DRAFT RED HERRING PROSPECTUS
***Dated [•]** (to be dated after filing with the Registrar of Companies)*
Please read Section 60B of the Companies Act, 1956
(The Draft Red Herring Prospectus will be updated upon RoC filing and become Prospectus on the date of filing with the RoC)
100% Book Building Issue

S.A.L. Steel Limited

(Formerly S.A.L. Steel Private Limited)
(Incorporated on November 06, 2003 under the Companies Act, 1956 as a Private Limited Company)
(Received fresh Certificate of Incorporation consequent to conversion from Private Limited to Public Limited on December 17, 2003)
Registered Office 5/1 Shreeji House, 5th Floor, Behind M. J. Library, Ashram Road, Ahmedabad 380 006. Tel: +91-079-26578030
Administrative Office: 11tht Floor, GNFC Info Tower, Sarkhej Gandhinagar Highway, Bodakdev, Ahmedabad 380 054
Tel: +91-079-55308100; Fax +91-079-55308120; e-mail: salsteel.ltd@rediffmail.com

Public Issue of 4,20,00,000 Equity Shares of Face Value Rs. 10 each at a price of Rs. [•] for cash aggregating Rs. [•] Lacs (hereinafter referred to as the "Issue"). The Issue would constitute 49.43% of the post issue paid-up capital of the Company. The face value of the Equity Shares is Rs. 10 and the Issue Price is [•] times of the face value.

The Issue is being made through a 100% Book Building Process wherein not more than 50% of the Net Offer to the Public (subject to mandatorily minimum 10%) shall be allocated on a discretionary basis to Qualified Institutional Buyers, not less than 25% of the Net Offer to the Public would be allocated to Non-Institutional Investors and not less than 25% of the Net Offer to the Public would be allocated to Retail Investors on a proportionate basis, subject to valid bids being received from them at or above the Issue Price.

PRICE BAND: Rs. [•] TO Rs. [•] PER EQUITY SHARE OF FACE VALUE OF RS. 10

RISK IN RELATION TO FIRST ISSUE

This being the first Issue of the Equity Shares of S.A.L. Steel Limited (the "Company/ SSL"), there has been no formal market for the Equity Shares of the Company. The face value of the shares is Rs. 10/- and the issue price is [•] times of the face value. The Issue Price (as determined by the Company in consultation with the Book Running Lead Manager, on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares issued in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to the statements in Risk Factors beginning on page no. [•].

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares issued through this Draft Red Herring Prospectus are proposed to be listed on The National Stock Exchange of India Limited and The Stock Exchange, Mumbai. We have received in-principle approval from these Stock Exchanges for the listing of our Equity Shares pursuant to letters dated ______ and _______ respectively. The National Stock Exchange of India Limited is proposed to be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
SBI Capital Markets Limited **SBI CAPITAL MARKETS LIMITED** 202, Maker Tower 'E', Cuffe Parade Mumbai – 400 005 Tel: +91 – 22 – 2218 9166 Fax: +91 – 22 – 2218 8332 Email: ssl.ipo@sbicaps.com	KARVY **Karvy Computershare Private Limited** Unit: SSL Public Offer Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034 Tel: +91-40-23312454 Fax: +91-40-23311968 Email: sslipo@karvy.com Contact Person: Shri M. Murali Krishna, AGM

ISSUE PROGRAMME	
BID/ ISSUE OPENS ON:	**BID/ ISSUE CLOSES ON:**

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DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Term	Description
"SSL" or "the Company" or "our Company" or "S.A.L. Steel Limited" or "we" or "us" and "our"	S.A.L. Steel Limited, a public limited company incorporated under the Companies Act, 1956, as amended having its registered office at 5/1 Shreeji House, 5th Floor, Behind M. J. Library, Ashram Road, Ahmedabad 380 006

Issue Related Terms

Term	Description
Administrative Office	Administrative Office of our Company situated at 11th Floor, GNFC Info Tower, Sarkhej Gandhinagar Highway, Bodakdev, Ahmedabad 380 054
Allotment	Unless the context otherwise requires, issue of equity shares pursuant to this issue
Articles/Articles of Association/ AoA	Articles of Association of S.A.L. Steel Limited
Auditors	The statutory auditors of the Company, viz. J. Vageriya & Associates, Chartered Accountants
Banker(s) to the Issue	■
Bid(s)	An offer made during the Bidding Period by a prospective investor to subscribe to Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue. In case of retail investors bidding at cut off, bid amount shall be the number of shares bid at cut-off multiplied by the cap of the price band
Bid Closing Date / Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper and Hindi national newspaper and a Regional language daily circulated at the place where registered office of the issuer Company is situated
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase the Equity Shares of the Company and which will be considered as the application for the Issue of Equity Shares in terms of this Draft Red Herring Prospectus
Bid Opening Date / Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper and a Regional language daily circulated at the place where registered office of the issuer company is situated.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Board of Directors/ BoD	The Board of Directors of S.A.L. Steel Limited or a committee thereof
Book Building	Book building route as provided under Chapter XI of the SEBI

Process	Guidelines, in terms of which the Issue is made
BRLM	Book Running Lead Manager to the Issue, in this case being SBI Capital Markets Limited
BSE	The Stock Exchange, Mumbai
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Captive Power Project/ CPP Project	Shall mean that part of the Project pertaining to the construction of the CPP
Companies Act	The Companies Act, 1956 as amended from time to time
CTD bars	Cold twisted draw bars
Cut-off Price	Cut-off refers to any price within the Price Band. A Bid submitted at Cut-off is a valid Bid at all price levels within the Price Band
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall issue Equity Shares to successful bidders
Designated Stock Exchange	Designated Stock Exchange shall mean NSE
Director(s)	Director(s) of our Company unless otherwise specified
Draft Red Herring Prospectus	Means this Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, submitted to SEBI, which does not have complete particulars on the price at which the Equity Shares are issued and size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the opening of the Issue. It will become a Prospectus after filing with Registrar of Companies after the pricing and allocation
EPS	Earnings per Equity Share
Equity Shares	Equity shares of the Company of face value of Rs. 10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s) and the BRLM for collection of the Bid Amounts and refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks at which the Escrow Account of the Company will be opened
Excise Duty Benefit/ Excise Benefit	Excise duty benefit as notified vide Notification No. 39/2001 dated July 31, 2001 as supplemented by Notification No. 9/2004 dated January 21, 2004, further discussed in the chapter on Tax Benefit
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
Ferro Alloys Project	Shall mean that part of the Project pertaining to the manufacture of ferro alloys
FII	Foreign Institutional Investor (as defined under FEMA (Transfer or

	Offer of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board
Financial Year/Fiscal/FY	Period of twelve months ended March 31 of that particular year
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
GoI	The Government of India
HUF	Hindu Undivided Family
Indian GAAP	Generally accepted accounting principles in India
I.T. Act	The Income-Tax Act, 1961, as amended from time to time
Issue/ Offer	Initial Public Issue of 4,20,00,000 Equity Shares of Face Value of Rs. 10 each of our Company at the Issue Price
Issue Price	The final price at which Equity Shares will be issued in terms of this Draft Red Herring Prospectus, as determined by the Company in consultation with the BRLM, on the Pricing Date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount
Members of the Syndicate/ Syndicate	The BRLM and the Syndicate Members
Memorandum / Memorandum of Association/ MoA	The Memorandum of Association of S.A.L. Steel Limited
NRI/ Non Resident Indians	Non-Resident Indian, as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended.
Non Resident	A person who is not a NRI, FII or a person resident in India
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Bidders
Non-Institutional Portion	The portion of the Issue being a minimum of 94,50,000 Equity Shares of Face Value of Rs. 10 each available for allocation to Non-Institutional Bidders
NSE	National Stock Exchange of India Limited
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000
Pay-in Date	The last date specified in the CAN sent to Bidders.
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in Date
Phase-I	Shall mean the production of sponge iron, ferro alloys, rolling mill products with capacity production of 180,000 MTPA, 30,945 MTPA, 25,000 MTPA respectively
Phase-II	Shall mean production of ferro alloys, captive power project with capacity production of 30,945 MTPA, 40 MW respectively
Phases	Shall mean Phase I and Phase II of the Project together

Price Band	Being the price band of a minimum price (Floor Price) of Rs. ■ and the maximum price (Cap Price) of Rs. ■ and includes revisions thereof.
Pricing Date	The date on which the Company in consultation with the BRLM finalise the Issue Price
Project	Shall mean a new plant at Village Bharapar, Taluka: Gandhidham, Kutch District, Gujarat for manufacturing of sponge iron, ferro alloys, rolling mills products along with a 40 MW captive power plant, to be implemented in two Phases.
Promoters	Shall mean jointly Shah Alloys Limited, Shri Rajendra V. Shah, Rajendra V. Shah HUF and Smt. Ragini R. Shah
Prospectus	The Prospectus, filed with the RoC containing, *inter alia,* the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as defined in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investor registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with IRDA, provident funds with minimum corpus of Rs. 2500 Lacs and pension funds with minimum corpus of Rs. 2500 Lacs.
QIB Portion	The portion of the Net Offer being not more than 1,89,00,000 Equity Shares available for allocation to QIBs
Red Herring Prospectus	Means the Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Offer. The Red Herring Prospectus will be filed with the RoC at least three days before the opening of the Offer and will become a Prospectus after filing with Registrar of Companies after the pricing and allocation.
RBI	The Reserve Bank of India constituted under the RBI Act
RBI Act	The Reserve Bank of India Act, 1934 as amended from time to time
Registered Office of our Company	5/1 Shreeji House, 5th Floor, Behind M. J. Library, Ashram Road, Ahmedabad 380 006
Registrar /Registrar to the Issue	Karvy Computershare Private Limited, a company incorporated under the Companies Act, 1956 having its registered office at Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034
Reservations/ Shareholders Reservation	Reservation in the issue for the shareholders of Shah Alloys Limited as on August 31, 2004 i.e. shareholders who hold shares in Shah Alloys Limited as on August 31, 2004 shall be entitled to apply in this category of reservation
Retail Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount exceeding Rs. 50,000/- in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being minimum of 94,50,000 Equity Shares of face value of Rs.10 each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or

	any previous Revision Form(s)
RoC/ Registrar of Companies	Registrar of Companies, Gujarat, Dadra and Nagar Haveli, located at Ahmedabad
Rolling Mill Project	Shall mean that part of the Project pertaining to construction of the rolling mill
Rotary Kiln	Rotary kilns are used to heat solids to the point where a required chemical reaction(s) takes place. The rotary kiln is basically a rotating inclined cylinder
SAL	Shah Alloys Limited a company incorporated under the Companies Act having its registered office at 5/1 Shreeji House, 5th Floor, Behind M. J. Library, Ashram Road, Ahmedabad 380 006
SAL's Shareholders/ Shareholders of SAL	Shareholders of SAL as on August 31, 2004 who are eligible to apply in the reserved category
SBICAP	SBI Capital Markets Limited, a company incorporated under the Companies Act, 1956 having its registered office at 202, Maker Tower E, Cuffe Parade, Mumbai 400005
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India, constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
Sponge Iron Project	Shall mean that part of the Project pertaining to the manufacture of Sponge Iron
SS/ MS billets, SS/ MS flats, SS/ MS rounds	These are various forms of Stainless Steel/ Mild Steel products depending on factors such as size, shape and weight
State Incentive Scheme/ Sales Tax Benefit/ State Benefit	Incentive Scheme 2001 for Economic Development of Kutch District dated November 09, 2001, as further discussed in the Tax Benefit Statement
Stock Exchanges	NSE and BSE
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLM. In this case being (to be finalized later)
TRS or Transaction Registration Slip	The slip or document issued by the members of the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The BRLM and Syndicate Members
Underwriting Agreement	The Agreement among the Syndicate and the Company to be entered into on or after the Pricing Date

ABBREVIATIONS

Abbreviation	**Full Form**
AC	Alternating Current
AGM	Annual General Meeting of the shareholders of our Company

AOD	Argon Oxygen De-carbonization
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BVPS	Book Value Per Share
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Ltd.
CPP	Captive Power Plant
Cu m	Cubic Meter
DG	Diesel Generator
DRI	Directly Reduced Iron
EAF	Electric Arc Furnaces
EGM	Extraordinary General Meeting
EPS	Earnings Per Equity Share
FA	Ferro Alloys
FA - 1	Phase I of the Ferro Alloys Project
FA - 2	Phase II of the Ferro Alloys Project
FBC	Fluidized Bed Combustion
FC	Ferro Chrome
FCNR Account	Foreign Currency Non Resident Account
FeSi	Ferro Silicon
FeMn	Ferro Manganese
FOB	Free on Board
FY / Fiscal	Financial year ending March 31
GEB	Gujarat Electricity Board
GESPL	M/s Ghalsasi Engineering Systems Private Limited
GIR Number	General Index Registry Number
GoI	Government of India
HNI	High Net worth individual
HRSG	Heat Recovery Steam Generating Boiler
HUF	Hindu Undivided Family
IF	Induction Furnace
IPO	Initial Public Offering
ITC	M/s Industrial Technical Consultants
KL	Kilo Liters
Ksc	Kilogram per square centimeter
KVA	Kilo Volt Ampere
LC SiMn	Low Carbon Silicon Manganese
LP	Low Pressure
MNDC	M/s M. N. Dastur & Co. (P) Ltd.
MS	Mild Steel
MT	Metric Tons
MMTPA	Million Metric Ton Per Annum
MTPA	Metric Ton Per Annum
MVA	Mega Volt Ampere
MW	Mega Watt (i.e. 1000 kilo watts)
NAV	Net Asset Value
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Ltd.
P & P Expenses	Preliminary and Preoperative Expenses
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number

RM	Rolling Mills
Rs.	Indian National Rupee
RONW	Return on Net Worth
SAF	Submerged Arc Furnaces
SI	Sponge Iron
SS	Stainless Steel
STG	Steam Turbine Generator/(s)
TAN	Tax Deduction Account Number
TPD/MTD	Metric Tons per day
TPH	Tons per hour
^{o}C	Degree Celsius
1 Unit of Power	1 Kilo watt hour/1000 watt hour
1 Metric Ton	1000 Kilograms

In this Draft Red Herring Prospectus, any discrepancies in any table between the totals listed in the table and the sum of individual amounts listed in that table are due to rounding off.

FORWARD-LOOKING STATEMENTS; MARKET DATA

We have included statements in this Draft Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the industry.

For further discussion of factors that could cause our actual results to differ, see the section entitled “Risk Factors” beginning on page [•] of this Draft Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor the members of the Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

Market/Industry data used throughout this Draft Red Herring Prospectus was obtained from the Company and various reports of CRIS INFAC, site of Ministry of Steel, etc. The information contained in those publications has been obtained from sources believed to be reliable, but that there accuracy and completeness are not guaranteed and their reliability cannot be assured. Although, we believe market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Similarly, data provided by the Company, while believed by us to be reliable, have not been verified by any independent sources.

State Bank of India and Union Bank of India undertook an appraisal of the Project. Based on the above, SBI on August 03, 2004 have sanctioned term loan to the extent of Rs.23.53 cr for Phase I and Rs.26.47 cr for Phase II subject to conditions. Union Bank on June 04, 2004 has sanctioned Term Loan of Rs. 2500 Lacs each for Phase I and Phase II respectively. Data/ information provided in the report of State Bank of India and Union Bank of India has been used in this document.

All references to “Rupees” or “Rs.” are to Indian Rupees, the official currency of the Republic of India. For additional definitions, please see “Definitions and Abbreviations” on page no. ___.

RISK FACTORS

An investment in our Equity Shares involves a high degree of risk. You should carefully consider the risks described below before you make an investment decision. Risks have been quantified, wherever possible. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline and you may lose all or part of your investment.

INTERNAL RISK FACTORS

1. **High dependence on the promoter**

   SAL, Shri Rajendra V. Shah, Rajendra V. Shah HUF and Smt. Ragini R. Shah jointly promote our Company. Shri Rajendra V. Shah, Rajendra V. Shah HUF and Smt. Ragini R. Shah holds 65.01% of the paid up equity share capital of SAL as on June 30, 2004. They along with SAL hold about 97.44% of our pre issue paid up equity share capital (post issue the same would be approximately 49.28%).

   Our Company has been set-up as a backward integration of the activities of SAL. Majority of the sponge iron and ferro alloys manufactured by us will be consumed by SAL. In addition to the above, we also rely upon SAL's experience for marketing of our rolling mills products.

   The risks arising out of such dependence are:

   a. **Fall in the demand on products manufactured by SAL**
   Any fall in the demand for the products manufactured by SAL will have a direct adverse effect on the demand for our products i.e. sponge iron and ferro alloys. We, however, have an option to sell our products in the open market in such circumstances, but our profitability may be significantly affected in case we are unable to negotiate the same or better terms than we have with SAL. Further if there is a global fall in the demand for sponge iron, we may face difficulty in selling sponge iron in the open market.

      Ferro Alloys find their use primarily in the manufacture of Stainless Steel of various grades. In case of a general fall in the demand for Stainless Steel coupled with inability on the part of SAL to purchase the same from us, we may not be able to sell the same and could face pressure on our profit margin.

      Sponge iron and ferro alloys are commodity, which are easily saleable in the market for which market price are readily available. Further in the last 12 years, there has been continuous growth in both the production and sales of SAL. The production of stainless steel has about doubled in the last five years and reached 1.10 million tones. Production of SS in India has shown a CAGR of 15.23%. It is anticipated that India will produce 2 million tones of Stainless Steel in the coming four years. (Source: Technical Appraisal Report by Dalal Mott MacDonald and World Stainless Steel Statistics 2003).

   b. **Change in product line by SAL**
   Any change in the existing product line/ existing capacity by SAL may have an impact on our profitability.
   SAL over the past years has been entering into various value added products without actually changing the product line per se. In addition, SAL has entered into an agreement with us for the purchase of our products for the next five years.

c. **Adverse event affecting SAL**
If any event adversely affects the operations, profitability, feasibility of SAL, this may have an adverse impact on the financial health of our Company.

Sponge iron and ferro alloys are commodity items having ready market in the country as well as abroad hence, in case of adverse operations of SAL, our Company can tap other existing markets without any major impact on our operations and profitability.

d. **Limited negotiating power**
After the issue, SAL will own approximately 34.33% of our post issue capital. So long as SAL continues to be the single largest shareholder and so long as it continues to own approximately 50% of our post issue paid up equity share capital, either directly or through its promoters, it would be able to control the composition of our Board of Directors. SAL would be able to control most matters affecting us, including the appointment and removal of our officers, our business strategy and policies, any business combination, payout of dividend, our capital structure and financing etc. Also on account of such controlling stake, we may not be in a position to bargain with SAL, which may not be in our interest.

There are independent directors on the boards of both SAL and our Company. The bankers' stakes in the two companies are also different. There exist various laws and corporate governance requirements with regard to dealing with group companies. Further SAL and our Company are bound by the supply agreement entered between them. In view of these, it would not be possible to take any policy decision, which would not be in the interest of our Company.

e. **High Dependence on a single person**
Our Company is highly dependant on Shri Rajendra V. Shah, Chairman Managing Director and Promoter of SSL and SAL towards general management of the Company, deciding future course of action, funding for expansion, modernization etc. Such high level of dependence on Shri Rajendra V. Shah may not be in the interest of our Company.

SAL has two whole time directors who are technocrats looking after the day-to-day management of our Company. We have already taken steps for appointment of independent directors on our board.

2. **Track record of dividend payment by SAL**
The profitability and dividend payment by SAL in the last three years is as follows:

For the year ended March 31,	2002	2003	2004
Profit for the year (Rs. In Lacs)	881.67	1948.60	3326.58
Earning per share (Rs.) (EPS)	9.90	21.87	37.34
Dividend per share (Rs.) (DPS)	Nil	0.60	1.00
Dividend (%)	-	6%	10%
Pay out Ratio (DPS/EPS)	-	2.74%	2.68%
Book Value Per Share(Rs.)	68.24	89.43	125.63

As can be seen from the above, the track record of pay out ratio by SAL, our promoter in the last three years is less than 3%. Such low payout ratio in the case of our Company may have an impact on the market price of the equity shares and capitalization of our Company.

The management of SAL believes in ploughing back profits in the existing business for funding its expansion requirements and reducing its dependence on external borrowing. The detailed critical events in the history of SAL have been reflected in "Our Promoters" section on page ____ of this Draft Red Herring Prospectus.

3. **Risk Associated with availability and price fluctuation of raw material and finished product**

(i) Prices of Raw Material and Finished product:

In the recent past, there have been wide fluctuations in the prices of critical raw materials such as iron ore, chrome ore, coal, coke, etc both at domestic and international levels. Such fluctuations in prices of raw material and our inability to negotiate at optimum market rates may affect our profitability. Similarly, the prices of finished products have also shown price variations, which may impact our profitability. The table presented below gives the price variation in Rupees/ Per metric tones (MT) of products:

Month	Sponge iron	Ferro Chrome	Silicon Manganese	Stainless Steel Flats	Stainless Steel Bars
June 04	9928	34733	48000	36747	60911
May 04	11652	35999	47765	39670	40565
April 04	12684	34801	48693	39225	41268
March 04	12073	32229	42453	41050	40855
Feb 04	10388	33253	37698	38015	38055
Jan. 04	9921	29267	37442	37260	35964
Dec. 03	9250	28526	34705	33270	34350
Nov. 03	8964	27164	34269	33167	33198

The risk on account of price fluctuation in raw material is reduced to a significant extent by passing incremental raw material cost to the prices of finished products thereby insulating our Company from fluctuation in raw material prices. Profitability will depend upon the extent upto which we are able to pass on the burden of rise in the price of raw material to our consumers mainly SAL.

(ii) Supply Chain Management:

We will be sourcing our critical raw material i.e. iron ore, ferro chrome ore, etc. from mines in Karnataka, Madhya Pradesh, Orissa and Goa for our plant at Gandhidham which involves logistical issues, economic decision making in ensuring optimum inventory. Any delay in supply of raw material to our plant may affect our plant's operations in Gandhidham, which in turn may hamper our Company in fulfilling its obligation for supply of sponge iron.

Further, any rise in the transportation cost may in turn lead to rise in the cost of production for us. In case we are not able to pass on the burden of such additional cost to the buyer of our product, our profit margins may be affected.

We are planning to maintain minimum inventory for 1.75 months for iron ore and ferro chrome ore, which the company feels quite adequate in meeting the working capacity of plant in case of logistical delays arising in ordinary course of business or unfortunate circumstances arising in business, thereby insulating our profitability and operations.

We have entered into a supply agreement with SAL. The terms of the agreement provide for a revision in price based on any increase in costs that our Company may incur.

(iii) Excess raw material inventory cost:
Non-availability of raw material along with logistical issues may force our Company to hold sizeable amount of working capital, which might affect the liquidity position of our Company.

Average accepted norms for holding raw material in sponge iron and ferro alloys industry is about 1.75 months of inventory, which we propose to hold. Thus, in our view the proposed raw material inventory is appropriate as is required in the ordinary course of business.

(iv) Non-availability of raw material and other resources
The area of Kutch where the Company has set up plant is a drought prone area. Uncertainty over availability of raw materials and other resources such as water, skilled manpower etc. may also affect our operations and in turn the profitability of our Company.

Skilled and/ or semi-skilled manpower will be recruited locally and is not expected to pose a problem. Engineers and supervisors would be recruited as per requirement of phases, and if required, such engineers and supervisors will be sent to SAL for training. The rich, recoverable iron ore is available in the mines at Orissa, Bihar, Hospet, Madhya Pradesh, Andhra Pradesh, Maharashtra, Rajasthan, etc. We would have made arrangements for sourcing iron ore at least before 3 months of commercial operation. Non-coking coal of desired quantities are available indigenously in the state of Madhya Pradesh, Bihar, Orrisa and Jharkhand. Further it can be freely imported and the proximity of Kandla Port to the Project site, makes the costs of transportation substantially low. The mix of raw materials for manufacturing of Ferro Alloy depends upon the varieties of alloys to be produced and the same can be procured from Orissa, Andhra Pradesh, Bihar and nearby places. Furnace oil may be procured from oil and other petroleum companies. It can also be sourced from the dealers at Kandla Port or Gandhidham. For the purpose of procurement of water, it is proposed to dig bore wells of suitable size and number. Moreover, we expect that water from Narmada Canal would also be available in due course of time.

4. Time and Cost overrun
Our management expects the first phase of the Project to be completed by December 2004. Bankers who have appraised our Project have also made certain assumptions on the time frame by which Phase I and Phase II of the Project will be complete. Based on the aforementioned assumptions, they have factored in Excise Benefit, which may be available on our Company. Also, the sanctioning of the term loans for Phase II is contingent on the satisfaction of certain conditions such as raising of funds through IPO etc. In case there is a delay in complying with any of the conditions mentioned in the sanction letter, the disbursement of funds may be delayed and in turn we may not be in a position to enjoy the benefits in the nature of Sales Tax Benefit and Excise Duty Benefit.

Phase I of the Project comprises setting up of sponge iron plant, rolling mills capacity and ferro alloys plant. Phase II comprises of increasing the capacity of ferro alloys and setting up of captive power plant, which is crucial for production of ferro, alloys at competitive rates. The funds requirement for Phase I is Rs. 8585 Lacs. Funding for the same is more or less tied up with Promoters and friends bringing in about Rs. 5150 Lacs (contribution towards Phase I and Phase II) and sanctions from banks for Phase I of more than Rs. 5000 Lacs from UBI, SBI, SBS and SBH taken together. Further Phase I, which covers all products which will be subject to sales tax and excise duty, is expected to be completed by December 31, 2004.

5. **No prior experience of manufacturing Sponge Iron and Ferro Alloy**

   Our Company and SAL have no prior experience in manufacture of sponge iron and ferro alloys products. SAL has been a consumer of ferro alloys and to some extent sponge iron products in the past. However, SAL does not have any experience in the manufacturing of the same.

   We have taken adequate steps to implement the Project in time. Consultants for each Project have already been appointed, i.e. Industrial Technical Consultant for their sponge iron project, Ghalsasi Engineers Systems Private Limited for ferro alloys and M. N. Dastur & Co. (P) Ltd. for power project. We have already placed orders for major plant and machinery and are well in line with the implementation schedule for the completion of the Project.

   Also, technically there are no major differences in the process of manufacturing sponge iron, ferro alloys and stainless steel and Shri Rajendra V. Shah is experienced technical person involved in the Project and is the key person in the entire project having 24 years of experience in steel and other allied products and has understanding the dynamics of the steel industry.

6. **Location Disadvantage**

   Our Company proposes to set up our Project in Taluka Gandhidham, Kutch District. The area is prone to natural calamities such as earthquake. On January 26, 2001, Kutch district was affected by an earthquake (6.9 on the Richter Scale). This area was also exposed to a severe cyclone in the year 1998. Any such natural calamity in the future can have a significant adverse impact on the operations of our company.

   Structural design of building have been carried out keeping in view the earthquake zone –V as per provisions of I.S. Codes No. 1893: 2002.

   On the completion of the Project, we propose to take a comprehensive insurance cover, which would cover us against risk arising from earthquakes, cyclones, floods etc along with general cover including loss of profit policy. The insurance cover would be taken based on actual creation of assets and increased with progress of the work.

   We have taken an Erection All Risk Policy from Bajaj Allianz General Insurance Company Limited for the period July 31, 2004 to December 31, 2004 for Steel Plant Machinery for an amount of Rs. 500 Lacs. With the progress of erection work at the site, the amount of insurance cover will be raised.

7. **Excess supply situation**

   Globally, there exists a situation of excess supply due to high capacity addition in South East Asian countries and due to industrial recession in sectors consuming steel.

   This situation of excess supply pertains to the steel industry as a whole. However, SAL is engaged in the manufacture of stainless steel and has been showing consistent growth in its sales. SAL has also been adopting timely cost control measures and production of value added products.

8. **Conditional availability of Tax benefits**
The tax benefit available under the Incentive Scheme 2001 for Economic Development of Kutch District (Sales Tax Benefit) and under Notification No.39/2001 supplemented by Notification No. 9/2004 for central excise (Excise Benefit) are subject to fulfilment of certain conditions. The critical conditions are with respect to completion of commercial production by December 31, 2004 (for Excise Benefit) and October 31, 2004(for Sales Tax Benefit). In case of Sales Tax Benefit there is a provision of pipeline units where this benefit get extended upto October 31, 2005 subject to certain conditions. Such benefits may not be available to our Company in case we are unable to fulfil the conditions as stated in such notification/ circulars, and this may affect our profitability.

In case of Sales Tax Benefit, an extended time for commencement of commercial production upto October 31, 2005 is available for pipeline units satisfying the following conditions:

i) Small-scale industry or medium and large industry for the purpose of registration should have submitted the application by 31-10-2004.

ii) Application for availing of the finance from the financial institution or bank should have been made before 31-10-2004.

iii) Should have acquired land or should have received the offer of land from GIDC before 31-10-2004.

iv) Should have made 50% of the investment of the Project cost before 31-10-2004.

We have already been sanctioned a term loan of Rs. 12250 Lacs and working capital loan of Rs. 3500 Lacs. Land required for the Project has already been acquired from Government of Gujarat. As per the implementation schedule, more than 50% of the total cost of the Project would have been invested by October 31, 2004. Further, we shall submit application for the purpose of registration before October 31, 2004 as mentioned in (i) above. In view of the above, we do not foresee any difficulty in availing of Sales Tax Benefit.

As far as the Excise Benefit is concerned, we have time till December 31, 2004, for commencement of commercial production. We expect our commercial production for Phase I, which covers all excisable products, to be completed by December 31, 2004.

9. **Non-availability of peer group segment / companies:**
We will operate in the sponge iron, ferro alloys and rolling mills segment. The power generated from the Captive Power Plant will be primarily used for our Ferro Alloys Project. There are no comparable companies operating in all the three segments i.e. sponge iron, ferro alloys and rolling mills with a combination of captive power plant. Also, we have not yet commenced commercial operation of Phase – I of our Project.

Non-availability of peer group companies however, may not allow us to do our benchmarking vis-à-vis peer group companies.

We visualize our competency in operating in the three segments of sponge iron, ferro alloys and rolling mills, will enhance our standing in the industry and achieve cost competency for our company and SAL.

10. **Pending Approvals**

We are yet to receive certain approvals or licenses required in the ordinary course of our business, and the failure to obtain these in a timely manner or at all may adversely affect our operations.

We require certain approvals, licenses, registrations and permissions for operating our business, some of which we have either made or are in the process of making an application for obtaining the approval. For more information, see "Government Approvals" on page no. ___of this Draft Red Herring Prospectus. If we fail to obtain any or all of these approvals or licenses thereof, in a timely manner, or at all, our business may be adversely affected.

11. Shares issued by SSL in the last 1 year

Details relating to shares issued by SSL in the last 1 year are as follows:

Date of Allotment	Number of Equity Shares	Issue Price (Rs.)	Allotted To	Category
Nov. 06, 2003	5,000	10	Shri Rajendra Shah	Promoter
Nov. 06, 2003	5,000	10	Smt. Ragini Shah	Promoter
Nov. 10, 2003	20,000	10	Shri Rajendra Shah	Promoter
Nov. 10, 2003	17,000	10	Smt. Ragini Shah	Promoter
Nov. 10, 2003	1,000	10	Shri Jayesh Shah	Promoter Group
Nov. 10, 2003	2,000	10	Others	Others
June 30, 2004	1,85,00,000	12	Shah Alloys Limited	Promoter
July 21, 2004	50,00,000	12	Shah Alloys Limited	Promoter
Aug. 30, 2004	56,66,600	12	Shah Alloys Limited	Promoter
Aug. 30, 2004	92,80,800	12	Shri Rajendra Shah	Promoter
Aug. 30, 2004	4,16,700	12	Smt. Ragini Shah	Promoter
Aug. 30, 2004	29,58,400	12	Rajendra V. Shah HUF	Promoter
Aug. 30, 2004	50,000	12	Jayesh V. Shah HUF	Promoter Group
Aug. 30, 2004	10,44,200	12	Others	Others
Total	**4,29,66,700**			

All the above allotment is for cash for equity shares of Face value of Rs. 10 each.

12. Conflict of interest

In respect of certain activities, such as rolling mills products, there may be conflict of interest between SAL and us. SAL has a rolling mill capacity of 4,00,000 MTPA, as compared to our capacity of 25,000 MTPA. There may be conflict of interest in SAL while acting as a Promoter, our major shareholder and also as our primary customer.

We would be concentrating on MS Rolled products to take excise and Sales Tax benefit to the extent of 80% of our capacity. Since SAL is mainly engaged in the manufacture of SS Rolled product, there would not be any major conflict of interest.

13. Loss making ventures of the promoter

Three out of the five ventures (including Shah Alloys Limited) promoted by the promoter and which are in existence an on date have incurred losses in the recent past. The details of the same are as follows:

(Rs in Lacs)

Particulars	Net Profit/ (Loss) For the Year/ Period ended March 31		
	2002	**2003**	**2004**
Shah Steel and Rolling Industries (SSRI)	0.20	(0.26)	(0.38)

Shah Industries Unit - I (SIU-I)	(17.81)	(0.79)	(0.59)
Shah Steel Udyog (SSU)	(9.02)	5.08	38.57

Loss making ventures are proprietor and partnership ventures. Refer para "Our Promoters" section on page of this Draft Red Herring Prospectus. No significant operations are there in respect of the loss-making venture mentioned above.

14. Outstanding Litigations against us, our Promoters, and ventures of our promoters

As on date there is no outstanding litigation against us.

Our Promoters and ventures promoted by them are defendants in a number of legal proceedings incidental to their business and operations. They are also subject to claims/ litigations/ non compliances in relation to Companies Act, excise, sales tax, customs, income tax, creditors disputes and other disputed demands.. Total claims amounting to approximately Rs. 40,95,118 are outstanding against SAL which are of a civil nature. SAL has filed 1 case in relation to civil matter of a breach of contract amounting to Rs. 8,84,565.

For further information regarding litigation of our promoters and ventures promoted by them, please refer to the section "Outstanding Litigation and Material Developments" on page _____.

15. Change in technology:
Technology plays a vital role in stainless steel plants. Our failure or inability to incorporate any change in technology might place our competitors at an advantage in terms of cost, efficiency and timely delivery of the final products.

16. Contingent Liability of SAL, the promoter
As of March 31, 2004, SAL have provided contingent liability of Rs. 10060.72 lacs in respect of various facilities granted by banks and FIs. Further SAL also has a contingent liability of Rs. 34.08 lacs on account of disputed Income Tax, Sales tax and Central Excise claims. For details of Contingent Liabilities of SAL, please refer to the chapter on Outstanding Litigation and Material Developments on page ___.

17. Competition from other coal based and gas based producer:
Our Companies plant for sponge iron at Gandhidham will be a coal-based plant. In the industry, gas can be used as an alternative in place of coal for production of sponge iron. Cheaper availability of gas might bring down the prices of sponge iron, improve plant operation efficiencies, increase economies of scale for our competitors, which may have an adverse effect on our business, since we use coal for manufacture of sponge iron and it may not be possible for us to switch over to gas based plants.

In spite of availability of gas, majority of existing and new sponge iron plants are still based on coal (53 coal based as against 3 gas based), which indicates that coal plants are preferred over gas-based plants. Moreover, capacities of gas-based plants can meet only part of the demand and hence dependence on coal-based plants will continue.

18. We are at the initial stages of our life cycle and may require further infusion of funds to satisfy our capital needs, which we may not be able to procure. Any future equity

offerings by us may lead to dilution of equity and may affect the market price of our Equity Shares.

19. Critical risk factors as per Appraisal Reports

a) State Bank of India Appraisal Note

Critical risk factors

i. The group has no prior experience of manufacturing sponge Iron and ferro alloys.
ii. The sponge Iron and ferro alloys are Industrial commodity products and hence subject to, price volatility,
iii. Major products of the company are to be consumed by the group company, M/s Shah Alloys Ltd. Any change in manufacturing program or market for SAL's products or event, which adversely affect the working of SAL, would have cascading effect on SAL Steel Limited.
iv. In order to claim Excise Duty and Sales Tax benefits, the capital investment in the Project is required to be completed by December 31, 2004. Any delay would affect the benefits available to the company and its potential viability.
v. The location of the company is in earthquake and cyclone prone zone.
vi. The company is required to successfully complete the IPO to finance the Project in phase-II, which would depend upon prevailing market condition at the time of issue.
vii. Over supply situation persists globally due to high capacity addition in South East Asian countries.
viii. There appears to be high reliance on one person Shri Rajendra Shah.

b) Union Bank of India Appraisal Report

Weaknesses/ Risk Factors

i. Major products of the Company are to be captively consumed by SAL. Any change in manufacturing Programme/ market for SAL's products or event which adversely affect the working of SAL, would have cascading effect on this Company.
ii. In order to claim Excise Benefit and Sales Tax Benefit, the capital investment in the Project is required to be completed by December 31, 2004. Any delay would affect the benefits available to the company and its potential viability.
iii. The location of the Company is in earthquake prone zone.
iv. The company is required to successfully complete the IPO to finance the Project in Phase II.
v. There appears to be high reliance on one person, Shri Rajendra V. Shah.

Threats

Over supply situation persists globally due to high capacity addition in the South East Asian countries and such a situation in domestic market was due to industrial recession in user segment. Over supply position is expected to continue in medium term.

20. Shortfall in Promise Vs Performance of Shah Alloys Limited
SAL, our promoter, had approached the Capital Market with public issue of equity shares in 1992 amounting to Rs. 427 lacs. There has been certain shortfall in the performance of the company as compared to the projections in the Issue Document.

For details of the shortfall and the reasons thereof, please refer to the section on "Financial Projections Vs Performance mentioned in Issue Document" on page ____.

EXTERNAL RISK FACTORS

1) **Changes in Government Policies and political situation in India**
Since 1991, the Government of India has pursued policies of economic liberalization, including relaxing restrictions on the private sector. We cannot assure you that these liberalization policies will continue in future. Protest against liberalization could slowdown the pace of economic development. The rate of economic liberalization could change, specific laws and policies could change, and foreign investment, currency exchange rates and other matters affecting investing in our securities could change as well.

The current Indian Government is coalition of several parties along with outside support from other partners. The withdrawal of one or several parties or withdrawal of outside support could result in political instability. Such may have adverse affect on the capital market and investor confidence.

Any adverse change in Government policies relating to the steel industry in general and stainless steel, sponge iron, ferro alloys, Iron ore in particular may have an impact on the profitability of the industry. Such changes are not limited to but may be in respect of:
a. Sales Tax
b. Customs Duty
c. Import/ Export restriction
d. Excise Duty

2) **Regulation of Exports and Imports**
Any change in regulations, domestic or international, having an impact on the steel market in general and the stainless steel market and its inputs in particular, will affect the industry as a whole. Such changes may be in the nature of introduction of quota, tariff barrier, subsidies etc.

3) **Risk Arising out of Volatility of Capital Markets**
The prices of our Equity Shares on the stock exchanges may fluctuate as a result of several factors, including:
- Volatility in the Indian and global securities market;
- Our results of operations and performance;
- The market for investments in Steel sector
- Performance of the Indian economy
- Significant developments in India's economic liberalization and deregulation policies, specifically those related to the Iron and Steel sector; and
- Significant developments in India's fiscal and environmental regulations.

