Impairment, if any, will be accounted and reflected in the audited financial years for the financial year ending as on 31.03.2005.

p.) Previous Year's figures are regrouped wherever necessary.

ANNEXURE III
ACCOUNTING RATIOS

Ratios		31st March			30th September	
	31/01/2005	2004	2003	2002 (18mths)	2000	1999
Earnings per share (Rs) for the period ended	4.24	3.45	2.14	2.39	1.29	-0.80
Net Asset Value per share (Rs) as on	18.66	13.20	12.60	12.25	9.66	8.22
Return on Net Worth (%) for the period ended	22.46	25.84	16.94	18.31	13.39	-9.80

ANNEXURE - IV
CAPITALISATION STATEMENT OF THE COMPANY

Sr. No.	Particulars	Pre issue as at 31.01.2005	Adjusted for the issue
A.	Secured Loan	89,475,503	89,475,503
B	Unsecured Loan	36,995,062	23,994,921
	Total Debts	126,470,565	113,470,424
	Less : Short Term Debts	84,266,202	83,522,982
	Long Term Debts	42,204,363	29,947,442
A.	Equity Share Capital	38,167,120	57,250,680
B	Reserves & Surplus	41,800,540	60,884,100
	Miscellaneous Expenditure	8,741,970	8,741,970
	Total Share holders Funds	71,225,690	109,392,810
	Long Term Debt Equity Ratio	0.59	0.27

ANNEXURE V
TAX SHELTER STATEMENT

Previous year	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
Assessment year	**2004-2005**	**2003-2004**	**2002-2003**	**2001-2002**	**2000-2001**
A. Tax at specified rate as applicable on book profits	7,461,296	4,096,958	3,492,432	3,413,710	-
B. Adjustments					
1. Difference between tax depreciation and book depreciation	42,964	1,181,486	-894,364	20,442	732,123
2. Other adjustments.	(14,791,429)	(12,329,671)	(14,103,761)	(8,651,819)	(732,123)
Total adjustments	(14,748,465)	(11,148,185)	(14,998,125)	(8,631,377)	-
C. Tax savings on adjustments	(5,291,012)	(4,096,958)	(5,354,331)	(3,413,710)	-
D. Total taxation	2,170,285	-	-	-	-
E. Tax as per MAT	-	269,322	520,440	732,942	-
F. Tax provided in the books	2,000,000	250,000	650,000	1,050,000	-

Notes :

1. The above statement is prepared on the basis of the income tax return filed by the company.

2. The company was following the financial year as of October -September prior to the financial year ending 31.03.2002. However with effect from the year ending 30.09.2000, the financial year changed to April - March and the financial accounts were drawn for Eighteen months (i.e 01.10.2000 to 31.03.2002). Consequent to the above the figure are not comparable as shown above for the A.Y.2001-02, 2000-01, 1999-2000 since the book profits are drawn from the accounts which is prepared for Income Tax purpose.

DETAILS OF OTHER VENTURES OF THE PROMOTERS

1. M.L. Dahanukar & Co. Pvt. Ltd.
2. Arunoday Investments Pvt. Ltd.

A. M. L. DAHANUKAR & CO. PRIVATE LIMITED

Date of Incorporation: 06/02/1933
Names of Directors: Shri S.V. Muzumdar, Shri P. M. Salaskar, Shri A.A. Dahanukar

The company is engaged in the business of investment in shares and securities. The financial highlights of M. L. Dahanukar & Co. Private Limited on the basis of audited accounts for the last three years are as under :

(Rs. in lacs)

Particulars (year ending 31st March)	**2003-04**	**2002-03**	**2001-02**
Operating and other Income	10.85	7.96	7.75
Profit before tax (PBT)	6.20	3.41	2.56
Profit after tax (PAT)	5.09	2.16	1.66
Equity Share Capital	2.30	2.30	2.30
Preference Share Capital	1.25	1.25	1.25
Reserves and Surplus	6.96	1.86	(0.30)
Earning per share (EPS)	358.78	152.11	117.05
Book Value (Face value of Rs. 250/- per share)	739.97	381.19	228.87

B. ARUNODAY INVESTMENTS PRIVATE LIMITED

Date of Incorporation: 19/06/1968
Names of Directors: Shri P. M. Salaskar, Shri A.A. Dahanukar