4) There has been no public market for the Equity Shares of our Company and their prices may fluctuate. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue or that the prices at which the Equity Shares are sold through this issue will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

5) **Risks arising from changes in taxation policies**
Statutory taxes and other levies may affect our margin in the event of our inability to factor such expense in our trading margin. Any increase taxes and/ or levies, or the imposition of new taxes and/ or levies in the future, may have a material adverse impact on our business, results of operations and financial condition.

6) Terrorist attacks and other acts of violence or war involving India could adversely affect the financial markets, result in loss of business confidence and could adversely affect our business, results of operation and financial condition.

7) Failure to comply with environmental laws, rules and regulations may adversely affect our business or operation

Notes:

- Fresh Issue of 4,20,00,000 Equity shares of Face Value of Rs. 10 each comprising of reservation for SAL's Shareholders of 42,00,000 equity shares and Net Offer to the Public of 3,78,00,000 equity at a price of Rs. [•] for cash aggregating Rs.[•] lacs
- Investors are advised to refer to the paragraph on "Basis of Issue Price" on page ___ of this Draft Red Herring Prospectus.
- Investors may note that in case of over-subscription of the Issue, allotment shall be on proportionate basis to Retail Bidders, Non-Institutional Bidders and SAL's Shareholders. Please refer to the paragraph on "Basis of Allotment" on page ____ of this Draft Red Herring Prospectus.
- The average cost of acquisition of Equity Shares of face value of Rs. 10 each by our Promoter is as follows:

Sr. No.	Promoter	Average Cost of Acquisition (Rs.)
1.	Shah Alloys Limited	12.00
2.	Shri Rajendra V. Shah	11.99
3.	Smt. Ragini R. Shah	11.90
4.	Rajendra V. Shah HUF	12.00

- The book value per Equity Share of face value of Rs. 10 each, as of March 31, 2004 and June 30, 2004 is approximately Rs.9.36 and Rs. 11.83 respectively
- The net worth of the Company as of March 31, 2004 and June 30, 2004 is approximately Rs.4.68 lacs and Rs. 2193.89 lacs respectively.
- Investors are free to contact the BRLM for any clarification or information, who will be obliged to attend to the same.
- We were incorporated as a Private Limited Company on November 06, 2003. On December 17, 2003, we got converted into Public Limited Company and consequently the name of the company was changed from S.A.L. Steel Private Limited to S.A.L. Steel Limited. For further details please refer to the Chapter on Our History.
- Related party transactions since inception till June 30, 2004 is as follows:

  As per Accounting Standard (AS – 18)

  List of Joint Ventures and Associate Concern

As at 30th June 2004
Shah Alloys Limited, Adarsh Foundation (Charitable Trust), Shah Industries Unit – 1, Shah Steel & Rolling Industries, Shah Steel Udyog, Shah Steel Craft and Rolling Industries, Vijay Steel Metal and Vijay Weigh Bridge.
As at 31st March 2004
Shah Alloys Limited, Adarsh Foundation (Charitable Trust), Shah Industries Unit – 1, Shah Steel & Rolling Industries, Shah Steel

Udyog, Shah Steel Craft and Rolling Industries, Vijay Steel Metal and Vijay Weigh Bridge.

Key Management Personnel as at 30th June 2004

S. N.	NAME OF KEY PERSONNEL	DESIGNATION
(i)	Shri Rajendra V. Shah	Chairman and Managing Director
(ii)	Shri R. N. Mishra	A.G.M. Project and Production
(iii)	Shri Niranjan I. Vadia	Manager Power Plant
(iv)	Shri Kiritbhai Shah	A.G.M. Marketing
(v)	Shri Sujal A. Shah	G.M. Purchase
(vi)	Shri Mahendra R. Patel	Manager Finance

Transactions with the Related Parties at (A) above are as follows

(Rs. in Lacs)

Particulars	Transaction		Outstanding Amount	
	31.03.04	30.06.04	31.03.04	30.06.04
M/s. Shah Alloys Limited				
- Inter Corporate Loans	1236.29	984.22	1236.29	0.51*
- Purchase of Capital Goods	308.47	300.97	307.60	608.57

* Unsecured loan of Rs. 2220.00 Lacs is converted into Share Capital and premium by issuing 1,85,00,000 equity share of the company with share premium of Rs. 2 each.

Remuneration paid to Key Management Personnel (Rs. in Lacs)

S. N.	NAME OF KEY PERSONNEL	Period Ended on	
		30.06.2004	31.03.2004
(i)	Shri R. N. Mishra	0.80	0.73
(ii)	Shri Niranjan I. Vadia	0.71	0.19
(iii)	Shri Kiritbhai Shah	0.30	-
(iv)	Shri Sujal A. Shah	0.30	-
(v)	Shri Mahendra R. Patel	0.30	-

SUMMARY

You should read the following summary with the Risk Factors included from page numbers (__) to (___) and the more detailed information about us and our financial statements included in this Draft Red Herring Prospectus.

We were incorporated on November 06, 2003 as a private limited company under the Companies Act, 1956 and were converted into a public limited company on December 17, 2003 and consequently our name was changed from “S.A.L Steel Private Limited” to “S.A.L Steel Limited”.

Business Overview

- We have been promoted by SAL, which is an existing profit making company having good track record and is the second largest stainless steel manufacturing company in India.
- The Project is being set up at Village Bharapar, District Gandhidham, Kutch, which is near the Kandla Port and will result in benefits available at the location under the special package of incentives for sales tax and excise duty declared under the Incentive Scheme 2001 for Economic Development of Kutchh District after the earthquake. This may result in cost savings to our Company
- Full Contribution from the Promoters and others to the extent of Rs. 5150 Lacs has already been brought in
- Term loans amounting to Rs. 12250 Lacs (as against requirement of Rs. 11500 Lacs) and regular working capital facilities of Rs. 3500 Lacs have already been sanctioned.
- Most of the finished product (about 85-90% of sponge iron and about 100% of ferro alloys) will be purchased by SAL, which is also the end user.
- The Project is located around 15 kms from Kandla port and will be suitable for transporting iron ore and non-coking coal.
- The Project is a backward integration to SAL and will reduce input costs making it more cost efficient.
- Major inputs like limestone in production of sponge iron and Lignite for our Captive Power Plant are in abundance in the surrounding areas and are easily available.
- Installation of Captive Power Plant reduces the power cost considerably and keeps the production costs, particularly of ferro-alloys low. Further the availability of Income Tax benefit U/s 80-IA of the I. T. Act on account of Captive Power Plant subject to certain terms and conditions would help in reducing the overall cost.
- Technologies for products are time-tested and operative in India. Also, the technical consultants have a proven track record and have wide experience in their respective fields.

THE ISSUE

Equity Shares offered:	
Total Equity Shares	4,20,00,000 Equity Shares
Of which:	
Reservation for Shareholders of SAL	42,00,000 Equity Shares (allocation on a proportionate basis)
Therefore,	
Net Offer to the Public	**3,78,00,000 Equity Shares**
• Qualified Institutional Buyers portion	Not more than 1,89,00,000 Equity Shares (allocation on a discretionary basis)
• Non-Institutional portion	Minimum of 94,50,000 Equity Shares (allocation on a proportionate basis)
• Retail portion	Minimum of 94,50,000 Equity Shares (allocation on a proportionate basis)

Under subscription if any in the reservation category shall be added back to the net offer to the public portion. Under-subscription, if any, in the Non- institutional portion and Retail Portion shall be allowed to be met with spillover from the other categories, at the sole discretion of the Company and BRLM. In case of Under-subscription in the Qualified Institutional Buyers portion (i.e. subscription less than 10% mandatory of the net offer to the public), the same shall not be available to other categories and full subscription monies shall be refunded.

Equity Shares outstanding prior to the Issue	4,29,66,700 Equity Shares
Equity Shares outstanding after the Issue	8,49,66,700 Equity Shares
Use of proceeds	The net proceeds of the issue will be used by us for part financing our proposed Project and for meeting our working capital requirements. For further details of the Object of the issue, refer to page no. _____

Corporate Information

We were incorporated on November 06, 2003 as a private limited company under the Companies Act, 1956 and we got converted into Public Limited Company on 17th December 2003 and consequently the name of the company was changed from "S.A.L Steel Private Limited" to "S.A.L Steel Limited. Our registered office is located at 5/1 Shreeji House, 5th Floor, Behind M. J. Library, Ashram Road, Ahmedabad 380 006. Our telephone number is +91-079-26578030. Our administrative office is located at 11th Floor, GNFC Info Tower, Sarkhej Gandhinagar Highway, Bodakdev, Ahmedabad 380 054. Telephone number is +91-079-55308100; Fax number is +91-079-55308120 and Email Id - salsteel.ltd@rediffmail.com

S.A.L. Steel Limited

(Formerly S.A.L. Steel Private Limited)
(Incorporated on November 06, 2003 under the Companies Act, 1956 as a Private Limited Company)
(Received fresh Certificate of Incorporation consequent to conversion from Private Ltd. to Public Ltd. on December 17, 2003)
Regd. Office 5/1 Shreeji House, 5th Floor, Behind M. J. Library, Ashram Road, Ahmedabad 380 006. Tel: +91-079-26578030
Administrative Office: 11tht Floor, GNFC Info Tower, Sarkhej Gandhinagar Highway, Bodakdev, Ahmedabad 380 054
Tel: +91-079-55308100; Fax +91-079-55308120; e-mail: salsteel.ltd@rediffmail.com

GENERAL INFORMATION

Authority for the Issue

The current Issue has been authorised by a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, at the Extra Ordinary General Meeting of our shareholders held on August 31, 2004 and board resolutions dated August 05, 2004 and August 31, 2004.

Prohibition by SEBI

We, our Directors, our subsidiaries, our Promoters, other companies /entities promoted by our Promoters, and companies/entities with which our Directors are associated with as directors or promoters, have not been prohibited from accessing the capital markets under any order or direction passed by SEBI. None of our Directors or the persons in control of our Promoter companies have been prohibited from accessing the capital markets or restrained from buying/selling/dealing in securities under any order or direction passed by SEBI.

Eligibility for the Issue

Clause 2.2.2 of the SEBI (Disclosure & Investor Protection) Guidelines, 2000 specifies that,

An unlisted company not complying with any of the conditions specified in Clause 2.2.1 may make an initial public offering (IPO) of equity shares or any other security, which may be converted into or exchanged with equity shares at a later date, only if it meets both the conditions (a) and (b) given below:

(a)(i)The issue is made through the book-building process, with at least 50% of the issue size being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.
OR
(a)(ii)The "project" has at least 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded

AND

(b)(i) The minimum post-issue face value capital of the company shall be Rs. 1000 Lacs
OR
(b)(ii) There shall be a compulsory market making for at least 2 years from the date of listing of the shares subject to the followings:

- Market makers undertake to offer buy and sell quotes for a minimum depth of 300 shares;

- Market makers undertake to ensure that the bid-ask spread (difference between quotations for Sale and purchase) for their quotes shall not at any time exceed 10%;
- The inventory of the market makers on each of such stock exchanges, as on the date of allotment of securities, shall be at least 5% of the proposed issue of the company)

We are eligible for the Issue as we satisfy (b)(i) of the said Clause 2.2.2 and as per clause (a)(ii) the Project has more than 15% participation from Scheduled Commercial Banks, of which the appraiser have undertaken to participate for more than 10% and the company shall ensure more than 10% allotment in the public issue to QIBs, failing which the entire subscription monies shall be refunded.

The Company also undertakes that the number of prospective allottees in the Issue shall be at least 1000 failing which the entire subscription amount will be refunded.

Project participation by way of Term Loans by Scheduled Commercial Banks/ Financial Institution:

Particulars	Sanctioned Amount (Rs. In Lacs)	%
Total Project cost as per SBI Project Appraisal Report	**20331**	
Project appraised by:		
State Bank of India (SBI)	5000	2459
Union Bank of India (UBI)	5000	2459
Other Scheduled Commercial Banks		
State Bank of Saurashtra (SBS)	1500	738
State Bank of Hyderabad (SBH)	750	369
Total	**12250**	**6025**

Note: The total Project cost as appraised by Union Bank of India is Rs.20850 Lacs, even with this the participation by appraiser in the Project is more than stipulated norm of 15% as per 2.2.2 a(ii).

In addition to the above, regular working capital limit amounting to Rs. 3500 Lacs have also been sanctioned as follows:

Particulars	Total (Rs. In Lacs)
State Bank of India (SBI)	1500
Union Bank of India (UBI)	1500
State Bank of Saurashtra (SBS)	500
Total	**3500**

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT

THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 06, 2004 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

“

1. **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**

2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT’S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

   WE CONFIRM THAT:

   (A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

   (B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

   (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID**

4. **WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.”**

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE ACT. ALL LEGAL REQUIREMENTS PERTAINING TO

THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT."

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND 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 BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

Caution

The Company and the BRLM accept no responsibility for statements made otherwise than in the Draft Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information would be doing so at his or her own risk.

The BRLM accept no responsibility, save to the limited extent as provided in the Underwriting Agreement to be entered into among the Underwriters and us and the Memorandum of Understanding between us and the BRLM dated September 1, 2004.

All information shall be made available by the BRLM and our Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research, presentations to prospective clients, or sales reports or at bidding centers etc.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorised under their constitution to hold and invest in shares) and to NRIs, FIIs and Foreign Venture Capital Funds Registered with SEBI. This Draft Red Herring Prospectus does not, however, constitute an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform him or her self about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Ahmedabad only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and the Red Herring Prospectus has been filed with RoC as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from 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

(to be updated at the time of RoC filing)

Disclaimer Clause of National Stock Exchange of India Limited

(to be updated at the time of RoC filing)

Disclaimer Clause of State Bank of India

Neither State Bank of India nor any of their associates, nor any of their respective directors, employees or advisors make any expressed or implied representation or warranty and no responsibility or liability is accepted by any of them with respect to the accuracy, completeness or reasonableness of the facts, opinions, estimates, forecasts, projections, or other information set forth in this Appraisal Report or underlying assumptions on which they are based or the accuracy of any computer model used and nothing contained herein is, or shall be relied upon as a promise or representation regarding the historic or current position or performance of the company, or any future events or performance of the company.

Disclaimer Clause of Union Bank of India

Neither Union Bank of India nor any of their directors, employees or advisors make any expressed or implied representation or warranty and no responsibility or liability is accepted by any of them with respect to the accuracy, completeness or reasonableness of the facts, opinions, estimates, forecasts, projections, or other information set forth in this Appraisal Report or underlying assumptions on which they are based or the accuracy of any computer model used and nothing contained herein is, or shall be relied upon as a promise or representation regarding the historic or current position or performance of the company, or any future events or performance of the company.

Filing

A copy of the Draft Red Herring Prospectus, along with the documents required to be filed under 60B of the Companies Act, will be delivered for registration to the Registrar of the Companies, Gujarat, Dadra and Nagar Haveli, located at Ahmedabad and a copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with RoC. A copy of the Draft Red Herring Prospectus has been filed with SEBI at Ground Floor, Mittal Court, “A” Wing, Nariman Point, Mumbai 400 021 (Corporation Finance Department)

Listing

Applications have been made to the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) for permission to deal in and for an official quotation of the Equity Shares of our Company. National Stock Exchange (NSE) has been appointed as the Designated Stock Exchange for the issue.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges mentioned above, we shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after the date on which we become liable to repay it (i.e. from the date of refusal or within 70 days from the date of Issue Closing Date, whichever is earlier), then the company and every director of the company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation of the basis of allocation for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, 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."**

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the net offer to public including devolvement of the underwriters, if any, within 60 days from the Bid/Issue Closing Date or if subscription by the QIBs is less than 10% of the net offer to the public, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act, 1956. If there is any delay in refund of amount collected, the Company and the Directors shall be jointly and severely liable to refund the amount due with interest @ 15% p.a. as per Section 73 of the Companies Act, 1956.

If the number of allottees in the proposed Issue is less than 1,000, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after the Company becomes liable to pay the amount, the Company shall pay interest at the rate of 15% per annum for the delayed period.

Withdrawal of the Issue

We, in consultation with the BRLM, reserve the right not to proceed with the issue any time after the Bid / Issue Closing Date, without assigning any reason thereof.

Letters of Allocation or Refund Orders

We shall dispatch allotment advice, refund orders and give credit to the Beneficiary Account with Depository Participants and submit the allotment and listing documents to the Stock Exchanges within two working days of finalisation of the basis of allotment. We shall ensure dispatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first bidder's sole risk.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we further undertake that:

- Allotment of Equity Shares shall be made only in dematerialised form, within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders shall be completed within 15 days from the Bid/Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above) if allotment has not been made, refund orders have not been dispatched and/or demat credits have not been made to investors within the 15 day time prescribed above.

We will provide adequate funds required for dispatch of refund orders or allocation advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us, as a refund banker and payable at par at places where bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the bidders.

Issue Programme

Bidding Period / Issue Period

BID / ISSUE OPENS ON	
BID / ISSUE CLOSES ON	

Bids and any revision in bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 PM** (Indian Standard Time) and uploaded till such time as permitted by the BSE and NSE on the Issue Closing Date. In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum Issue Period of 13 days. The revision in the price band and the revised Bid/Issue period, if applicable, will be duly disseminated by notification to the BSE and NSE by issuing a press release and also by indicating the change on the website of the BRLM and at the terminals of the Members of the Syndicate.

Book Running Lead Managers (BRLM)

SBI CAPITAL MARKETS LIMITED
202, Maker Tower 'E'
Cuffe Parade
Mumbai – 400 005
Tel: +91 – 22 – 2218 9166
Fax: +91 – 22 – 2218 8332
Email: ssl.ipo@sbicaps.com

Syndicate Members
(will be completed before RoC filing)

Registered Office
S.A.L. Steel Limited
5/1 Shreeji House, 5th Floor,
Behind M. J. Library, Ashram Road,
Ahmedabad 380 006
Tel: +91-079-26578030

Administrative Office
S.A.L. Steel Limited
11th Floor, GNFC Info Tower,
Sarkhej Gandhinagar Highway,
Bodakdev,
Ahmedabad 380 054
Tel: +91-079-55308100
Fax +91-079-55308120
e-mail: salsteel.ltd@rediffmail.com

Compliance Officer and Company Secretary
Shri Ashok Sharma
Company Secretary
S.A.L. Steel Limited
11th Floor, GNFC Info Tower,
Sarkhej Gandhinagar Highway,
Bodakdev,
Ahmedabad 380 0546
Tel: +91-079-55308100
Fax +91-079-55308120
e-mail: salsteel.ltd@rediffmail.com

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

Registrar to the Issue
Karvy Computershare Private Limited
Unit: SSL Public Offer
Karvy House, 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad – 500 034
Tel: +91-40-23312454
Fax: +91-40-23311968
Email: sslipo@karvy.com
Contact Person: Shri M Murali Krishna, Asst. General Manager

Legal Advisors to the Issue
Singhi & Co.
7-8, Premchand House Annexe,
Ashram Road,
Ahmedabad - 380009

Legal Advisor to the Underwriter
Nishith Desai Associates
93-B, Mittal Court,
Nariman Point,
Mumbai 400 021

Auditors
J. Vageriya & Associates

Bunglow No. – 5, Section – 1,
Badiyakaka Society
Sukhram Nagar,
Ahmedabad - 380021

Banker to the Issue and Escrow Collection Bankers

[•]

Bankers to the Company

Union Bank of India
Industrial Finance Branch,
C.U. Shah Chambers,
Ashram Road,
Ahmedabad – 380 014

State Bank of India
Commercial Branch
Opp. V. S. Hospital,
Ellisbridge,
Ahmedabad – 380 006

State Bank of Saurashtra
Industrial Finance Branch,
Gujarat Chamber of Commerce Building,
Ashram Road,
Ahmedabad – 380 009

IDBI Bank Limited
IDBI Complex,
Off. C.G. Road,
Ellisbridge,
Ahmedabad – 380 006

State Bank of Hyderabad
Maninagar Branch,
Maninagar,
Ahmedabad

Credit Rating

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

Trustees

As the Issue is of Equity Shares, the appointment of trustees is not required.

Book Building Process

Book Building refers to the process of collection of bids from investors on the basis of the Draft Red Herring Prospectus including the Price Band. The Issue Price is fixed after the Bid Closing Date. The principal parties involved in the Book Building Process are:

(1) The Company

(2) Book Running Lead Manager, in this case being SBICAP.

(3) Syndicate Members, who are intermediaries registered with SEBI, and eligible to act as underwriters. Syndicate Members are appointed by the BRLM/ Issuer. In this case being _______.

(4) Registrar to the Issue being Karvy Computershare Private Limited.

SEBI, through its guidelines, has permitted an Issue of securities to the public through 100% Book Building Process, wherein: (i) not more than 50% of the net offer to the public shall be allocated on a discretionary basis to QIBs (ii) not less than 25% of the net offer to the public shall be available for allocation on a proportionate basis to the Retail Individual bidders i.e. Individual Bidders (including HUFs and NRIs) whose maximum Bid amount is not more than Rs. 50,000/- and (iii) not less than 25% of the net offer to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price. The Issue Price will be ascertained after the Bid Closing Date.

In addition to the above, in terms of clause 2.2.2 of SEBI (DIP) Guidelines, 2000, at least 10% of net offer to the public (i.e. 37,80,000 shares) shall be mandatorily allotted to QIBs failing which the full subscription monies shall be refunded.

Illustration of Book Building and Price Discovery Process *(Investors should note that the following is solely for the purpose of illustration and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs.40 to Rs.48 per share, issue size of 6,000 equity shares and receipt of nine bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of our Company at various prices and is collated on the basis of bids from various investors.

Number of equity shares	**Bid Price**	**Cumulative equity shares**	**Subscription**
500	48	500	8.33%
700	47	1200	20.00%
1000	46	2200	36.67%
400	45	2600	43.33%
500	44	3100	51.67%
200	43	3300	55.00%
2800	42	6100	101.67%
800	41	6900	115.00%
1200	40	8100	135.00%

The price discovery is a function of demand at various prices. The highest price at which we are able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs. 42 in the above example. We, in consultation with the BRLMs will finalise the issue price at or below such cut off price i.e. at or below Rs. 42. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed SBI Capital Markets Limited (herein after referred to as BRLM) to the Issue to procure subscription to the Issue.

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

Steps to be taken for bidding:

1. Check eligibility for bidding (please refer to the section "Issue Procedure- Who Can Bid" on page ___ of this Draft Red Herring Prospectus);
2. Ensure that the bidder has a demat account; and
3. Ensure that the Bid-cum-Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid-cum-Application Form.

Underwriting Agreement

The present issue is being made under clause 2.2.2 of SEBI (DIP) Guidelines. In terms of the SEBI (DIP) Guidelines, 10% of the issue shall be mandatorily allotted to QIBs, failing which, the entire subscription monies shall be refunded. In view of the above, underwriting shall be only for the balance 90% of the net offer to the public. After the determination of the Issue Price and allocation of our Equity shares but prior to filing of the Prospectus with RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued through the Issue. It is proposed that, pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

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

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

Name and Address of the Underwriters	**Indicated Number of Equity Shares to be Underwritten**	**Amount Underwritten (Rs. in Lacs)**
SBI Capital Markets Limited 202, Maker Tower 'E' Cuffe Parade Mumbai – 400 005		[•]
		[•]
		[•]
		[•]

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

In the opinion of the Board of Directors of our Company (based on a certificate given to them by BRLM and the Syndicate Members), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act. The above Underwriting Agreement has been accepted by the Board of Directors of our Company at their meeting held on [*], 2004 and our Company has issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM and the Syndicate members shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure / subscribe to the extent of the defaulted amount. Allocation to QIBs is discretionary as per the terms of the Draft Red Herring Prospectus and may not be proportionate in any way and the patterns of allocation to the QIBs could be different for the various Underwriters.

CAPITAL STRUCTURE

SHARE CAPITAL as of August 30, 2004	(Rs. in Lacs)	
	Face Value	**Total Value Including Premium**
A. Authorised Capital 9,50,00,000 Equity Shares of Rs. 10 each	9500.00	
B. Issued Subscribed And Paid-Up Capital 4,29,66,700 Equity Shares of Rs. 10 each fully paid-up	4296.67	5155.00
C. Present Issue to the public in terms of this Draft Red Herring Prospectus 4,20,00,000 Equity Shares of Rs. 10 each	4200.00	[•]
D. Reservation for the shareholders of Shah Alloys Limited 42,00,000 Equity Shares of Rs. 10 each	420.00	[•]
E. Net Offer to the Public 3,78,00,000 Equity Shares of Rs. 10 each	3780.00	[•]
F. Equity Capital after the Issue 8,49,66,700 Equity Shares of Rs. 10 each	8496.67	[•]
G. Share Premium Account		
Before the Issue		858.33
After the Issue		[•]

Our authorised share capital was increased from Rs. 10 lacs divided into 1,00,000 Equity Shares of Rs. 10 each to Rs. 5000 lacs divided into 5,00,00,000 Equity Shares of Rs. 10 each through a special resolution passed at our Extra Ordinary General Meeting held on May 31, 2004. Further on June 25, 2004 our authorised share capital was increased from Rs. 5000 lacs divided into 5,00,00,000 Equity Shares of Rs. 10 each to Rs. 9500 lacs divided into 9,50,00,000 Equity Shares of Rs. 10 each through a special resolution passed at our Extra Ordinary General Meeting.

10% of the issue size i.e. 42,00,000 equity shares of the face value of Rs. 10 each, have been reserved on a competitive basis for the shareholders of the promoting company i.e. Shah Alloys Limited. For this purpose, the cut off date for considering the shareholding has been fixed as August 31, 2004.

Notes to the Capital Structure:

1) Share Capital History:

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (cash, bonus, consideration other than cash)	Allotted To	Reasons for allotment (bonus, swap etc.)	Cumulative Share Premium (Rs.)
Nov. 06, 2003	5,000 5,000	10	10	Cash	Shri Rajendra Shah Smt. Ragini Shah	On Incorporation	-
Nov. 10, 2003	20,000 17,000 1,000 2,000	10	10	Cash	Shri Rajendra Shah Smt. Ragini Shah Shri Jayesh Shah Others	Pref. Allotment	-
June 30, 2004	1,85,00,000	10	12	Cash	Shah Alloys Limited	Pref. Allotment	3,70,00,000
July 21, 2004	50,00,000	10	12	Cash	Shah Alloys Limited	Pref. Allotment	4,70,00,000
August 30, 2004	56,66,600 92,80,800 4,16,700 29,58,400 50,000 10,44,200	10	12	Cash	Shah Alloys Limited Shri Rajendra Shah Smt. Ragini Shah Rajendra V. Shah HUF Jayesh V. Shah HUF Others	Pref. Allotment	8,58,33,400
Total	**4,29,66,700**				**Total**		**8,58,33,400**

2) Promoters Contribution and Lock-in

Name of the Promoter	Date on which Equity Shares were allotted and made fully paid-up	Nature of payment of consideration	Number of Equity Shares	Face Value	Issue Price	Percentage of Paid-up Capital		Lock-in Period
						Pre-Issue	Post Issue*	
				Rs.	Rs.	%	%	
Shah Alloys Limited	August 30, 2004	Cash	56,66,600	10	12	13.19	6.67	3 Years
	July 21, 2004	Cash	50,00,000	10	12	11.64	5.88	3 Years
	June 30, 2004	Cash	63,26,740	10	12	14.72	7.45	3 Years
	June 30, 2004	Cash	1,21,73,260	10	12	28.33	14.33	1 Year
Total			**2,91,66,600**			**67.88**	**34.33**	
Shri Rajendra V. Shah								
	August 30, 2004	Cash	92,80,800	10	12	21.60	10.92	1 Year
	Nov. 10, 2003	Cash	20000	10	10	0.05	0.02	1 Year
	Nov. 06, 2003	Cash	5000	10	10	0.01	0.01	1 Year
Total			**93,05,800**			**21.66**	**10.95**	
Smt. Raganiben R. Shah	August 30, 2004	Cash	4,16,700	10	12	0.97	0.49	1 Year
	Nov. 10, 2003	Cash	17000	10	10	0.04	0.02	1 Year
	Nov. 06, 2003	Cash	5000	10	10	0.01	0.01	1 Year
Total			**4,38,700**			**1.02**	**0.52**	
Rajendra V Shah HUF	August 30, 2004	Cash	29,58,400	10	12	6.88	3.48	1 Year
Total			**29,58,400**			**6.88**	**3.48**	

Promoter Group								
Jayesh V. Shah	Nov 10, 2003	Cash	1000	10	10	0.00	0.00	1 Year
Jayesh V. Shah HUF	August 30, 2004	Cash	50,000	10	12	0.12	0.06	1 Year
Total			**51,000**			**0.12**	**0.06**	
Others	Nov. 10, 2003 August 30, 2004	Cash Cash	2,000 10,44,200	10	10 12	2.43	1.23	1 Year
Total			**4,29,66,700**			**100.00**	**50.57**	

* Please refer to the explanation on Shareholding patterns – Point 3

20% of our post – issue capital held by our promoter, Shah Alloys Limited will be locked in for a period of 3 years. The lock in shall commence from the date of allotment in this issue and the last date of lock in shall be three years from the date of commencement of commercial production. Our commercial production is estimated to start from December 2004 (Phase I) (As per the appraisal report of SBI, it is January 2005 and as per UBI report it is Dec 04/ January 05); hence the lock in shall be till January 2008.

The balance promoters' contribution and the entire pre-issue share capital other than locked-in, as minimum promoter's contribution for 3 years shall be locked in for the period of 1 year from the date of commencement of our commercial operations.

The Promoter may pledge its Equity Shares with banks or financial institutions as additional security for loans whenever availed by it from banks or financial institutions. Further, Equity shares held by the Promoter may be transferred to and amongst the promoter group or to a new promoter or person in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover regulations, as applicable.

Shah Alloys Limited, Shri Rajendra V. Shah, Rajendra V. Shah HUF and Smt. Ragini Shah have given their approval for lock-in of their shareholding as specified above, vide their letters dated September 02, 2004.

Shri Rajendra V. Shah, Rajendra V. Shah HUF and Smt. Ragini R. Shah are the promoters of Shah Alloys Limited holding 49.98%, 8.60% and 6.43% of the paid up equity share capital of SAL as on June 30, 2004.

Participation in the present issue by the promoters shall be locked in for a period of one year from the date of commencement of commercial production.

Our promoter and their directors have not purchased or sold any Equity Shares from the market during a period of six months preceding the date on which the Draft Red Herring Prospectus is filed with SEBI.

3) Shareholding Pattern

Shareholding pattern of the Company before and after the Issue:

Category	**Pre-Issue**		**Post-Issue***	
	Number of Equity Shares	**Percentage (%)**	**Number of Equity Shares**	**Percentage (%)**
Promoter				

Shah Alloys Limited	2,91,66,600	67.88	2,91,66,600	34.33
Shri Rajendra V Shah	93,05,800	21.66	93,05,800	10.95
Smt. Ragini R. Shah	4,38,700	1.02	4,38,700	0.52
Rajendra V. Shah HUF	29,58,400	6.88	29,58,400	3.48
Promoter Group				
Jayesh V. Shah HUF	50,000	0.1164	50,000	0.06
Shri Jayesh V. Shah	1,000	0.0023	1,000	0.0012
Directors of the Promoter (SAL)**				
M. K. Shah	36,000	0.08	36,000	0.04
Atul P. Pandya	40,000	0.09	40,000	0.05
Others	9,70,200	2.26	4,29,70,200	50.57
Total	**4,29,66,700**	**100.00**	**8,49,66,700**	**100.00**

* Shri Rajendra V. Shah, Rajendra V. Shah HUF and Smt. Ragini R. Shah, three of our promoter, are also the shareholders of one of our promoter, viz. Shah Alloys Limited. The post issue shareholding pattern of the promoters may undergo change in case of participation in the present public issue by the promoters either in the reserved category or otherwise. Any such participation by the promoter will be in excess of the minimum promoters contribution and will be locked in for a period of one year from the date of commencement of commercial production.

**Other than directors of SAL who are either the promoter or constitute promoter group of SSL

4) **Equity Shares held by the top ten shareholders**

The list of top 10 shareholders of the Company and the number of Equity Shares held by them is as follows:

a) Top ten shareholders on the date of filing of the Draft Red Herring Prospectus with SEBI is as follows:

Sr. No.	Name	No. of shares held	% shareholding
1	Shah Alloys Limited	2,91,66,600	67.88
2	Rajendra V. Shah	93,05,800	21.66
4.	Rajendra V. Shah HUF	29,58,400	6.88
3	Ragini R. Shah	4,38,700	1.02
4	Vipul M. Shah	1,00,000	0.23
5	Suryakant P. Shah	1,00,000	0.23
6	Ambalal C. Patel	90,000	0.21
7	Dr. Anil Jain	80,000	0.18
8	Rajesh K. Shah	75,000	0.17

9	Sangita P. Shah	70,000	0.16
10	Jayesh V. Shah – HUF	50,000	0.11
	TOTAL	**4,24,34,500**	**98.76%**

(to be updated at the time of filing the Red Herring Prospectus with the RoC)

b) Top ten shareholders as on ten days prior to the date of filing the Draft Red Herring Prospectus with SEBI is as follows:

Sr. No.	Name	No. of shares held	% shareholding
1	Shah Alloys Limited	2,35,00,0000	99.79%
2	Rajendra V. Shah	25,000	0.11%
3	Ragini R. Shah	22,000	0.09%
4	Jayesh V. Shah	1,000	0.004%
5	Sandip A. Mistry	500	0.002%
6	Sujal A. Shah	500	0.002%
7	Bharat A Shah	500	0.002%
8	Dilip J. Patel	500	0.002%
	TOTAL	**2,55,50,000**	**100.00%**

(to be updated at the time of filing the Red Herring Prospectus with the RoC)

c) Top ten shareholders as on the date of incorporation of the company (i.e. November 06, 2003)

Sr. No.	**Name of the Shareholders**	**Number of Equity Shares**
1	Rajendra V. Shah	5000
2	Ragini R. Shah	5000

(to be updated at the time of filing the Red Herring Prospectus with the RoC)

5) **Buyback and Standby Arrangements**

We, our Directors and the BRLM have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of the Company from any person.

6) There are no outstanding warrants, options of rights to convert debentures, loans or other instruments into our Equity Shares.

7) We have not raised any bridge loan against the proceeds of this Issue.

8) Under subscription portion in the reserved category shall be added back to the net offer to the public. Under subscription if any in the net offer to the public shall be allowed to be met through oversubscription in the reserved category to the extent of shortfall.

9) In case of over-subscription in all categories, not more than 50% (subject to mandatory minimum of 10%) of net offer to public shall be allocated on a discretionary basis to Qualified Institutional Buyers, further, not less than 25% of the net offer to public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% of the net offer to public shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above

the Issue Price. Under-subscription, if any of the category (subject to mandatory 10% of the net offer to the public being allotted to QIBs), would be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLM.

10) An applicant in the net public category cannot make a Bid for more than the number of Equity Shares offered to the public, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

11) During the last one year, we have issued 4,29,66,700 equity shares of face value of Rs. 10 each, the details of which are as disclosed in the share capital history

12) There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue, Public Issue or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI until the Equity Shares offered through this Draft Red Herring Prospectus have been listed or application monies refunded on account of non-listing/under subscription.

13) We presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of the Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly, for our Equity Shares) whether preferential or otherwise (except ESOPs, if any).

14) We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash. For details please refer to note no.1 given under this section.

15) At any given point of time, there shall be only one denomination for the Equity Shares of our Company and the Company shall comply with such disclosure and accounting norms specified by SEBI from time to time

16) The Company had 43 members as of the date of filing of the Draft Red Herring Prospectus with SEBI.

OBJECTS FOR THE ISSUE

The net proceeds of this Issue after deducting underwriting and management fees, selling fees and all other issue related expenses payable by us is estimated at Rs [•] lacs. We intend to utilise the entire net proceeds of this Issue towards part funding of our proposed Project.

The main object clause along with the other object clauses of our MoA enable us to undertake the activities for which the funds are being raised in the present issue.

We propose to set-up a new plant at Vill. Bharapar, Tal. Gandhidham, Kutch District, Gujarat for manufacturing of sponge iron, ferro alloys, rolling mills along with a 40 MW captive power plant, to be implemented in two phases in the Kutch district of Gujarat.

Phase I		
Sr. No.	Project	Capacity
1	Sponge Iron (SI)	180,000 MTPA
2	Ferro Alloys-1 (FA-1)	30,945 MTPA
3	Rolling Mills (RM)	25,000 MTPA
Phase II		
Sr. No.	Project	Capacity
1	Ferro Alloys-2 (FA-2)	30,945 MTPA
2	Captive Power Project	40 MW

The break up of ferro alloys to be manufactured is:

Product	**Capacity (MTPA)**
Ferro Chrome	40,800
Low Carbon Silicon Manganese	11,970
Ferro Silicon	1,320
Ferro Manganese	7,800
Total	**61,890**

APPRAISAL

The Project has been appraised by State Bank of India (SBI) and Union Bank of India (UBI) on July 13, 2004 & March 30, 2004 respectively. Appraisal by SBI and UBI has been used as a basis for this document wherever required. SBI and UBI vide their letters dated August 03, 2004 & June 04, 2004 respectively has sanctioned term loans and working capital facilities to us. SBI and UBI vide their letters dated August 03, 2004, have given their consent for their name being included as appraising agencies and for their appraisal report being used in this document.

Total Cost of the Project

The total cost of the Project as appraised by SBI is at Rs. 20331 Lacs, based on quotations obtained by the Company in consultation with technical consultants.

The different heads of Project cost are detailed in the table given below:

(Rs. in Lacs.)

COST OF THE PROJECT	
Details	**Total**
Land & Site Development	425
Buildings	2075
Plant & M/c.	13724
Know how & Engg. Fees	110
Misc. Assets -2.	766
Contingency	855
Preliminary & Preoperative expenses	1343
Working Capital Margin	1033
Total Project Cost	**20331**

Phase Wise break up of Project Cost

(Rs. in Lacs)

PHASE 1- Cost of Project -Break-up:				
Details	**SI**	**FA-1**	**RM**	**Total**
Land & Site Development	148	120	14	281
Buildings	756	580	105	1442
Plant & M/c.	2526	1288	743	4556
Know how & Engg. Fees	35	30	-	066
Misc. Assets -2.	169	264	16	449
Contingency	182	114	44	339
Preliminary & Preoperative expenses	280	285	29	594
Working Capital Margin	567	175	116	858
Total Project Cost	**4663**	**2857**	**1066**	**8585**

(Rs. in Lacs.)

PHASE II – Cost of Project - Break-up:			
Details	**FA-2**	**Captive Power Plant**	**Total**
Land & Site Development	120	24	144
Buildings	262	370	632
Plant & M/c.	1288	7880	9168
Know how & Engg. Fees	-	45	45
Misc. Assets -2.	-	317	317
Contingency	84	432	516
Preliminary & Preoperative expenses	115	634	749
Working Capital Margin	175	-	175
Total Project Cost	**2044**	**9702**	**11746**

Phase I and Phase II of the Project is independent of each other. As envisaged, Phase I will be completed by December 2004 and Phase II shall be completed by January 2005. We have already fabricated 100 TPD sponge iron plant, purchased DG sets and are in the process of fabricating 500 TPD sponge iron plant.
Source: Appraisal Report by SBI

Major Cost Heads

Land & Site Development

The Project would be set-up at a site keeping in view the proximity to source of major raw materials like iron ore, lignite and limestone. We had initially purchased around 2,07,791 square meter of land at Vill: Shinay, Tal: Gandhidham, Kutchh. However, subsequently, we have been allotted 3,37,012 square meter of land vide Order No. LAND/5/UDYOG/VASHI/1370/2004 dated August 12, 2004 by the Collector of Kutch for the Project at Survey No. 245(part), Vill. Bharapar, Tal: Gandhidham, Kutchh, which is near to Kandla Free Trade Zone, Gandhidham, in the Kutchh district of Gujarat. The actual cost incurred for the purchase of 3,37,012 square meter is Rs. 240.16 lacs (inclusive of stamp duty). The land acquired is free from any encumbrance and we have a clear title for the same.