The company is engaged in the business of investment in shares and securities. The financial highlights of Arunoday Investments Private Limited on the basis of audited accounts for the last three years are as under:

(Rs. in lacs)

Particulars (year ending 31st March)	**2003-04**	**2002-03**	**2001-02**
Operating and other Income	1.30	0.24	0.30
Profit/(Loss) before tax (PBT)	1.10	0.03	(negligible)
Profit/(Loss) after tax (PAT)	1.09	0.02	(negligible)
Equity Share Capital	0.70	0.70	0.70
Preference Share Capital	3.32	3.32	3.32
Reserves and Surplus	2.53	1.44	1.42
Earning per share (EPS)	27.13	0.44	Negative
Book Value (Face value of Rs. 100/- per share)	162.98	135.84	135.22

CHANGES IN ACCOUNTING POLICY

There has been no significant change in the accounting policies of the company in past several years. There has been a change in accounting period in the financial year 2002-03.

In order to synchronize the accounting year of the company, both under the Companies Act, 1956 and the Income Tax Act, 1961 the Company has changed its financial year from October-September to April-March w.e.f. financial year 2002-2003.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS:

Overview of the Business

The Company is engaged in the business of manufacture, marketing and sale of Industrial Alcohol, Indian Made Foreign Liquor (IMFL), alcohol based chemicals and sugar cubes with IMFL being the core business. The Company has established its distinct identity in IMFL business with steady growth and production of high quality liquor brands. Under the chemical business the company manufacturers alcohol based chemicals such as Di-ethyle Oxolate (DEO) which is used as intermediary by pharma companies, Turkey Red Oil etc. The Company also manufactures sugar cubes under its own brand names "LOTUS" & "SENATE" and on a job work basis for others.

Significant developments subsequent to the last financial year

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.

Factors that may affect results of the operations.

♦ **Unusual or infrequent events or transactions**

- Molasses prices have been on a constant upswing in the past eight to ten months. Same have reached to almost double the prevalent values. This has resulted in high cost of procurement of molasses, resulting in high cost of production.

- Rajasthan State where the company has insignificant presence has changed its distribution from the auction system to the setting up of Rajasthan State Beverages Corporation Limited (RSBCL) for controlling the wholesale trade in liquor with effect from 1st April 2005. This will open up new business avenue for the Company in the coming years.

♦ **Significant economic changes**

The production of sugarcane has been very low in the current financial year. This has put pressure on the production of sugar, resulting in cost escalation of Molasses and ENA.

♦ **Known trends or uncertainties**

- Multinational companies are entering the Indian Market with foreign as well as brands developed for the Indian Market and are promoting them aggressively. While this has expanded the market, specially on the higher end, it has also increased competition and thereby the cost of doing business in the market.

- White spirit segment is growing steeply at a rate far higher than total spirit market. Within white spirit the growth for vodka is the highest followed by white rum. The company sees it as an important opportunity for future growth.

- Indian consumer is getting increasingly exposed to variety of wines at different price points. The culture of wine consumer is on an upswing and holds potential in the future.

- The company is very successful in the Brandy Segment, specially the premium segment. The company has launched various brands in the Whisky, Rum and Vodka Segment and has secured modest market share. The ongoing brand building activities are resulting in steady growth in volumes and increase in market share.

- **Future relationship between costs and revenues**

The prices of molasses (major raw material for the company) have increased substantially over the last one year on account of less sugar cane production. This has a considerable adverse effect on margins of the company. The distillery units will be required to take a close look at this aspect vis-à-vis pricing of the end product.

- **Total turnover of the industry**

Total Liquor Industry	310 Mio Cases
Scotch + IMFL	100 Mio Cases
Scotch + Whisky	54%
Brandy	14%
Rum	27%
Vodka	2%
Gin	3%
Total	100%

- **New Products**

The company is planning to launch new brands in the Whisky, Dark Rum, White Rum and Vodka categories. These new brands will be positioned at different price points to penetrate each category more deeply, increasing profitability as also the market share.