Building

The buildings and other civil work comprise of kiln, hoppers for coal & iron ore, concrete chimney, conveyor gantries, crusher house, administrative, time office, laboratory, workshop, stores & spares room, weigh bridge room, control room, DG Set / compressors room, bins for storage etc. Total cost of buildings and other civil works is estimated at Rs. 2075 Lacs, as per the estimates given by the consultant.

Plant & Machinery

Sponge Iron Project
The main plant & machinery for Sponge Iron Project would consist of two rotary kilns having capacity aggregating to 1,80,000 MTPA, with all the inlet/outlet systems. The rotary kiln, chimney etc., would be constructed on site with refractory material and other construction materials like bricks, steel, cement etc. Two numbers of rotary kilns having capacity of 100 TPD (Tons per Day) and 500 TPD would be installed. Some of the utility services would be common for both the plants. The cost of plant for the Sponge Iron Project is estimated at Rs.2526 Lacs. as per the estimation given by the technical consultant, quotations from the suppliers.

Rolling Mill

The major plant comprises of heating furnace, conveyor for transfer of billets to rolling mills and to cooling bed, billet pusher system, rolling mills with stand etc. We would also procure two induction-melting furnaces of 5 & 20 MT capacity. The cost of Rolling Mill Plant is estimated at Rs.743 Lacs The cost estimation of rolling mill is as per the quotations, estimates given by the technical consultant.

Ferro Alloys
The major plant comprises of 2 Nos. of 24 MVA capacities of Submerged Arc Furnaces. The furnaces would be constructed on site with refractory material and other construction materials like bricks, steel, cement etc. inside the furnace shell. Company has assigned the task of construction of the furnaces at site along with

other systems to M/s. GESPL. In addition, other associated components/machines like wet scrapper conveyor, vibratory feeder with screen, electrostatic precipitator, hydro system, air compressors, castings, coal crusher, cooling tower, AC drives, motors, gear boxes, pumps, PLC automatic system etc. would also be procured. Some of the utility services would be common for all the plants. The Ferro Alloys Project is proposed to be implemented in two phases. The cost of the ferro alloys plant is estimated Rs.2576 Lacs (Phase I & Phase II). This estimation is as per the quotes given by M/s. GESPL, who are reputed consultant in ferro alloy industry.

Power Plant

The major plant comprises of 2 Nos. of HRSG Boilers for supply of 10.3 & 53.2 TPH steam at 65 Ksc pressure at 485 C temperature along with all associated equipments like feed water system, steam line, heat recovery unit, auxiliaries (feed water pumps, ID fan, valves & fittings), LT MCC with switches, relays fuses, deaerator cum storage tank, dosing system, dust collection system, field instrumentation and control system etc.

Boilers are proposed to be acquired from M/s. Cethar Vessels P. Ltd., Tiruchirapalli.

One Steam Turbine Generator (STG) having capacity to generate 40 MW power would be installed. The STG would comprise of steam turbine, oil supply system, surface condenser, steam jet air ejector, gland steam condenser, lube oil coolers, generator & its auxiliaries, generator air coolers, instrumentation and LP heater with deaerator.

Steam Turbine is proposed to be acquired from BHEL for the Project. The cost of the plant and machinery for the power plant is estimated at Rs.7880 Lacs, i.e. @ Rs.197 Lacs per MW

Technical Services

The technical services include know-how and basic engineering, design, engineering and drawing, procurement assistance and inspection, project monitoring, etc. We have appointed M/s. Industrial Technical Consultant (ITC), Raipur for Sponge Iron Project and have also appointed M/s. Ghalsasi Engineering Systems P. Ltd. (GESPL), Pune for Ferro Alloy Project to provide detailed engineering designs, drawings, selection of technology for Sponge Iron Project. Supervision, erection & installation as also guarantee consumption norms. The total fee for ITC has been finalized at Rs.22 Lacs GESPL would also set up the Ferro Alloys Project by supplying furnaces with other associated systems and also help in arranging procurement of standard bought out items. The fee for the assignment has been finalized at Rs.18.5 Lacs. We have appointed M/s M. N. Dastur & Co. (P) Ltd., a reputed consultancy company, for the Captive Power Project. The total fee for the CPP payable to M.N. Dastur & Co. (P) Ltd. has been finalized at Rs.45 Lacs. The total cost estimated for availing the technical services is Rs. 110 Lacs and the break-up of the same is given below:

(Rs. in Lacs)

Particulars	Name of the Consultant	Cost
Sponge iron	Industrial Technical Consultant	35
Ferro alloys	Ghalsasi Engineering Systems P. Ltd.	30
Captive Power Plant	M. N. Dastur & Co. (P) Ltd.	45
Total		**110**

Miscellaneous Fixed Assets

Miscellaneous Fixed assets include the cost of 1200 KVA DG Set, fire fighting system, weigh bridge, workshop tools & equipment, material handling system, effluent treatment plant, water treatment plant, EOT cranes & hoists, air conditioner & ventilation system, workshop and laboratory equipment etc. The total cost estimated by the technical consultant under this head is Rs. 766 Lacs whose break-up of the same is given below:

(Rs. in Lacs)

Particulars	Cost
Sponge iron	169
Ferro alloys	264
Rolling mill	16
Captive power plant	317
Total	**766**

Contingency

The Project cost has been estimated by the technical consultants, who have substantial experience in implementation of Project. The cost estimate is based on the budgetary quotations for the majority of the capital equipments and no major change in the cost is expected. Considering these factors, provision for contingency has been estimated conservatively at 5% on all hard costs aggregating Rs. 855 Lacs.

Preliminary & Preoperative Expenditure

A preoperative expenditure of Rs. 1343 Lacs has been estimated and the break-up of the same is as enclosed.

(Rs. in Lacs)

Preliminary & Preoperative Expenses	SI	FA-1	Rolling Mill	FA-2	CPP	Total
IDC	95	60	23	44	226	**449**
Upfront fee	24	15	6	11	58	**115**
Other P&P Expenses	160	210	-	60	350	**780**
Total	**280**	**285**	**029**	**115**	**634**	**1343**

The detailed break-up of Other Preliminary & Preoperative Expenses estimated at Rs.780 Lacs is as follows:

(Rs. in Lacs)

Particulars	Cost
Company Formation, ROC Charges, Legal Exp, etc	60
GEB & Other Deposit	100
Public Issue Expenses	350

Establishment Expenses	200
Insurance during Construction	10
Trial run Expenses	60
Total	**780**

Margin Money for Working Capital

The working capital margin requirements of the Project is estimated at Rs. 1033 Lacs, based on the calculations for the first full year of operations for the Project.
The break-up for each of the projects is given below:

(Rs. in Lacs)

Particulars	Sponge iron	Rolling mill	Ferro alloy	Total
Working Capital Margin	567	116	350	1033

MEANS OF FINANCE

The Project is proposed to be funded from Promoter's Contribution/Internal Accrual (IA) resources and term loans from banks, financial institutions in the ratio of 1.3:1. The proposed means of the finance for the Project is as under:

(Rs. in Lacs)

Particulars	**Phase 1**	**Phase 2**	**Total**
Equity			
Public Issue	-	4200	**4200**
Promoters' contribution & IA of SAL	3733	907	**4640**
Subtotal (Equity)	*3733*	*5107*	**8840**
Debt	*4853*	*6639*	**11492**
Total Project Cost	**8585**	**11746**	**20331**

Source: Appraisal Report by SBI

Equity

The total equity requirement for the Project is projected at Rs.8840 Lacs. This is proposed to be funded as follows:

Promoters Contribution

The promoter, SAL has already brought in about Rs. 3500 Lacs as on August 30, 2004 through subscription to 2,91,66,600 equity shares of Face Value of Rs. 10 each at Rs. 12 each. Shri Rajendra V. Shah, Rajendra V. Shah HUF and Smt. Ragini Shah together have brought in Rs. 1519 Lacs. For details of the balance contribution by promoter group and others please refer to the note 1 to Capital Structure on page ___.

Public Issue

The company proposes to use net proceeds of the issue for funding its proposed Project and for meeting its working capital requirement.

Working capital and Term Loan

As per means of finance, the rupee term loans requirement was estimated at Rs. 11492 Lacs, (for Phase-I Rs.4853 Lacs and Phase-II Rs.6639 Lacs) from Banks & Financial Institutions to part finance the Project. As against the same, the Company has received sanction of term loans amounting to Rs.12250 Lacs from SBI, UBI, SBS & SBH.

Working capital requirement for the Project will be for procurement of raw material like iron ore, non-coking coal, dolomite, and other current assets to meet recurring expenses. Total working capital requirement for the proposed Project for the first following year of operations is estimated at Rs. 3099 Lacs. As against the same, the Company has received sanction of working capital limits amounting to Rs.3500 Lacs from SBI, UBI.& SBS.

The details of the term loan and working capital loans sanctioned are as follows:

Rs. In Lacs

Bank	Term Loan	Working Capital Loan
State Bank of India	5000	1500
Union Bank of India	5000	1500
State Bank of Saurashtra	1500	500
State Bank of Hyderabad	750*	-
Total	**12250**	**3500**

* Additional term loan sanctioned to meet any unforeseen increase in Project cost.

UNION BANK OF INDIA APPRAISAL REPORT

The total cost of the Project as appraised by Union Bank of India is Rs. 20850 Lacs and the means of finance for the same is Debt of Rs. 11500 Lacs and Equity of Rs. 9350 Lacs.

Implementation Schedule

As against Project cost of Rs. 20331 Lacs (Rs. 20850 Lacs by UBI), Rs. 11500 Lacs (excluding Rs. 750 Lacs from SBH for additional contingency) as detailed above has been tied up.

Cost Incurred

The company has spent Rs.3964.34 lacs till July 31, 2004. The details are summarized below:

(Rs. In Lacs)

EXPENDITURE INCURRED	AMOUNT
Land	278
Building Construction	822
Plant & Machinery	1088
Preliminary and Pre-operative Expenses & other Assets	164
Advances paid to machinery supplier	1590
Other Advances	22
TOTAL	**3964**

The schedule of implementation as on date is as follows:

Rs. In Lacs

Activities	Sch. date for Implementation	Cost incurred till July 31, 2004		Total	% of Total Cost
		Phase I	Phase II		
Acquisition of land & Site Development	Completed	188	96	284	63.82%
Civil Construction	Oct. 04	801	15	816	37.62%
Plant & Machinery					
-Goods Received - Advance paid for Cap. Exp.	Oct. 04 to Nov. 04	1009 704	79 886	1088 1590	18.65%
Preliminary and Pre Operative expense & other Assets	Dec 04	164	-	164	8.01%
Other Advances		22	-	22	
Trial Runs	Dec 04	-			
Commercial Production	Dec 04 - Jan 05	-			
Total		**2888**	**1076**	**3964**	

Acquisition of land has been completed at 100% for the proposed Project.

As per SBI appraisal report, the commercial production for Phase I is stated to commence in January 05, whereas as per Union Bank of India appraisal report, the same is stated to commence by December 04. We have already acquired a rotary kiln for manufacture of 100 TPD of sponge iron. On site fabrication of the rotary kiln for 500 TPD is in process. We have also acquired a DG set of 1200 KVA. Land for the entire Project has been acquired. Govt. of Gujarat is giving single window clearance for all other requirement such as power, pollution consent, approval of building plans etc.

Technical Appraisal by Dalal Mott MacDonald

In addition to the above, a technical appraisal of S.A.L. Steel Limited was carried out by Dalal Mott MacDonald on behalf of State Bank of India dated July 2004. The scope of the above appraisal was to appraise the

1. appropriateness of the technology,
2. appropriateness of the plant and machinery and,
3. Installed and operating capacity of the proposed plant

A brief summary of the technical report is as follows:

Technology assessment

(i) Sponge Iron Project

The Coal based sponge iron technology considered by S.A.L Steel appears to be the most appropriate considering huge reserves of 65% iron ore available in states of Madhya Pradesh and Karnataka. Uninterrupted supply is envisaged from these locations, which are geographically close. Non-coking coal can be indigenously sourced or imported through Kandla port. The location is also strategic considering the availability of huge lignite reserves in the vicinity. Limestone is available in abundance in Kutch. Indigenous technology suppliers are available. The selected consultant / technology supplier has considerable experience and implemented upto 500 TPD sponge iron jobs earlier. Coal based DRI technology has been used in India and considerable maturity has been achieved. A technology supplier has been already located which has sufficient implementation experience in similar capacities.

These observations have been made after examining the design, detailed engineering, layout, selection of plant and machinery, technology options available, service contract etc.

(ii) Ferro Alloys Project

Submerged arc furnace route of producing ferro alloys, which has been selected by SSL, is relatively less expensive and mature technology and can be indigenously sourced. This is a wisely accepted route in case of high value ferro-alloys like ferro chromium of which maximum capacity is envisaged in the ferro-alloys complex.

The raw material required for ferro alloys are Quartz sized dry, charcoal, iron scarp, coke breezeized coal, electrode paste, electrode casing, crome ore, dolomite, manganese ore, high silica manganese ore, high manganese ore slog.

All the raw materials can be sourced indigenously like iron ore from TISCO, manganese ore from Orrisa Mine Corporation and Quartz is abundantly available in Kutch.

The manufacturing process requires huge supply of uninterrupted power as per the process requirement. The 40 MW captive power plant should be able to meet the requirement.

Technology supplier for ferro alloys plant (M/s. Ghalsasi Engineering System Limited, Pune) considered by S.A.L Steel has handled various turnkey projects of ferro alloys, mainly with submerged arc furnace upto 24 MVA, across India.

These observations have been made after examining the design, detailed engineering, layout, selection of plant and machinery, technology options, service contracts etc

(iii) Rolling mills

The rolling mill technology does not involve very high- levels of adaptation complexity. No specific consultant has been retained for the set up of rolling mills considering the decade long experience of SAL in this area.

(iv) Captive Power Plant

S.A.L Steel has appointed M/s. M N Dastur as an EPC supplier. M N Dastur is a reputed consultant in **power plant** installation and has considerable experience in the field. The critical components of the CPP Project i.e. Steam Turbine & HRSG Boilers are to be supplied by reputed companies like BHEL & Cethar Vessels respectively.

These observations have been made after examining the design, selection of plant and machinery, technology options, technology compatibility etc.

Plant and machinery appropriateness

The plant and machinery of various projects are comprehensive and as per the accepted norms and conventions. The pricing of plant and machinery is also reasonable and the envisaged outputs are achievable.

Plant capacity

The two major products i.e. sponge iron and ferro alloys are planned to be used for captive consumption of SAL. Moreover, these plants are being set up as backward integration to the stainless steel production of SAL. SAL has installed capacity of 2.6 lakh tones of SS products per annum. Hence the fortunes of SSL depend on the demand created in the Stainless steel industry to which SAL caters.

The production of stainless steel has doubled in the last five years and reached 1.15 million tones'. India has joined the elite million ton club. It is anticipated that India will produce 2 million tones of SS in the coming four years.

The kitchenware sector is the largest user of SS accounting for 70% of the end use. India has made successful inroads into the markets of North America, Europe and China. The usage has also increased considerably in the construction and transportation sectors, especially the railways.

Hence the capacity created in SSL seems appropriate as the production is for captive usage of SAL The stainless steel sector to which SAL caters seems to be buoyant.

Conclusion

Dalal Mott MacDonald has gone through design detailed engineering, layout selection of plant & machinery, comparison of various technologies available locally and internationally.

The technology planned to be adopted by S.A.L. Steel Limited for the sponge iron, ferro alloys, captive power and rolling mills is appropriate, cost effective and contemporary and best suited in the given conditions.

The plant and machinery planned to be used for the various projects are appropriate for the technology and the configuration are as per the accepted norms and conventions of the industry. The quotations of rates for these plant and machinery are also reasonable.

The intended output is achievable with the plant and machinery and the selected technology. The Project is technically feasible.

BUSINESS

OVERVIEW

Shah Alloys Limited, Shri Rajendra V. Shah, Rajendra V. Shah HUF and Smt. Ragini R. Shah have promoted us.

Our proposed Project is a backward integration to the operations of our parent company viz. SAL. SAL manufactures Stainless Steel, for which the raw material required is high quality scrap and ferro alloys. The requirement of scrap can partly be replaced (upto a maximum of 70%) by sponge iron. Considering the uncertainty in the availability of high quality scrap as well as the high landed cost of imported scrap as compared to the price of sponge iron, SAL has already initiated the process of replacement of scrap by sponge iron. With the implementation of this Project, SAL will be able to replace scrap by sponge iron upto 70 %.

Month	Sponge iron (Indigenous) (Rs.)	Landed Cost of Imported Scrap (Rs.)	Domestic MS Scrap Price (Rs.)
June 2004	9928	16777	11761
May 2004	11652	16870	15259
April 2004	12684	9824	14747
March 2004	12073	10324	13632
February 2004	10388	9883	12671
January 2004	9911	9791	11790

Source: Prices are based on monthly average purchase price of Shah Alloys Limited

Similarly with the manufacture of ferro alloys in SSL, the dependence for SAL on the same from the external market will be greatly reduced. Ferro Alloys manufacturing process is highly power intensive and in order to ensure the viability of the Project, it is necessary to have cheap source of power. Also through the manufacturing process of sponge iron a lot of waste heat is generated, which can in turn be used for generation of power. SSL proposes to generate 15 MW of power through this route and the balance 25 MW, by setting up lignite based power plant. Average generation cost of power per unit (including depreciation and interest cost) will be around Rs. 1.90 to Rs.2.49.

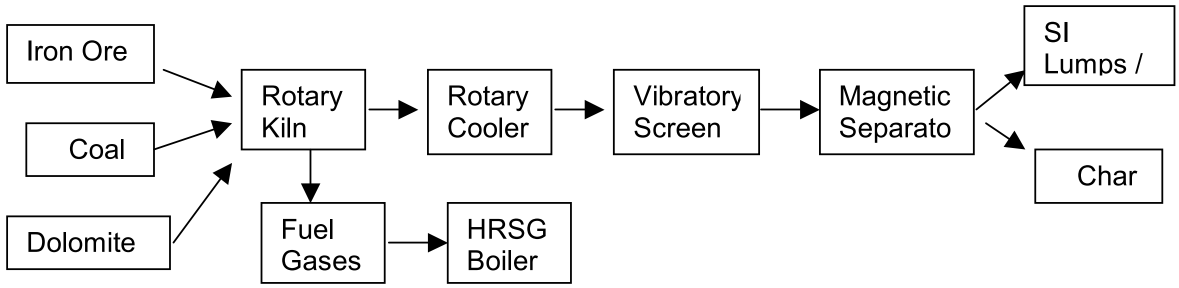
The Project is proposed to be set-up in Kutch District in Gujarat. Kutch district, which enjoys tax benefits under incentive scheme 2001 for economic development of Kutch district. Tax benefit available is in terms of Excise Duty and Sales Tax benefits subject to fulfilment of certain conditions such as commencement of commercial production by December 31, 2004(for excise benefit) and October 31, 2004 (for sales tax benefit – extendable upto October 31, 2005 as a pipeline case, subject to fulfilment of certain conditions). For further details on Tax benefits, which may be available to us, please refer to the chapter on Tax Benefit to the company on page ____.

The Project comprises of two phases as detailed in the Object of the Issue. The proposed manufacturing process of the various products is detailed as under:

Manufacturing Process

Sponge iron

The manufacturing process of sponge iron can be depicted as follows:



Sponge iron will be manufactured through the coal-based route in which crushed Iron Ore is converted into DRI. A long, slightly inclined, slowly rotating kiln is employed to carry out the reduction. The process would be designed to carry out reduction using solid reductant like non-metallurgical coal. This process is cheaper as compared to the gas-based process. Approximately 3 metric ton of raw material (Iron ore with Fe contend of 62 to 65% and D/E grade coal) will be required to produce 1 metric ton of DRI. This quantity may vary depending upon the quality of iron ore and non-coking coal.

The raw material of desired quantities and sizes (iron ore of 3 mm to 5 mm) is fed into the Rotary Kiln from the feed end (higher level) after the Rotary Kiln has been fired and reaches the desired temperature. The Rotary Kiln is a refractory lined cylindrical vessel on which blowers and air pipes are mounted to provide combustion air to the kiln. The Rotary Kiln has a downward slope and is mounted on rollers to enable rotation. The angle of inclination, rotational speed, length of time the charge is exposed to the atmosphere and the temperature has an important bearing on the quality of the end product.

The Rotary Kiln has three functions: -

a) It is a heat exchanger
b) Vessel for chemical reaction
c) Conveyor of solids

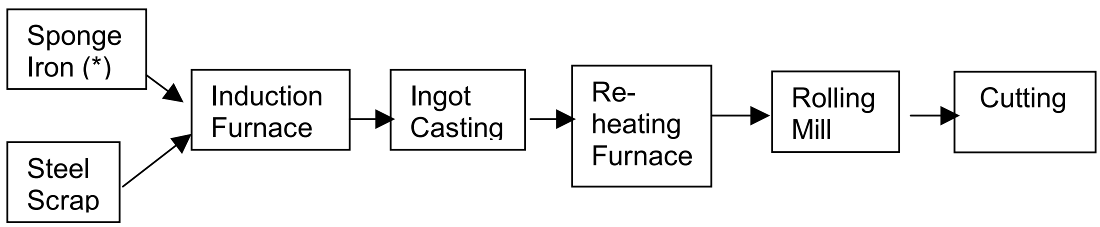
With the rotation of the kiln, the charge moves down the slope and the surface of material is exposed to heat. The heat exchange takes place via the non-refractory lining of the kiln. The reduction from oxide to metal occurs by a gradual removal of oxygen at various temperatures giving rise to various intermediate oxides.

Hot sponge iron is discharged from the kiln-discharge end and taken into the rotary cooler. The sponge iron is then discharged through the cooler discharge chute on to a heat resistant belt conveyor to be carried into the product processing building. The product is then screened and the oversized are subject to magnetic separation to obtain clean and sized sponge iron while the non-magnetic oversized portion as well as the undersized are re-circulated through the charge.

In the above process, the effluent gas that contains coal volatile, fine carbon particles, iron ore and sponge iron dust is treated separately in the waste gas handling system. The system consists of a dust-settling chamber, after burner chamber, ventury scrubber, I.D. fan (induced draft fan) and a chimney.

Manufacturing Process of SS/MS flats/ rounds (Rolling Mill)
The Rolling Mill Project is for manufacture of SS/MS flats, SS/MS rounds, CTD (Cold Twisted Draw) bars and other structural products. The rolled products are mainly used by construction industry.

The manufacturing process of rolling mills products can be depicted as follows:

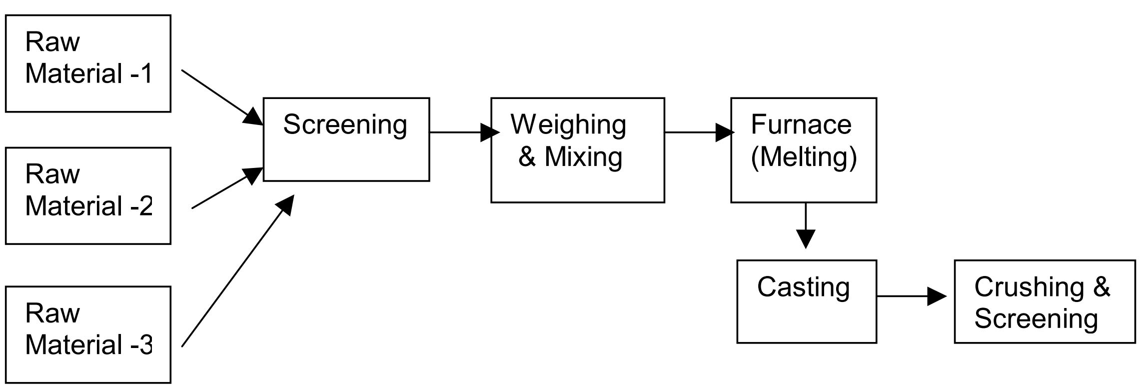


* For SS Products, sponge iron would not be used. However, additional ferro alloys depending upon SS series would be fed to furnace along with scrap.

Sponge iron & scrap for MS products in given proportion or scrap & ferro alloys for SS products depending upon type of SS products are fed to induction furnace in which the heat is generated in the metal itself by eddy currents. The molten metal is transferred to moulds for casting into ingot/billet form. The ingots are loaded into pre-heating furnace where they are bought to semi molten stage and then transferred to Rolling Mill stand where it is pressed between rolls having appropriate dies mounted. The rollers with pressure make the hot billet reduce in size and come out from other end. In order to achieve desired size, the reduction process is done number of times with gradual reduction in each cycle. The end product is either cut into desired lengths or wound in the roll form.

Manufacturing process of ferro alloy

Ferro alloys manufacturing process can be depicted as follows:



Raw materials are stockpiled separately on site and transferred to large storage bins at each furnace via front-end loader and conveyor systems, incorporating screening facilities to ensure optimum sizing. A computerised batching system draws measured quantities of each raw material from these bins, mixes them in the correct proportions and delivers the mixed charge to the furnace feed bins above each furnace via other conveying systems.

The furnaces, which operate 24 hours a day, are charged with approximately 3-4 tones of raw materials to produce one ton of alloy.

Heat is introduced into the furnaces via 2-3 mtr. long Soderberg electrodes. New electrodes are created by the addition of carbon paste to the top of each electrode. Process parameters, such as internal furnace temperatures, power consumption, electrode positioning, raw material feed and off-gas control are all regulated by computer from a control room dedicated to each furnace.

A tap hole at the base of the furnace is drilled out at approximately four-hourly intervals to tap off molten alloy. Depending on the furnace, the liquid alloy is cast directly into a casting machine or from a ladle into a casting bay. Slag is diverted into ladles and poured into a slag bay.

Slag is treated for use in a growing number of products ranging from concrete additions to road making material.

The alloys, once cooled, are crushed and screened to create finished product that has been sized to meet individual customer needs.

Manufacturing process of Supply of steam to Steam Turbine Generator
Different processes are involved upto supply of steam to Steam Turbine Generator (STG).

i) Steam Generation using Flue Gases Heat:

The Flue Gases (waste heat) coming out of rotary kilns of sponge iron plants would be diverted to a Heat Recovery Steam Generating Boiler (HRSG) by installing stop gate at chimney inlet. The flue gases temperature would be dropped from around 1000^{o}C to 175^{o}C in the HRSG and the heat recovered would be made available to the STG. To take care of pressure drop in the HRSG, induced draft fans are provided at the outlet of HRSG. The steam generated from 100 TPD SI plant would be 10.3 tonnes/Hr (TPH) at 65 Ksc (Kg. Per square centimetre) pressure at 485^{o}C temperature and from 500 TPD plant it would be 53.2 TPH at 65 Ksc pressure at 485^{o}C temperature.

The steam generated as above from 2 nos. of HRSG boilers would be fed to 15 MW STG.

ii) Steam Generation using Lignite as fuel in Boiler:

Using lignite as fuel, the water in the Fluidized Bed Combustion (FBC) Boiler would be converted to steam. For generating 25 MW of power, boiler-having capacity of 110 TPH has been selected. The steam generated as above from FBC boilers would be fed to 25 MW STG.

Technical Know-How
The company proposes to implement the Sponge Iron Project with the technical assistance of M/s. Industrial Technical Consultant (ITC), Raipur. ITC is a leading consultancy firm having provided know-how to many sponge iron and other steel related projects. The Company has also appointed M/s. Ghalsasi Engineering Systems P. Ltd. (GESPL), Pune to provide detailed engineering designs, drawings, and selection of technology for Ferro Alloy Plant. GESPL will also supervise erection & installations as also guarantee the consumption norms. GESPL would also set up the Sponge Iron Project by supplying furnaces with other associated systems and also help in arranging procurement of standard bought out items. The Company has appointed M. N. Dastur & Co. (P) Ltd. (MNDC), Kolkata to provide engineering services, inspection services, construction supervision and assistance in

commissioning services for the 40 MW Captive Power Project. M. N. Dastur & Co. (P) Ltd. is a very old and known consultant in power plant installation.

Advantages of sponge iron in Steel Making
Technical Advantage
The traditional raw material for Induction Furnaces (IF) as well as Electric Arc Furnaces (EAF) is ferrous scrap. With the limited availability of indigenous scrap, India needs to import large amount of shredded scrap. However, imported scrap is basically shredded automobiles and other household appliances, which contains high percentage of tramp elements. These tramp elements cannot be removed in the steel making process. For production of ordinary TOR steel, the presence of tramp element is not a major problem. But, as mini steel plants are shifting towards production of alloy steel, wire rods & flat products, high percentage of tramp elements in scrap are not acceptable. Thus for quality reasons, almost all steel plants are using sponge iron for better quality products.

Advantages of sponge iron

- **Better cost control:**
  Better-cost control can be achieved as the cost of the input material become less sensitive to fluctuations as in the case of scrap. Scrap is a commodity and its price depends on market conditions whereas sponge iron is a main product whose price depends primarily on the cost of raw materials, which is less variable. As per the Iron & Steel Review, June 2004, DRI is being sold at around Rs. 8500-Rs. 8600 per ton, where as the price of scrap is at around Rs. 10500 per ton. The advantage of scrap i.e. around 6% more yield coupled with less consumption of power, gets neutarilised due to price advantage and continuous availability.

- **More uniform size:**
  More uniform size of the sponge iron compared to scrap leads itself to mechanical handling and continuous charging, which in turn improves the productivity.

- **Cogeneration of Power**
  The hot gas/ waste heat generated during the process of manufacture of sponge iron can be used for generation of power.

- **Vigorous boil of the bath:**
  The unreduced iron oxides present in the sponge iron reacts with the carbon present in the bath and greatly improves bath heat transfer & slag metal mixing, resulting in acceleration of the metallurgical reactions relative to normal scrap melting. This also improves the homogeneity of the bath and further results in lower nitrogen and hydrogen contents in the steel. This is a definite advantage in the case of manufacture of quality steels.

- **Increased productivity through shorter tap-to-tap time.**

  Using Scrap requires reducing unwanted elements during melting. This consumes time, Electricity & leads to more Tap-to-Tap time. Thus using sponge iron in place of scrap leads to increased productivity. Scrap does not have exact known composition. Therefore it takes more time for reduction & affects refining time. Whereas using sponge iron leads to reduce refining time.

- **Simultaneous melting & refining with continuous charging**

Scrap cannot be charged during refining, as it requires removal of unwanted elements whereas sponge iron can be charged during refining due to its purity.

- **Faster metallurgical reactions**

  Sponge iron is a pure iron hence metallurgical reactions with alloying elements are quicker as compared to scrap having unknown compositions.

- **Improved more power consumption**

  Scrap contains lot of elements having higher & different melting temperatures as compared to pure iron. This requires more power to melt the charge. On the contrary sponge iron is pure iron & requires stable power for melting.

- **Less Electrode consumption due to stable power**

  While melting scrap, Electrode consumption is higher on two accounts. First due to frequent temperature variations due to different elements having different melting temperatures in scrap & second due to breakage of electrodes due to uneven shape of scrap. Using sponge iron results in uniform consumption of Electrodes.

- **Less Refractory consumption due to less hot spots in the furnace**

  Abrasion of refectories in furnaces is much more while using scrap due to its uneven shape & size. This results in uneven thickness of furnace lining resulting in localized overheating of furnace, known as hot spots. Sponge iron is very smooth in handling & does not cause abrasion of furnace lining resulting in more refectory life.

- **More Precision of Steel composition**

  Using conventional scrap needs reduction of unwanted elements during melting & then addition of required ferroalloys for obtaining the required composition of steel. Fully removal of all unwanted elements is practically difficult & leads to removal of few desired elements from both.

- **Quality Advantage**

  Due to purity of sponge iron the quality of Steel produced using sponge iron is superior as compared to steel produced by conventional scrap.

- **High degree of Metallisation**

  High degree of metallisation of iron ore is achieved in rotary kilns by using coal based direct reduction process.

- **Consistent chemical composition**

  Steel produced by sponge iron has consistent quality due to known inputs. Whereas using scrap leads to using different inputs every time & thus affecting consistency in quality.

The major usage of sponge iron is in the production of steel through Induction Furnace (IF) / Electric Arc Furnace (EAF) and accordingly the demand of sponge iron is closely related to the growth of secondary steel sector.

The steel demand in India is expected to have a steady growth in future and as a scrap substitute, the sponge iron requirement will also grow.

Inputs for Production
Raw Materials

a. **Raw Materials for sponge iron**

Main raw materials required for producing sponge iron are iron ore, coal and dolomite. The consumption norms of Raw Materials are given in the table below:

Sr. No.	Raw Material	Requirement Basis	Total Requirement (MT)
1.	Sized Iron Ore	1.60 – 1.80MT per MT of SI	2,88,000 (At 1.6 MT per MT of SI)
2.	Non-Coking Coal	1.00 - 1.20 MT per MT of SI	2,16,000 (At 1.2MT per MT of SI)
3.	Blast Furnace Grade Limestone	0.025 MT per MT of SI	4,500

i) **Iron Ore**

Iron Ore is a mineral, which, when heated in the presence of a reducing agent, yield metallic iron (Fe). In general, iron ore consists of iron oxides, the primary forms of which are magnetite (Fe_3O_4) and hematite (Fe_2O_3). The iron content of these ores varies widely; however, most deposits need to have an average grade of more than 60 percent Fe for mining to be commercially viable.

Iron Ore with optimum tumbler strength of 80% minimum in the size from 5 to 18 mm is required. The ore should be highly reducible and have a low tendency for sticking and disintegration during heating and reduction and good reducibility of the ore allowing the kiln operation at a relatively lower temperature thereby reducing the instances of ring formation & improving the availability of the kiln with better output rate.

Ore transport and port costs accounts for 50% of the total costs of iron ore. Hence operationally, sponge iron manufacturing units are located in places near iron ore mines. The rich recoverable iron ore are available in the mines at Orissa, Bihar, Hospet, M.P., A.P., Maharashtra and Rajasthan etc. We would make arrangement for sourcing iron ore at least before 3 months of commercial operation.

ii) Non Coking Coal

Non Coking Coal (Coal) will be required for making sponge iron. Coal of 'D' or 'E' grade would be required for manufacturing sponge iron. Coal of desired quantity is available indigenously in the state of M.P, Bihar, Orrisa and Jharkhand. Further it can be freely imported and Kandla Port being near to Project site, transport cost would be low. The coal required should have qualities such as low ash content, low sulphur content and non-coking characteristics.

iii) Limestone
Blast Furnace grade limestone is used in the rotary kiln process as de-sulphuriser in the production of SI, which is available in Kutch area in abundance.

b. **Raw Materials for Rolling Mill**

The major raw material required is SS / MS Billets. The same will be manufactured in house from induction furnace by melting sponge iron and other raw material components such as scrap, ferro alloys.

c. Raw Materials for ferro alloy

The major raw materials required for Ferro Alloy manufactured are:

Ferro alloys	RM per MT output of Ferro Alloy	Total RM requirement per annum
Ferro Chrome	1) Chrome Ore 2.4 MT 2) Coke Breeze Sized 0.50 MT 3) Dolomite 0.25 MT	97920 MT 20400 MT 10200 MT
Low Carbon Silicon Manganese	1) High Silicious Mn. Ore 1.00 MT 2) Quartz Sized Dry 0.70MT 3) High Manganese Ore Slag 0.65 MT 4) Manganese Ore 0.55 MT 5) Coke Breeze Sized 0.40 MT 6) Dolomite 0.40MT	11970 MT 8397 MT 7781 MT 6584 MT 4788 MT 4788 MT
Ferro Silicon	1) Quartz Sized Dry 2.00 MT 2) Charcoal 1.30 MT 3) Iron Scrap 0.25 MT	2640 MT 1716 MT 330 MT
Ferro Manganese	1) Manganese Ore 2.5 MT 2) Coke Breeze Sized 0.67 MT	19500 MT 5226 MT

Availability of Raw Material

Sr. No.	Raw Material	Source
1	Quartz Sized Dry	Mines/ Dealers in Kutchh Region
2	Charcoal	-- do --
3	Coke Breeze Sized Dry Mixture 10-15 mm & 5-10 mm	LAMC plants viz. Gujarat NRE Coke Ltd., Saurashtra Fuels P. Ltd., BLA Industries
4	Iron Scrap	Ship Breaking Yard at Along
5	Electrode Paste	Open market, Gandhidham & Ahmedabad
6	Electrode Casing	-- do --
7	Chrome Ore	TISCO, Orissa Mines Corpn.
8	Quartzite in place of Quartz	Mines in Kutchh Region
9	Dolomite	Mines at Rajasthan
10	Manganese Ore	Mines of Manganese Ore (India) Ltd.

The mix of raw material for manufacturing of Ferro Alloy depends upon the varieties of alloys to be produced and the same can be procured from Orissa, A. P., Bihar and nearby places.

Manpower
Total manpower requirement for the Project is estimated at 664 whose break-up is as given below.

Project	Sponge	Rolling mill	Ferro alloy	Captive power	Total

	iron	mill		power	
Managerial	4	2	5	5	16
Supervisor	80		25	25	130
Semi-skilled	120	40	120	120	410
Un-skilled		10			
Clerical, stores etc.	50	8	25	25	108
Total	254	58	175	175	664

The company proposes to recruit the manpower in a phased manner depending on the progress made in implementation of the Project. Recruitment of skilled/semiskilled manpower would be made locally and is not expected to pose any problem since there are similar plants operating in the state. Engineers and supervisors would also be recruited depending upon the requirement in the phases. The engineers, skilled and semi-skilled workers may also be provided training at SAL if required.

Power

The power requirement for Sponge Iron Project is estimated at 7.56 to 9.72 Million Units p.a. (corresponding with capacity utilization of 70% to 90%), which is proposed to be, generated in-house using waste heat from rotary kiln of SI. However, power plant would be installed in the second phase. Company would procure a DG Set of 1200 KVA (approximately 7.5 million units p.a.) and balance requirement from GEB during this period. After start up of own power plant, DG Set shall be used for emergency power requirement for running the plant uninterrupted.

The power requirement for Rolling Mill is estimated at 17.06 to 18.38 million units p.a. (corresponding with capacity utilization of 65% to 70%), which is proposed to be, generated in-house using waste heat from rotary kiln of SI. The Company would procure power from GEB till the installation of power plant.

The main cost involved in manufacturing of ferro alloys through arc furnace is power cost. Since, Company is setting up sponge iron plant along side, the waste heat generated from the process would be utilized to generate power. The overall cost of power generated through waste heat generation and fluidized bed combustion boiler route would be at around Rs. 1.90 to 2.49 per unit. The implementation of the Project has been planned in the second phase only due to this reason.

The power consumption depends upon type of Ferro Alloy manufactured ranging from 2800 to 9000 units per MT of ferro alloy. The total requirement of power for ferro alloys considering the proposed product mix will be 168 to 197 million units (corresponding with capacity utilization of 60% to 70%). The total requirement of power thus would be in the range of 194 to 225 million units p.a. It is estimated that around 40 MW connected power (approximately equivalent to 200 to 225 million units of power depending upon capacity utilization of 80% to 90% assuming 12% auxiliary consumption and 90% efficiency) would be required to take care of any combination of ferro alloys and other products to be manufactured looking to the requirement of SAL, which is proposed to be, generated in-house using waste heat from rotary kiln of SI as well lignite based boiler with turbines.

Furnace Oil

Furnace Oil will be required during start up of the kiln and for use during emergency. The requirement of furnace oil is 0.35 Ltr. per MT of SI produced. Accordingly, an annual requirement of 63 KL is projected. Fuel Oil will also be required in the furnace for heating of rolling mill. The consumption of which shall be 40 Ltrs./MT and annual requirement would be 1000 KL. Total monthly requirement works out to approx. 88.58 KL at installed capacity. For storage of the same, a storage tank of 50 cu m will be constructed.

Furnace oil may be procured from IOC/ HPCL/ other petroleum companies. It can also be sourced from the dealers at Kandla Port or Gandhidham.

Water

The total water requirement for the Project is estimated as:

Sr. No.	Project	Requirement
1	Sponge iron	Daily consumption 300 cum. (After considering 1700 cum of re-circulation)
2	Rolling mills	Daily consumption 110 cum. (After considering 50 cum of re-circulation)
3	Ferro alloys plants	Daily consumption 30 cum. (After considering 170 cum of re-circulation)
4	Captive power plant	Net consumption 320 cum per day (after re-cycling)

Total daily consumption, thus would be around 760 cum.

Adequate capacity reservoirs (1,000 cum) for the storage of make up water requirement, service water, fire fighting, domestic consumption, would be constructed.

Water softening plants, re-circulating systems consisting of a pump house with sedimentation tank, supply pumps, draft-cooling towers etc. would be provided.

For the purpose of procurement of water, it is proposed to dig bore wells of suitable size and number.

Compressed Air

Compressed Air will be required to operate pneumatic devices and other cleaning purposes. The requirement of compressed air is estimated at 17 N Cum/Hr. for the purpose 3 compressors of adequate capacity would be installed.

Plant and Machinery

The details of status of major plant and machinery required are as follows:

Sponge iron - 500 TPD
Order placed and machinery received

(Rs. In Lacs)

Details of Plant and Mach.	Qty	Cost of Mach.	Name of Supplier	Actual Cost	Date of Receipt	Expt. Date of Receipt
Labour charges for Fabrication of Kiln Shell	-	200.00	Hajee A P Bhava & Co. Contractor for Fabrication (Fabrication from our Materials)	14.17	20.04.04	up to 31.10.04
Steel Casting Girth Gear for Kiln & Coolers	-	101.57	Rathi Ispat Limited	84.90	01.02.04	Up to 15.09.04
Total		301.57		122.47		

Order placed but machinery not received

(Rs. In Lacs)

Details of Plant and Mach.	Qty	Cost of Mach.	Name of Supplier	P.O. Date	Expt. Date of Receipt
Gear Box & Couplings, Various Size	Lot	113.08	Elecon Engneers	22.01.04	Sept.-04
Total		113.08			

Order to be placed

(Rs. In Lacs)

Details of Plant and Mach.	Qty	Cost of Mach.	Name of Supplier	Date of Quotation	Expt. Date of Receipt
Kiln & Cooler - Waste Gas System - Rotary Kiln Shell & Attachment - Rotary Cooler	-	338.25	Kay Bouvet Eng. Pvt. Ltd.	29th Dec. 2003	Nov-04
Electricals, PLC, MCC, Cables…	-	314.10	Simens	Jan 2004	Oct-04
Total		**652.35**			

Sponge iron - 100 TPD

Order is placed and machinery received

(Rs. In Lacs)

Details of Plant and Mach.	Qty	Cost of Mach.	Name of Supplier	Actual Cost	Date of Receipt
Rotary Kiln, Cooler & Accessories	1 Lot	182.18	Hari Machines Limited	174.92	29.02.04 30.03.04
Total		**182.18**			

Ferro alloys

Order placed but machinery not received

(Rs. in Lacs)

Particulars of Machinery Bought / Expected to be bought	Qty	Cost of Mach (Est.)	Name of Supplier	P.O. Date	Expected Date of Receipt
Electrical equipments including 2 Nos. 25 MVA transformers.		365.00	Transformer & Rectifiers (I) Ltd.	04-06-2004	Oct. – 2004

Order not placed

(Rs. in Lacs)

Particulars of Machinery Bought / Expected to be bought	Qty	Cost of Mach (Est.)	Expected Date of Receipt	Remark
Furnace with various equipments and Refractories	For 2 Nos. of 24 MVA Furnaces	1000.00	Oct-04	To be Fabricated in supervision of consultants
Raw material handling & feeding system.	For 2 Nos. of 24 MVA Furnaces	250.00	Oct-04	To be Fabricated in supervision of consultants
Hot metal handling system	For 2 Nos. of 24 MVA Furnaces	200.00	Oct-04	To be Fabricated in supervision of consultants
Electrical equipments		185.00	Oct-04	Reputed Suppliers
Gas handling equipments and other Accessories		400.00	Oct-04	Reputed Suppliers
Erection & Commissioning Charges		150.00	Oct-04	Reputed Suppliers
Auxiliary Equipment	Need Based	250.00	Oct-04	Reputed Suppliers
Total		**2435.00**		

Captive Power Plant

Order is placed but machinery not received

(Rs. In Lacs)

Details of Plant and Mach.	Qty	Cost of Mach.	Name of Supplier	P.O. Date	Exp. Dt of Receipt
- HRSG Boiler-I.-53.2 TPH, HRSG Boiler-ii.-10.3 TPH and FBC Boiler - 110 TPH	1 Each	2657.29	Cethar Vessels Pvt. Ltd	06.01.04	Nov-04
40 MW Steam Turbo Generator with all other equipments	1 Set	2701.26	BHEL, New Delhi	12.02.04	Nov-04
Total		**5358.55**			

Details of orders placed and quotations received

(Rs. In Lacs.)

Particulars of Machinery Bought / Expected to be bought	Cost of Mach (Est.)	Name of Suppliers	Purchase Order / Quotation Date	Expected Date of Receipt

66 KVA Sub-Station,	400.00			
Transformer		Transformer & Ractifiers India Ltd.	P. 07.06.2004	Nov-04
Current Transformer		Indian Transformers Co.	P. 01.07.2004	Nov-04
Potential Transformer				Nov-04
Isolaters		Sterling Isolators P. Ltd.	P. 26.06.2004	Nov-04
Relay Control Panel / Breakers		Cethar Cessels P. Ltd.	Q. 21.07.2004	Nov-04
Cableing, Earthing, Structures			To be done at our site	Nov-04
Internal piping and Flue Gases duct work as under:	1000.00			Nov-04
- Steam Pipeline from Boiler		Cethar Vessel Pvt. LTd.	SPA/PRO/LEO/0059 24.05.2004	Nov-04
- Flue Gas Ducts			Fabrication at Site	Nov-04
- Piping from turbine to condensors			Fabrication at Site	Nov-04
- Pumps		MBK Hydro Systems	MBK/SAL/04-05/1070 dtd. 26/07/2004	Nov-04
- Cooling Tower		Pahapur Cooling Towers Ltd.	LOI of 06.07.20	Nov-04
- Pipe bridges for Foundation			Fabrication at Site	Nov-04
Material Handling & Coal Handling	1000.00	Bevcon Wayors Pvt. LTd.	LOI of 24.07.2004	Nov-04
Dust handling conveyors, screen filters.		Mahindra Engg. & Chem. Prod. Ltd.	BMH/F-1992/04-358 dtd. 29/07/2004	Nov-04
25 nos. of cranes, graders & JCB 10 Nos.		Federal Engineers & Hi-tech Industries	Q. 16.06.2004 P. 19.07.2004	Nov-04

Rolling mill

Order not placed

(Rs. In Lacs)

Particulars of Machinery Bought / Expected to be bought	Qty	Cost of Mach (Est.)	Expected Date of Receipt
Induction Melting Furnace of 5 Mt. & 20 Mt. Capacity	1 Each	202.00	Nov-04
Rolling mill stand with accessories	8 Stands	100.00	Nov-04
Total		**302.00**	

Company has not placed any order nor is willing to consider purchase of second hand machinery.

Details of Collaboration, performance guarantee of assistance in marketing

Information as per para no 6.7.8. of new SEBI (DIP) Guidelines 2000 for Performance Guarantee.

Particulars	GESPL	Electro Zavod (I) Pvt. Ltd.	Cethar Vessels Pvt. Ltd.	Hari Machines Limited	New Hydro Equipment P.Ltd	Transformers and Rectifiers (India) Ltd.
Place of Registration	Mumbai	Kolkatta	Tiruchirapalli	Orissa	Mumbai	Ahmedabad
Year of Incorporation	1996	14/06/73	9/11/ 81	1948	1985	11/07/94
Paid up Share capital (Rs. in lacs)	13.50	38.00	426.16	20.00	7.50	477.68
Turnover of last audited financial year of operation- 2003.2004 (Rs. in Lacs)	65.62	486.87	1,35,80.24	54,00.00	238.00	5055.60
General Information and experience	Drawing, Designing , Consultancy & Engineering Work	Slippering Assembly. Vibrating Fedder. Magnetic Separator. Lifting Magnet. Drum Magnetic Separator. Vibrating Screen. Cable Refilling Drum Hose Reei NG Drum.	Manufacturing of Boilers	Leading Engineering Industry in eastern India engaged In Manufacturing of Machine/Machineries and Spares of sponge iron/Steel and allied Industries Since 1991	Manufacturers of Hyd. Cylinders & Hyd. Systems	Manufacturing of Furnaces

Proposed Capacity Utilisation

Sponge iron

The capacity utilization of sponge iron is as follows:

(In Metric Ton)

Year	2004-05	2005-06	2006-07	2007-08
Installed Capacity on 100 & 500 TPD Kilns	**180000**	**180000**	**180000**	**180000**

Capacity Utilisation	70%	70%	80%	90%
Period Available (Months)	3	12	12	12
Production:	31500	126000	144000	162000

Ferro alloys

The capacity utilization of ferro alloys is as follows:

(In Metric Ton)

Particulars Product:	FC	LC SiMn	FeSi	FeMn
Installed Capacity / Furnace (if operated for single product)	40800	17100	13200	39000
Installed Capacity / Furnace (if operated for single product) for 2 furnaces	81600	34200	26400	78000
%ge devoted for operation	50%	35%	5%	10%
Actual Production achievable at 100%	40800	11970	1320	7800

We will be using two identical furnace and according installed capacity is calculated for ferro alloys products as above considering single ferro alloy product is manufacture on both the furnace. Accordingly installed capacity of four-ferro alloy product has been worked out. The product wise maximum achievable production has been worked out by allocating given utilisation of furnace for each of the ferro alloy products as above.

(In Metric Ton)

Year	2004-05	2005-06	2006-07	2007-08
Capacity Utilisation	60%	60%	70%	70%
Period Available (Months)	2.5	12	12	12
Production:				
- Ferro Chrome	5100	24480	28560	28560
- Low Carbon Silicon Manganese	1496	7182	8379	8379
- Ferro Silicon	165	792	924	924
- Ferro Manganese	975	4680	5460	5460

Rolling Mill

(In Metric Ton)

	MS Products			SS Products	
Particulars Product:	**MS Angles**	**Rounds**	**Structural**	**Flats**	**Round Bars**
Installed Capacity	6000	10000	4000	4000	1000

(In Metric Ton)

Year	2004-05	2005-06	2006-07	2007-08
Capacity Utilisation	60%	65%	70%	70%
Period Available (Months)	3	12	12	12
MS Products:				
- MS Angles	900	3900	4200	4200
- Rounds	1500	6500	7000	7000
- Structural	600	2600	2800	2800

Total (MS Products)	**3000**	**13000**	**14000**	**14000**
SS Products:				
- Flats	600	2600	2800	2800
- Round Bars	150	650	700	700
Total (SS Products)	**750**	**3250**	**3500**	**3500**

Assumption:
Capacity utilisation has been assumed on the basis of expected consumption/ demand of M/s. Shah Alloys Ltd., Promoter Company, captive consumption of sponge iron for our rolling mills and is within the standard utilization pattern of the industry.

Marketing and Selling Arrangement: -

SSL's is setting up the Project for sponge iron and ferro alloys as backward integration for SAL's activities of manufacturing stainless steel.

SAL would be using sponge iron by replacing MS Scrap to the extent of 70% by weight in its consumption for manufacture of its products. SAL's consumption of scrap and ferro alloys for its own production during past four years was as under:

(In Metric Tones)

Year	Installed capacity	Overall Production	Consumption of scrap	Consumption of Ferro Alloys
2000-01	1,80,000	1,49,045	1,18,105	40,352
2001-02	2,60,000	1,62,317	1,22,639	48,574
2002-03	2,60,000	2,01,262	1,37,521	77,702
2003-04	2,60,000	2,24,113	1,49,006	87,381

Ferro alloys Consumption of SAL

(In Metric Tones)

Product:	2000-01	2001-02	2002-03	2003-04
- Ferro Chrome	29593	36416	47251	53144
- Low / Medium / High Carbon Silicon Manganese	9349	10252	11627	15025*
- Ferro Silicon	927	1850	3718	3766
- Ferro Manganese	9042	11659	15265	17024

*includes consumption of low carbon Silicon Manganese of 7050 MT

Note: -
Silicon Manganese is consumed by M/s. Shah Alloys in different category like Low Carbon, High Carbon and Medium Carbon accordingly SSL can also make L. C., H.C and M.C. silicon manganese.

From 2004-05, SAL is expected to reach production of about 2,40,000 TPA, which would require 1,63,990 tones of scrap. With proposed replacement of scrap to the extent of 70% and with consumption being about 12% higher in quantity than the M.S. Scrap, the Sponge iron requirement for said level of production would be of about 1,28,568 tones, say 1.29 lac tones per annum [Source: Union Bank of India Appraisal Report].

Further, for our proposed Rolling Mill also, we would be utilising sponge iron. At 70% capacity utilisation for 2005-06, the total input requirement of sponge iron would be about 13,066 tones. Thus, total sponge iron requirement for us and SAL would be of about 1.42 lac tones for 2005-06 which is almost equal to our proposed production of 1.44 lac tones per annum of SI[Source: Union Bank of India Appraisal Report].

Further, there are many rolling mills/steel casting units in Gujarat, who could be prospective consumers of sponge iron for their own consumption requirements. Thus, there would not be any difficulty in selling any surplus production to such Rolling Mills/Steel Casting Units in Gujarat, who can be tapped as prospective customers.

As regards ferro alloys, SAL's own consumption for the year ended March 31, 2004 is quite high than the proposed installed capacity of ferro alloys (for each of the ferro alloys in the proposed product mix) in SSL. There are good prospects for export of ferro alloys also and as such, SSL should not face any marketing problems for selling ferro alloys.

Rolled Products - like M.S. Rounds, Bars, Angles, Channels and SS Rounds, Bars etc. would be produced in small quantity of about 25,000 tones per annum and SSL will not face any marketing problem particularly for following factors:

i) Main Promoters' vast experience, successful entrepreneurial career and established market connections.

ii) Excise duty and Sales Tax benefits (subject to availability), which would make the product pricing attractive in otherwise competitive market.

Locational Advantage/ Disadvantage

Locational Advantage are as follows:

1. Nearness to Kandla Port : The proposed Project is being set up in Village Bharapar, Taluka Gandhidham, Kutch District, which is 15 Km. away from the Kandla Port. We intend to procure iron ores and non-coking coal through the sea route and thus reduce our transportation cost on the same.
2. Lignite and limestone are available in abundance in the Kutch region
3. Nearness to the consumer of our major products viz. SAL
4. Availability of Excise Benefit and Sales Tax Benefit subject to fulfillment of the applicable conditions

Locational Disadvantage

The area is prone to natural calamities such as earthquake. On January 26, 2001, Kutch district was affected by an earthquake (6.9 scale).

Structural design of building have been carried out keeping in view the earthquake zone –V as per provisions of I.S. Codes No. 1893 : 2002.

Comprehensive insurance cover would be taken by us covering earthquake, cyclone, floods (i.e. all the natural calamities) with other general cover in addition to loss of profit policy. The insurance cover would be taken based on actual creation of assets and increased with progress of the work.

We have taken Erection all risk policy from Bajaj Allianz General Insurance Company Limited for the period July 31, 2004 to December 31, 2004 for Steel Plant Machinery for an amount of Rs. 500 Lacs. With the progress of erection work at the site, the amount of insurance cover will be raised.

Credentials of Industrial Technical Consultant (ITC)

Industrial Technical Consultant, Raipur, is the leading consultancy firm in the field of sponge iron and other steel related projects.

ITC has a team of engineers having proficiency in the respective fields. They also have a service division in which they do the kiln, cooler alignment and other critical equipments maintenance and also give suggestions for soling the teething problems.

The achievements/ associations of ITC are given below:

1. ITC has given consultancy to M/s Shree Shyam Sponge & Power (Pvt.) Ltd., Raipur, for the installation and commissioning of the sponge iron kiln having capacity of 50 TPD. The plant has been commissioned on September 2003 and running successfully with rated capacity and best quality of product.
2. ITC team has successfully erected and commissioned the 50 TPD Sponge Iron kiln at M/s Mangal Sponge & Steel Pvt. Ltd. (Bilha, Near Bilaspur), which is performing at rated capacity and best quality product.
3. ITC is associated with M/s Raipur Alloys Ltd., Raipur, for the installation and commissioning of the sponge iron kiln having capacity of 500 MTPD.
4. ITC is associated with M/s Goa Sponge Iron & Power Ltd., Goa for the installation and commissioning of the sponge iron kiln having capacity of 350 MTPD.
5. ITC is associated with M/s Rengaraa Ispat (P) Ltd., Salem (Tamil Nadu), for the installation and commissioning of the sponge iron kiln having capacity of 350 MTPD and 12 MW power plants.
6. ITC is associated with M/s Nixon Steel & Power Ltd., Rourkela (Orissa), for the instillation and commissioning of the sponge iron kiln having capacity of 350 MTPD.
7. ITC is associated with M/s Bhilai Ispat (P) Ltd., Bhilai, for the instillation and commissioning of the sponge iron kiln having capacity of 50 MTPD X 2 Nos.

Credentials of Ghalsasi Engineering Systems Pvt. Ltd. (GESPL)

Ghalsai Engineering Systems Pvt. Ltd., Pune, is the consultant in the field of Ferro Alloy Plant on turnkey basis.

GSEPL has a team of engineers having wide experience and proficiency in the respective fields. They also have a fully equipped manufacturing unit for all kinds of fabrication activity and also have skilled team along with tools and tackles to undertake the complete erection and commissioning of the furnace and raw material feeding system.

The achievements/ associations of GSEPL are given below:

1. GSEPL has given consultancy to Sri. Vasavi Industries Ltd., West Bengal, for the installation and commissioning of the furnaces for FeCr having capacity of 16MVA and 12MVA.
2. GSEPL has given consultancy to M/s Jindal Steel & Power Ltd., Raigarh, for designing, engineering on turnkey basis plus fabrication and erection of the complete furnace of FeCr Project having capacity of 24MVA.
3. GSEPL has given consultancy to M/s Chhattisgarh Electricity Company Ltd., Raipur, for designing of 9MVA furnaces (2 nos.). The plant has been commissioned with facility to collect the waste gas for on ward transmission to their power plant boiler.

4. GSEPL has given consultancy to M/s S. Chems & Allied Produces Pvt. Ltd., Goa, for installation and commissioning of Arc Furnace for welding Flux having capacity of 200KVA.
5. GSEPL is associated with M/s. Bajaj Sugar Ltd., Kanpur, U.P., for installation and commissioning of their 9MVA Sub-Merged Arc Furnace.
6. GSEPL is associated with M/s. Hindalco Industries Ltd., Bharuch, Gujarat, for installation and commissioning of their 9MVA Sub-Merged Arc Furnace.

Credentials of M. N. Dastur & Co. (P) Ltd. (MNDC)

M.N. Dastur & Co. Pvt. Ltd., Kolkata, a very old and known consultant in power plant installation.

MNDC have a strong multi-disciplinary team of professionals and technical staff with vast experience, fully abreast with the state-of-the-art technology and having an intimate understanding of the latest trends and developments in various fields. MNDC have got ISO 9001 certification from RWTUV.

MNDC are backed up by their International group of Companies of Dastur International Inc (DII), Pattsburgh and Dastur Engineering International GmbH (DEI), Dusseldorf.

The achievements/ associations of MNDC are given below:

1. MNDC has given consultancy to M/s. S. N. Projects Pvt. Ltd. at Bellary, for the engineering of Thermal Power Station having capacity of 60MW.
2. MNDC has given consultancy to M/s. National Aluminium Company Ltd. at Angul, Orissa (a major power project), for the engineering services for expansion of the Captive Power Plant having capacity of 2 x 120 MW.
3. MNDC has given consultancy to M/s. Neyveli Lignite Corporation Ltd., Tamil Nadu, for Project Management, inspection and expediting services for the Thermal Power Plant having capacity of 2 x 120 MW.

MNDC is presently associated with M/s Global Oils & Flats Ltd., Gujarat as consultants for Lignite based Captive Power Plant having capacity of 2.5 MW and 6 MW Captive Power Plant for M/s Anchor Daewoo Industries Ltd., Gujarat.

INDUSTRY OVERVIEW

INTRODUCTION:

One of the most useful and versatile material, steel is considered to be the backbone of human civilization. As the steel industry has tremendous forward and backward linkages in terms of material flow, income and employment generation, the growth of an economy is closely related to the quantity of steel used by it.

One of the important types of Steel is the stainless steel, which has been traditionally used for manufacture of utensils. Stainless steel is the generic name for a number of different steels used primarily because of their corrosion resistance. All stainless steels share a minimum percentage of 10.5% chromium. Chromium is always the deciding factor, although other elements, particularly nickel and molybdenum, are added to improve corrosion resistance.

With development in civilization, various new application of stainless steel have been developed such as:

1. Architecture, building and construction, use in railway coaches,
2. Automotive
3. Chemical, processing and oil & gas industries
4. Power generation
5. Manufacture of LPG cylinders,
6. In portable water treatment plant
7. Food production
8. Medical applications

INDUSTRY STRUCTURE:

a) Sponge iron

The sponge iron industry turned around last year. For the nine months ended December 2003, the industry posted a net margin of 14.47% as compared to 7.16 % in the same period last year. The turnaround was on account of cut in the interest costs and significant improvement in industry parameters at the operating levels (higher sales and higher margins). There was a significant rise in both volumes and prices on account of factors such as:

1. Higher steel prices pave the way for higher sponge iron prices
2. Low supply of sponge iron from gas based producers
3. Rise in scrap prices

(Source: CRIS INFAC)

What is Sponge iron?

Sponge iron is the reduced form of iron ore with an iron content of 83-92%. Also known as Direct Reduced Iron (DRI), it is a quality metallic product. Hot Briquetted Iron (HBI) is a denser and compacted form of DRI designed for ease of shipping, handling and storage. Sponge iron is a substitute of scrap (upto say 70%) used in electric arc furnaces (EAF), induction furnaces and basic oxygen furnaces. It can be prepared by using two alternative technologies:

Coal-based plants, which are of smaller size (typically, 0.1 MMTPA), require low capital investment and uses iron ore lumps as raw materials. Its output is in granular or lump form.

Gas-based plants which are of large sizes (typically, 1 MMTPA), requires higher capital investment, uses iron ore and pellets blend as raw materials and natural gas as reductant. The sponge iron output is of consistent and of high quality.

As per the Ministry of Steel, there are around 56 sponge iron units with an installed capacity of 7.24 million tones as on August 2003. Out of this, 51 units are working with a capacity of 6.88 million tones. There are 3 natural gas based DRI plant with a capacity of about 4.1 million tones.

Though the initial sponge iron plants were coal based, in the early 1990s, several gas-based plants were set up. Despite the advantage of using superior gas-based technology and natural gas as reductant, coal based plants grew significantly in the past due to:

- relatively greater availability of coal
- low availability of natural gas and volatile prices
- Capital-intensive nature of gas based plants where higher capacities have to be created for getting benefits of economies of scale.

(Source : ICRA Sponge Iron)

Production Demand and Supply Scenario - Sponge Iron:

During the early 90s, the sponge iron industry had been specially promoted so as to provide an alternative to steel melting scrap, which was increasingly becoming scarce. The production of sponge iron (Direct Reduced Iron - DRI) during the period 1998 to 2003 as per World Steel in Figures – 2004 Edition by International Iron and Steel Institute is as follows:

Producer	1998	1999	2000	2001	2002	2003
India	**5.1**	**5.3**	**5.5**	**5.7**	**5.7**	**7.1**
European Union	0.6	0.5	0.6	0.3	0.7	0.7
NAFTA	8.4	8.7	8.3	3.8	5.4	6.2
Central and South America	8.4	7.9	9.8	9.2	11.0	11.0
Africa	3.7	4.2	5.1	5.0	5.4	5.7
Middle East	6.5	7.0	8.2	8.6	9.3	9.1
Asia (Excluding India)	2.6	2.8	3.1	2.7	2.8	3.1
World	**37.0**	**38.7**	**42.9**	**39.2**	**44.2**	**47.9**

As per the International Iron and Steel Institute, India has emerged as the largest producer of sponge iron in the world in 2001 and 2003 accounting for about 14.54% and 14.82% respectively of Worlds total production of sponge iron. Production of sponge iron in the country as an alternative feed material to steel melting scrap, which was being imported hitherto in large quantities by the Electric Arc Furnace Units and the Induction Furnace Units, has resulted in considerable savings in foreign exchange.

(Source: Ministry of Steel and International Iron and Steel Institute)

Sponge iron: Capacity forecast
The capacity forecast for sponge iron for 2004-2005 to 2008-2009 as per CRIS Infac Report is as follows:

('000 tones)	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Gas-based	**4,500**	**4,500**	**4,500**	**4,500**	**4,500**
Major Players					
Essar Steel Ltd	2,000	2,000	2,000	2,000	2,000
Ispat Industries Ltd	1,600	1,600	1,600	1,600	1,600
Vikram Ispat Ltd	900	900	900	900	900
Coal-based	**8,389**	**9,079**	**9,079**	**9,079**	**9,079**
Major Players					
Jindal Steel and Power Ltd	650	1,310	1,310	1,310	1,310
Tata Sponge Iron Ltd	390	390	390	390	390
Orissa Sponge Iron Limited	270	270	270	270	270
Monnet Ispat Ltd	230	230	230	230	230
Total	**12,889**	**13,579**	**13,579**	**13,579**	**13,579**

Regional Structure

Regional structure will remain same as witnessed in past trends i.e. Western region followed by Southern region and Eastern region will dominate capacity installation.

Supply of sponge iron will witness CAGR of 8.5% from 2004-05 to 2008-09. Production would be largely concentrated in the western region, due to the existence of large capacities.

Sponge iron: Production forecast
The Production forecast for Sponge iron for 2004-2005 to 2008-2009 as per CRIS Infac Report is as follows:

('000 tones)

	2004-05	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Gas-based	**3,675**	**3,835**	**3,995**	**3,995**	**3,995**
Major Players					
Essar Steel Ltd	1,800	1,800	1,800	1,800	1,800
Ispat Industries Ltd	1,200	1,360	1,520	1,520	1,520
Vikram Ispat Ltd	675	675	675	675	675
Coal-based	**5,035**	**5,746**	**6,352**	**7,180**	**8,074**
Major Players					
Jindal Steel and Power Ltd	618	983	1,114	1,179	1,179
Tata Sponge Iron Ltd	318	318	348	363	371
Orissa Sponge Iron Ltd	203	216	216	230	230
Monnet Ispat Ltd	207	219	219	219	219
Total	**8,710**	**9,581**	**10,347**	**11,175**	**12,069**

(Source: CRIS INFAC - Annual Update June 2004 - Steel Intermediaries)

Increase in production in sponge iron from 2004-05 to 2008-09 can be attributed to:

- Increase in average capacity utilisation rate from 67.58% in 2004-05 to 88.89% in 2008-09.
- Capacity additions / expansion in coming years

Demand Scenario

Sponge iron: Apparent consumption

('000 tones)

	Production	Imports	Exports	Consumption
1990-91	868	1	-	869
1991-92	1,310	2	-	1,312
1992-93	1,504	1	-	1,505
1993-94	2,419	1	-	2,420
1994-95	3,386	2	-	3,388
1995-96	4,326	2	-	4,328
1996-97	5,009	1	372	4,638
1997-98	5,345	2	374	4,972
1998-99	5,207	2	169	5,040
1999-2000	5,340	1	53	5,287
2000-01	5,481	0	-	5,481
2001-02	5,658	1	0	5,659
2002-03	6,909	1	0	6,910
2003-04 E	8,085	0	0	8,085
E: Estimate				

(Source: Steel Scenario and SIMA (From CRIS INFAC - Annual Update June 2004 - Steel Intermediaries))

As per Vision -2020 of Indian steel ministry, there is likely to be shortfall of metallic in India to the tune of 22.0 million tons by the year 2011-12.

Further additions in electric steel capacity is expected over the next decade, due to the availability of low cost power generated through co-generation with sponge iron production, this shortfall of DRI is likely to increase top levels of around 22 million tones by 2011-12. This metallic shortfall is to be met either through scrap import or the creation of additional DRI capacity.

As far as the creation of additional DRI capacity in India is concerned, it should be noted that prospects of installing of new gas based DRI plants are very remote, keeping in view the natural gas allocation policy followed by the Government. Accordingly any new DRI capacities to be created would necessarily have to be based on coal-based route.

(In Million Tons)

	2006-2007	2011-2012
Total Metallic Requirement	30.0	60.0
Scrap Availability	9.0	18.0
DRI/ HRI Availability	10.0	20.0
Short fall in Metallic	11.0	22.0

Note: 1. DRI/HBI production assumed at 2006-2007 with 85% capacity utilization
2. Scrap availability includes indigenous scrap generation and imports

(Source: Iron and Steel Review, June 2004)

b) Ferro alloy

Ferro alloys are alloys of iron with a high proportion of elements such as manganese, silicon, chromium, and molybdenum. Ferro-alloys are used in the manufacture of alloy steels. Each alloy is generally named after the added metal – for example, ferrochromium.

Ferro alloys can be further classified as bulk and noble ferro alloys. India is having one of the largest deposits of manganese ore and chrome ore in the world. Growth of ferro alloy industry is directly linked to growth of stainless steel industry.

According to a study carried out by the Joint Plant Committee (Iron and Steel - Performance Review 2002-2003), power tariffs in India varies significantly from region to region and is 212 paise per KwH in Andhra Pradesh to 438 paise per KwH in Karnataka. The average estimated power tariff in India is roughly around 300 paise per KwH. Power tariffs in India is high by 3 to 8 times as compared to the power tariffs available to other ferro alloy producing countries. Power tariff in South Africa is lowest at 48 paise per KwH. 60% of the world's production ferro alloys are from South Africa and they are dominating the prices in the world market. Power cost alone is working out 30% to 40% cheaper on the products in South Africa as compared to India.

Capacity and Performance of the Industry

Ferro alloys industry is a power intensive industry. The total load of the Industry has grown almost 8 to 9 times from 130 MVA in the mid sixties to over 1000 MVA. The installed capacity of the Industry is now 1.7 million tones of bulk and noble ferro alloys. The capacity of manganese alloys is around 8,14,000 tones; ferro silicon 2,04,000 tones and ferro chrome/charge chrome about 6,25,000 tones and noble ferro alloys viz., ferro molybdenum, ferro vanadium, ferro tungsten, silico magnesium, ferro titanium, ferro phosphorous, etc. around 50,000 tones. The capacity utilization during 2001-02 was around 50%. The production has gone down by 8.28% as compared to the previous year, due to high power tariff, cut throat competition in international market and stagnation in the steel demand and production in the country.

The ferro alloy units have incorporated the latest technology in order to use non-metallurgical grade ores both lumps as well as fines, after necessary beneficiation and agglomeration. The Units have also incorporated effective pollution control measures, in the form of gas cleaning, deoxidizing and waste heat recovery.

Ferro alloys Production during the last five years is given hereunder:

(in lakh tones)

Year	Quantity
1998-99	7.24
1999-2000	7.29
2000-2001	9.02
2001-2002	8.28
2002-2003 (upto 31.12.2002 (estimated))	6.45

(Source: Indian Ferro Alloys Producers' Association, Mumbai (Ministry of Steel – Annual Report 2002-2003))

Export of ferro alloys

Exports, which were around 15% of the production when the liberalized policy was introduced in 1991-92, are now around 35% of the total production. In terms of value, exports, which were about Rs.25000 Lacs, had crossed Rs.50000 Lacs in 1997-98. However, there was a slow down in the exports during 1999- 2000; dropping to Rs.39250 Lacs due to global recession in the steel industry. The export of ferro-alloys touched an all time high of Rs.55460 Lacs during 2000-2001. However, it dropped to Rs. 27310 Lacs in

2001-2002 as it was unable to compete in the international market due to high power tariff. The Industry has already established itself as a regular exporter of high carbon ferro chrome/charge chrome and silico manganese. It has potential to export manganese alloys, ferro silicon, ferro vanadium, silico magnesium, etc.

The reputed exporters have obtained 9002 certification. Details of export of ferro alloys for last five years are given hereunder:

Year	Quantity(in lakh tones)	Value(Rs. In Lacs)
1997-98	2.59	50450
1998-99	2.48	51900
1999-2000	2.06	39250
2000-2001	2.70	55460
2001-2002	1.52	27310
2002-2003(upto 31.12.2002 estimated)	1.00	18000

Source: Indian Ferro Alloys Producers' Association, Mumbai (Ministry of Steel – Annual Report 2002-2003)

Development of Indian Steel Sector since 1991:

The economic reforms initiated by the Government since 1991 have added new dimensions to industrial growth in general and steel industry in particular. Following are the highlights of same:

- Licensing requirement for capacity creation has been abolished, except for certain locational restrictions.
- Steel industry removed from the list of industries reserved for the public sector.
- Automatic approval of foreign equity investment upto 100%
- Price and distribution controls removed from January, 1992
- Restrictions on external trade, both in import and export have been removed.
- Import duty rates have been reduced drastically.
- Certain other policy measures such as - reduction in import duty of capital goods, convertibility of rupee on trade account, permission to mobilise resources from overseas financial markets and rationalisation of existing tax structure for a period of time have also benefited the Indian Steel Industry.

Evolution of stainless steel industry:

Stainless steel production started in Alloy Steel Plant in late sixties and by early eighties production was more than 50,000 tonnes per years. Eighties saw emergence of many new capacities in private sector and by end eighties production was more than 250,000 tonnes per year.

In the past decade SS production has increased from 10 million tonnes to 19 million tonnes (90% growth) whereas carbon steel production has stagnated with production growing from 770 mt to 787 mt only.

SOURCE: CRISINFAC

Main Types of Stainless Steel (SS)

Martensitic
Martensitic steels are magnetic, containing typically 12% chromium and a moderate carbon content. They can be hardened by quenching and tempering like plain carbon steel, and are mainly used in cutlery manufacture, aerospace and general engineering.

Ferritic
Ferritic steels are magnetic. They have low carbon content and contain chromium as the main element, typically 13-17%. Ferritic stainless steels are used in sinks and architectural applications.

Austenitic
Austenitic steels (the 200, 300 series) are non-magnetic, and in addition to chromium, typically at 18%, they contain nickel, which increases their corrosion resistance. These are the most widely used stainless steels due to their superior corrosion resistance and strength. Austenitic are used in process industries, kitchen applications, cryogenic applications and high-temperature applications.

Other grades
The other grades of stainless steel include precipitation hardening, duplex and highly alloyed grades used in aerospace and specialised applications.

Industrial End User Segment

a) **Capital Good/process equipment industry**
This segment covers application of SS in equipment fabrication for various industries in 17 sub-segments like Refinery, Fertilizer, Textile, Sugar, Dairy, Food Machinery etc.
The total consumption of SS in this segment is over 70000 tonnes the third largest consuming segment after utensils.

b) **Transportation Sector**
The exhaust casing of cars is to be fitted with catalytic converters made with Ferritic stainless steel.

c) **Miscellaneous applications**
This segment includes other applications of stainless steel as LPG cylinders for automobiles and cooking, commercial kitchens, domestic appliances, commercial refrigeration, domestic kitchen sinks, razor blades, coinage, washing machines etc.

d) **Utensil Sector**
This is the largest area of application for the SS industry. Utensil manufacture is mostly in the small scale / unorganised segment (Over 3000 units).

Total Demand	1999-00	2002-03
Industrial (300/400)	200,000	240,000
Utensil (low Ni high Mn Aus SS)	550,000	760000
Total	**7,50,000**	**1,000,000**

(Source: *CRISINFAC)*

GLOBAL SCENARIO:

In 2003 World Crude Steel output at 945 million metric tons was 6.7% more than the previous year. China remained the world's largest Crude Steel producer in 2003 also (220.12 million metric tons) followed by Japan (110.51 million metric tons) and USA (91.36 million metric tons). India occupied the 8th position (31.78 million metric tons). Asia accounts for about 40% of global demand, which is expected to reach 50% in the next few years as demand growth is projected to be more in this region. USA remained the largest importer of semi-finished and finished steel products in 2002 followed by China and Germany. Japan remained the largest exporter of semi-finished and finished steel products in 2002 followed by Russia and Ukraine.

The following significant developments have been witnessed recently in the global steel scenario:

- spate of mergers and acquisitions all over the world in the steel industry involving cross border acquisitions and mergers.
- China has emerged as the most vibrant market for steel production and consumption.
- crisis of excess capacity and prevalence of market distorting practices in the global steel market has induced protectionist measures from a number of steel trading countries.
- IISI has projected an increase by 6.2% or 53 million metric tonnes in 2004 in the global consumption of finished steel products. IISI has split the growth into two separate areas, China and the Rest of the World (ROW). Steel consumption in China has been estimated to increase by 13.1% or 31 mmt in 2004.

Stainless Steel production:

In past 5 years from 2002, production of SS in India has outperformed production of SS globally. Worldwide production of SS has grown 16.246 million tones in 1998 to 19.445 million tones in 2002 registering a CAGR of 4.60% appx. On the other hand, production of SS in India has shown a CAGR of 15.23%. Indian contribution to global SS production increased from 3.84% in 1998 to 5.66% in 2002. India also achieved the distinction of producing more than million tones of SS in 2002.