- **Seasonality of business**

While the industry shows the highest demand during the 3rd Quarter, due to combination of festivals, new year and generally cold weather, and slight drop during summer months, the skew in the sales trends is not very significant. The approximate contribution of each of the quarter is as given below :

Quarter 1 : 23%
Quarter 2 : 25%
Quarter 3 : 30%
Quarter 4 : 22%

- **Dependence on single or few suppliers/customers**

The company has enjoyed a very strong base in the South Indian states where Brandys of the company are preferred and hold large market share. Business has improved in West and Eastern India and volumes are expected to grow rapidly. The company is in the process of opening up and consolidating the North Indian markets and expect volumes to start growing. The company is constantly growing the CSD and Paramilitary business, and would be registering additional brands in the near future. Export of our products is increasing in view of acceptance and preference in number of overseas markets.

- **Competitive Conditions**

The Indian Liquor market is growing steadily and the industry is undergoing consolidation through process of mergers as well as acquisitions. This is necessitated due to increased aggressiveness on part of the domestic players, stringent and tighter controls being exercised by the Excise Department and also entry of MNCs is bringing better value-for-money experiences for consumers and expanding the market. The company sees growth opportunities in the larger market and is confident of greater consumer franchise on account of superior quality products.

Discussion on significant items of income and expenditure and results of the operations

(Rs. In lacs)

Particulars	**Period ended 31.01.2005**	**2003-04**	**2002-03**	**2000-02 (18 months)**
Sales, operating and other income	8947.73	9442.38	6019.27	7987.76
Expenditure	8534.30	9002.43	5672.37	7569.43
PBIDT	413.43	439.95	346.90	418.33
Interest	169.75	183.36	1.88	199.00
Depreciation	50.86	48.61	47.81	65.70
PBT	192.82	207.98	111.48	153.63
Income Tax				
➢ Current	75.00	20.00	2.50	17.00
➢ Deferred	(17.17)	56.47	27.17	-
PAT	134.99	131.51	81.81	136.63

During the financial year 2002-03 the company recorded a turnover of 6002.16 lacs as against Rs.7945.35 lacs during previous 18 months period, an increase of 14% on an annualized basis. The operations resulted in a Gross Profit of Rs.111.48 lacs and Net Profit of Rs.81.42 Lacs (9% growth over the previous 18 months period on an annualized basis).

During the financial year 2003-04 the turnover of the company scaled up by about 56% at Rs.9365.95 lacs, as compared to Rs.6002.15 lacs during previous year 2002-03. The operations resulted in a Gross Profit of Rs.207.98 lacs and Net Profit of Rs.130.21 lacs. The Net profit for the year was higher by 60% over the previous year. There has been significant improvement in the working of the Company.

XIV. LEGAL & OTHER INFORMATION

OUTSTANDING LITIGATIONS, DEFAULTS

Against the Company:

Following are the claims pending against the company:

1. Rairu Distilleries Ltd. (RDL) has filed an appeal No. 23 of 2005 in Arbitration Petition No. 458 of 2001 against the company. The said appeal is against the order of the single judge of the High Court, Mumbai dismissing the petition of RDL challenging the award passed by the arbitrator. The original arbitration award was passed for a principal sum of Rs. 78.80 lacs payable by the company alongwith interest thereon.

   The company has also challenged the aforesaid single judge order vide petition No. 643 of 2004. In the meantime the company has deposited an amount of Rs. 201 lacs including interest till the date of deposit with the High Court, Mumbai as per the original award passed by the arbitrator.

2. Sarva Udyog Kamgar Sangh and Shrirampur Taluka Vividh udyog Kamgar union have filed writ petition nos. 248 of 2005 and 963/2005 respectively against the company in the High Court of judicature of Bombay Bench at Aurangabad challenging permission granted by the Industrial Tribunal Ahmednagar granting permission for closure of company's glass bottle manufacturing unit.

   The Petition has been admitted. However, the prayer for interim orders have been dismissed by the court. The Company has discharged its liability towards statutory dues payable to the workmen of the Glass bottle manufacturing unit who have resigned/were retrenched consequent upon closure and dues payable to the workmen who have not accepted the dues, have been deposited with the High Court, as such nothing is due and payable by the Company.

3. Mula Pravara Co-op. Soc. Ltd. has filed a case LMN No. 24/2004 dated 03/02/2004 against the Company before the Co-Operative Court at Shrirampur, for recovery of their outstanding dues of Rs.89.41 Lacs not paid by Ramnath Glass Containers Pvt. Ltd.(RGCPL), Company's Lessee for the Glass Bottle manufacturing unit The matter has been kept for framing preliminary issues.