World Production of Stainless Steel **('000 tones)**

	1998	**1999**	**2000**	**2001**	**2002**
Europe	7,161	7,429	7,961	7,730	8,131
Africa	430	481	532	516	560
Asia	6,272	6,691	7,449	7,384	7,950
America	2,383	2,682	2,752	2,358	2,804
Total	**16,246**	**17,283**	**18,694**	**17,988**	**19,445**
India	624	652	700	760	1100

(Source: World Stainless Steel Statistics – 2003 edition)

Stainless Steel consumption:

Worldwide consumption of steel has shown increasing trend over a period from 1998 to 2002. Consumption has shown a compounded growth of 5.85% from 1998 to 2002. In sync with worldwide trends consumption in India has also shown increase in consumption registering compounded annual growth of 11.5%. The increase in consumption is attributed to increase in utilization of SS in infrastructure sector

World Consumption of Stainless Steel **('000 tones)**

	1998	1999	2000	2001	2002
Western Europe	4,604	4,757	5,400	4,823	4,966
Asia	3,472	3,970	4,431	4,357	4,273
America	2,643	2,731	2,772	2,391	2,468
Other Countries	884	1,040	1,198	1,195	1,446
C.I.S	160	180	190	200	150
Eastern Europe	157	164	180	225	245
P.R.China	1,391	1,663	1,879	2,282	3,161
Total	**13,311**	**14,505**	**16,050**	**15,473**	**16,709**
India	550	610	660	700	850

Source: *World Stainless Steel Statistics – 2003 edition*

Per capita Stainless Steel consumption for 2002:

As per World Stainless Steel Statistics, 2003, Per capital steel consumption is India is one of the lowest in world. It is 0.80kg per person compared to 6.90kg in developed country like USA. Per capita consumption is low even in comparison with developing economies. In countries such as Taiwan and Italy, the per capita stainless steel consumption is 31.5Kg. and 24.4 Kg. respectively for the year 2002. World average stainless steel consumption excluding India and China is 8.60Kg for 2002.

OUTLOOK AND FUTURE PROSPECTS FOR STAINLESS STEEL INDUSTRY:

- **Profitability to increase in FY05**
  In FY05 the profitability of stainless steel producers is expected to increase, on account of higher prices and larger volumes. Operating margins are expected to increase due to higher topline growth and improved operating efficiencies. Operating margins will get a further boost from a general increase in international stainless steel prices due to improved demand.

- **Industry tapping new areas of growth**
  The Stainless Steel industry has targeted the transportation, architecture, building and construction segments, which are expected to boom in the next five years. This apart, the stainless steel majors are also trying to tap new areas such as LPG cylinders.

  Efforts are on to increase the per capita consumption of stainless steel in the country by roping in new customers, such as Indian Railways, who buy steel in bulk. The Indian Stainless Steel Development Association (ISSDA) is in talks with the Railways to convince them to use only stainless steel to manufacture the coaches for long-distance trains.

- **Increased global demand**
  Demand for carbon steel in coming years will be fuelled by surge in demand for steel from China due to infrastructure initiatives, hosting Olympics. Thus, sponge iron and stainless steel will witness increased demand keeping prices under pressure.

- **Overall growth in market due to sound fundamentals like GDP growth, increase in household.**

IMPLICATION OF BUDGET 2004-05:

Budget 2004-05 (provisional) has made certain provisions, which can have impact on SSL and industry as a whole.

- Reduction in custom duty from 20% to 15% on ferro alloys and Stainless Steel and from 15% to 10% on all primary, semi-finished & finished forms of iron and steel like ingots, billets, sponge iron, hot & cold rolled bars/rods/coils of non-alloy steel.

- The excise duty on steel products has been increased from 8 per cent to 12 per cent. The government has also indicated its intention of keeping steel prices in check. This will restrict player flexibility in terms of raising prices. The increase in excise duty will be beneficial for SSL to the extent of increase on account of reimbursement of excise duty which may be available to the company for 5 years (Please refer to the Tax Benefit Statement)

- In the long term, initiatives on the rural housing and water management front will have a favorable impact on demand.

- The imposition of an education cess of 2 per cent will result in a marginally higher landed cost. The education cess paid on domestic sales (on excise duties) is likely to be passed on to customers.

(Source: CRISIL Report on Budget 2004-05)

OUR HISTORY

Incorporation & Initial Progress

Incorporation:
We were incorporated on November 06, 2003 under the Companies Act, 1956 as a private limited company and as such did not require any certificate of commencement of business. Pursuant to conversion from a private limited company to public limited company, a fresh Certificate of Incorporation was issued on December 17, 2003 and our name was changed from S.A.L. Steel Private Limited to S.A.L. Steel Limited.

Main Objects of the Company

Our main objects as set forth in our Memorandum of Association are:

(A) The main object of the Company to be pursued by the Company on its incorporation are:

To carry on in India or elsewhere the business of manufacturing, producing altering, converting, processing, treating, improving, manipulating, extruding, milling, slitting, cutting, casting, forging, rolling and re rolling of all shapes, sizes, varieties, specifications, dimensions, descriptions and strength of iron and steel products including sponge iron, iron ore, hot rolled coil, billets, slabs, bars, rods, structures, profiles, pipes, sheets, castings, wires, rolling metals, girders, channels, angels, rolls. ingots, flats, slabs, torsteels, bright bars, shaftings, beams, rounds, squares, hexagons, octagons, foils, joints, de- formed bars, their products, by-products and other allied materials, goods, articles and things made of all grades of iron and steel including steel rolling products, mild steel, carbon steel, stainless steel, electrical steel, alloy steel, special steel or any combination thereof with any other ferrous or non-ferrous materials and to act as agent, distributor, stockist, importer, exporter, buyer, seller, job worker, convertor, consultant, supplier, vendor.

To carry on in India or elsewhere the business of manufacturing, producing, altering converting, processing, casting, treating, improving of all varieties, shapes, sizes, specifications, descriptions and strengths of Ferro Alloys inclusive of but not restricted to Ferro Chrome, Ferro Manganese, Ferro Silicon, Silicon Manganese, Ferro Molybdenum, Ferro Titanium, Ferro Aluminum or any combination thereof and any other ferrous and non-ferrous materials and to act as agent, distributor, stockiest, importer, exporter, buyer, seller, job worker, converter, consultant, supplier, vendor.

Changes in the Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Amendment	Amendment
December 05, 2003	Clause I: Change in the name of the company pursuant to change in the status of the company from Private Limited to Public Limited. The certificate for change of name was issued on December 17, 2003.
May 31, 2004	Clause V: Increase in the authorized share capital of the company from Rs. 10,00,000 (1,00,000 equity shares of Rs. 10 each) to Rs. 50,00,00,000 (5,00,00,000 equity shares of Rs. 10 each)
June 25, 2004	Clause V: Increase in the authorized share capital of the

	company from Rs. 50,00,00,000 (5,00,00,000 equity shares of Rs. 10 each) to Rs. 95,00,00,000 (9,50,00,000 equity shares of Rs. 10 each)
August 05, 2004	Alteration of other object clause under section 17 of the act for inserting new sub-clause 32 and registered with RoC on August 25, 2004
August 31, 2004	Alteration in Main Object clause under section 17 of the act by inserting new sub-clause 2 after existing sub-clause 1 in clause III of the Main Object and registered with RoC on September 01, 2004

The details of the capital raised are given in the section “Capital Structure” on page ■ of this Draft Red Herring Prospectus.

SELECTED FINANCIAL DATA

The following financial data have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and restated as described in the Auditor's Report of J. Vageriya & Associates, Chartered Accountant dated July 22, 2004 in the section entitled "Financial Statements" on page ____ of this Draft Red Herring Prospectus. You should read this financial data in conjunction with our financial statements (as restated) for period ended March 31, 2004 and June 30, 2004 including the notes thereto and the reports thereon, which appear elsewhere in this Draft Red Herring Prospectus, and "Management's Discussion and analysis of financial condition and results of operations".

The accompanying significant accounting policies and notes are integral part of this statement.

ANNEXURE – I STATEMENT OF PRE-OPERATIVE EXPENDITURE PENDING ALLOCATION

(Rs. in Lacs)

Particulars	**As at June 30th 2004.**	**As at March 31st 2004**
Auditors Remuneration	0.16	0.11
Advertisement exps	0.43	0.43
Bank commission & charges	0.59	0.39
Car Finance Charge	0.13	0.05
Traveling & Conveyance Expenses	2.34	0.62
Commission & Brokerage exps	0.03	0.03
Depreciation	0.39	0.18
Electric Exps.	5.35	0.43
Employees Welfare Exps	1.24	0.33
Freight Expenses	0.95	-
Guest House Expenses	1.32	0.91
Labour charge expenses	0.36	0.09
Laboratory Expenses	0.11	0.08
Legal & Professional Exps.	23.04	5.90
Machinery Maintenance Exps	0.32	0.11
Office & General Expenses	0.55	0.22
Rent Exps	9.46	6.63
Professional Tax Exps & Sales Tax	0.02	0.02
Rates & Taxes exps	0.77	0.77
Salary Exps.	14.12	5.50
Security Service Exps.	3.85	1.15
Stationary & Printing Exps	0.71	0.31
Subscription Exps	0.01	0.00
Vehicle Exps	0.80	0.48
Postage & Telephone Expenses	0.46	0.11
TOTAL	**67.50**	**24.85**

The accompanying significant accounting policies and notes are integral part of this statement

ANNEXURE – II STATEMENT OF ADJUSTED ASSETS AND LIABILITIES

(Rs. in Lacs)

Particulars	**As at June 30th 2004**	**As at March, 31st 2004.**
(A) Fixed Assets		
Gross Block	283.95	46.19
Depreciation	0.39	0.18
Net Block	283.56	46.02
Capital Work-in-Progress (including advances paid for capital expenditure)	2501.86	1501.77
Pre-operative Expenditure	67.50	24.85
Total	**2852.92**	**1572.64**
(B) Investment	-	-
(C) Current Assets, Loans and Advances		
Inventory	-	-
Sundry Debtors	-	-
Cash and Bank Balance	19.85	11.16
Other Current Assets	-	-
Loans & Advances	11.04	3.59
Sub-Total (C)	**30.89**	**14.75**
(D) Less: - Liabilities and Provisions:		
Current Liabilities & Provisions	684.78	341.38
Deferred Tax (Assets) / Liabilities	-	-
Secured Loans	4.63	5.05
Unsecured Loans	0.52	1236.29
Sub-Total (D)	**689.93**	**1582.72**
(E) Net Worth (A+B+C-D)	**2193.89**	**4.68**
Net Worth Represented By		
(F) Share Capital	1855.00	5.00
(G) Reserve & Surplus		
Share Premium	370.00	-
Total	**2225.00**	**5.00**
(H) **Miscellaneous Expenditures to the extent not written off**	31.11	0.32
(I) Net Worth (F+G-H)	**2193.89**	**4.68**

The accompanying significant accounting policies and notes are integral part of this statement

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

You should read the following discussion of our financial condition and results of operations together with our audited financial statements for the period ended March 31, 2004 and June 30, 2004, including the notes thereto and the reports thereon, which appear elsewhere in this Draft Red Herring Prospectus. These financial statements are prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and restated as described in the Auditor's Report of M/s. J. Vageriya & Associates, Chartered Accountant in the section with the title "Financial Statements".

The following discussion is based on our audited financial statements (as restated) for the period ended March 31, 2004 and June 30, 2004, which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and on information available from other sources. Our fiscal year ends on March 31 of each year. We have been in operation for 5 months for the period ended March 31, 2004.

Overview:

We were incorporated on November 06, 2003 as a private limited company under the Companies Act, 1956 and subsequently converted into a Public Limited Company on December 17, 2003. Our proposed operation are a step towards backward integration for our Promoter, Shah Alloys Limited existing operations. We are setting up a Project in Vill. Bharapar, Kutch District to manufacture sponge iron and ferro alloys. We will be also setting up rolling mills and captive power plant. A majority of our production of sponge iron and ferro alloys will be consumed by SAL. Toward this end we have entered into a supply agreement with SAL for sale of sponge iron and ferro alloys. Since we have not yet commenced commercial production, expenditure incurred till date has been taken in pre operative expense.

Proposed Installed Capacities:

The Project is proposed to be implemented in two phases. The installed capacities for various products are as follows:

Sr. No.	Product	Phase I Capacity	Phase II Capacity	Total Capacity
1	Sponge iron (SI)	1,80,000 MTPA	-	1,80,000 MTPA
2	Ferro alloys (FA)	30,945 MTPA	30,945 MTPA	61,890 MTPA
3	Rolling mills (RM)	25,000 MTPA	-	25,000 MTPA
4	Captive Power Project	-	40MW	40MW

Supply Agreement with Shah Alloys Limited

Our Company has, on August 30, 2004 entered into a supply agreement ("**Agreement**") with its parent company, SAL, for the supply of sponge iron and ferro alloys ("**Products**") manufactured by us. The following is a summary of the principal terms of the Agreement:

1. The Agreement is valid for five years from the date of execution and renews automatically unless terminated in accordance with the provisions detailed therein.

2. SAL is required to purchase the products from us by issuing a purchase order on the commencement of production by our Company and at the beginning of every quarter thereafter. SAL has given an express undertaking to our Company that it shall, during the Term, purchase up to 100% of the ferro alloys and 85-90% of the sponge iron produced by us during each year.

3. The price of the Products shall be determined in accordance with the prevailing market price for the Products The Agreement provides for a mechanism for revision of the price charged by us for the Products.

4. The Agreement allows SAL to purchase materials similar to the Products from the open market or third parties only in the following circumstances:

    a. When our Company has delayed delivery of the Products beyond a period of 15 days from the date specified in the particular purchase order or otherwise agreed to between the parties; or
    b. When our Company makes significantly adverse departures from SAL's specifications under the purchase orders issued pursuant to the Agreement.
    c. When SAL's quantitative requirement exceeds the capacity of our Company to produce and supply the Products, provided that such purchases from the open market or third parties are limited to the excess requirement of SAL.

5. The Agreement provides for termination as follows:

    a. Either party may terminate the Agreement immediately upon the happening of the following event:

        i. If either party passes a resolution for winding up or a court of competition jurisdiction passes an order that either party shall be wound up (in either case other than for the purpose of reconstruction) or if a receiver or manager on behalf of a creditor is appointed, or if circumstances shall arise which would entitle a court or a creditor to appoint a receiver or manager or which would entitle a court to make a winding up order or

    b. Our Company has the option to terminate the Agreement immediately upon the happening of the following events:

        i. On the purchase price payable to our Company by SAL remaining unpaid beyond the credit period of 45 days; or

        ii. At any time during the Term of this Agreement, substantial change in operational needs occur, making it impracticable for SAL to take deliveries as mentioned in the Purchase Order or to place further Purchase Orders with the Company, SAL shall notify such change to the Company promptly and on such notice, both the parties may meet immediately in order to bring about an agreement satisfactory to both. In the event that no such agreement is reached, this Agreement shall stand terminated without any financial implication on either side without prejudice to the rights of either party on any matter pertaining to the performance of the contract prior to and/or upon such termination. Provided that SAL undertakes that if it is purchasing or proposing to purchase or utilize any quantity of Sponge Iron and Ferro Alloys, first preference for supplying the same shall be given to the Company.

6. Dispute resolution under the Agreement will be in accordance with the provisions of the Arbitration and Conciliation Act, 1996 and the parties have submitted to the jurisdiction of the courts in Ahmedabad.

7. SAL is not permitted to assign the Agreement without the prior written consent of our Company. We, the Company, however, are free to assign the whole or any part of the Agreement and are required only to notify SAL of such assignment. The person to whom the Agreement is assigned shall be subject to the terms and conditions of this Agreement.

Liquidity and Capital Resources

Liquidity

Liquidity is requirement for timely implementation of the Project, in turn to avoid any cost over run. In the past to meet our liquidity requirements, we have primarily relied upon borrowings and fresh issue of capital.

Cash Flow

The table below summaries the cash flow for the period ended March 31, 2004 and three months ended June 30, 2004.

(Rs. In Lacs)

Particulars	**Financial Period ended March 31st 2004.**	**Three Months ended June 30th 2004**
Cash flow from Operating Activity	NIL	NIL
Cash flow from Investing Activity	(1235.18)	(975.11)
Cash flow from Financing Activity	1246.34	983.80
Net Cash Increase / (Decrease) in Cash & Cash Equivalents	11.16	8.69

Fresh Issue of Shares

During the three months ended June 30, 2004, 1,85,00,000 shares of the face value of Rs. 10 each were issued at a premium of Rs. 2 each to Shah Alloys Limited. With this subscription, Shah Alloys Limited joined in as a promoter of our company. These shares were issued for cash against Inter corporate deposit held by Shah Alloys Limited in our company.

Subsequent to June 30, 2004, further 2,44,16,700 equity shares of the face value of Rs. 10 each were issued to SAL, Rajendra V. Shah, Rajendra V. Shah HUF, Ragini Shah and others at a premium of Rs. 2 per share. The details of the same are as follows:

Name	**No. of Shares**	**Issue Price (Rs.)**	**Consideration (Rs.)**	**Promoter/ Others**
Shah Alloys Limited	1,06,66,600	12.00	12,79,99,200	Promoter
Rajendra V. Shah	92,80,800	12.00	11,13,69,600	Promoter
Ragini Shah	4,16,700	12.00	50,00,400	Promoter

Rajendra V. Shah HUF	29,58,400	12.00	3,55,00,800	Promoter
Jayesh V. Shah HUF	50,000	12.00	6,00,000	Promoter Group
Others	10,44,200	12.00	1,25,30,400	Others

Information required as per Clause 6.8 of SEBI Guidelines

1. Unusual or infrequent events or transactions

There have been no events, to the best of our knowledge, other than as described in this Draft Red Herring Prospectus in section "Financial Statements" on page ___, which may be called "unusual" or "infrequent".

2. Significant economic/regulatory changes

There have been taken no significant economic and regulatory changes other than those mentioned in this Draft Red Herring Prospectus.

3. Known trends or Uncertainties

Uncertainty exist over the availability and price of our raw materials viz. Iron Ore, Coal etc, finished product viz. sponge iron, ferro alloys etc. and the finished product of our promoter viz. stainless steel. Prices over the past 12 months,

Rs. per metric tonne (MT):

Month	Sponge iron	Ferro Chrome	Silicon Manganese	Stainless Steel Flats	Stainless Steel Bars
June 04	9928	34733	48000	36747	60911
May 04	11652	35999	47765	39670	40565
April 04	11500	34801	48693	39225	41268
March 04	11500	32229	42453	41050	40855
Feb 04	9250	33253	37698	38015	38055
Jan. 04	9921	29267	37442	37260	35964
Dec. 03	9250	28526	34705	33270	34350
Nov. 03	8964	27164	34269	33167	33198

Source: Average cost of sponge iron, ferro chrome, silicon manganese and stainless steel has been taken as purchase cost of Shah Alloys Limited.

The risk on account of the above price fluctuation is reduced to a significant extent considering the fact that a rise in the price of basic raw material will be passed on in the form of increased price of the finished product.

Other than as described elsewhere in the Draft Red Herring Prospectus, to our knowledge, there are no known trends and uncertainties that have or had or are expected to have a material adverse impact on revenue or income of the company from continuing operations.

4. Future relationship between costs and income

Other than as described elsewhere in this Red Herring Prospectus, to our knowledge, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company.

5. Total turnover of each major industry segment in which the Company operates

Not applicable since SSL has not yet commenced commercial production.

6. New Products or business segments

SSL will operate in 3 business segment – sponge iron, ferro alloys and rolling mills. It will also set up captive power plant at the site for captive consumption. A majority of the output of captive power plant will be consumption for the ferro alloys Unit.

7. Seasonality of business

Our business is not seasonal

8. Dependence on single or few suppliers / customers

The operations of our Company has been proposed as a backward integration for the operation of our parent, SAL. Our production will be used as captive consumption in SAL. We have also entered into supply agreement with SAL for the same. Hence, we will cater to only few customers and our financial viability will depend on the financial operations of SAL. In addition to our dependence on SAL for the off take of our products namely sponge iron and ferro alloys, we intend to utilise their experience in the marketing of our rolling mills product. Further, for our proposed Project, SAL will be fabricating certain machineries on site on our behalf.

Our dependence on SAL also extends to equity contribution by SAL. As discussed above in the para Fresh Issue of Shares, SAL's holding in our pre issue share capital is 2,91,66,600 equity shares of Rs. 10 each, aggregating Rs. 2916.66 lacs.

9. Competitive Conditions

Our Company faces significant competition from:

1. Other coal based manufacturers of sponge iron
2. Gas based manufacturers of sponge iron
3. Manufacturer of ferro alloys and rolling mills products

However, the extent of this competition is reduced, considering the fact that our promoter, SAL, shall consume a majority of the products produced by us.

10. Significant developments after June 30, 2004 that may affect our future results of operations

Save as stated elsewhere in the Red Herring Prospectus, to our knowledge, no circumstances have arisen since the date of the last financial statement as disclosed in the Red Herring Prospectus which materially and adversely affect or is likely to affect the trading or profitability of our Company, or the value of our assets, or our ability to pay our liability within the next twelve months.

OUR MANAGEMENT

Board of Directors

As per Article 115 of our AoA, the number of directors of the Company shall not be less than three and not be more than twelve, excluding special director, Debenture Director and Corporation Director, if any.

A Board of Directors comprising 7 Directors currently manages our Company. Shri Rajendra V. Shah is currently our Chairman and Managing Director.

Our present Board of Directors comprises the following members:

Sr. No.	Name, Designation, Father's Name, Address, Occupation and Term	Age (Years)	Other Directorships
1.	Shri Rajendra V. Shah Chairman and Managing Director S/o Shri Vijay Kumar Shah "Navkar Bunglows", Manichandra Society, Near Surdhara Circle, Thaltej, Ahmedabad – 380 059 Business Chairman and Managing Director Term: For 5 years beginning May 03, 2004. Not to retire by rotation.	49	Chairman & Managing Director Shah Alloys Limited
2.	Smt. Ragini R. Shah Director W/o Shri Rajendra V. Shah "Navkar Bunglows", Manichandra Society, Near Surdhara Circle, Thaltej, Ahmedabad – 380 059 Business Non Executive Director Term: Liable to retire by rotation	43	Director Shah Alloys Limited
3	Shri Ambalal C. Patel S/o Shri Chhitabhai Patel 14/B, Shreyansnath Society, Behind Dharnidhar Derasar, Vasna, Ahmedabad 380 007 Profession Non Executive Director Term: Liable to retire by rotation	60	**Director** Shree Precoated Steel Limited Panchmahal Steel Limited Gujarat Setco Clutch Limited Jindal Hotels Limited Shree Gajanand Papers Pvt. Limited Shree Vaibhav Papers Pvt. L`td.
4.	Shri Mahendra Shah Director S/o Shri Kantilal Shah A/2, Nilkanth Appt., Behind Vishramnagar, Near Subhash Chock, Memnagar, Ahmedabad 380 059 Consultant (Marketing) Non Executive Director Term: Liable to retire by rotation	64	Shah Alloys Limited- Director

5	Shri Gulamhusain Shaikh Director S/o Mohammadhusain Shaikh 605, Moin Apartment, Muslim Society, Navarangpura, Ahmedabad 380 009 Profession – CA Non Executive Director Term: Liable to retire by rotation	64	Director Shah Alloys Limited
6.	Shri Harshad Shah Director S/o Shri Mafatlal Shah 301, Bhateva Krupa, 56, T. P. S. Road, Opp. Munisurat Swami Jain Temple, Borivali (W), Mumbai 400 092 Business Non Executive Director Term: Liable to retire by rotation	52	-
7	Shri Jethabhai M. Shah Director S/o Shri Maneklal Shah Chandan-1, Sheetal Nagar, Akota Padra Road, Opp. Ashwamegh III, Baroda – 390 020 Business Non Executive Director Term: Liable to retire by rotation	72	-

Brief Profile of the Directors
Please refer to the section on Our Promoters for brief profile of Shri Rajendra Shah and Smt. Ragini Shah.

Shri Ambalal C. Patel – Non Executive Director
Shri Ambalal Patel, aged 60 years is a Bachelor of Engineering (Metallurgy) from India Institute of Science, Bangalore and Bachelor of Science (Chemistry) from Gujarat University, Ahmedabad. He has worked as Shift in-charge for about four years with Gujarat Mineral Development Corporation Limited. Thereafter, he joined Gujarat Industrial & Investment Corporation Limited (GIIC) in 1973 as a Technical Advisor (Metallurgy) from where he retired in 2004 as a Deputy General Manager. His responsibility at GIIC included Project Evaluation, Project Appraisal and Finance etc.

Shri Mahendra Shah - Non Executive Director
Shri Mahendra Shah, aged 64 years, holds a Diploma in Mechanical Engineering from Polytechnic, Ahmedabad. He is the proprietor of Kesar Metals and has about 30 years of consultancy experience in rolling mills and about 10 years experience in purchase and sale of MS and SS Slabs, Plates, Angles, Channels etc.

Shri Gulamhusain Shaikh - Non Executive Director
Shri Gulamhusain Shaikh, aged 64 years, is a Bachelor of Commerce and a Chartered Accountant. He has more than 40 years of experience in Auditing and Taxation of Corporate and Firms. He is a partner in G. M. Shaikh & Co.

Shri Harshad Shah- Non Executive Director

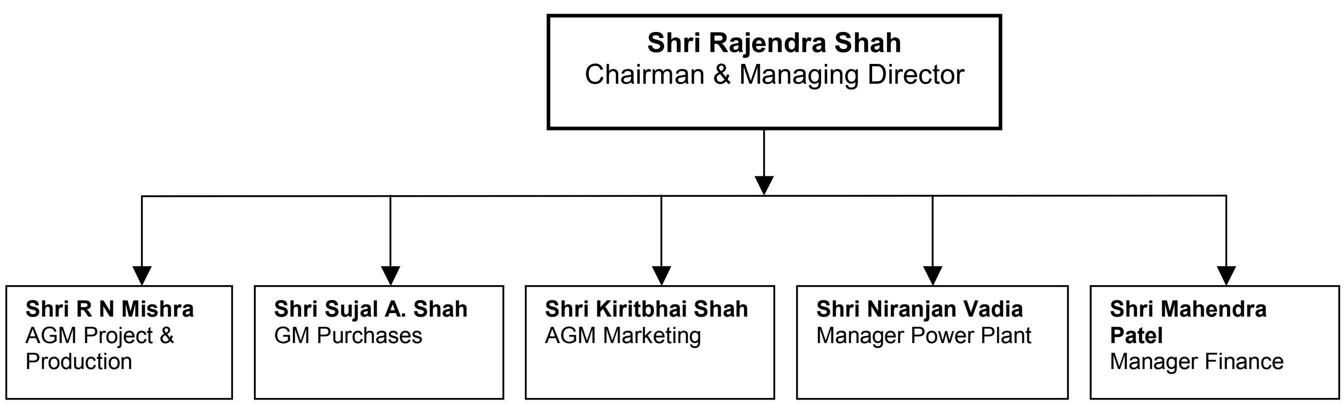
Shri Harshad Shah, aged 52 years is a matric passed having wide experience in construction business and trading of scrap for more 15 years. He is also involved in trading of iron and steel for more than 25 years.

Shri Jethabhai M. Shah - Non Executive Director
Shri Jethabhai M. Shah, aged 72 years, is a Bachelor in Commerce from M.S. University, Vadodara. He has worked with Sarabhai Group of Industries at vadodara upto 1967 as a commercial and Material Manager, in charge of Purchases, Stores, Inventory Control, Standardisation and Codification. Subsequent to this, he set up his own business of manufacturing of electrical products. He is the proprietor of Industrial Equipment Corporation and Hindustan Agencies

Shareholding of our Directors
Our Articles do not require our Directors to hold any qualification shares. The shareholding of our Directors as on date of this Draft Red Herring Prospectus is as follows:

Sr. No.	Director	No. of Shares	Date Acquired
1.	Shri. Rajendra V. Shah	5,000 20,000 92,80,800	Nov. 06, 2003 Nov. 10, 2003 August 30, 2004
2.	Smt. Ragini R. Shah	5,000 17000 4,16,700	Nov. 06, 2003 Nov. 10, 2003 August 30, 2004
3.	Mahendra Shah	36,000	August 30, 2004
4.	Ambalal C. Patel	90,000	August 30, 2004
5.	Harshad Shah	16,700	August 30, 2004

Organisation Chart



Term of Office of Directors

Our company has one director not liable to retire by rotation, i.e Shri Rajendra V. Shah. Details of service contracts and remunerations are disclosed in the section entitled “Remuneration & Terms of appointment of Managing Director” on page no. ___.

Changes in the Board of Directors during the last three years

Changes in our Board of Directors in the last three years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Shri Jayesh V. Shah	November 22, 2003	 July 21, 2004	Conversion from Pvt. Ltd. Company to Public Limited Company Resigned
Shri Rajendra V. Shah	May 03, 2004		Promoter Director appointed as the Managing Director
Shri Harshad Shah	June 30, 2004		Broad basing of Board of Directors
Shri Mahendra Shah	June 30, 2004		Broad basing of Board of Directors
Shri Gulamhusain Shaikh	June 30, 2004		Broad basing of Board of Directors
Shri Ambalal C. Patel	June 30, 2004		Broad basing of Board of Directors
Shri Jethabhai M. Shah	July 10, 2004		Broad basing of Board of Directors

Corporate Governance

The directions issued by the SEBI under Clause 49 of the Listing Agreement in respect of Corporate Governance will be applicable to us immediately upon listing of our Equity Shares on the various stock exchanges. We have already undertaken steps in this direction to ensure compliance with the requirements pertaining to Corporate Governance as would be applicable to us upon listing of our shares. In this regard, we have taken steps to further broad base our Board of Directors and also set up the necessary committees as per the requirements of the directions such as shareholding/ investor grievance committee, audit committee and remuneration committee.

Audit Committee

Audit Committee has been formulated vide board resolution dated July 10, 2004 complying with Section 292A of the Companies Act and Listing Agreement thereon consisting of 3 directors, viz. Shri G.M. Shaikh, Shri M.K. Shah and Shri A. C. Patel. All three are independent non-executive directors. Audit Committee shall have full access to information contained in the records of the Company and external professional advice, if necessary.

The scope of Audit Committee shall be:

a. to investigate any activity within its terms or reference
b. to seek information from any employee
c. to obtain outside legal or other professional advice.
d. to secure attendance of outsiders with relevant expertise, if it considers necessary.

The Audit Committee also has powers as provided in Clause 49A of the Listing Agreement. The Company Secretary of the Company shall be the Secretary to the Audit Committee. Chairman of the Audit Committee shall attend the annual general meetings of the Company to provide any clarifications on matters relating to audit as may be required by the members of the Company.

Remuneration Committee

Remuneration Committee has been formulated vide board resolution dated July 10, 2004 consisting of 3 independent non-executive directors viz. Shri G.M. Shaikh, Shri M.K. Shah and Shri A. C. Patel. Remuneration Committee shall have the powers of recommending the remuneration package of all Directors as per the requirements of the directions pertaining to Corporate Governance.

Remuneration Committee shall meet periodically as and when required to decide the remuneration package and related matters.

Shareholders Grievance Committee

Shareholders' Grievance Committee has been formulated vide board resolution dated July 10, 2004 consisting of 3 independent non-executive directors viz. Shri G.M. Shaikh, Shri M.K. Shah and Shri A. C. Patel. Shareholders' Grievance Committee shall have the power to make decisions relating to redressal of Shareholders' grievances, which includes the duty:

- To dispose off the Shareholders' complaints, within 7 days from the date of receipt, in connection with non-receipt of shares, non-receipt of dividends, non-receipt of Annual Reports and general inquiry about the status of the Shares.
- To communicate to the concerned Stock Exchange and related parties replying to status of the respective complaints.
- Communication to the SEBI explaining satisfactory withdrawal of Shareholders' complaints.
- Any other matter related to Shareholders' grievances / complaints.

Shareholders' Grievance Committee shall meet fortnightly for the redressal of Shareholders' grievances and shall make the minutes of the meeting duly approved by the chairman of the Committee and the same shall be circulated for their noting.

Key Managerial Personnel

Details of our key managerial personnel are as follows:

Key Managerial Personnel who are our permanent employees

Shri Rati Nath Mishra, AGM Project and Production, age 53 years, is a Bachelor in Mechanical Engineering from MIT Mujjafarpur, Banaras University. He is a member of Institution of Engineers, India. He has a total experience of about 30 years in the field of maintenance, production, projects, erecting and commissioning planning etc. He has been visiting faculty for Operation Management at Nirma Institute of Management, Ahmedabad, K. S. Institute of Management, Ahmedabad, L. J. Institute of Business Management, Ahmedabad.

He started his career as a superintendent with Bihar Alloy Steels Limited in Forge Shop Production and Rolling Mills Maintenance. He joined SSL on December 01, 2003. Prior to that, he was working as a manager with Pharmalab Eng. India Limited, Santej, where he was responsible for Production maintenance, quality assurance and administration of works. He has worked for about three years with Bhanu Iron & Steel Co. Ltd., where as a Project Manager, he was in charge of erection of rolling mills. He has been paid a gross salary of Rs. 1,53,270/- from the date of joining till June 30, 2004.

Shri Sujal Shah, General Manager (Purchases), age 37 years is a Bachelor in Science, Physics from Gujarat University. He joined SSL on April 25, 2004. Prior to that he had worked with Shah Alloys Limited as the General Manager (Purchase Department) for about 10 years. His job responsibilities included purchase of all basic raw materials like scrap, ferro alloys, sponge iron etc. He has been paid a gross salary of Rs. 30,000/- from the date of joining till June 30, 2004

Shri Niranjan I. Vadia, Manager Power Plant, age 55 years, is a Bachelor in Mechanical Engineering from S. P. University, V. V. Nagar, Gujarat. He joined SSL on February 23, 2004. He has a total experience of 32 years. He started his career in Harihar Polyfibers, a division of Grasim Industries Limited for about 10 years. He worked there as Senior Mechanical Engineer. He also worked as a Senior Manager at Saurashtra Chemicals Co. in charge of thermal power station and co-generation systems of 15 MW etc. He has worked as Chief Engineer(Works) at Thai Oleochemicals Company Limited, Bangkok, Thailand. Here he was involved in the manufacturing of specialty chemicals like metal driers, stabilizers, lubricants & Kickers. He has been paid a gross salary of Rs. 89,770/- from the date of joining till June 30, 2004.

Shri Kiritkumar R. Shah, AGM Marketing, age 53 years, is a Bachelor in Mechanical Engineering from Gujarat University. He has a total experience of 30 years. He joining SSL in May 03, 2004. He has worked with Rajoo Engineers, Kirlosker Eng. Co., S.L.M. Maneklal and Gujarat Steel Tubes. He has worked in the capacity of Senior Engineer (Marketing), General Manager (Marketing) and Vice President (Marketing) during his stay with the said entity. He has been paid a gross salary of Rs. 30,000/- from the date of joining till June 30, 2004.

Shri Mahendra R. Patel, Manager Finance, age 41 years, is a Commerce Graduate from Gujarat University. He also holds a Diploma in Banking from Gujarat University. He has a total of 19 years of experience. Prior to joining SSL on April 25, 2004, he has worked for more than 2 years with Shah Alloys Limited as Manager (Finance). Prior to that he has worked as an accountant with Vardha Plastopack Ind. for about 6 years. He has been paid a gross salary of Rs. 30,000/- from the date of joining till June 30, 2004.

Shareholding of our Key Managerial Personnel

The shareholding of our Key Managerial Personnel as on date of this Draft Red Herring Prospectus is as follows:

Name	Shareholding
Shri Sujal Shah	5,500
Shri Kiritkumar R. Shah	10,000

Bonus or Profit sharing plan for our Key Managerial Personnel

There is no bonus or profit sharing plan for our Key Managerial Personnel.

Changes in our Key Managerial Personnel in the last three years

Following are the changes in our key management personnel in the last three years:

Name	Designation	Date of Change	Reason
Shri R. N. Mishra	AGM Project and Production	December 01, 2003	Appointment
Shri Niranjan I. Vadiya	Manager Power Plant	February 23, 2004	Appointment
Shri Kirit R. Shah	AGM Marketing	May 03, 2004	Appointment
Shri Sujal A. Shah	GM Purchases	April 25, 2004	Appointment

Shri Mahendra R. Patel	Manager Finance	April 25, 2004	Appointment

Interest of the Directors

Please refer to the para on 'Interest of Promoters and Directors' under 'Statutory and Other Information' on page ____.

Family relation with Key Managerial Personnel

No family relation exist between the promoters and KMP except:

1. Rajendra V. Shah: Husband of Ragini R. Shah and Son-in-law of Jethabhai Shah
2. Sujal A Shah: Brother in law of Rajendra V. Shah and Ragini R. Shah and Son-in-law of Jethabhai Shah

OUR PROMOTERS

PROMOTERS AND THEIR BACKGROUND

Shri Rajendra V. Shah and Smt. Ragini R. Shah have promoted us jointly. Shah Alloys Limited (SAL), a company promoted by Shri Rajendra V. Shah and Smt. Ragini R. Shah, also joined in as promoter by subscribing to 1,85,00,000 and 50,00,000 Equity shares of the face value of Rs. 10 on June 30, 2004 and July 21, 2004 respectively. Rajendra V. Shah HUF joined as a promoter on August 30, 2004.

1. **Shri Rajendra V. Shah, Chairman and Managing Director :**

Shri Rajendra V. Shah, aged 49 years, is a Mechanical Engineer from Polytechnic, Ahmedabad, having more than 24 years of experience in steel industry out of which more than 10 years are in Stainless Steel Industry. Shri Rajendra V. Shah established Shah Industries in 1986 as a proprietary concern for re-rolling steel and other allied products. He established another unit viz. Shah Steel Industries in October, 1991, which was also engaged in re-rolling of steel and other allied products. He has been the key person in establishment of M/s. Shah Alloys Limited and under his supervision, leadership and guidance, became the second largest producer of Stainless Steel in India. Shri. Rajendra V. Shah has also been key person for entire Shah Group. Shri. Rajendra V. Shah played an anchor role for establishment of multi-specialty hospital with 300 beds known as SAL Hospital & Medical Institute at Ahmedabad, managed by his charitable trust viz. Adarsh Foundation. Adarsh Foundation also manages Kesar SAL Medical College and Research Institute. Approval for the medical collage has been recently received from MCI (Medical Council of India) with entrance capacity of 100 seats per annum and admission procedure for the current year has commenced. The college along with 300 bed general hospital is located at Village Bhadaj, Taluka Daskroi, District Ahmedabad on land admeasuring 99856 sq. mtrs. The location is just 2 kms. Away from Ahmedabad – Gandhinagar highway and 4-5 kms. Away from SAL Hospital.

Shri Rajendra V. Shah successfully made plate mill and HR coil machinery in-house used for SAL plant resulting in lower project cost and better profitability. He is the Vice President of Indian Stainless Steel Development Association, New Delhi since 1999 and Chairman of the Gujarat Chamber of Iron and Steel since establishment. He is also Vice President of Gujarat Chamber of Commerce and Industry (2004-05). Beside this he has been the President of the All India Induction Furnace Association in 1993.

2. **Smt. Ragini R. Shah, Director**

Ragini R. Shah, aged 43 years completed her post-graduate (M.Sc) in Statistics from M.S. University, Baroda in 1983. She is a promoter director on the board of Shah Alloys Ltd.. She is also a trustee of Public Charitable trust, which manages SAL Hospital and Medical Institute. She is involved in managing the day-to-day functions of the hospital. She is interested in extra-curricular activities like music and dance and has obtained Diploma in Music and Dance from M.S. University from Baroda.

	Shri Rajendra Shah	Smt. Ragini Shah
Voter ID No.	GJ/10/068/036310	GJ/10/068/036304
Driving License No.	214880/A	GJ01/011133/03
Ration Card No.	1510	1510

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of Shri Rajendra V. Shah, Smt. Ragini R. Shah and Rajendra V. Shah HUF have been submitted to NSE and BSE at the time of filing the Draft Red Herring Prospectus with them.

3. Shah Alloys Limited (SAL)

History of SAL

SAL was incorporated as a Shah Alloys Private Limited Company on 23rd November 1990 for manufacturing alloy steel castings, carbon and manganese steel castings, ingots and billets. SAL was converted into Public Limited Company on 23rd April 1992 and pursuant to same fresh incorporation certificate is obtained on May 05, 1992. SAL has since, diversified into manufacture of stainless steel products since 1994. SAL is having second position in stainless steel industry in terms of volume and value in India.

Objects of SAL :

The Main Object of SAL as per their Memorandum of Association are as follows:

1. To carry on business of manufacturing, buying, selling, dealing, importing, exporting, dealing in and sellers of all grades, types, qualities, shapes, categories and descriptions of alloy, tool and special steel including alloy, constructional steel in carbon, manganese, nickel, chromium, nickel chromium, chromium molybdenum, direct and case hardening steels, corrosion resisting steels, stainless and heat resisting steels, free casting steels, silico-manganese steels, spring steels, carbon and alloy tool and die steels, high speed steels, almour steels, magnet steels, electrical steels, all types of alloying materials required for manufacture of alloy, tool and special steels, pig iron, cast iron, scrap iron, mild steel, steel casting and steel forgings in all categories of steel described herein before, all types of refracting bricks and materials coke, tar and tar bye-products.

2. To carry on business of manufacturing, exporting, importing and dealing in castings of all types and descriptions of iron, steel, special steel, such as cast iron, mild steel, stainless steel, carbon steel, heat resistance steel.

Further SAL has passed a special resolution on September 22, 2001 approving the commencement of business of Laboratory, research establishment of medical science as provided in Clause 6 of the other object of the MoA.

SAL's progress since inception:

1990-1991 – Incorporated as private limited company with a project for manufacture of Mild Steel (MS) Ingots with a capacity to manufacture 15000 MTPA (metric ton per annum) by installing 5 MT capacity induction furnace

1992-93 – Converted into a Public Limited Company.

1993-94 – Implemented expansion project to increase melting capacity for manufacture of MS ingots to 45000 MTPA by installing additional 10 MT capacity induction furnace with total project cost of Rs.711.56 Lacs. The said project was part financed through public issue of

42.70 Lacs equity shares of Rs.10 each for cash at par aggregating Rs.427 Lacs made in December 1992, which was fully subscribed.

1994-95 – Installed 20 MT capacity AOD (Argon Oxygen De-carbonization) Converter to create capacity for manufacture of stainless steel products within the overall installed capacity of 45000 MTPA.

1995-96 – SAL installed continuous casting machine having installed capacity to cast 1 lac MT of billets per annum. In addition, SAL also installed 15MT capacity induction furnace and 25 MT capacity AOD converters to increase the melting capacity to 125000 MTPA as well as to increase the capacity for manufacture of other stainless products.

1996-97 – Established a 100% subsidiary company viz. Shah Steel & Industrial Gases Ltd. (SSIGL), for manufacture of nitrogen and oxygen gas for captive consumption of SAL (manufacture of SS ingots). SSIGL have an installed capacity of 30.40 lac cmtrs (cubic meters) per annum and 32.00 lac cmtrs respectively. SSIGL has been merged with SAL as per the mutual consent and as per Gujarat High *Court order received in December 2001.*

1997-98 – SAL acquired assets of two associate concerns having three rolling mills for manufacture of SS flats, SS rounds, CTD (Cold Twisted Draw) bars and other structural MS products having total rolling capacity of more than 2 lac MTPA on 12 hours manufacturing basis.

1998-99 – SAL implemented MS plate rolling mill project of 1.00 lac MTPA capacity.

2000-01- SAL implemented 4 second-hand DG set of 5 MW each having operating capacity 16 MW power generation i.e. at 80% capacity to reduce power cost.

To cater the increasing market demand as well as to increase the market share and to introduce higher value added sheet/coil products in the market, the company has implemented SS/MS Sheet/coil project. Under the said project, the Company increased its melting capacity as well as AOD Conversion capacity and installed slab casting equipment as well as sheet/coil rolling plant of 1.00 lac MTPA. The Company also has flexibility to manufacture both MS and SS plates/sheets/coils of any size as per the market trend.

It is worthwhile to note that SAL is the only company in India, which can manufacture sheets/coils up to 1800 mm width. Hence, SS sheet/coil products of the company can be termed as import substitute as the sheet/coil above 1200 mm width are generally imported.

2002-03 – SAL has increased its captive power plant capacity from 16 MW to 24 MW by installing two additional Captive Power Plants having operating capacity of 4 MW capacity each and installed one additional gas plant and one induction furnace.

2003-2004 – The demand of stainless steel Bright Bars is very good in European countries and USA and SAL has been receiving inquiries for the same for export. In order to exploit the said demand, SAL has implemented Bright Bar project as well as increase Captive Power Plant capacity by installing 1 DG sets of 5 MW.

Project under implementation

2004-2005 – Increase in Captive Power Plant capacity by installing 1 DG sets of 5 MW and a Captive Gas Plant with a capacity of 2600 cum/hr to meet the increased requirement of power and gaseous products.

Cold Rolled Product

The value addition in Cold Rolled products is higher as compared to other products of Stainless Steel. Cold Rolled products are forward integration of hot rolled products. They find their application in Industrial grade products. Entry barriers are high on account of the capital-intensive nature of the product coupled with the specialised and highly technical nature of activity. The stabilisation period is about 6 months to 9 months after commencement of production

SAL is in the process of setting up 10,000 MTPA capacity plant for manufacture of cold rolling sheets/coils mill. SAL would convert special steel HR coil manufactured in-house into CR SS sheets/coils to broad base their export & domestic market. The Project cost is estimated at Rs.3500 Lacs. Company has already placed orders for the machinery. Term loan amounting to Rs. 2000 Lacs has already been sanction from Bank of India. The Project is expected to be commissioned by December 2004.

Awards and Honour:
Shri Rajendra V. Shah is also the recipient of “DHATU NAYAK” awards on behalf of Shah Alloys Limited for five out of last ten years from All India Induction Furnace Association, New Delhi as follows:

Year of Award	Particulars
2001	Exported stainless steel plates to Malaysia. It has full-fledged Research and Development centre and is having most modern testing equipment for quality assurance
1999	Expanded activities making mild steel of high quality and stainless steel of international quality. SAL has brought glory to induction melting furnace industry in maintaining high standards of its products
1998	SSL developed low cost anti-corrosion steel with high strength and durability comparing to mild steel
1996	Awarded in recognition to the glory brought by SAL to Induction furnace industry
1994	Awarded in recognition of SAL’s expansion and modernisation programme. It expanded its installed capacity from 26,000 tonnes per annum to 45,000 tonnes per annum. It has put up refining facilities for S.S. ingots production and down stream facilities of re-rolling mill to produce mild steel products.

Overview on products:

SAL is engaged in manufacture of SS products. The main products of the company include Stainless Steel Hot Rolled (HR) Sheets, Coils, Plates, Slabs, Flats, Rounds and Bars etc. The stainless steel products are used for manufacture/preparation of utensils, railway coaches, wagons, electrical appliances, food processing equipment, pharmaceutical equipment, telecommunication equipment, household kitchenware’s, petroleum refining equipment, pressure vessels, large mufflers for engines, silencers, pipes and emission control units, bulk solid handling areas, surgical instruments, vegetable choppers, tableware, cutlery, washing machine parts, automobile components, etc.

Market Strategy, Competition and Demand/Supply:

The major producer of Stainless Steel in India includes Jindal Stainless Ltd. who is leader having about 40% market share in the stainless steel industry. The Shah Alloys Ltd. is considered as second highest producer having market share of 20% in India. The other player i.e. Salem Steel Plant (SAIL) is having only HR / CR rolling capacity. Shah Alloys is the supplier of basic raw material i.e. S.S. Slabs to Salem Steel Plant. The SAL is having advantage for rolling facility upto 1800 MM width plate sheet in India whereas Jindal and Salem can roll upto 1500 MM only. In addition, SAL having all the manufacturing facilities in-house, can manufacture all types of SS products as per market requirement.

The production of stainless steel in India has doubled in the last five years and has reached 1.15 million tones in 2003. It is anticipated that India will produce 2 million tones of SS in the coming four years.

Total SS steel production and exports from India in the year 2003:

Item	Production (MT)	Domestic consumption (MT)	Export (MT)
SS Flat Products	7,00,000	5,00,000	2,00,000
Other Flat Products	2,00,000	50,000	1,50,000
SS Long	2,50,000	40,000	2,10,000

Source: Indian Stainless Steel Development Association

Shah Alloys Limited has been granted "EXPORT HOUSE" status by Ministry of Commerce and Industry, Government of India valid for five years from 1st April, 2002. In the first year of receiving export house status, SAL achieved a turnover of about Rs.25900 Lacs on gross income from operations of about Rs.75800 Lacs. It accounted for 34.17% of income from operations. Exports have grown by approximately 82.15% over 2002-03 and stood at about Rs.47178 Lacs. SAL has exported its products to developed countries in Germany, UK, Italy, Spain, Singapore and in developing nations in China, Hong Kong, Indonesia, Russia, Taiwan, Thailand, Vietnam, Turkey and to Middle East countries

SAL visualizes tremendous opportunity in exports for cold rolled (CR) products and hence will go for forward integration. It will set two CR rolling mills in its complex at Santej. CR products will offer synergy to the existing hot rolled products. Currently, SAL exports CR coils by getting them rolled outside from third party after supplying hot rolled coils (HRC) to them. SAL has exported CRC coils to China, Indonesia, Taiwan, Hongkong. The kitchenware sector is the largest user of SS accounting for 70% of its end use. India has made successful inroads into the markets of North America, Europe and China. The usage has also increased considerably in the construction and transportation sectors, especially the railways.

The kitchenware sector is the largest user of SS accounting for 70% of its end use. India has made successful inroads into the markets of North America, Europe and China. The usage has also increased considerably in the construction and transportation sectors, especially the railways.

SS has started finding usage in hardware items like anchor bolts, stone supports, tie rods etc in water related application like SS indoor plumbing and water lines. SS reinforcement bar for concrete has a large potential in the infrastructure coming up along the long coastline of India. SS LPG cylinder, which is half the weight of the regular cylinder is planned to be introduced.

As the awareness builds the application will increase. The overall life cycle cost of SS is relatively less than regular steel. The export market is also slowing showing buoyancy.

Positioning of SAL:

SAL has achieved assessment standard of ISO 9001:2000 in April 2002 from SGS Yarsley International Certification Services for manufacture and supply of mild steel, stainless steel and other alloy steel plates and coils.

The competitor for SAL in the SS segment is Jindal Stainless Limited. It has an installed capacity of 5 lakh tones per year . SAL is the second largest manufacturer of stainless steel.

SAL is correctly positioned in the market with a decade of steel experience. The company has demonstrated profits across years and had a profit after tax of Rs.3326 Lacs in the year 2003-04. The proposed SSL plant will get the benefit of sales tax and excise duty making the inputs to SAL's stainless operations relatively cheaper. S.A.L will also be able to achieve price stability due to captive inputs of sponge iron and ferro-alloys. The overall price advantage will assist in making further inroads to the export market.

The process of making ferro alloys is highly power intensive. Ferro alloys are also an input to the SAL's stainless operations. The CPP of SSL will assist in reducing the cost of ferro alloys produced by it. Reduced price of ferro alloys will further help in making end product of SAL price competitive.

SAL has been in the industry for a decade and aware of the supply chains and industry dynamics. Price competitiveness in addition to industry experience should serve as the right mixes to exploit the local and international market.

SAL capabilities will percolate as demand for SSL, which is primarily conceived for captive consumption.

Board of Directors of SAL

SAL is managed by a Board, which comprises directors with experience supported by qualified and experienced executives. The Board of Directors as on 30.06.2004 is as per the table below:

Board Member	**Position Held**
Shri. Rajendra V. Shah	Chairman & Managing Director
Smt. Ragini R. Shah	Director
Shri Jayesh V. Shah	Director
Shri S.N.P. Singh	Additional Director & Joint Managing Director*
Shri. G. M. Shaikh	Director
Shri. Atul P. Pandya	Executive Director
Shri. Mahendra K. Shah	Director
Shri. Girishchandra Bhatt	Director
Shri. Ashok Sharma	Director

* His regularisation as a Director and appointment as a Joint Managing Director is proposed at the next AGM of SAL to be held on Sept. 30, 2004.

Shareholding Pattern

The Authorized Equity Share Capital of SAL is Rs. 1000 Lacs. The face value of Equity Share Capital is Rs 10 per share. The subscribed and paid up capital of the SAL, as on 31st

March 2004 was Rs. 891 Lacs. The shareholding pattern of SAL as on June 30, 2004 is under:

Particulars	Equity (No. of shares)	Face Value (in Rs. lacs)	% of Holding
Promoters	**5,821,958**	**582.20**	**65.34**
Shri Rajendra V. Shah	4452812	445.28	49.98
Smt Ragini R. Shah	573003	57.30	6.43
Shri Jayesh V. Shah	30,163	3.02	0.34
Shri Rajendra V. Shah (HUF)	765980	76.60	8.60
Others	**3,088,062**	**308.81**	**34.66**
Public	2902390	290.24	32.57
Domestic Companies	152871	15.29	1.72
Nationalised Banks	16,237	1.62	0.18
NRI	16,564	1.66	0.19
Total	**8910020**	**891.00**	**100.00**

Investors Grievances Mechanism:
SAL has formed shareholders/investor grievance committee comprising 3 independent non-executive directors. The committee interalia, approves issue of duplicate share certificates and review all matters connected with the securities transfers. The committee also looks into redressal of shareholders complaints like transfer of shares, non-receipt of balance sheet, non-receipt of dividend etc. The committee reviews the performance and recommends measures for overall improvement in the quality of investor services. Normally the committee takes 15 days to redress various types of investor complaints.

Share Quotation
The shares of SAL are listed in Ahmedabad Stock Exchange, Bombay Stock Exchange and Rajkot Stock Exchange.

a) Highest and lowest price in the last six months

Months	High (Rs.)	Low (Rs.)
September 2003	65.00	52.20
October 2003	77.90	58.85
November 2003	81.00	63.00
December 2003	112.20	67.00
January 2004	104.95	66.25
February 2004	77.40	64.50
March 2004	79.50	55.15
April 2004	90.00	74.45
May 2004	78.90	60.60
June 2004	72.50	58.20
July 2004	79.45	57.00
August 2004	77.35	68.20

(Source: www.bseindia.com)

a) As on the date of filing the Red Herring Prospectus with RoC: Rs. ____(As on ____)
b) Market Capitalisation as on the date of filling the Red Herring Prospectus with RoC: Rs. ______ lacs (BSE) (As on ______).

Source: www.bseindia.com

The normal time taken by SAL for redressal of investor grievance is about 15 days. During the year ended March 31, 2002, March 31, 2003 and March 31, 2004, SAL received 72, 83 and 57 complains respectively, it redressed 73, 84 and 55 complaints respectively and as at the end of the respective years 1, NIL and 2 complaints were pending redressal. As at the beginning of FY 2001-2002, there were 2 complaints pending to be resolved.

SAL has not issued and Equity Share Capital by way of public or rights issue in the last three years.

There has been no change in the Capital Structure of SAL in the last six months except on account of what has been stated above.

Operational Performance

The operational performance of SAL for last three years is given below:

(in MT)

Particulars	**2001-02**	**2002-03**	**2003-04**
Licensed capacity	N.A.	N.A.	N.A.
Installed Capacity	2,60,000	2,60,000	2,60,000
TOTAL	**260000**	**260000**	**260000**
Actual Production			
Finished Products			
Bars, Beams, Angles & Wire Rods	23085	15860	24676
S.S. Flats	116502	95757	78539
M.S. / S.S. Plates	12557	12274	15586
S.S. HR Coil	2019	49604	91295
Semi-Finished Products			
S.S. Slab, Billet, Bloom, Ingots etc.	8155	25526	11959
Wastage	1854	2239	2057
Total Production	164172	201260	224112
Capacity Utilization (%)	63.14%	77.41%	86.20%

The capacity utilization was lower in FY2001-02 as the enhanced capacity of 260000 for FY2001-02 as given was installed and made available during March 2002 only.

Financial Performance

The audited financial performance of SAL for the last three years is as state below:

(Rs. in Lacs)

For the year ended March 31,	**2002**	**2003**	**2004**
Net Sales*	44881.97	69100.93	94626.09
Profit before Tax	1406.19	2656.57	3937.77

Profit for the year	881.67	1948.60	3428.82
Equity Share Capital**	891.00	891.00	891.00
Reserves (excluding revaluation reserves)	5189.25	7077.54	10302.77
Secured loans	10816.33	11096.66	15577.71
Unsecured loan	4419.14	3866.54	4285.22
Net Block (A)	12450.53	12936.37	12800.31
CWIP (B)	870.54	204.26	1546.76
Fixed assets (A) + (B)	13321.07	13140.63	14347.07
Investments	3.86	10	10.82
Current Assets	19481.42	25958.21	33708.01
Current Liabilities	10001.03	14289.86	14884.73
Networth	6080.25	7968.54	11193.69
Debt/Equity Ratio	2.51	1.88	1.77
Current Ratio	1.95	1.82	2.26
Earning per share (Rs.)	9.90	21.87	37.34
Net Asset Value (NAV)/Book Value per share (Rs.)	68.24	89.43	125.63
Dividend per share (Rs.)	Nil	0.60	1.00
Dividend rate (%)	-	6.0%	10.0%

Adjusted PAT = PAT – Preference Dividend (if any)
Networth = Paid up Equity Capital + Reserves (excluding revaluation reserves)-Accumulated Losses – Deferred Expenditure to the extent not written off
EPS = Adjusted PAT/ No. of equity shares outstanding at the end of the year
NAV = Networth/ No. of equity shares outstanding at the end of the year
Debt/Equity ratio (D/E) = (Secured loans + Unsecured loans)/Networth
Current Ratio = Current Assets / Current Liabilities

* Net sales excludes excise duty
** Face Value Rs. 10 per share

Past Production and Sales for the last 12 years

(Rs. in Lacs except production figures)

Sr. No.	Year	Gross Sales	Production (MT)	Cash Profit	Net Profit
1	1991-92	325	3374	20	16
2	1992-93	2062	20236	92	72
3	1993-94	3217	31458	107	87
4	1994-95	6061	32158	406	337
5	1995-96	10426	38663	559	383
6	1996-97	18697	64327	567	361
7	1997-98	26676	85181	1328	905
8	1998-99	33960	120727	1627	914
9	1999-2000	42417	157058	1661	1019
10	2000-01	46556	149046	1875	1026
11	2001-02	52282	162317	1823	882
12	2002-03	75748	201262	3097	1949
13	2003-04	101838	224113	4644	3429

NOTE :-

1. Quantity data for first two years i.e. for 1991-92 and 1992-93 are for sales in MT.

2. Net profit and Cash profit for the years 2001-02, 2002-03 and 2003-04 is after transfer of Rs.359 Lacs, Rs.398 Lacs and Rs.237 Lacs respectively to Deferred Tax Liability account.
3. Due to earthquake in January 2001, SAL suffered production/sales atleast for one month
4. From July 1994, SAL has changed product mix to stainless steel.

SAL's Product Mix for the last five year

(Quantity in MT)

Product	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
Bars, Beams, Angles & Wire rods	24,675.97	15,860.40	23,084.83	17,004.47	19,545.93
SS Flats	78,539.42	95,756.95	16,501.94	93,950.26	94,376.02
MS/SS Plates	15,586.37	12,274.36	12,556.57	29,896.32	42,954.66
SS HR Coils	91,294.81	49,604.41	2,018.96	-	-
Semi Finished Goods					
SS Slabs, Billets, Blooms, Ingots etc.	11,958.95	25,526.32	8,154.73	8,194.62	181.50
Wastage	2,057.45	2,239.31	1,854.25	-	-
Total	**2, 24,112.97**	**201,261.75**	**164,171.28**	**149,045.67**	**157,058.11**

Production indicates net saleable quantity

SAL's Export Turnover – Country wise last three years

(Rs. in Lacs)

Country Name	2003-04	2002-03	2001-02
Hongkong	24,678.80	9,194.24	31.12
China	7,644.65	894.08	-
Singapore	3,177.23	9,261.29	11.03
Korea	2,736.62	1,936.80	23.61
Thailand	1,982.28	169.97	-
Turkey	313.72	133.29	65.30
Egypt	228.81	27.75	-
Italy	200.23	32.06	-
Uae	154.18	54.75	9.04
Bangladesh	101.48	-	-
Other	405.75	934.52	74.51
Grand Total	**41,623.75**	**22,638.75**	**214.61**

Note: - *The above figures are taken without giving effect of Export Incentive received by the Company*.

Details of Last issue by SAL

Name of the Company	Shah Alloys Limited
Year of Issue	1992
Type of Issue	Public issue of Equity shares
Amount of issue	427 lakhs

Date of closure of Issue Date of completion of delivery of shares	December 24, 1992 March 16, 1993

Changes in Accounting Policy

There have been no changes in accounting policy in the last three years.

Auditors Qualification

There has been no audit qualification for the last three years.

Promise Vs Performance of SAL

Objects of the Issue :

- Part finance the expansion scheme
- Raise resources meeting long term working capital requirements
- Meet normal capital expenditure
- Meet issue expenses
- To get Company's shares listed on Stock Exchange

Financial Projections Vs Performance mentioned in Issue Document

Projections : **(Rs. In Lakhs)**

	1993-94	1994-95	1995-96
Sales	3380.33	4117.06	4398.58
Profit before tax	301.72	417.61	440.25
Net Profit after tax	220.40	280.09	290.34
Equity Dividend	105.15	140.20	175.25
Dividend rate (%)	15	20	25
EPS	3.14	4.00	4.14
Book Value	11.65	13.75	15.50

Performance : **(Rs. In Lakhs)**

	1993-94	1994-95	1995-96
Sales	3516.83	6060.56	10,452.88
Profit before tax	94.33	342.75	427.93
Net Profit after tax	87.12	337.25	418.26
Equity Dividend	NIL	NIL	NIL
Dividend rate (%)	NIL	NIL	NIL
EPS	1.24	4.81	5.46
Book Value	12.11	16.92	25.84

Reasons for Shortfall :

1993-94:

Steel sector was liberalized in 1991, as a result huge capacities were generated in mild steel(MS) segment in induction furnace route resulting in increased supply of MS steel. Excess inventory of Mild Steel (MS) in market witnessed price crash resulting in recessionary trend during 1993-94. As a result, SAL witnessed decline in profits during the year 1993-94 due to lower margin available on account of recessionary trend in mild steel sector. Due to the same, dividend was not declared by the company as was mentioned in projections in issue document of 1992.

1994-95 & 1995-96:

Recessionary trend continue in Mild steel (MS) segment in 1994-95 also, which prompted SAL to alter the product mix from MS steel to stainless steel (SS) in July 1994. As a result, SAL managed to cross the projections in sales, Net profit after tax, EPS, Book value per share. However, no dividend was declared by SAL due to future expansion of its capacities.

SUBSIDIARIES AND GROUP COMPANIES

Subsidiaries :

SSL does not have any subsidiaries under its fold.

Group Companies/ Firms/ Ventures:

1. Shah Steel and Rolling Industries (SSRI)

Profile:
SSRI is a partnership firm managed by Shri Rajendra V. Shah and Smt. Ragini R. Shah. Firm commenced its operation in 1997-98 to manufacture M.S. Angles, CTD Bars, Sections and Melting Scrap. The firm has stopped its manufacturing activity. The main source of income is Labour Charges and Rent Income.

Financial Performance

The brief financials of SSRI for the last three years are as under:

(Rs in Lacs)

Particulars	For the Year/ Period ended/ As at March 31		
	2002	**2003**	**2004**
Total Income	13.65	15.32	14.87
Net Profit/(loss)	0.20	(0.26)	(0.38)
Capital Account			
Rajendra V. Shah	(5.08)	(10.49)	(25.32)
Ragini V. Shah	2.16	1.20	(12.45)

There is no related party transaction with SSL.

2. Shah Industries Unit - I (SIU-I)

Profile:
SIU-I is a proprietorship firm managed by Shri Rajendra V. Shah. Firm commenced its operation in 1986-87. The firm has stopped its manufacturing activity. The main source of income is rent, commission etc.

Financial Performance

The brief financials of SIU-I for the last three years are as under:

(Rs in Lacs)

Particulars	For the Year/ Period ended/ As at March 31		
	2002	**2003**	**2004**
Total Income	1.25	7.42	1.66
Net Profit/(loss)	(17.81)	(0.79)	(0.59)
Capital Account			
Rajendra V. Shah	(92.52)	(93.44)	(67.93)

There is no related party transaction with SSL.

3. **Shah Steel Udyog (SSU)**

Profile:
SSU is a proprietorship firm managed by Rajendra V. Shah HUF. Firm commenced its operation in 1998-99 and is in business of manufacturing of M.S. Angles, CTD Bars, Sections and Melting Scrap.

Financial Performance

The brief financials of SSU for the last three years are as under:

(Rs in Lacs)

Particulars	For the Year/ Period ended/ As at March 31		
	2002	**2003**	**2004**
Sales	1663.18	1070.47	684.64
Net Profit/(loss)	(9.02)	5.08	38.57
Capital Account			
Rajendra V. Shah (HUF)	55.00	51.65	89.29

There is no related party transaction with SSL.

4. **Shah Steel Craft and Rolling Industries (SSCRI)**

Profile:
SSCRI is a proprietorship firm managed by Smt. Ragini R. Shah. Firm commenced its operation in 1987-88 and is in the business of manufacture M.S. Angles, CTD Bars, Sections, and Channels etc.

Financial Performance

The brief financials of SSCRI for the last three years are as under:

(Rs in Lacs)

	For the Year/ Period ended/ As at March 31		
Particulars	**2002**	**2003**	**2004**
Total Income	2.10	2.10	2.10
Net Profit/(loss)	1.74	1.83	1.93
Capital Account			
Ragini R. Shah	(6.79)	(0.77)	0.17

There is no related party transaction with SSL.

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this issue and the current and proposed business activities and no further material approvals are required from any government or any other authority to continue our activities.

Approvals Received

1. SIA Acknowledgement No. 2850/SIA/IMO/2004, dated August 10, 2004, of our Company's entrepreneurial memorandum, for the manufacture of certain items categorised under the National Industrial Classification ("**NIC**") broad description along with their proposed capacity:

NIC Item Code	Proposed item of manufacture	NIC broad description	Proposed capacity
3303	Sponge Iron	Manufacture of direct reduced iron and other spongy ferrous products in primary forms; other than in the integrated steel plants	500000 MT
3320	All ferro alloys products – ferro alloys silico manganese, low/high carbon, ferro chrome	Manufacture of ferro alloys	120000 MT
3302	Hot rolled MS/SS plates sheet billet sheet in coils wide coils slab bloom angles channel rounds rods	Manufacture of iron and steel in primary/semi-finished forms in mini steel plants / includes re-rolling of iron and steel scraps	120000 MT
3302	Hot rolled MS/SS rolls steel and SS products alloys and non alloys products of rolling mills	Manufacture of iron and steel in primary/semi-finished forms in mini steel plants / includes re-rolling of iron and steel scraps	30000 MT

2. SIA Acknowledgment No. 459/SIA/IMO/2004, dated February 10, 2004, of our Company's entrepreneurial memorandum for the generation of electric energy (captive power plant) falling under the NIC broad description generation of electric

energy produced in coal based thermal power plants with a proposed capacity of 45 MW.

3. Gujarat Development Authority's permission No. 29102/LP issued under No. 16-GDA (406)/2004 dated August 16, 2004 for the development of site (layout) plan of Survey No. 245 Paiki, Bhararpur for industrial purpose. The permission is granted under Section 8(2) of the Gandhidham (Development & Control on Erection of Buildings) Act, 1957.

4. Saath Bara Uttara" or Village Form No. 7 and 12 dated August 24, 2004 signed by the Talati cum Mantri, , showing mutation entry No. 747 to the effect that the land admeasuring Acres 83-11 guntha [total of 65 acres (on plot 1 of survey no 245) and 18.11 Acres (on plot 2 of survey no. 245)] of Revenue Survey No. 245 paiki, Hissa No. A-21 of Traverse Land / Waste Land situated within the Revenue limits of Village Bhararpar, Taluka Gandhidham, District Kutchh, State of Gujarat. The land has been granted to us pursuant to the Order bearing No. LAND/ 5/ INDUSTRY/ VASHI/ 1370/ 1371 / 2004 dated August 12, 2004 by the Collector of Kutchh.

5. Registration Certificate No. 9304 dated August 18, 2004 issued to our Company under the Bombay Shops and Establishments Act, 1948.

6. Letter dated August 18, 2004 issued by the Office of the Regional Provident Fund Commissioner to our Company confirming that the provisions of the Employees Provident Fund & Miscellaneous Provisions Act, 1952 and the schemes provided there under namely EPF Scheme, Family Pension Scheme and Deposit Linked Insurance Scheme, are applicable to our Company including the head office, branch offices and departments wherever situated in India. The code number allotted to our Company is GJ/RJ/41610 and the registration is effective from May 17, 2004.

7. Registration Certificate No. 0110027264 dated May 3, 2004 issued by the Sales Tax Department, Gandhidham to our Company under the Gujarat Sales Tax Act, 1969, the registration is effective from March 62004.

8. Registration Certificate No. 0736030760 dated January 19, 2004 issued by the Sales Tax Department, Ahmedabad to our Company under the Gujarat Sales Tax Act, 1969 the registration is effective from January 6, 2004.

9. Registration Certificate No. Guj99913408 dated January 19, 2004 and effective from January 7, 2004 certifying that our Company has its main place of business at Ahmedabad in the State of Gujarat and that our Company has been registered as businessman under Section 7(2) of the Central Sales Tax Act, 1956.

10. Registration Certificate No. PR 0736000047 dated April 27, 2004 and effective from January 1, 2004 and Registration Certificate No. PR 07360000160 dated January 13, 2004 issued by the Sales Tax Officer, Ahmedabad, under sections 5(1) and 5(2), respectively of the Gujarat Tax on Professions, Trades, Callings and Employments Act, 1976.

11. Letter No. MG/POI/Vashi/06/2004 dated June 30, 2004 permitting blasting for construction purposes from the Office of the District Magistrate in respect of the paiki land of survey No. 245 situated at Muje Bharapara, Taluka Gandhidham to our Company. Our Company will have to follow the provisions of the Explosive Substances Act, 1908 and Explosive Substances Rules, 1983 and responsibility for any loss or damage to property shall be that of our Company.

12. Permanent Account Number has been allotted to our Company on November 6, 2003, under Section 139A of the Income Tax Act, 1961.

13. The Tax Deduction Account Number of our Company allotted to our Company under the Income Tax Act, 1961. The date of allotment of the tan is not mentioned as this data was obtained from the income tax department's website.

14. Central Excise Registration Certificate bearing No. AAHCS8284JXM001 issued on July 13, 2004 by the Assistant Commissioner of Central Excise, Bhuj for in the name of our Company for manufacturing of excisable goods at Survey No. 245 Paiki, Kidana, Bharapar Road, Bharapar, Gandhidham, Kutch under the Central Excise Rules, 2002.

15. No Objection Certificate bearing No. FT-102/2735 dated January 31, 2004 by the Gujarat Pollution Control Board ("GPCB") under the Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Environment (Protection) Act, 1986 for manufacturing the following items with the specific production capacity:

Item	Production Capacity
a. Sponge iron	15000 MT/Month
b. Ferro Alloys	2500 MT/Month
c. Power	20 MW
d. SS/MS Round, Flat & other structural steel	2000 MT/Month

16. Registration Certificate No. 72/2004 dated March 15, 2004 issued under the Contract Labour (Regulation) Act, 1970 by the office of the Assistant Labour Officer, Gandhidham, Kutch.

17. Import Export Code No. 0804005966 dated August 10, 2004 issued by the Office of the Regional Director General of Foreign Trade, Ahmedabad, in the name of our Company.

18. Permission dated August 4, 2004 from the Deputy Controller of Explosives, Deputy Chief Controller of Explosives, Baroda to our Company for carrying out the construction of the proposed petroleum Class 'C' 40 KL and 20 KL installations within the factory premises, at village Bharapar, Taluka Gandhidham, District, Kutch, as per the drawing submitted by our Company with its letter dated July 30, 2004. We are required to intimate the authority the completion of the installation as required under Rule 140 of the Petroleum Rules, 2002.

Approvals applied for and not yet received

1. Our Company has made an application dated August 9, 2004 addressed to the General Manager (Commerce), Gujarat Electricity Board, Vadodara, for a new power connection of 20 MW.

2. Our Company has applied to the GPCB dated June 30, 2004 informing the GPCB of the increased capacity of the ferro alloys plant of our Company from 2500 Ton/Month to 5000 Ton/Month and requesting amendment of the NOC issued by the GPCB dated January 31, 2004 in this regard.

3. Our Company has made an application dated August 9, 2004 to the Environmental Engineer, GPCB stating that our Company has received a NOC for a 20 MW captive power plant to be set up at Village Bharapar and that our Company now intends to increase the capacity of the captive power plant to 40 MW in the next phase. Further, GPCB was informed that our capacity of Ferro Alloys will be 5170 Ton/Month instead of 5000 Ton/Month as informed vide our letter dated June 30, 2004. The Application requests amendment of the NOC issued by the GPCB dated January 31, 2004.

4. Our Company has made an application dated August 24, 2004 to the GEB for supply of electricity. A copy of the receipt No. 10158 dated August 24, 2004 issued by the GEB evidences payment of the application money amounting to Rs. 16,500.

5. Our Company has made an application dated August 24, 2004 to the GPCB requesting increase in production capacity for manufacturing SS/MS round, flat, angles and other structural steel by 100 MT/Month i.e., from 2000 MT/Month to 2100 MT/Month.

6. Our Company has submitted an application dated August 24, 2004 to the National Securities Depositories Limited and Central Depositories (Services) India Limited for dematerialization of our Company's securities.

7. Our Company has made an application dated August 26, 2004 under Section 8 (1) of the Gandhidham (Development and Control on Erection of Buildings) Act, 1957 to the Secretary, Gandhidham Development Authority, Adipur. In this regard, the Registered Architect/Engineer appointed by us has issued the necessary certificates and undertakings in Forms 2(a), 2(b) and 2(d). The Registered clerk of works/site supervisor/developer/owner has also issued the necessary certificate and declaration in Form 2(c) to the said authority stating that the works shall be in compliance with the National Building Code.

8. Our Company has made an application dated September 2, 2004 to the Airports Authority of India for a no objection certificate for construction of a chimney or boiler structure around the Kandla airport.

Approvals to be applied for

We will apply for such approvals as may be required and/or applicable to us from time to time, including the following:

1. Consent under sections 25 and 26 of the Water (Prevention and Control of Pollution) Act, 1974 and under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 from the GPCB.

2. Comprehensive clearance of the Ministry of Environment and Forests following consideration of the Environment Impact Assessment and Environment Management Plan from the Ministry of Environment and Forests as our Company proposes to manufacture "Primary metallurgical" products like iron, steel and ferro alloys and set up a captive power plant.

3. Permission/authorization under the Hazardous Wastes (Management and Handling) Rules, 1989, Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989, Ozone Depleting Substances (Regulation and Control) Rules, 2000.

4. Registration under the Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1966. Considering that our Company has already commenced building and construction work and employs more than ten workers, it is obliged to comply with the provisions regarding safety health and welfare of workers.

5. Application to the Sales tax authorities before October 31, 2004, to avail the sales tax benefits under the Incentive Scheme, 2001.

6. Application to the relevant authorities for registration of our establishment employing building workers under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against us, our directors, our promoters or companies/firms promoted by our promoters that would have a material adverse effect on our business and there are no defaults, non-payment or over dues of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities by us or our directors, our promoter or companies/firms promoted by our promoters.

OUTSTANDING LITIGATIONS INVOLVING US

There is no pending litigation or claims made by or against our Company.

CONTINGENT LIABILITY AGAINST US

There are no contingent liabilities as on June 30, 2004.

OUTSTANDING LITIGATIONS INVOLVING OUR PROMOTERS

I. Shri. Rajendra V. Shah

1. The Registrar of Companies, Gujarat, has served a Show Cause Notice No. ROC/ROD/14698/58A/Notice/STA(B)/2003/1692 dated June 24, 2004 on our Promoter Shri. Rajendra V. Shah. This Notice states that as per the Return of Deposit ("**ROD**") filed by SAL with the ROC, SAL has not maintained liquid assets, as on March 31, 2002, as required under Rule 3A of the Companies (Acceptance of Deposits) Rules 1975 and has therefore called upon our Promoter Shri. Rajendra V. Shah to clarify his position within 10 days for having liquid assets with SAL that were less than 15% of the deposits maturing free from lien.

   The reply dated July 10, 2004, sent by SAL, to the Show Cause Notice ROC/14698/58A/Notice/STA(B)/2003/1700, on behalf of all concerned to whom the show cause was issued, including our Promoter Shri. Rajendra V. Shah, clarifies that the ROD submitted to the ROC was not meant for submission to ROC, but was submitted due to the mistake of the concerned clerk from SAL. SAL has asserted that once the errors in the form submitted would be rectified, it would have complied with Rule 3A as required. Therefore, SAL has requested the ROC not to initiate any penal action against the Directors and Officers of SAL.

2. The Welfare Commissioner (Labour), Gujarat Labour Welfare Board, has served a Notice No. VK/2/TPF/ dated July 24, 2004 on our Promoter Shri. Rajendra V. Shah. The Notice states that SAL is a registered institute under the Mumbai Welfare Fund Act, 1953 and alleges that SAL and its officers have not co-operated with the Inspection proceedings conducted under the Mumbai Welfare Fund Act, 1953. The Notice calls upon SAL and its officers to be present, along with the relevant records and registers, in the office of the Welfare Commissioner, on September 18, 2004, else proceedings under Section 17(a) of the Mumbai Welfare Fund Act may be initiated against SAL.

II. SAL

Claims against SAL

1. PhenoWeld Polymers Private Limited ("**Phenoweld**"), supplier of certain parts to SAL, has filed a Winding Up Petition No. 311 of 2003 dated December 16, 2003, under sections 433, 434 and 439 of the Companies Act before the Hon'ble High Court of Gujarat at Ahmedabad praying inter alia that SAL be wound up.

   Phenoweld in its Winding Up Petition claims that SAL has defaulted in payment for supply of certain parts and therefore is "unable to pay its debts" amounting to Rs. 70,981 (Rs. 52,780, being the principal amount and an interest at the rate of 18%), within the meaning of section 434 of the Companies Act.

   SAL has not yet filed any reply to the Winding Up Petition. Prior to the filing of the Petition, SAL had, in its reply to the Winding Up Notice by PhenoWeld, denied liability on account of non-delivery of the parts.

2. SAL has by an Order of the Deputy Commissioner, Central Excise and Customs, Rural Division – II, Kalol being Order No. 01/D/2003, dated February 27, 2003 been held liable for a CENVAT credit of Rs. 7,13,515 that was not available to them. The Order states that the amount of Rs. 7,13,515 be recovered along with interest under Rule 12 of the CENVAT Credit Rules, 2001 and 2002 read with Sections 11A and 11AB of the Central Excise Act, 1944. The Order also imposes a penalty of Rs. 10,000 on SAL for contravention of the provisions of CENVAT Credit Rules, 2001 and 2002. SAL has filed an appeal from this Order before the Commissioner of Customs and Excise (Appeals) III under Section 35 of the Central Excise Act, 1944 vide Appeal No. 51/AHD-III/03 dated April 3, 2003. SAL has contended that there is no contravention of Rule 3(1) of the CENVAT Credit Rules as the credit has been taken against valid duty paying documents for the goods. Further, SAL has contended that the Show Cause Notice received by them was time barred and therefore Rules 12 and 13 of the CENVAT Credit Rules do not apply.