   The amount is payable by RGCPL, however, they have not been made a party to the suit. The Company has sought for dismissal of the case due to non joinder of essential party. They have now made an application to the court to make RGCPL, a party to the suit.

4. 8 Miscellaneous labour matters such as reinstatement, demand for higher bonus, salary rise etc. amounting to Rs.5.82 Lacs are pending before the Industrial Court at Ahmednagar.

5. 8 Miscellaneous labour matters such as reinstatement, termination etc. involving an amounting to Rs.9.23 Lacs are pending before the Labour Court at Ahmednagar.

6. 3 complaints filed by unions in regard to closure of the company's unviable glass bottle manufacturing unit are pending before the Industrial Court at Ahmednagar.

   The Company has discharged its liability towards statutory dues payable to the workmen of the Glass bottle manufacturing unit who have resigned/were retrenched consequent upon closure and dues payable to the workmen who have not accepted the dues, have been deposited with the High Court, as such nothing is due and payable by the Company.

Against the Group Company:

There is one claim is pending against the group company M/s M/L/ Dahanukar & Co. Pvt. Ltd., the details of which is as follows:

Mr. Bhaskar Nair who was dismissed from the services of the company has challenged the order passed by the Labour Court awarding compensation for the period 10/06/1991 to 03/06/1992, is pending is Mumbai High Court. The amount involved is approx. Rs. 1.44 Lacs.

Against the Directors of the Company:

Shri S.V. Muzumdar, one of the Directors on the Board was a Non Executive Director in 1) New Swadeshi Sugar Mills of Ahmedabad Ltd. and 2) Indokem Ltd. which are neither associated nor companies in same group. These Companies had certain proceedings pending against them and their names appeared in the defaulters list of the Reserve Bank of India. The copies of notices in respect of proceedings against these companies were served on Mr. S.V.Muzumdar as one of the Directors of the company. However, Shri S.V. Muzumdar is no more a Director in any of these Companies having been resigned from the Boards of these companies, long back. Besides this there are no litigation of any kind against any of the Directors of the Company.

Defaults

The Company, its subsidiaries and sponsored institutions have not defaulted in meeting any of its statutory or institutional dues and have made all payments/refunds on fixed deposits.

Further, no proceedings have been initiated against the Company, its subsidiaries and sponsored institutions 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. As regards civil litigations against the Company and its Directors, there are no material disputes/legal actions other than those disclosed above

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

MATERIAL DEVELOPMENTS AFTER THE DATE OF THE LAST BALANCE SHEET

There is no material development arisen after the last audited balance sheet.

GOVERNMENT APPROVALS

Industrial Licences

Licence issued by Government of India, Ministry of Commerce and Industry, New Delhi, for Manufacture of **INDUSTRIAL ALCOHOL.**	1.08 Million Galons { 48.6 Lacs Liters} per year.
COB Licence issued by Government of India, Ministry of Industry, Department of Industrial Development, Secretariat for Industrial Approvals, for manufacture of INDIAN MADE FOREIGN LIQUORS AND COUNTRY LIQUOR.	39.07 Lacs Liters per year.
Licence issued by Government of India, Ministry of Industrial Development, Internal Trade and Company Affairs, for manufacture of **MALT WHISKY AND GIN**	MALT WHISKY – 275000 Liters. GIN - 60000 Liters.
Licence issued by Government of India, Ministry of Industry, Dept of Industrial Development, SIA, for manufacture of **DIETHYL OXALATE**	250 MT per year.
Licence issued by Government of India, DGTD, for manufacture of **OXALIC ACID**	300 MT per year.
Licence issued by Government of India, Ministry of Industry, Dept of Industrial Developments, SIA for manufacture of – **PERFUMERY & TOILET PREPARATIONS -** **COLOGNE -** **SKEP TONICA -**	1000000 BULK LITERS 500000 BULK LITERS 1000000 BULK LITERS
Licence issued by Government of India, Ministry of Industry, Department of Industrial Development, SIA for manufacture of **BODY SPRAY**	6000000 BULK LITERS.

Licence issued by Government of India, Ministry of Industry Department of Industrial Development, SIA, for manufacture of **WINE OF FRESH GRAPES INCLUDING FORTIFIES WINES**.	600000 LITERS
Licence for manufacture of **ETHYL ACETATE**.	The company has applied to Government of India, Ministry of Industry, Dept. of Industrial Development for obtaining the said license.

The company does not require FDA approval. The company had applied to Maharashtra Pollution Control Board vide letter no.TIL/WKS/ETP/246 dated 17/04/2004 for renewal of consent for discharge under Section 25/26 of Water Act 1974 and under Section 21 of the Air (Prevention and Control of Pollution) Act 1981 for distillery division. The consent is awaited.

State Licences

Description	Validity	Remarks
Distillery Licence in **FORM-I**	31st March, 2005	Submitted to State Excise for renewal.
PLL Licence for manufacture of potable liquor	31st March, 2005	Submitted to State Excise for renewal.
DS-1 Licence for manufacture of Denatured Spirit	31st March, 2005	Submitted to State Excise for renewal.
M-II Licence for possession/use of Molasses in Distillery	31st March, 2005	Submitted to State Excise for renewal.
RS-II Licence for storage of RS/ENA **in PLP.**	31st March, 2005	Submitted to State Excise for renewal.
RS-II Licence for storage of Cane Juice Spirit in PLP.	31st March 2005	Submitted to State Excise for renewal.
RS-II Licence for possession/ use of RS/ENA in Cosmetics plant	31st March, 2005	Submitted to State Excise for renewal
L-I Licence for manufacture of Cosmetics	31st March, 2005	Submitted to State Excise for renewal
DS-V Licence for possession/ use of SDS in Chemical plant	31st March, 2005	Submitted to State Excise for renewal
Special permit in Form-A for storage of Imported Concentrates	31st March, 2005	Submitted to State Excise for renewal

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 28/01/2005 have decided to offer 19,08,356 equity shares of Rs. 10/- each for cash at premium of Rs.10/- per share aggregating to Rs.381.67 lacs to the existing equity shareholders of the Company on rights basis in the ratio of 1 (One) equity share for every 2 (Two) equity shares (i.e.1:2) held as on ___________ (hereinafter referred to as "Record Date") subject to members approval by postal ballot. The company has passed a special resolution u/s 81(1A) of Companies Act, 1956 in terms of notice dated 28/01/2005 and passing of resolution though postal ballot rules 2001. The results of the postal ballot were published in the newspapers on 22/03/2005.

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

Tilaknagar Industries Limited 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, TIL, 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 13/05/2005 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 TIL VIZ. SHRI A.A. DAHANUKAR, MR. P. M. SALASKAR, MR. S. V. MUZUMDAR, MR. V. B. HARIBHAKTI, MR. S. H. JUNNARKAR, MRS. P. S. JHA AND DR. V.K.KANHERE 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 Tilaknagar Industries Limited since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGE, MUMBAI (BSE)

BSE has given the permission to Tilaknagar Industries Limited (TIL) vide their letter no. ___________ dated ________ to use their name in this Offer Document as one of the stock exchanges on which equity shares of TIL being issued in terms of this Letter of Offer are proposed to be listed. BSE has scrutinized this Offer Document for their limited internal purpose of deciding on the matter of granting the aforesaid permission to Tilaknagar Industries Limited. It is to be distinctly understood that the aforesaid permission given by BSE should not in any way be deemed or construed that the letter of offer has been cleared or approved by BSE nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this letter of offer; nor does it warrant that TIL 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 TIL, its promoters, its management or any scheme or project of TIL.

Every person who desires to apply for or otherwise acquires any securities of this issuer may do so pursuant to an independent inquiry or any 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 STATEMENT FROM ISSUER AND THE LEAD MANAGER

The issuer company and the Lead Manager accepts no responsibility for statements made otherwise than in the Letter of Offer or in the advertisement or any other material issued by or at the instance of the issuer and that anyone placing reliance on any other source of information would be doing so at his own risk should be incorporated.

FILING

A copy of this Letter of Offer has been filed with SEBI, Mittal Court, "B" Wing, Nariman Point, Mumbai – 400021, The Stock Exchange, Mumbai (BSE) (Designated Stock Exchange), P.J. Towers, Dalal Street, Fort, Mumbai – 400001.

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

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.

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.

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 such consents have not been withdrawn up to the time of delivery of the Letter of Offer to the stock exchange.

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	Market intermediary fees i.e Lead manager and Registrar to the issue	10.00
2	Legal fees	2.00
3	Advertisement	8.00
4	Printing & Stationary	4.00
5	Statutory fee	0.60
6	Postage	5.00
6	Others	0.40
	Total	**30.00**

UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

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

PREVIOUS ISSUE DETAILS

The company had issued 6,66,666 equity shares of Rs. 10/- each at a premium of Rs.5/- each on preferential basis to the promoters of the company in the year 2002. Besides this company has not issued any shares during past 3 years.

PREVIOUS ISSUE OTHER THAN FOR CASH

The Company has not issued any shares for consideration other than cash during past 3 years.

COMMISSION AND BROKERAGE ON PREVIOUS ISSUE

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

COMPANIES UNDER THE SAME MANAGEMENT

There are no other listed companies under the same management within the meaning of section 370(1)(B) of the Companies Act 1956 which made any capital issue during the last three years.

PROMISE V/S PERFORMANCE

The company has not made any public /rights issue during the past 10 years.

OUTSTANDING DEBENTURES/BONDS/REDEEMABLE PREFERENCE SHARES

There are not outstanding debentures/bonds/redeemable preference shares and other instruments issued by the company outstanding as on the date of this Letter of Offer.

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 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	19.95	05/07/02	3000	8.00	01/11/02	336	13.98	56987
2003	22.00	26/12/03	31646	9.45	17/03/03	1661	15.73	353335
2004	55.00	15/12/04	20031	12.50	22/03/04	1160	33.75	860291
Nov. 04	47.80	30/11/04	11983	26.80	16/11/04	2250	37.30	71689
Dec.04	55.00	15/12/04	20031	36.15	01/12/04	3884	45.58	122468
Jan. 05	47.30	19/01/05	21725	37.00	17/01/05	2456	42.15	83772
Feb. 05	49.00	11/02/05	3525	40.20	01/02/05	1766	44.60	65121
Mar. 05	53.75	09/03/05	14846	37.25	29/03/05	557	45.50	119052
Apr.05	52.50	26/04/05	9686	40.70	08/04/05	5334	44.07	77833

Week end price of equity Shares of TIL on the Mumbai Stock Exchange

Week ended	Price (Rs)
15/04/2005	42.20
22/04/2005	41.50
29/04/2005	45.15
06/05/2005	43.95

The market price of TIL as on 31/01/2005 immediately after the date on which the resolution of the Board of Directors approving the issue was passed i.e. 28/01/2005 is Rs.41.40. The market price of TIL as on 21/03/2005 on which result of postal ballot was announced was Rs.41.30 and as on 05/05/2005 on which the Board of Directors approved the offer document was Rs.44.10.

MECHANISM FOR 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 G. C. Shah, Company Secretary and 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 capitalized its reserves or profits since inception.

REVALUATION OF ASSETS

The Company has not revalued its assets since inception.

XVI. TERMS OF THE ISSUE

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.

MODE OF 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.

FRACTIONAL ENTITLEMENT

On applying the rights ratio the rights entitlement may contain certain fractional entitlements. In the event of any person holding less than 2 (two) equity shares and in the event of a person entitled to shares in excess of an exact multiples of one equity share, the company shall not issue any coupon in respect of any fractional parts of shares that may arise but all such fractions of shares that may arise shall be consolidated and the same be allotted to a person to be nominated by the Board who shall sell the same at the prevailing market price and distribute the net surplus, arising out of such sale to the members entitled to the fractions in proportion to which they are so entitled.

NOMINATION

In terms Section 109A of the Companies Act, 1956 nomination facility is available. The applicants may nominate any person by filling the relevant details in the CAF at the space provided for the purpose.

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.

ODD LOTS

The Company has not made any arrangements for the disposal of odd lot shares arising out of the issue. For all odd lot shares arising out of the issue the Company will issue certificates in the denomination of 1-5-10-50 shares.

ISSUE PROCEDURE

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. Our Company signed a tripartite agreement with National Securities Depository Limited (NSDL) and Bigshare Services Pvt. Ltd. on 26/09/2001 and with Central Depository Services (India) Limited (CDSL) and Bigshare Services Pvt. Ltd. on 19/09/2001, 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.

HOW TO APPLY

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.

All applications should be made only on the printed CAF provided by the Company or on blank paper in case of non receipt of CAF.

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 entitlement 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. b.	For the equity shares you are accepting, fill in and sign Part A. 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.

Terms of offer

The equity shares now offered are subject to the terms of this Letter of Offer, CAF, Memorandum and Articles of Association of the Company (hereinafter referred to as "The Articles'), the Guidelines issued from time to time by the Government of India and Securities and Exchange Board of India, the relevant provisions of the Act as amended from time to time and such terms and conditions as may be incorporated in the share certificates or any deed or document executed by the Company regarding the Rights Issue.

Acceptance of offer

You may accept and apply for the equity shares hereby offered to you wholly or in part by filling Part A of the enclosed composite application form (CAF) and submit the same alongwith the application money to the bankers to the issue as mentioned on the reverse of the CAF before the close of business hours on __________. The board or committee of directors of the company will have the power to extend the last date of receipt and acceptance of CAF for such period as it may deem fit but in no case will the offer for subscribing to the issue be kept open for more than 60 days. If for any reason whatsoever, the CAF together with the amount payable is not received by the bankers to the issue as mentioned on the reverse of the CAF on or before the close of business hours on _____________, or such extended date as may be determined by the board or duly authorized committee of directors of the Company, the offer contained in the letter of offer shall be deemed to have lapsed.

Applicants in centers not covered by the branches of collecting banks can send their CAF together with the cheques drawn on a local branch at Mumbai/Demand Draft payable at Mumbai to the Registrars to the Issue, Bigshare Services Pvt. Ltd.. The Company will not be liable for any postal delays and any application received by mail after closure of the issue date is liable to be returned to the applicants. The date of mailing by the applicant will not be the criteria for acceptance.

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:

i. 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.

ii. 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.

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.

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 " **TILAKNAGAR INDUSTRIES LTD - 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, Bigshare Services Pvt. Ltd., 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.

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, Bigshare Services Ltd., 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 – TILAKNAGAR INDUSTRIES LTD. - 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.

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 Tilaknagar Industries Limited are traded in the demat segment The Company has entered into a tripartite agreement dated 26/09/2001 with the National Securities Depository Ltd. (NSDL) and Bigshare Services 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 19/09/2001 with the Central Depository Services Limited (CDSL) and Bigshare Services Pvt. Ltd. for dematerialisation of the equity shares of the Company. The ISIN No. granted to the equity shares of the Company is INE – INE 133E01013.

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.

ALLOTMENT / DESPATCH OF REFUND ORDERS

The subscription received in respect of the issue will be kept in Separate Bank Account(s). The Company would not have access to such funds unless it has received the minimum subscription of 90% of the issue and the permission of the Designated Stock Exchange to use the amount of subscription.

The Company agrees that as far as possible allotment of securities offered to the existing shareholders on Rights basis shall be made within 30 days of the closure of the issue.

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.

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 TIL 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.

OFFER TO NON-RESIDENT/FIIs/OCBs SHAREHOLDERS

Presently 4501 equity shares aggregating to 0.12% of the present issued capital are held by NRIs/ OCBs on repatriation basis. Under the Foreign Exchange Management Act, 1999 (FEMA) general permission is granted to the companies vide notification no. FEMA/20/2000-RB dated 03/05/2000 issued by the Reserve Bank of India (RBI) to issue and export securities to NRIs/OCBs subject to the terms and conditions stipulated therein. The companies are required to file the declaration in the prescribed form to the concerned Regional Office of RBI within 30 days from the date of allotment of shares to NRIs/OCBs with repatriation basis.

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 MOU dated 16/02/2005 between the Company and Keynote Corporate Services Limited, Manager to the Issue.
2. Copy of MOU dated 18/03/2005 between the Company and Bigshare Services Pvt. Ltd., Registrar to the Issue.
3. Copy of Tri- Partite Agreement dated 26/09/2001 between the Company, Bigshare Services Pvt. Ltd. and National Securities Depository Limited.
4. Copy of Tri-Partite Agreement dated 19/09/2001 between the Company, Bigshare Services Pvt. Ltd. and Central Depository Services (India) Limited.
5. Copy of agreement dated 18/09/1999 between the Company and Radico Khaitan Ltd.
6. Copy of Manufacturing Agreement dated 29/06/2004 between the Company and Jagatjeet Industries Ltd.
7. Copy of Manufacturing Agreement dated 17/05/2004 between the Company and Ugar Sugar Works Ltd.
8. Copy of Manufacturing Agreement dated 21/10/2004 between the Company and Ugar Sugar Works Ltd.
9. Copy of Manufacturing Agreement dated 10/01/2005 between the Company and Global Spirits and Foods.

B. DOCUMENTS FOR INSPECTION

1. Copy of Memorandum and Articles of Association of the Company.
2. Copy of Special Resolution under Section 81(1A) of Companies Act passed by means of postal ballot as per notice dated 28/01/2005, the results of which were published on 22/03/2005.
3. A copy of resolution passed by the Board of Directors of the company in their meeting held on 05/05/2005 approving the draft Letter of Offer.
4. Copy of Potable Liquor License (PLL) dated 04/04/1967 renewed from time to time for manufacture of Potable Liquor granted under provisions of Bombay Prohibition Act, 1949.
5. Copy of certificate dated 04/05/2005 issued by M/s Batliboi & Purohit, 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.
6. Copy of letter dated 04/05/2005 received from M/s M/s Batliboi & Purohit,, Chartered Accountants and Statutory Auditors of TIL regarding Schedule of Implementation of the project.
7. Copy of letter dated 04/05/2005 received from M/s M/s Batliboi & Purohit,, Chartered Accountants and Statutory Auditors of TIL regarding Sources & deployment of funds.
8. Copy of letter dated 04/05/2005 received from M/s M/s Batliboi & Purohit,, Chartered Accountants and Statutory Auditors of TIL advising the company on the tax benefits available to the company and its shareholders.
9. Copies of various Undertakings received from the Company.
10. Copy of Letter of Offer dated 30/04/1994 issued in respect of Rights Issue of the company.
11. Copies of Memorandum & Articles of Association and Balance Sheets for the years 2001-02, 2002-03 and 2003-04 of following Associate Companies :
    a. M. L. Dahanukar & Company Pvt. Ltd.
    b. Arunodaya Investments Pvt. Ltd.
12. Copy of letter no. MGI CR 611 006/2003 dated 10/01/2003 received from Canara Bank, Girgaon Branch regarding sanction of credit facilities to the Company.
13. Copy of letter dated 26/12/2002 received from Indian Overseas Bank, Breach Candy Branch, Mumbai–400026 regarding sanction of credit facilities to the Company.

14. Copy of letter no. FUND2/Gr-Z/TIL/04-05 dated 31/08/2004 regarding sanction of term loan received from SICOM Ltd. Mumbai.
15. Copy of Industrial License No. IL – 37(77) dated 22/02/1997 (Carry-On-Business) under the Industries Development and Regulation Act, 1951 received from Government of India, Ministry of Industry, Secretarial of Industrial Approval, New Delhi.
16. Copy of Load Sanction Order No. MP/LS/HT/59 dated 30/12/1986 received from the Mula Pravara Electric Co-op. Soc. Ltd., Shrirampur.
17. Copy of consent no. BO/RONK/A'NAGAR/260-02/R/CC-343 dated 24/10/2002 received from Maharashtra Pollution Control Board under Water Act, Air Act.
18. Copies of purchase contract no. 0125062003 and 0225062003 both dated 25/06/2003 in respect of export order received from Blendate Ltd., UK.
19. Copy of letter no. FE.CO.EXD.1141/05.43.00/2004-05 dated 22/02/2005 received from Reserve Bank of India, Foreign Exchange Department, Central Office, Mumbai granting extension for executing the export order.
20. Copy of in-principle approval received from BSE vide their letter no. _____________ dated __________.
21. 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
Tilaknagar Industries Limited

Sd/-
Mr. Amit Dahanukar
Mr. P. M. Salaskar
Mr. S. V. Muzumdar
Mr. V. B. Haribhakti
Mr. Sandeep H. Junnarkar
Mrs. Pallavi S. Jha
Dr. V.K.Kanhere

Place: Mumbai
Date: 05/05/2005