   SAL has received an acknowledgement dated April 7, 2003 from the Office of the Commissioner of Customs and Excise (Appeals) confirming the receipt of the Application for Appeal and assigning it an Appeal No. 51/AHD-III/03. The Appeal is pending.

3. The Assistant Provident Fund Commissioner, Gujarat State, had served a Reminder, No. CJ/Exem/EDLI/25362/289 dated June 7, 2004, on SAL bringing to SAL's notice that they had not yet complied with all the requirements with respect to grant of relaxation from Employees Deposit Linked Insurance Scheme, 1976 under Para 28(7) of the Employees Provident Fund and Miscellaneous Provisions Act, 1952. The Assistant Provident Fund Commissioner had stated that SAL had not submitted a No Objection Certificate from the majority of employees favoring relaxation, a code draft letter issued by the Regional Provident Fund Commissioner's Office and the LIC premium receipts.

SAL has replied to this notice vide letter dated August 16, 2004, along with copies of the No Objection Certificate from majority of employees and the LIC premium receipts.

4. The Registrar of Companies, Gujarat, had served a Show Cause Notice No. ROC/14698/58A/Notice/STA(B)/2004/1388 dated June 10, 2004 on SAL. The said notice is served under Section 58A(1) of the Companies Act read with Rule 3(2)(ii) of the Companies (Acceptance of Deposits) Rules 1975, and Section 58A(6) of the Companies Act. The notice states that as per the ROD filed with the ROC, SAL has accepted excess deposits, worth Rs. 1,24,79,988, during the financial year as at March 31, 2002 and has therefore called upon SAL to provide, within 10 days, a satisfactory explanation for accepting deposits in excess of limits prescribed under the Companies Act and rules thereof.

   SAL has in its reply dated July 10, 2004 to the said Show Cause Notice ROC/14698/58A/Notice/STA(B)/2004/1391, on behalf of all concerned to whom the show cause was issued, including SAL itself, clarified that the ROD submitted to ROC was prepared on a trial basis and is not a final copy of the ROD. The ROD prepared on a trial basis was mistakenly submitted to the ROC. SAL has requested the ROC to allow it to file the revised ROD.

   Further, the ROC vide Notice No. ROC/STA(B)/58A/14698/1387 dated June 10, 2004 has called upon SAL to provide certain explanation/information as specified in the Notice, with respect to the ROD filed with the ROC.

   SAL in its reply dated July 10, 2004 to Notice ROC/STA(B)/58A/14698/1387 has clarified that the form submitted to ROC contained errors that had crept in due to the mistake of the clerk from SAL preparing the said form. SAL has stated in its reply that overall there is no change in the amount but there was a mistake in the internal classification. Therefore, the form submitted was not the final copy and SAL has requested the ROC to allow it to file the revised form.

5. The Registrar of Companies, Gujarat, has served a Show Cause Notice No. ROC/ROD/14698/58A/Notice/STA(B)/2003/1691 dated June 24, 2004 on SAL. This notice states that as per the ROD filed with the ROC, SAL has not maintained liquid assets, as on March 31, 2002, as required under Rule 3A of the Companies (Acceptance of Deposits) Rules 1975 and has therefore called upon SAL to clarify its position within 10 days for having liquid assets less than 15% of the deposits maturing free from lien.

   SAL has in its reply dated July 10, 2004 to the Show Cause Notice ROC/14698/58A/Notice/STA(B)/2003/1700, on behalf of all concerned to whom the show cause was issued, including SAL itself, clarified that the ROD submitted to ROC was not meant for submission to ROC, but was submitted due to the mistake of the concerned clerk from SAL. SAL has asserted that once the errors in the form submitted would be rectified, it would have complied with Rule 3A as required. Therefore, SAL has requested the ROC not to initiate any penal action against the Directors and Officers of SAL.

6. The Deputy Commissioner of Central Excise, Ahmedabad III, has served a show cause notice No. V.72/15-34/OA/2003/216 dated January 27, 2004 on SAL.

The notice has charged SAL of wrongly availing CENVAT credit of Rs. 2,26,235 and has called upon SAL to clarify its position, within 30 days, as to why the Central Excise duty of Rs. 2,26,235 should not be recovered as per Section 11A of the Central Excise Act, 1944 read with Rule 12 of Cenvat Credit Rules, 2002; why should any penalty not be imposed upon them under Section 11AC of the Central Excise Act, 1944 read with Rule 25 of Cenvat Credit Rules, 2002 and why should any interest not be charged under Section 11AB of the Central Excise Act, 1944.

SAL has, in its reply dated February 3, 2004, contended that the item (i.e. LDO – Light Diesel Oil) in respect of which it was alleged that SAL has wrongly claimed Cenvat credit was included in the Cenvat scheme during the period when the Cenvat credit was claimed by SAL. The item was excluded from the scope of input with effect from March 1, 2003 i.e. subsequent to the period as alleged in the Show Cause Notice. The matter is pending.

7. Utkal Steels Limited has filed a Civil Suit No. 04 of 2003 dated February 15, 2003 on July 22, 2004 against SAL, before the Hon'ble Court of Civil Judge (Senior Division), Rourkela.

Utkal Steels claim that SAL has defaulted in payment of Rs. 3,78,900 for supply of rolled slabs and have additionally claimed damages at the rate of 21% per annum from date of supply of materials.

The Hon'ble Court of the Civil Judge has issued Summons for Settlement of Issue on SAL instructing them to be present before him on August 20, 2004 along with their reply and supporting documents.

The Suit is pending before the Civil Judge (Senior Division), Rourkela.

8. SAL has preferred a second appeal under Section 65 of the Gujarat Sales Tax Act, 1969 in the Gujarat Sales Tax Tribunal at Ahmedabad vide Appeal No. 492 of 2001 against an order passed in appeal by the Deputy Commissioner of Sales Tax, Gandhinagar, dated July 24, 2001. The said order in appeal held that SAL was liable on account of breach of condition of Form "LL", and levied purchase tax Rs. 26,22,517 under Sections 15A, 15B and 16 of the Gujarat Sales Tax Act.

The Second Appeal was admitted and a stay was granted on October 15, 2001 on the Order passed in appeal, subject to a deposit of Rs. 10,00,000. Further, SAL was directed that they would be liable to pay interest on any tax and penalty levied on them. Pursuant to the directions of the Gujarat Sales Tax Tribunal SAL has deposited an amount of Rs. 19,24,000 with the Tribunal. The Second Appeal is pending.

9. SAL instituted an appeal on March 3, 2000 vide Appeal No. CIT(A)XIV/JC SR-7/29/99-00 against the order passed by the Joint Commissioner, IT, Ahmedabad ("JCIT") on January 20, 2000, levying penalty of Rs. 72,970 on SAL. SAL had approached the JCIT under Section 154 of the Income Tax Act for rectifying a mistake in charging interest under Sections 234B and 234C of the said Act. However the JCIT had rejected the application summarily without granting a personal hearing.

   In appeal, the Commissioner of Income Tax (Appeals) directed that the enhancement of interest under 234B and 234C be cancelled. In effect, the Appeal was allowed.

10. The Welfare Commissioner (Labour), Gujarat Labour Welfare Board, has served a Notice No. VK/2/TPF/ dated July 12, 2004. The Notice states that SAL is a registered institute under the Mumbai Welfare Fund Act, 1953 and alleges that SAL and its officers have not co-operated with the Inspection proceedings on account of their failure to produce the documents as called for by the office of the Welfare Commissioner (Labour) under the Mumbai Welfare Fund Act, 1953. The Notice calls upon SAL and its officers to be present, along with the relevant records and registers, in the office of the Welfare Commissioner, on July 19, 2004, else proceedings under Section 17(a) of the Mumbai Welfare Fund Act may be initiated against SAL.

Claims by SAL

1. SAL has filed a Summary Civil Suit under Order 37 of the Code of Civil Procedure, 1908 against Union Transport India Pvt. Ltd. and M/s Samrat Shipping and Transport Systems Pvt. Ltd before the Hon'ble City Civil Court at Ahmedabad vide Suit No. 4228 of 2001 dated September 10, 2001. SAL has thereafter filed a Summons for Judgment in this Summary Suit.

   SAL has claimed breach of contract and mistake on the part of carriers, Union Transport India Pvt. Ltd. and M/s Samrat Shipping and Transport Systems Pvt. Ltd. in processing their import consignment. SAL has claimed Rs. 8,84,565 and an interest of 18% p.a.

   Samrat Shipping Corporation filed its Affidavit in Reply for unconditional leave to defend on April 2, 2002 and Union Transport India Pvt. Ltd. filed Affidavit in Reply for unconditional leave to defend on April 12, 2002. Both the Defendants have raised various preliminary objections whilst denying the contentions of the Plaintiff. SAL filed its response to these affidavits vide their affidavit dated February 3, 2003 challenging the contentions and right of the Defendants to get leave to defend. The Suit is pending in the Civil Court.

CONTINGENT LIABILITY AGAINST SAL

For the year ended March 31, 2004, contingent liability against SAL has not been provided for in respect of -:

Inland letters of credit: Rs. 2521.68 lacs [Pr. Yr. Rs. 925.05 lacs]

Foreign letters of credit: Rs. 5769.27 lacs [Pr. Yr. 2477.26 lacs]

Disputed Income Tax Demand: Rs. 0.73 lacs [Pr. Yr. 0.73 lacs] (Matter is under appeal)

Disputed Sales Tax Demand: Rs. 26.22 lacs [Pr. Yr. Rs. 26.22 lacs] (Matter is under appeal)

Disputed Excise Cenvat Demand: Rs. 7.13 lacs (P.Y. Rs. Nil) (matter is under appeal)

Corporate Guarantee given to GSFC for a term loan of Rs. 89.77 lacs (o/s Rs. 43.45 lacs as on 31-03-2004) granted to M/s Pooja Agrico Pvt. Ltd.

Corporate guarantee given to Union Bank of India & State Bank of Saurashtra for term loan of Rs. 1680 lacs granted to Kesar SAL Medical College & Research Institute (Prop of Adarsh Foundation)

OUTSTANDING LITIGATION INVOLVING ENTITIES CONTROLLED BY OUR PROMOTERS

Claims made against entities controlled by our Promoter, Shri. Rajendra V. Shah, other than SAL, which has been stated above in "Outstanding litigations involving our Promoters", are as follows:

1. *The Government of Gujarat has filed a Civil Suit before the Hon'ble City Civil Judge, Ahmedabad vide Suit No. 49/93 dated December 31, 1992 claiming Rs. 14,82,399.59 from M/s Shah Steel and Agriculture Industries (a partnership firm) towards non-delivery of finished goods.*

   M/s Shah Steel and Agriculture Industries does not exist anymore and has been closed. Shri. Rajendra V. Shah, of M/s Shah Steel and Agriculture Industries, had filed a written statement on December 23, 1993 on behalf of M/s Shah Steel and Agriculture Industries. In the Written Statement Shri. Rajendra V. Shah has denied receipt by M/s Shah Steel and Agriculture Industries of raw materials required for manufacturing the finished goods, from the Government of Gujarat.

   M/s Shah Steel and Agriculture Industries were unable to establish and prove their contentions as the relevant documents were in the custody of the Gujarat Government. Thereafter, M/s Shah Steel and Agriculture Industries filed an Application before the Hon'ble Judge praying for the production of relevant original documents by the Government of Gujarat.

   The Suit is pending before the City Civil Judge.

2. Shri. Manubhai Patel and others have filed a Civil Application No. 3388 of 2003 dated May 13, 2003 in Special Civil Application 4863 of 2001 in the Hon'ble High Court of Gujarat at Ahmedabad against the State of Gujarat, Gujarat Housing Board and M/s Adarsh Foundation. Shri. Rajendra V. Shah of SAL is the Managing Trustee of M/s Adarsh Foundation.

There was an earlier Special Civil Application 4863 of 2001, with the same parties, which was a Public Interest Litigation under Articles 14, 226 of the Constitution of India and the Land Acquisition Act. In this application Shri. Manubhai Patel and others, owners of the land acquired by the State of Gujarat and Gujarat Housing Board, contended that the public purpose for which the land was acquired did not exist anymore and currently the land is being given to M/s Adarsh Foundation for construction of a medical and dental college. Since this subject matter was already dealt with under an earlier Petition No. 9801 of 2000, the Hon'ble High Court bench, by an order dated September 18, 2001, directed that the Application No. 4863 of 2001 be placed before the Chief Justice for further directions to enable the earlier bench to hear the matter.

Shri. Rajendra V. Shah, has, on behalf of M/s Adarsh Foundation, contended in his Affidavit in Reply dated May 21, 2003 to Civil Application No. 3388 of 2003 in Special Civil Application 4863 of 2001 that pursuant to order dated September 18, 2001, the matter has already been placed before the Chief Justice for referring it to the bench which had heard Petition No. 9801 of 2000 or to the bench taking up public interest litigation. It is further stated in the affidavit that it was not clear if Hon'ble Chief Justice has passed any order on the same. Since the civil application no. 3388 of 2003 was before the bench, which had passed order, dated September18, 2001, it is contended by Shri. Rajendra V. Shah, by way of the said Affidavit in Reply, that pending the orders of the Hon'ble Chief Justice on the allocation of the said matter to appropriate Bench, the current application, in absence of specific pleading of urgency in the said application, should be heard with the Special Civil Application No. 4863 of 2001. Further, Rajendra V. Shah through his said affidavit in reply has stated that the Petitioners have been compensated by the Gujarat State Government. Furthermore, it has also been stated in the affidavit that the construction activity on the land had commenced long back and an investment of 2.5 crores had already been made. This was to counter the allegation of the Petitioners that the construction activity is about to commence. The Petitioners have filed an Affidavit in Rejoinder of Shri. Poonambhai Patel dated May 22, 2003. The Petitioners have through their said affidavit denied the contentions of M/s. Adarsh Foundation and re-iterated their contentions. The Petitioners have reiterated that the land was acquired at a paltry sum under the guise of public policy, and therefore allowing construction to continue would make their Petition infructuous.

The Civil Application No. 3388 of 2003 is pending.

3. Shah Industries Unit I (a proprietorship concern) have filed a Special Civil Application under Articles 14, 19, 226 of the Constitution, The Bombay Land Revenue Code and The Gujarat Sales Tax Act in the Hon'ble High Court of Gujarat at Ahmedabad vide Special Civil Application 7736 of 2001 dated September 2001.

Shah Industries have challenged the action of the Sales Tax Officer, Vijaypur Division, in seeking to recover a sum of 15 Lacs. Shah Industries claims that the said amount of 15 Lacs has already been adjusted against the cash subsidy receivable by them and the matter has been settled.

The Hon’ble High Court of Gujarat has granted interim relief vide Order dated September 12, 2001 instructing the Sales Tax Commissioner to give three days clear notice before proceeding against the properties of Shah Industries. The hearing of the said application was scheduled on September 28, 2001 and Notice of the same dated September 12, 2001 was served on the Sales Tax Commissioner. The said Application is pending in the High Court.

OUTSTANDING LITIGATION INVOLVING OUR DIRECTORS

There are no contingent liabilities, which require provisioning in the accounts, outstanding litigation, disputes, non-payment of statutory dues, overdues to banks/financial institutions or proceedings initiated for any economic/civil/criminal/any other offences against any of our Directors, other than the ones against our Promoter and Director Shri. Rajendra V. Shah, the details of which have been provided above, in “Outstanding Litigations involving our Promoters”.

DIVIDEND POLICY

The Company in General Meeting may declare dividends to be paid to members according to their respective rights, but no dividends shall exceed the amount recommended by the Board, but the company in General Meeting may declare a smaller dividend. Dividends shall be paid out of profits only. Since we have not yet commenced commercial operations, no dividend has been declared by us till date.

BASIS OF ISSUE PRICE

We shall determine the Issue Price in consultation with the BRLM on the basis of assessment of market demand for the Equity Shares issued by way of book building process.

You should read the following summary with the Risk Factors included from page number __ to __ and the details about us and our financial statements included in this Draft Red Herring Prospectus. The trading price of our equity shares could decline due to these risks and you may lose all or part of your investments.

Qualitative Factors

- We have been promoted by SAL, which is an existing profit making company having good track record and is the second largest stainless steel manufacturing company in India.
- The Project is being set up at Village Bharapar, District Gandhidham, Kutch, which is near the Kandla Port and will result in benefits available at the location under the special package of incentives for sales tax and excise duty declared under the Incentive Scheme 2001 for Economic Development of Kutchh District after the earthquake. This may result in cost savings to our Company
- Full Contribution from the Promoters and others to the extent of Rs. 5150 Lacs has already been brought in
- Term loans amounting to Rs. 12250 Lacs (as against requirement of Rs. 11500 Lacs) and regular working capital facilities of Rs. 3500 Lacs have already been sanctioned.
- Most of the finished product (about 85-90% of sponge iron and about 100% of ferro alloys) will be purchased by SAL, which is also the end user.
- The Project is located around 15 kms from Kandla port and will be suitable for transporting iron ore and non-coking coal.
- The Project is a backward integration to SAL and will reduce input costs making it more cost efficient.
- Major inputs like limestone in production of sponge iron and Lignite for our Captive Power Plant are in abundance in the surrounding areas and are easily available.
- Installation of Captive Power Plant reduces the power cost considerably and keeps the production costs, particularly of ferro-alloys low. Further the availability of Income Tax benefit U/s 80-IA of the I. T. Act on account of Captive Power Plant subject to certain terms and conditions would help in reducing the overall cost.
- Technologies for products are time-tested and operative in India. Also, the technical consultants have a proven track record and have wide experience in their respective fields.

Quantitative Factors

1. Adjusted earning per share (EPS) of face value of Rs. 10

Since we have not yet commenced commercial operations, EPS for the previous years are not available.

2. Price/Earning Ratio (P/E) in relation to Issue Price of Rs. [●]
Since we have not yet commenced commercial operations, PE in relation to the issue price is not available.

3. Average Return on Net Worth (RONW)

Since we have not yet commenced commercial operations, RONW for previous years are not available.

4 Minimum Return on Increased Net Worth to maintain pre-issue EPS – Not Applicable

5 **Net Asset Value (NAV) per share of SSL**

As at March 31, 2004	Rs. 9.36
As at June 30, 2004	Rs. 11.83
(a) After the Issue	Rs. [•]
(b) Issue Price	Rs. [•]

Note:
Net Asset Value Per Share represents Shareholder's Equity as per restated financial statements less miscellaneous expenditure as divided by number of shares outstanding at the end of the period.

The Issue Price of Rs. [•] has been determined by us in consultation with the BRLM, on the basis of assessment of market demand for the Equity Shares by way of Book Building and is justified on the basis of the above factors.

6. Comparison of all the accounting ratios of SSL with the industry average and peer group
No comparable peer group are available.

The face value per share is Rs. 10 and the issue price is [•] times the face value

Financial Statement

Auditor's Report

To,

The Board of Directors
S.A.L. Steel Limited
5/1, Shreeji House, 5th Floor,
B/h. M. J. Library, Ashram Road,
Ahmedabad – 380 006

Dear Sirs,

As required by Part II of Schedule II of the Companies Act, 1956, the Guidelines titled Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India (SEBI) in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications and in accordance with the requests dated 5th July, 2004 received from S.A. L. Steel Limited (SSL/ the Company), we have examined the financial information contained in the statements annexed to this report which are proposed to be included in the prospectus of SSL in connection with the proposed issue of shares and report thereon as follows :

1. We have examined the 'Statement of Pre Operative Expenses pending Allocation' of the Company as on March 31, 2004 and June 30, 2004 and the 'Statement of Adjusted Assets and Liabilities' as at those dates enclosed as ANNEXURES I and II respectively and confirm that:

    - The preoperative expenditure of the company as at the above dates is as set out in Annexure I to this report. These pre operative expenditure have been arrived at after charging all expenses of the Project, including depreciation and after making such adjustment as in our opinion are appropriate and are subject to the notes appearing in Annexure IV to this report

    - The restated assets and liabilities of the company as at the above dates are as set out in Annexure II to this report after making such adjustment and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure IV to this report.

    - The Significant Accounting Policies adopted by the Company are enclosed as ANNEXURE IV.

    - The Notes to the 'Statement of Adjusted Assets and Liabilities' are enclosed as ANNEXURE IV.

2. We have examined the 'Statement of Dividend Paid' by the Company for the period ended March 31, 2004 and for the interim three months period ended June 30, 2004 on the shares of the Company enclosed as ANNEXURE III and confirm that it correctly records the dividend paid in respect of each of these year/ period.

3. We have examined the 'Statement of Accounting Ratios' and 'Statement of Secured and Unsecured Loans' of the Company for the period ended March 31, 2004 and for the interim three months period ended June 30, 2004 enclosed as ANNEXURE V & VI

respectively and confirm that the ratios have been correctly computed from the figures stated in the 'Statement of Adjusted Assets and Liabilities' of the Company referred to in paragraph 1 above.

4. We have examined the accompanying 'Statement of Related Party Disclosure' for the period ended March 31, 2004 and for the interim three months period ended June 30, 2004 enclosed as ANNEXURE VII and confirm that the relationships and transactions between the Company and its related parties have been appropriately reported in accordance with 'AS – 18 Related Party Disclosures' issued by The Institute of Chartered Accountants of India.

5. We have examined the 'Capitalisation Statement' enclosed as ANNEXURE VIII and confirm that it correctly records the matters stated therein.

We further report that the information mentioned in the paragraphs 3 to 5 above has been correctly computed from the figures stated in the Adjusted Assets and Liabilities referred to in paragraph 1 above.

Yours faithfully,

PLACE: AHMEDABAD **FOR, J. VAGERIYA & ASSOCIATES**
CHARTERED ACCOUNTANTS

DATE: 22/07/2004

(JITENDRA VAGERIYA)
PROPRIETOR

ANNEXURE – I STATEMENT OF PRE-OPERATIVE EXPENDITURE PENDING ALLOCATION

(Rs. in Lacs)

Particulars	**As at June 30th 2004.**	**As at March 31st 2004**
Auditors Remuneration	0.16	0.11
Advertisement exps	0.43	0.43
Bank commission & charges	0.59	0.39
Car Finance Charge	0.13	0.05
Traveling & Conveyance Expenses	2.34	0.62
Commission & Brokerage exps	0.03	0.03
Depreciation	0.39	0.18
Electric Exps.	5.35	0.43
Employees Welfare Exps	1.24	0.33
Freight Expenses	0.95	-
Guest House Expenses	1.32	0.91
Labour charge expenses	0.36	0.09
Laboratory Expenses	0.11	0.08
Legal & Professional Exps.	23.04	5.90
Machinery Maintenance Exps	0.32	0.11
Office & General Expenses	0.55	0.22
Rent Exps	9.46	6.63
Professional Tax Exps & Sales Tax	0.02	0.02
Rates & Taxes exps	0.77	0.77
Salary Exps.	14.12	5.50
Security Service Exps.	3.85	1.15
Stationary & Printing Exps	0.71	0.31
Subscription Exps	0.01	0.00
Vehicle Exps	0.80	0.48
Postage & Telephone Expenses	0.46	0.11
TOTAL	**67.50**	**24.85**

The accompanying significant accounting policies and notes are integral part of this statement

ANNEXURE – II STATEMENT OF ADJUSTED ASSETS AND LIABILITIES

(Rs. in Lacs)

Particulars	**As at June 30th 2004**	**As at March, 31st 2004.**
(A) Fixed Assets		
Gross Block	283.95	46.19
Depreciation	0.39	0.18
Net Block	283.56	46.02
Capital Work-in-Progress (including advances paid for capital expenditure)	2501.86	1501.77
Pre-operative Expenditure	67.50	24.85
Total	**2852.92**	**1572.64**
(B) Investment	-	-
(C) Current Assets, Loans and Advances		
Inventory	-	-
Sundry Debtors	-	-
Cash and Bank Balance	19.85	11.16
Other Current Assets	-	-
Loans & Advances	11.04	3.59
Sub-Total (C)	**30.89**	**14.75**
(D) Less: - Liabilities and Provisions:		
Current Liabilities & Provisions	684.78	341.38
Deferred Tax (Assets) / Liabilities	-	-
Secured Loans	4.63	5.05
Unsecured Loans	0.52	1236.29
Sub-Total (D)	**689.93**	**1582.72**
(E) Net Worth (A+B+C-D)	**2193.89**	**4.68**
Net Worth Represented By		
(F) Share Capital	1855.00	5.00
(G) Reserve & Surplus		
Share Premium	370.00	-
Total	**2225.00**	**5.00**
(H) **Miscellaneous Expenditures to the extent not written off**	31.11	0.32
(I) Net Worth (F+G-H)	**2193.89**	**4.68**

The accompanying significant accounting policies and notes are integral part of this statement

ANNEXURE – III DIVIDEND

We further report that no Profit & Loss account is prepared since the Project is under implementation. Hence no dividend has been declared by the company since its incorporation.

ANNEXURE – IV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES:

(I) METHOD OF ACCOUNTING: -

The financial statements have been prepared on the historical cost convention, on a going concern basis, and in accordance with the applicable accounting standards except where otherwise stated.

II) RECOGNITION OF INCOME & EXPENDITURE: -

As the company has not commenced business activity nor generated any revenue income, hence profit and loss account has not been prepared. However pre-operative expenses have been accounted on accrual basis.

III) FIXED ASSETS: -

Fixed assets are stated at cost incurred till date after deducting depreciation provided on vehicles and computers. Cost comprises of cost of acquisition, erection expenses and other incidental expenses, which directly or indirectly contribute towards the cost of the assets.

IV) **CAPITAL WORK-IN-PROGRESS**

a) In respect of Supply-cum-erection contract, the value of supplies received at site and accepted is treated as Capital Work-in-Progress.

b) Incidental Expenditure during Construction including corporate office expenses (Pre-operative, pending for allocation) is included in block of fixed assets.

V) DEPRECIATION: -

Since the Company has not commenced commercial production, the Depreciation has not been provided in the Books of Accounts. However depreciation on vehicles and computer has been provided on straight-line method in accordance with the provisions of the Schedule XIV of the Companies Act, 1956 same has been considered as pre-operative expenditure, since the company has not commenced commercial activity.

VI) RETIREMENT BENEFIT: -

Retirement Benefits are dealt with in the following manner.

a) Contribution to provident fund is accounted on accrual basis

b) Provision Gratuity liability is made on the basis of actuarial valuation

c) Leave encashment is accounted on accrual basis.

VII) DEFERRED TAX: -

The company is in process to set-up its Project and it has not started any commercial activity. Hence provisions of AS-22 on Accounting for Taxes on Income are not applicable during the period under review.

2. CHANGES IN ACCOUNTING POLICIES TILL 30TH JUNE 2004 SINCE DATE OF INCEPTION

There are no changes in accounting policies adopted for accounting till 30th June 2004.

NOTES TO ACCOUNTS: -

1) Adjustment / Regrouping

Impact of changes in accounting and prior period items
There is no change in accounting policies and there are no prior period items, which require adjustment, hence not applicable.

2) Contingent Liabilities as at 30th June 2004 Rs. Nil and as at 31st March 2004 Rs.Nil.

3) Estimated amount of Contracts remaining to be executed on Capital Account and not provided for Rs. 4072.10 Lacs as at 31st March, 2004 and Rs. 3838.63 Lacs at 30th June 2004.

4) As per the information and explanation given by the management, there are no small scale industrial undertakings, to whom, the amount exceeding Rs.1.00 lac is outstanding as on the balance sheet date.

5) As the Company has not commenced production, the provisions of paragraphs 3 & 4 of Part II of Schedule VI to the Companies Act, 1956 are not applicable. Hence the required details are not given

6) During the period the Company has allotted 1,85,00,000 equity shares at a premium of Rs. 2/- each against out standing amount as on 30th June 2004 of Rs. 2220.52 Lacs as unsecured loans.

7) There was no employee who employed for a part of the year, was in receipt of remuneration in excess of Rs. 2.00 Lacs p.m.

8) Expenditure in Foreign Currency - Rs. Nil

9) Earning in Foreign Currency - Rs. Nil

10) Amount remitted during the year in foreign Currency - Rs. Nil

FOR AND ON BEHALF OF THE BOARD	**AS PER OUR REPORT ATTACHED** **FOR, J. VAGERIYA & ASSOCIATES** **CHARTERED ACCOUNTANTS**
DIRECTORS	**(JITENDRA VAGERIYA)** **PROPRIETOR**
PLACE: AHMEDABAD **DATE : 22/07/2004**	**PLACE: AHMEDABAD** **DATE : 22/07/2004**

ANNEXURE V
SUMMARY OF ACCOUNTING RATIOS

(Rs. In Lacs)

Particulars	**Three Months Ended June 30th 2004**	**Financial Period Ended March 31st 2004.**
Net Worth (A)	2193.89	4.68
No. of equity share outstanding (B)	1,85,50,000	50,000
Accounting Ratio Net Assets Value per share (A/B)	11.83	9.36

ANNEXURE VI

STATEMENT OF SECURED AND UNSECURED LOANS

(Rs. In Lacs)

Particulars	**Three Months Ended June 30th 2004**	**Financial Period Ended March 31st 2004.**
(A) Secured Loans		
Vehicles Loans from ICICI Bank Ltd. (on Hypothecation of Car) to be repaid in 36 equal installment of Rs. 16,704/- including interest.	4.63	5.05
(B) Unsecured Loans		
Inter Corporate Loans (as per note)	0.52	1236.29

Note: - Interest free Inter Corporate Loans received from M/s. Shah Alloys Limited, which has been adjusted against Share Application Money, share allotted as on 30th June 2004 (refer point No. 6 of Notes on Accounts)

ANNEXURE VII

RELATED PARTY TRANSACTION
As per Accounting Standard (AS – 18) effective form

List of Joint Ventures and Associate Concern

	As at 30th June 2004
	Shah Alloys Limited, Adarsh Foundation (Charitable Trust), Shah Industries Unit – 1, Shah Steel & Rolling Industries, Shah Steel Udyog, Shah Steel Craft and Rolling Industries, Vijay Steel Metal and Vijay Weigh Bridge.
	As at 31st March 2004
	Shah Alloys Limited, Adarsh Foundation (Charitable Trust), Shah Industries Unit – 1, Shah Steel & Rolling Industries, Shah Steel Udyog, Shah Steel Craft and Rolling Industries, Vijay Steel Metal and Vijay Weigh Bridge.

Key Management Personnel as at 30th June 2004

S. N.	NAME OF KEY PERSONNEL	DESIGNATION
(i)	Shri Rajendra V. Shah	Chairman and Managing Director
(ii)	Shri R. N. Mishra	A.G.M. Project and Production
(iii)	Shri Niranjan I. Vadia	Manager Power Plant
(iv)	Shri Kiritbhai Shah	A.G.M. Marketing
(v)	Shri Sujal A. Shah	G.M. Purchase
(vi)	Shri Mahendra R. Patel	Manager Finance

Transactions with the Related Parties at (A) above are as follows
(Rs. in Lacs)

Particulars	Transaction		Outstanding Amount	
	31.03.04	30.06.04	31.03.04	30.06.04
M/s. Shah Alloys Limited				
- Inter Corporate Loans	1236.29	984.22	1236.29	0.51*
- Purchase of Capital Goods	308.47	300.97	307.60	608.57

* Unsecured loan of Rs. 2220.00 Lacs is converted into Share Capital and premium by issuing 1,85,00,000 equity share of the company with share premium of Rs. 2 each.

Remuneration paid to Key Management **(Rs. in Lacs)**

S. N.	NAME OF KEY PERSONNEL	Period Ended on	
		30.06.2004	**31.03.2004**
(i)	Shri R. N. Mishra	0.80	0.73
(ii)	Shri Niranjan I. Vadia	0.71	0.19
(iii)	Shri Kiritbhai Shah	0.30	-
(iv)	Shri Sujal A. Shah	0.30	-
(v)	Shri Mahendra R. Patel	0.30	-

ANNEXURE VIII

CAPITALISATION STATEMENT

(Rs. in lacs)

	Pre-issue as at 30-06-2004	Adjusted after the Public Issue
Borrowing		
Short - Term debt	5.14	
Long-term debt	-	
Total Debt	**5.14**	
Shareholders' funds		
Share Capital		
- Equity	1855.00	
- Reserves & surplus	370.00	370*
Less: Miscellaneous Expenditure not written off	31.11	
Total Shareholders Funds	**2193.11**	
Long-term Debt/Equity ratio	0.00	

* Further Share Premium to be accruing on present public issue is to be determined on completion of book building process.

CASH FLOW STATEMENT FROM THE RESTATED FINANCIAL STATEMENT

FOR THE PERIOD ENDED 30TH JUNE 2004 AND 31ST MARCH 2004

(Rs. in Lacs)

Particulars	**Three Months Ended June 30th 2004**	**Financial Period Ended March 31st 2004.**
A. Cash flow from Operating Activity		
Net Profit before tax and prior period adjustment	NIL	NIL
Adjustment for	NIL	NIL
Adjustment for Changes in Working Capital	NIL	NIL
Net Cash Flow (A)	**NIL**	**NIL**
B. Cash flow from Investing Activity		
Preliminary & Pre – Operative Expenses	(73.22)	(25.00)
Purchase of Fixed Assets (Including advances paid for capital expenditure)	(901.89)	(1210.18)
Net Cash from / (used) in investing activities	**(975.11)**	**(1235.18)**
C. Cash flow from Financing Activity		
Proceeds from fresh issue of Share Capital	1850.00	5.00
Share Premium	370.00	0.00
Proceeds from Secured and Unsecured Loans	(1236.20)	1241.34
Net Cash from / (used) in financing activities	983.80	1246.34
D. Net Cash Increase / (Decrease) in Cash & Cash Equivalents	8.69	11.16
E. Opening Balance of Cash & Cash Equivalents	11.16	0.00
F. Closing Balance of Cash & Cash Equivalents	19.85	11.16

Note: - Effect for changes in unsecured loans & share capital is taken as cash outflow/inflow.

TAX BENEFITS

S.A.L. Steel Limited
5/1, Shreeji House, 5th Floor,
B/h. M. J. Library, Ashram Road,
Ahmedabad – 380 006

Dear Sir

We hereby report that the enclosed annexure states the possible tax benefits available to S.A.L. Steel Limited (SSL/ the "Company") and it's shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfil.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

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

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

For, J. Vageriya & Associates
Chartered Accountants

Sd/-
[Jitendra Vageriya]
Proprietor

Date: July 22, 2004

Place: Ahmedabad

TAX BENEFITS

1. To The Company: -

1.1 Tax Holiday under section 80IA of the Income Tax Act, 1961 (for Power Generation)

As per the provisions of Section 80IA of the Act, the Company is eligible to claim a benefit with respect to deemed profit derived from power project @ 100% for a period of ten consecutive assessment years commencing from initial assessment year of Company's choice which shall not fall beyond the fifteenth assessment year starting from the previous year in which the undertaking generates power.

1.2 Special Fiscal Incentive for Sales Tax and Excise Duty

As per the Incentive Scheme 2001 for Economic Development of Kutch District declared by the State Government of Gujarat dated November 09, 2001, Sales Tax Exemption benefit would be available to the extent of 100% of the eligible investment (fixed assets) for the period of 10 years from the date of commencement of commercial production if the commercial production start on or before 31st October 2004. In addition, as per the Incentive Scheme declared by the Central Government, vide Notification No. 39/2001 dated July 31, 2001 as supplemented by Notification No. 9/2004 dated January 21, 2004, the excise duty is exempted for first five years from the date of commencement of commercial production for unlimited amount, if the project is set-up and commercial production start on or before 31st December 2004

Effective Steps for Pipeline Units for Sales Tax exemption

If the company has not started commercial production on or before 31st October 2004 they shall be permitted to avail the benefits as pipeline cases under the scheme, provided;

(i) They shall undertake to go into production by 31-10-2005.

(ii) In case of Small Scale industry or medium and large industry for the purpose of registration should have submitted the application by 31-10-2004.

(iii) Application for availing finance from the financial institution or Banks should have been made before 31-10-2004.

(iv) They should acquired land or should have received offer of land from GIDC before 31-10-2004.

(v) They should have made 50% of the investment of the project cost before 31-10-2004.

2. Benefits available to resident shareholders: -

Dividends exempt under Section 10(34)

- Dividends (whether interim or final) declared, distributed or paid by the Company on or after 1 April 2003 is exempt in the hands of shareholders as per the provisions of Section 10(34) of the Income Act, 1961.

- In terms of section 10(23) of the Income Tax Act, 1961 all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income from investment in the shares of the company.

- Under section 48 of the Income Tax Act, 1961 if the company's shares are sold after being held for not less than twelve months, the gains (in cases not covered under section 10(36) of the Act) if any will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.

- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) arising on the transfer of shares of the company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by

  - National Bank for Agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act, 1981;
  - National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;
  - National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
  - Small Industries Development Bank of India established under section 3(1) of the Small Industries! Development Bank of India Act, 1989;

- Under section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) on the transfer of shares of the company, as and when it is listed, will be exempt from capital gains if the capital gains are invested in shares of an Indian company forming part of an eligible public issue within a period of 6 months after the date of such transfer and held for a period of at least one ye Eligible public issue means issue of equity shares which satisfies the following conditions, namely

  a) The issue is made by a public company formed and registered in India;

  b) The shares forming part of the issue are offered for subscription to the public;

- Under section 54F of the Income Tax Act, 1961 long term capital gains (in cases not covered under section 10(36) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer shares of the company will be exempt from capital gain tax subject to other conditions, if the consideration from such shares are used for purchase of residential house property within a perk of one year before and two years after the date on which the transfer took place or for construe of residential house property within a period of three years after the date of transfer.

- Under section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains, (i.e., if shares are held for a period exceeding 12 months) (in cases not covered und section 10(36) of the Act), arising on transfer of shares in the company, shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48. The amount of such tax should however, be limited to 10% (plus applicable surcharge) without indexation at the option of the shareholder, if the transfer is made after listing of shares.

3. Benefits available to Non-Resident Indian shareholders [Other than FIIs and Foreign Venture Capital investors]

- Under section 115-1 of the Act, a non-resident Indian (i.e. an individual being a citizen of India person of Indian origin who is not a 'resident') has an option to be governed by the provision Chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating To Certain Incomes of I Residents" which are as follows: -

  - ❑ Under section 115E of the Income Tax Act, 1961, where shares in the company are acquired or subscribed for in convertible Foreign Exchange by a Non-Resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months shall (in cases not covered under section 10(36) of the Act) be concessionally taxed at the flat rate of 10% (Plus applicable Surcharge) (without indexation benefit but with protection against foreign exchange fluctuation).

  - ❑ Under provisions of section 115F of the Income Tax Act, 1961 long term capital gains (in cases not covered under section 10(36) of the Act) arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

  - ❑ Under provisions of section 115G of the Income Tax Act, 1961 it shall not be necessary for a Non-Resident Indian to furnish his return of income if his income-chargeable under the Act, consists of only investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.

- In terms of section 10(34) of the Income Tax Act, 1961, 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) received on the shares of the company is exempted from the tax.

- Under the first proviso to section 48 of the Income Tax Act, 1961, in case of a non-resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/ loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilised in the purchase of the shares.

- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by

- National Bank for Agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act, 1981;
- Q National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
- Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;
- National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
- Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989;

- Under section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) on the transfer of shares of the company, as and when it is listed, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian company forming part of an eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely –

  a) The issue is made by a public company formed and registered in India;

  b) The shares forming part of the issue are offered for subscription to the public;

- Under section 54F of the Income Tax Act, 1961 long term capital gains (in cases not covered under section 10(36) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a -period of three years after the date of transfer.

- Under section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10(36) of the Act), arising on transfer of shares in the company, shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48. The amount of such tax should however, be limited to 10% (plus applicable surcharge) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.

4. *Foreign Institutional Investors (FIIs)*

- In terms of section 10(34) of the Income Tax Act, 1961, 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) received on the shares of the company is exempted from the tax.

- The income by way of short term capital gains or long term capital gains realized by FIIs on sale of shares in the company would be taxed at the following rates as per section 115AD of the Income Tax Act, 1961.

  - ❑ Short term capital gains - 30% (Plus applicable surcharge)
  - ❑ Long term capital gains - 10% (Plus applicable surcharge)

(Without cost indexation and protection against foreign exchange fluctuation) (Shares held in a company would be considered as a long-term capital asset provided they are held for a period exceeding 12 months.)

- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) arising on the transfer of shares of the company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by: -

  - ❑ National Bank for Agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act, 1981;
  - ❑ National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - ❑ Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;
  - ❑ National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
  - ❑ Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989.

- Under section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) on the transfer of shares of the company, as and when it is listed, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian company forming part of a eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely –

  a. The issue is made by a public company formed and registered in India;

  b. The shares forming part of the issue are offered for subscription to the public;

5. Venture Capital Companies/ Funds

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

6. Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

7. Benefits available under the Wealth-tax Act, 1957

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

8. Benefits available under the Gift-tax Act, 1958

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

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 and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their tax advisors with respect to the tax consequences of their holdings based on their residential status and the relevant double taxation conventions.

OTHER REGULATORY DISCLOSURES

Stock Market Data for our Equity Shares
This being the initial public offering of the Company, our Equity Shares are not listed on any stock exchanges.

Particulars Regarding Previous Public Issues During the Last Five Years
We have not made any previous public issue during the last five years.

Companies under the Same Management
Beside Shah Alloys Limited , there are no other companies under the same management.

Mechanism Evolved for Redressal of Investor Grievances
We will settle investor grievances expeditiously and satisfactorily. The agreement between us and the Registrar to the Issue will provide for retention of records with the Registrar to the Issue, Karvy Computershare Private Limited, for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances
We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, we or the Registrars will seek to redress these complaints as expeditiously as possible.

We have appointed, Shri Ashok Sharma, Company Secretary, S.A.L. Steel Limited as the Compliance Officer and he may be contacted in case of any pre-issue or post-issue related problems such as non-receipt of allotment advice, refund orders and demat credit, etc. He can be contacted at: S.A.L. Steel Limited, 11th Floor, GNFC Info Tower, Sarkhej Gandhinagar Highway, Bodakdev, Ahmedabad 380 054, Tel: +91-079-55308100; Fax +91-079-55308120; e-mail: salsteel.ltd@rediffmail.com

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, RBI approvals, the terms of this Draft Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank pari passu in all respects with the other existing shares of the Company including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by the Company after the date of Allotment. See "Main Provisions of our Articles of Association" for a description of the Articles of Association of the Company.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each are being issued in terms of this Draft Red Herring Prospectus at a total price of Rs. [•] per share. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws. The issue price in [•] times the face value.

Compliance with SEBI Guidelines

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to the section on "Main Provisions of our Articles of Association" on page _____in this Draft Red Herring Prospectus.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialised form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialised form for all investors.

Since trading of our Equity Shares is in dematerialised mode, the tradable lot is one equity share. Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of 1 Equity Shares to the successful bidders subject to a minimum of [•] shares.

Jurisdiction
Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Ahmedabad, India.

Nomination Facility to the Investor
In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares transferred, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:
a. to register himself or herself as the holder of the equity shares; or
b. to make such transfer of the equity shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Application by NRIs/ FIIs/ Foreign Venture Capital Fund

As per the extant policy of the Government of India, OCBs cannot participate in this Issue.

As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, there exist a general permission for the NRIs, FIIs and Foreign Venture Capital Investors registered with SEBI to invest in shares of an Indian companies by way of subscription in an IPO. However, such investments would be subject to other investment restrictions under the RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from the FIPB/RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI and all NRI, FII and

Foreign Venture Capital Funds registered with SEBI applicants will be treated on the same basis with other categories for the purpose of allocation.

The allotment of Equity Shares to NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI shall be subject to the conditions as may be prescribed by the Government of India or RBI while granting such approvals.

ISSUE STRUCTURE

The present issue is a fresh issue of 4,20,00,000 Equity Shares, of Face Value Rs. 10 each, for cash at a price of Rs. [•] per Equity Share aggregating Rs. [•] lacs. Out of the above 42,00,000 Equity shares of the face value of Rs. 10 each are reserved for the shareholders of the promoter. The Net offer to the public is for 3,78,00,000 equity shares of face value of Rs. 10 each. This Issue is being made through a 100% book building process under clause 2.2.2 of SEBI (DIP) Guidelines, 2000.

	QIBs	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of equity shares*	Not more than 189,00,000 Equity Shares	Minimum of 94,50,000 Equity Shares or Issue size less allocation to QIBs and Retail Individual Bidders	Minimum of 94,50,000 Equity Shares or Issue Size less allocation to QIBs and Non-Institutional Bidders
Percentage of Issue Size available for allocation**	Not more than 50% or Issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders, subject to mandatorily 10% being allocated.	Minimum 25% or Issue size less allocation to QIBs and Retail Individual Bidders	Minimum 25% or Issue Size less allocation to QIBs and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Discretionary	Proportionate	Proportionate
Minimum Bid	Minimum Bid Amount of Rs. 50,001 and thereafter in multiples of ___ Equity Shares	Minimum Bid Amount of Rs. 50,001 and thereafter in multiple of ____ Equity Shares	____ Equity Shares and thereafter in multiples of ___ Equity Shares
Maximum Bid	Not exceeding the Issue Size	Not exceeding the Issue Size	Not exceeding Rs. 50,000
Mode of Allotment	Compulsory in Dematerialised form	Compulsory in Dematerialised form	Compulsory in Dematerialised form
Trading Lot	One	One	One
Size of allocation	Minimum [•] shares and in multiple of 1 share	Minimum [•] shares and in multiple of 1 share	Minimum [•] shares and in multiple of 1 share
Who can Apply	Public financial institutions, as specified in section 4A of the Companies Act, 1956, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, venture capital funds	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs) applying for a total value of up to Rs. 50,000/-

	registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 Lacs and pension funds with minimum corpus of Rs. 2500 Lacs.		
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate
Margin Money	Nil	100%	100%

* Subject to valid bids being received at or above the Issue Price, under subscription in the reserved category shall be added back to the net offer to the public. Under-subscription, if any, in the category of Retail Individual Bidders and Non Institutional Bidders, would be allowed to be met with spill-over from any other categories including over subscription if any in the reserved category at the discretion of the Company and the BRLM, subject to compliance with clause 2.2.2 of SEBI (DIP), 2000 i.e., the company shall mandatorily allot 10% of the net offer to the public to QIBs, failing which the entire issue proceeds shall be refunded.

ISSUE PROCEDURE

Book Building Procedure
The Issue is being made through the 100% Book Building Process wherein not more than 50% (subject to mandatory 10%) of the net offer to the public shall be available for allocation on a discretionary basis to QIBs. Further, not less than 25% of the net offer to the public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 25% of the net offer to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. We, in consultation with the BRLM reserve the right to reject any Bid procured by any or all members of the Syndicate without assigning any reason therefore from QIBs. In case of Non-Institutional Bidders, Retail Individual Bidders and reserve portion for shareholders of SAL, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be transferred to all successful allottees only in the dematerialised form.

Bid-cum-Application Form
Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, (“CAN”), and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in this Draft Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

Category	Colour of Bid-cum-Application Form
India Public, NRIs applying on a non-repatriation basis	White
Shareholders of SAL	Pink
Eligible Non Residents, NRIs or FIIs applying on a repatriation basis	Blue

Who can Bid
1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta”. Bids by HUFs would be considered at par with those from individuals;
3. Companies and corporate bodies not having majority ownership and control of persons resident outside India and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations, as applicable);

6. Venture Capital Funds registered with SEBI;
7. State Industrial Development Corporations;
8. Insurance companies registered with the Insurance Regulatory and Development Authority;
9. Provident funds with minimum corpus of Rs. 2500 Lacs and who are authorised under their constitution to hold and invest in Equity Shares;
10. Pension funds with minimum corpus of Rs. 2500 Lacs and who are authorised under their constitution to hold and invest in Equity Shares;
11. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorised under their constitution to hold and invest in Equity Shares; and
12. Scientific and/ or Industrial Research Organisations authorised to invest in Equity Shares.

Note: The BRLM, Syndicate Members and any associate of the BRLM, and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary. Further, the BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the FIIs or sub-account may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

OCBs are not eligible to apply in this Issue.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

1. No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds.
2. No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights.

As per current regulations, the following restrictions are applicable for investment by FIIs:

A single FII is not permitted to hold more than 10% of the post-issue paid-up capital of the Company (i.e. 10% of 8,49,66,700 Equity Shares of Rs. 10 each). In respect of an FII investing in Equity Shares of the Company on behalf of its sub accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital (post Offer) (or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual).. Further, the aggregate FII holding in the Company cannot exceed 24% of the total issued capital of the Company. This limit can be further increased up to the applicable sectoral caps (in our case being 100% of our paid-up capital), provided a special resolution is passed by the shareholders. However, as of this date, no such resolution has been recommended to the shareholders of SSL for adoption.

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund registered with SEBI should not exceed 25% of its investible funds.

Further, bidders may bid as per the limits prescribed above.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

An applicant in the net public category cannot make an application for securities more than the number of securities offered to the public.

(a) For Retail Individual Bidders: The Bid must be for a minimum of _____ Equity Shares and in multiples of ____ Equity Shares thereafter, subject to a maximum Bid amount of Rs.50,000. In case of revision of bids the retail individual bidders should ensure that the bid amount does not exceed Rs.50,000. In case the maximum Bid amount is more than Rs.50,000, due to revision or exercise of cut-off option, then the bids would be considered for allocation under the Non-Institutional Bidders category.

(b) For Other (Non-Institutional Bidders and QIBs) Bidders: The Bid must be for a minimum of Rs.50,001 and in multiples of ____ Equity Shares. All Individual Bidders whose maximum bid amount exceeds Rs.50,000 would be considered under the category of Non-Institutional Bidders. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them.

In case of revision in bids, the non-institutional bidders have to ensure that the bid amount is greater than Rs.50,000.

A QIB Bidder cannot withdraw its Bid after the Bid/Offer Closing Date.

(c) **For SAL's Shareholders**: The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter.

Bidding Process

a. Our Company will file the Draft Red Herring Prospectus with the RoC at least three days before the Bid/ Issue Opening Date.
b. The members of the Syndicate will circulate copies of the Draft Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
c. Any investor (who is eligible to invest in our Equity Shares), who would like to obtain the Draft Red Herring Prospectus and/ or the Bid-cum-Application Form, can obtain the same from our registered office or from the Syndicate Members.
d. Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Draft Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi).

This advertisement shall contain the salient features of the Draft Red Herring Prospectus as specified under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the BRLM and their bidding centres. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period.

e. Investors, who are interested in subscribing for our Company's Equity Shares, should approach any of the BRLM or Syndicate Members or their authorised agent(s) to register their Bid.
f. The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.
g. The Syndicate Members shall compulsorily take the bid form in writing from prospective investors.

Bidding

(a) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" on page ____ below) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
(b) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph "Build up of the Book and Revision of Bids" on page ____.
(c) The BRLM and Syndicate Members will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.
(d) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment" on this page.

Bids at Different Price Levels

(a) The Price Band has been fixed at Rs.___ to Rs.___ per Equity Share of Rs.10 each, Rs.____ being the Floor Price and Rs.___ being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1. In accordance with SEBI Guidelines, the Company, in consultation with the BRLM, can revise the Price Band by informing the stock exchanges, releasing a press release, disclosure on the website of the members of Syndicate, if any and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the Issue will be kept open for an extended period of three days after the revision of the Price Band, subject to the total Bidding Period not exceeding thirteen days. The Company in consultation with the BRLM can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(b) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders may bid at**

"Cut-off". However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

(c) Retail Individual Bidders, who bid at the Cut-Off, agree that they shall purchase the Equity Shares at any price within the Price Band determined by the company in consultation withy BRLM's. Retail Individual Bidders bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of equity shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Account.

(d) The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially, i.e., the floor of price band can move up or down to the extend of 20% of the floor of the price band disclosed in RHP and the cap of the revised price band will be fixed accordingly.

(e) In case of an upward revision in the Price Band, Retail Individual Bidders who had bid at Cut-off could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band, with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs.50,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Offer Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downward for the purpose of allocation, such that no additional payment would be required from the Bidder.

(f) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded.

(g) In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application Size shall remain [•] Equity Shares irrespective of whether the Bid Amount payable on such Minimum Application is not in the range of Rs. 5,000 to Rs. 7,000.
(h) Any revision in the Price Band shall be widely disseminated including by informing the stock exchanges.

Escrow Mechanism

Escrow Account of the Company

Our Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account of the Company. The Escrow Collection Banks will act in terms of the Draft Red Herring Prospectus and an Escrow Agreement entered between Company, BRLM, Registrar to the Issue and Escrow Collection Banks. The monies in the Escrow Account of the Company shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar to the Issue and BRLM and Syndicate Members to facilitate collections from the Bidders.

Payment of refund, if any, to the Bidders shall also be made from the respective Escrow Account by the Escrow Collection Banks, as per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

Terms of Payment and Payment into the Escrow Collection Account

Each Bidder shall, with the submission of the Bid-cum-Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (For further details, see "Issue Procedure - Payment Instructions") and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid-cum-Application Forms accompanied by cash and Stockinvest shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid-cum-Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders until such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and no later than 15 days from the Bid / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation to the Bidders.

Each category of Bidders, i.e., QIBs, Non-Institutional Bidders and Retail Individual Bidders, would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The details of margin Amount payable will be available with the members of the syndicate and will be as per the syndicate agreement. The margin amount shall be uniform across all the bidders in the same category. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for equity shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be rejected/cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date.

Electronic Registration of Bids

(a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted.

(b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the online facilities for book building on an hourly basis. On the Bid Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be downloaded on an hourly basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor
- Investor Category such as Individual, Corporate, Mutual Fund, etc.
- Numbers of Equity Shares bid for
- Bid price
- Bid-cum-Application Form number
- Whether payment is made upon submission of Bid-cum-Application Form
- Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) Consequently, the member of the Syndicate also has the right to reject the bid without assigning any reason, in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed elsewhere in the Draft Red Herring Prospectus.

(h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our promoters, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the equity shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

(a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on hourly basis

(b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.

(c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum- Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Draft Red Herring Prospectus. In case of QIBs, the members of the Syndicate may, at their sole discretion, waive the payment requirement at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(h) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLM based on the records of NSE or BSE shall be final and binding to all concerned.

Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss pricing strategy with us.

(b) The Company and BRLM shall finalise the “Issue Price”, the number of Equity Shares to be allotted and the allocation to successful QIB Bidders. The allocation will be decided based on the quality of the Bidder determined broadly by the size, price and date of the Bid.

(c) The allocation for QIBs for a maximum of 50% of the net offer to the public would be discretionary subject to 10% being mandatorily being allotted to QIBs. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 25% of the net offer to the public each and would be on proportionate basis, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Under subscription in the reserved category if any shall be added back to the net offer to the public. Under subscription, if any, in any category under the net offer to the public would be allowed to be met with spill over from any of the other categories under net offer to the public or allowed to be met from over subscription, if any, in the reserved category at the discretion of the Company and BRLM except in the case of QIBs who shall be mandatorily allotted 10% of the net offer to the public failing which the entire subscription monies shall be refunded.

(f) The BRLM in consultation with us, shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(g) We, in consultation with the BRLM, reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before allotment.

(h) In terms of SEBI Guidelines, QIBs shall not be allowed to withdraw their Bid after the closure of Bidding.

(i) The allotment details shall be put on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and RoC Filing

(a) We, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.

(b) After signing the Underwriting Agreement, we would update and file the updated Draft Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Issue Price along with a table showing the number of Equity Shares and the amount payable by an investor. Any material updates between the date of Draft Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

(a) The BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.

(b) The BRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account of the Company at the time of bidding shall pay in full the amount payable into the Escrow Account of the Company by the Pay-in Date specified in the CAN.

(c) Bidders, who have been allocated Equity Shares and who have already paid into the Escrow Account of the Company at the time of bidding, shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account of the Company. The despatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be transferred to such Bidder.

Designated Date and Transfer of Equity Shares

(a) After the funds are transferred from the Escrow Account of the Company to the Issue Account on the Designated Date, we would ensure allotment of Equity Shares to the allottees within two days of the finalisation of the basis of allotment.

(b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be issued only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares so transferred, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

We would ensure the allotment of Equity Shares within 15 days of Bid Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment. In case the company fails to make an allotment within 15 days of the Bid closing date, interest would be paid to the investors at the rate of 15% per annum.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply;

b) Read all the instructions carefully and complete the Bid-cum-Application Form (white in colour for general, NRIs bid cum application form – blue in colour, shareholders of SAL – Pink in colour);

c) Ensure that the details about Depository Participant and Beneficiary Account are correct, as Equity Shares will be transferred in the dematerialized form only;

d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

e) Ensure that you have been given a TRS for all your Bid options; and

f) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;

(c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid amount in cash;

(e) Do not send Bid-cum-Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not Bid at cut off price (for QIBs and non-institutional bidders);

(g) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.

(h) Do not submit Bid accompanied with Stock invest.

(i) Do not Bid if you are an OCB.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM or Syndicate Members.

Bids and Revisions of Bids

Bids and revisions of Bids must be:
(a) Made only in the prescribed Bid-cum-Application Form or Revision Form as applicable bearing the stamp of members of the Syndicate.

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum- Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.

(c) The Bids from the Retail Individual Bidders must be for a minimum of ____ Equity Shares and in multiples of ____ thereafter subject to a maximum Bid amount of Rs.50,000.

(d) For Non-institutional and QIBs, Bids must be for a minimum Bid Amount of Rs.50,001 and in multiples of ____ Equity Shares. All Individual Bidders, whose maximum bid amount exceeds Rs.50,000, would be considered under the category of Non-institutional Bidders. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) In single name or in joint names (not more than three).

(f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Details
The name of the sole or first Bidder's bank, branch, type of account and account numbers must be mandatorily completed in the Bid-cum-Application Form. This is required for the Bidder's own safety so that these details can be printed on the refund orders. Bids without these details are liable to be rejected.

Bidder's Depository Account Details
Equity Shares shall be transferred only in dematerialised form. All Bidders should mention their Depository Participant's name, Depository Participant Identification number and Beneficiary Account Number in the Bid-cum-Application Form. In case the Bid-cum-Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and in the same sequence in which they appear in the Bid-cum-Application Form.

Bids under Power of Attorney
In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs.2500 Lacs and pension funds with minimum corpus of Rs.2500 Lacs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid-cum-Application form, subject to such terms that we may deem fit.

Bids by eligible NRIs or FIIs on a repatriation basis

1. Eligible NRI / FII Bidders can obtain the Bid-cum-Application Forms from the BRLM or the Syndicate members or the Registrar to the Issue.

2. Eligible NRI / FII Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allocation under the NRI category.

3. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid-cum-Application form meant for Resident Indians.

Bids and revision to Bids must be made:

a. on the Bid-cum-Application Form or the Revision Form, as applicable, (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

b. in a single name or joint names (not more than three).

c. NRIs - For a minimum of _____Equity Shares and in multiples of ___ thereafter subject to a maximum Bid amount of Rs 50,000 for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs 50,001 would be considered under Non Institutional Category for the purposes of allocation. For further details see “Issue Procedure - Maximum and Minimum Bid Size” on page ___.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid-cum-Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Payment Instructions
We, the BRLM and the Syndicate Members shall open an Escrow Account(s) with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.
Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account of the Company:
(i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account of the Company and submit the same to the members of the Syndicate.

(ii) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the equity shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account of the Company within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.

(iii) The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of

a. In case of Resident bidders: **"Escrow Account – SSL Public Issue"**

b. In case of Non Resident, NRI and FII Bidders (repatriation basis) **"Escrow Account – SSL Public Issue – NR**

- In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non- Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non- Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.
- In case of Bids by eligible Non Residents / NRIs / FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to Special Rupee Account.

(iv) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of the Company.

(v) The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders until Designated Date.

(vi) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.

(vii) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

Payment by Stock invest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003,the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Syndicate members may at its sole discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form in case of Institutional bidders.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum- Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals
Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder "). All communications will be addressed to the First Bidder and will be despatched to his or her address.

Multiple Bids
A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

We reserve the right to reject, in our absolute discretion to accept or reject, all or any multiple Bids in any or all categories.

PAN or GIR Number
Where the maximum Bid for Equity Shares by a Bidder is for the total value of Rs.50,000 or more, i.e. the actual numbers of Equity Shares Bid for multiplied by the Bid Price is Rs. 50,000 or more, the Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her Permanent Account Number (PAN) allotted under the I.T. Act or where the same has not been allotted, the General Index Register (GIR) Number and the Income-Tax Circle, Ward or District. In case neither the PAN nor the GIR number has been allotted, the Bidders must mention "Not allotted" in the appropriate place. Bid-cum-Application Forms without this information will be considered incomplete and are liable to be rejected.

Our Right to Reject Bids
We, the BRLM and the members of the Syndicate reserve the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, we and BRLM have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder's address at the Bidder's risk.

Grounds for Technical Rejections
Bidders are advised to note that Bids are liable to be rejected on, among others the following technical grounds:
1. Amount paid doesn't tally with the highest number of Equity Shares bid for;
2. Bank account details (for refund) are not given;
3. Age of First Bidder not given;
4. Bid by minor;
5. PAN or GIR Number not given if Bid is for Rs. 50,000 or more;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;

9. Bids at cut-off price by Non-Institutional and QIB Bidders;
10. Bids for number of Equity Shares, which are not in multiples of _____;
11. Category not ticked;
12. Multiple bids as defined elsewhere;
13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Bids accompanied by Stockinvest;
15. Signature of sole and / or joint bidders missing;
16. Bid-cum-Application Form does not have the stamp of the BRLM or Syndicate Members;
17. Bid-cum-Application Form does not have Bidder's depository account details;
18. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/ Issue Opening Date advertisement and this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid-cum-Application Form;
19. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. see the details regarding the same at page ___ of this Draft Red Herring Prospectus;
20. Bids by OCBs.

Equity Shares in Dematerialised Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be transferred only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed between our Company and the Depositories:
a) an agreement dated _________ with NSDL and Karvy Computershare Private Limited.
b) an agreement dated _________with CDSL and Karvy Computershare Private Limited.

All bidders can seek allotment only in dematerialised mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.

c) Equity shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.

f) If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

g) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.

h) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

i) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors.

j) **Investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them pursuant to this Issue.**

Communications
All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, draft number and issuing bank thereof.

Despatch of Refund Orders
The Company shall ensure despatch of refund orders of value over Rs.1,500 by registered post or speed post only and adequate funds for the purpose shall be made available to the Registrar to the Issue by us. Refund orders shall be payable at par at all centres where bidding terminals was set-up to receive bids from bidders.

Undertaking by the Company

We undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for despatch of refund orders or allotment advice by registered post or speed post shall be made available by us to the Registrar to the Issue;
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Draft Red Herring Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.
- that the certificates of the securities/demat credit/refund orders to the non-resident Indians shall be despatched within specified time.

Utilisation of Issue proceeds

The Board of Directors of the Company undertakes that:
(a) all monies received out of the issue of shares to public including reservation for shareholders of Shah Alloys Limited shall be transferred to a separate Bank Account other than the bank account referred to in subsection (3) of Section 73 of the Companies Act, 1956;
(b) details of all monies utilised out of the Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised;

(c) details of all unutilised monies out of the Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised monies have been invested;

(d) The utilization of money received under reservation to shareholders of Shah Alloys Limited shall be disclosed under an appropriate head in the Company's balance sheet indicating the purpose for which such monies have been utilized;

(e) The details of all unutilized monies out of the funds received under reservations shall be disclosed under a separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Company shall not have any recourse to the issue proceeds until the approval for trading the Equity Shares is received from the Stock Exchanges. Pending utilisation of the proceeds of the Issue as specified under the heading "Objects of the Issue", the net proceeds from the Issue may be invested by the Company in interest bearing liquid instruments including deposits with banks.

Procedure and Time Schedule for issue of Equity Shares

We and the members of the Syndicate reserve the right to reject any Bid without assigning any reason thereof in case of QIBs. In case of Non- Institutional Bidders and Retail Individual Bidders, we have a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. Our Company will ensure allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date, and we shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched and/ or demat credits are not made to investors within two working days from the date of allotment.

Disposal of Applications and Applications Money

The Issue shall ensure dispatch of allotment advice or refund orders and give benefit to the Beneficiary Account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalisation of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by Registered Post or Speed Post at the sole or First Bidder's sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for allotment and trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, we further undertake that:

- allot Equity Shares only in dematerialised form within 15 days of the Bid/Issue Closing Date;
- despatch refund orders within 15 days of the Bid/Issue Closing Date would be ensured; and

- **Interest in Case of Delay in Despatch of allotment letters / refund orders**
  We shall pay interest at 15% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15-day time prescribed above.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the record of the Bidder.

Interest on Refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

STATUTORY AND OTHER INFORMATION

Consents

Consents in writing of: (a) the Directors, the Company Secretary, the Auditors, Legal Advisor, Bankers to the Company, Escrow Collection Banks and Bankers to the Issue; and (b) Book Running Lead Manager, Syndicate Members and Registrars to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Draft Red Herring Prospectus with the Registrar of Companies, Gujarat, Dadra and Nagar Haveli, located at Ahmedabad as required under Section 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Draft Red Herring Prospectus for registration.

J.Vageriya & Associates, Chartered Accountants, our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Draft Red Herring Prospectus for registration to the Registrar of Companies, Gujarat, Dadra and Nagar Haveli, located at Ahmedabad.

J.Vageriya & Associates, Chartered Accountants, have given their written consent to the tax benefits accruing to the Company and its members in the form and context in which it appears in the Draft Red Herring Prospectus and has not withdrawn the same up to the time of delivery of the Draft Red Herring Prospectus for registration to the Registrar of Companies, Gujarat, Dadra and Nagar Haveli, located at Ahmedabad.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the net offer to the public including devolvement of underwriters, if any, within 60 days from the Bid/Issue Closing Date or if subscription by the QIB is less than 10% of the net offer to the public, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act, 1956.

If the number of allottees in the proposed Issue is less than 1,000, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after we become liable to pay the amount, we shall pay interest at the rate of 15% per annum for the delayed period.

Expert Opinion

Save as stated elsewhere in the Draft Red Herring Prospectus, we have not obtained any expert opinions.

Changes in Auditors during the last three years and reasons thereof

There has been change in our Statutory Auditors since the date of our incorporation being 6th November 2004. The details are as follows:

Name of Auditors	Date of Appointment	Date of Resignation	Reason for change
M/s. V.K.Soni & Co.	06.11.2003	05.12.2003	Resigned
M/s. J. Vageriya &	05.12.2003	N.A.	Appointed as

Associates			statutory auditors of company

Basis of Allotment or Allocation

(A) For SAL's Shareholders

• Bids received from SAL's Shareholders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful SAL's Shareholders will be made at the Issue Price.

• If the aggregate demand in this category is less than or equal to 42,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to SAL's Shareholders to the extent of their demand.

• If the aggregate demand in this category is greater than 42,00,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Share. For the method of proportionate basis of allocation, refer below.

• Shareholders of SAL as on August 31, 2004 are eligible to apply in this category

(B) For Retail Bidders

- Bids received from the Retail Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and QIBs shall be available for allocation to Retail Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to ________ Equity Shares at or above the Issue Price, full allocation shall be made to the Retail Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than __________ Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of ____Equity Shares. For the method of proportionate basis of allotment, refer below.

(C) For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to Retail Bidders and QIBs shall be available for allocation to Non-institutional Bidders, who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to ______Equity Shares at or above the Issue Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than ______ Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of _____ Equity Shares. For the method of proportionate basis of allotment refer below.

(D) For QIBs

- Allocation to QIB's shall not exceed 50% of the net offer to the public, i.e., 189,00,000 Equity Shares

- Bids received from QIBs at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful QIBs will be made at the Issue Price.
- The Issue size less allocation to Retail Bidders and Non-institutional Bidders shall be available for allocation to QIBs who have bid in the Issue at a price, which is equal to or greater than the Issue Price. However, the allocation to QIBs in any case shall not be less than 10% of the net offer to the public i.e. 37,80,000 equity shares.
- The allocation would be broadly decided based on the quality of the Bidder determined by the size, price and date of the Bid.

The Company shall in consultation with the BRLM would have the discretion for any allocation to QIBs.

Method of Proportionate Basis of Allocation

In the event the issue is over-subscribed, the basis of allotment shall be finalised by us in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that basis of allotment is finalized in a fair and proper manner.

Allotment to Bidders shall be as per the basis of allocation as set out in this Draft Red Herring Prospectus under "Issue Structure".

a) Bidders will be categorised according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares, applied for in that category (number of bidders in the category multiplied by number of shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful bidders will be arrived at on a proportionate basis which is total number of Equity Shares applied for by each bidder in that category multiplied by the inverse of the over-subscription ratio in that category subject to minimum allotment of [●] Equity Shares. The Allotment Lot shall be the same as the Minimum Application lot irrespective of any revisions to the Price Band.

d) In case the proportionate allotment to any Bidders is in fractions, then the same would be rounded off to nearest integer.

e) In all bids where the proportionate allotment is less than [●] per bidder, the allotment shall be made as follows:
• Each successful bidder shall be allotted a minimum of [●] Equity Shares; and
• The successful bidders out of the total bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising of bidders applying for minimum number of Equity Shares.

Expenses of the Issue

The expenses of the Issue payable by us inclusive of brokerage, fees payable to the BRLM, Syndicate Members, other advisors to the Issue, fees of Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, fees payable to the Registrars to the Issue, listing fees and other miscellaneous expenses is estimated to be approximately [●] % of the Issue size.

[to be updated before ROC filing]

Fees Payable to the Book Running Lead Manager

The total fees payable to the BRLM will be as per the terms of appointment letter issued by the company. A copy of the terms of appointment letter and the Memorandum of Understanding signed amongst the Company and the BRLM, is available for inspection at our Registered Office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding signed with us, a copy of which is available for inspection at our Registered Office.

The Registrar will be reimbursed for all relevant out-of-pocket expenses including such as cost of stationery, postage, stamp duty, communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allocation advice by registered post/ Speed Post. Refund Orders up to Rs. 1500/- would be sent under certificate of posting.

Underwriting Commission, Brokerage and Selling Commission

The underwriting commission and selling commission for the Issue is as set out in the Syndicate Agreement amongst us, the BRLM and Syndicate Members.

The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue Price and amount underwritten in the manner mentioned elsewhere in the Draft Red Herring Prospectus.

Commission and Brokerage on Previous Issues

Except as stated elsewhere in the Draft Red Herring Prospectus, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since inception.

Outstanding Debenture or Bond Issues

As of date, we do not have any outstanding Debenture or Bond Issue.

Outstanding Preference Shares

As of date, we do not have any outstanding preference shares.

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits at any time since our inception.

Issues otherwise than for Cash

We have not issued any shares for consideration other than for cash.

Option to Subscribe

Equity shares being issued through this Draft Red Herring Prospectus can be applied for in dematerialised form only.

Purchase of Property

No property which the Company has purchased or acquired or propose to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Draft Red Herring Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material.

Except as elsewhere stated in this Draft Red Herring Prospectus, we have not purchased any property in which any of its promoters and/or Directors, have any direct or indirect interest in any payment made thereof.

Remuneration & Terms of appointment of Managing Director

Shri Rajendra V Shah was appointed as Managing Director of Company in the Extraordinary General Meeting held on 31st May, 2004 with the effect from 3rd May 2004 for the period of 5 years on the terms and conditions as approved in the said meeting. The Board in their meeting held on July 10, 2004 has decided to appoint him as non-retiring Managing Director for a period of five years. Further, the Board has also decided to revise the remuneration payable to Shri Rajendra V. Shah and as agreed by him. The Board has decided to revise the same by reduction in over all remuneration payable to Shri Rajendra V. Shah as set out below.

a. Term of Appointment : Five years w.e from 3rd May 2004 not to retire by rotation.

b. Salary : Rs. 40,000 per month

c. Perquisites : Not exceeding Rs. 30,000/- per month in respect of the following perquisites:

d. Housing:-

Furnished accommodation shall be provided. In the event of Shri Rajendra V. Shah opting to stay in the accommodation arranged by him, the Company shall reimburse him the cost of rent, furnishing and maintenance of such accommodation, subject to the overall limit for perquisites as mentioned above.

e. Other perquisites:

i. Expenditure on gas, electricity and water at actuals.

ii. Soft furnishings subjects to a ceiling of one month’s salary.

f. **Medical benefits for self and family:**

i. Domiciliary benefit at actuals subjects to a ceiling of one month's salary in a year or three month's salary over a period of 3 years.
ii. Hospitalisation : In accordance with the rules of the Company from time to time.

g. **Leave Travel concession for self and family:**
Once in year, subject to a ceiling of one month's salary.

h. **Club Fees:**
Maximum for two clubs. Admission and Life Membership fees are not permissible.

i. **Premium for Personal Accident Insurance :**
In accordance with the rules of the Company from time to time.

j. **Contribution to Provident Fund and Pension / Superannuation Fund:** In accordance with the rules of the Company from time to time.

k. **Gratuity:**
In accordance with the rules of the Company from time to time, but not exceeding half a month's salary for each completed year of service.

l. **Earned /Privilege Leave:**
On full pay in accordance with the rules of the Company from time to time.

m. **Car & Telephone:**
Provision of car with driver and telephone at Shri Rajendra V. Shah's residence for Company's business Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to Shri Rajendra V. Shah

n. **Termination:**
Either party shall be entitled to terminate the Agreement by giving to the other not less then three months notice in writing.

Since Shri Rajendra V. Shah is also a Chairman and Managing Director of SAL, as provided in Schedule XIII of the Companies Act, 1956 as amended, remuneration should not exceed the higher maximum limit admissible from any one of the above, as prescribe in Point no. 3 of Part II of the Schedule XIII of the Companies Act, 1956 as amended. The remuneration Committee of the Company has also approved the above revised terms and conditions.

Further, in the year the Company has no profits or its profits are inadequate he shall be paid a minimum remuneration by way of salary, allowances and perquisites not exceeding the maximum limits as prescribed in Schedule XIII of the Act as amended.

Interest of Promoters and Directors

Except as stated in "Related Party Transactions" on page [■] of the Draft Red Herring Prospectus, the Promoters, do not have any interest in the Company's business except to the extent of investments made by them in the Company and earning returns thereon.

All the Company's Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or committee thereof as well as to the extent of other remuneration and/or reimbursement of expenses payable to them under the Articles. The Chairman and Managing Director, and Whole Time Directors are interested to the extent of remuneration paid to them for services rendered as officers or employees of the

Company. All the Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their friends and relatives in the company, or that may be purchased for and allotted to them out of the present issue in terms of the Draft Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

The Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as Directors, Members, partners and/or trustees.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by us with any company/entity of which they are promoter, in which they hold Directorships or any partnership or proprietorship firm in which they are partners or proprietor.

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

Borrowing powers of Directors

Article 71 of our Articles provide that, subject to the provisions of Section 292 and 293 of the Act, the Board may, from time to time at its discretion by a resolution passed at a meeting of the Board, accept deposits from the members either in advance of calls or otherwise and generally from any source or rise, for the purpose of the Company, borrow or secure the payment of such sums as it thinks fit. Provided, however, where the money to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, the Board shall not borrow or raise such moneys without the consent of the Company in the General Meeting.

Article 72 of our Articles provides that the payment of repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects, as the Company in General Meeting shall prescribe including the issue of bonds, debentures, debenture-stock of the Company charge upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being and the bonds, debentures, debenture-stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

The Shareholders of the Company has passed a resolution in their meeting held on December 26, 2003, accorded their consent to the BoD to borrow from time to time any sum or sums of monies on such terms and conditions and with or without security as they deem think fit which, together with the money already borrowed by the company may exceed the aggregate for the time being of the paid up capital of the company and its free reserves provided that the total amount of money/ monies so borrowed shall not at any time exceed the limit of Rs. 50000 Lacs.

Revaluation of Assets

The Company has not revalued any of the Company's assets since its inception.

Classes of Shares

The Company's authorised capital is Rs. 9500 Lacs, which is divided into 950 Lacs Equity Shares of face value of Rs. 10 each.

Payment or Benefit to Promoters or Officers of the Company

Except as stated otherwise in this Draft Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our promoters or officers except the normal remuneration for services rendered as directors, officers or employees.

MAIN PROVISIONS OF OUR ARTICLES OF ASSOCIATION

Article 3 provides that

3. The Authorised Share Capital of the Company is as stated in clause V of Memorandum of Association of the Company with power to increase and/or reduce such capital from time to time in accordance with the regulation of the Company and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the capital for the time being into equity share capital and preference share capital and to attach there to respectively any preferential, qualified or special rights, privileges or conditions. If and whenever the capital of the Company is divided into shares of different classes, the right of any such class may be varied, modified, effected, extended, abrogated or surrendered as provided in the Articles of Association of the Company and the legislative provisions for the time being in force.

   Clause V of the Memorandum of Association provides that the Authorised Share Capital of the Company is Rs. 95,00,00,000/- (Rupees Ninety Five Crores only) divided into 9,50,00,000 (Nine Crores Fifty Lacs) Equity Shares of Rs. 10/- (Rupees Ten only) each.

Article 4 provides that

4. The Company in general meeting may, from time to time, by an ordinary resolution increase the capital by the creation of new shares, the increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Act, any shares of the original or the increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the Directors shall determine and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company in conformity with sections 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of section 97 of the Act.

Article 4A provides that

4A Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier. It is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the unissued capital or out of the increased share capital then:

   (a) Such further shares shall be offered to the persons who as at the date of the offer, are holders of the equity shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on date.

   (b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.

(c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.

(d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.

Article 4B provides that

4B. Notwithstanding anything contained in sub-clause (4A) thereof, the further shares aforesaid may be offered to any persons [whether or not those persons include the persons referred to in sub clause (a) of Article 4A(1)] in any manner whatsoever.

(a) If a special resolution to that effect is passed by the Company in General meeting, or

(b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

Article 4C provides that

4C. Nothing in sub clause (c) of Article 4A hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or

(b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

Article 4D provides that

4D. Nothing in this article 4A, 4B and 4C shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:

(i) To convert such debentures or loans into shares in the Company; or,

(ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the term of such loans include a term providing for such option and such term:

(a) Either has been approved by the Central Government before the issue of the debentures of the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and

(b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans."

Article 5 provides that

5. Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the existing capital and shall be subject to the provisions herein contained, with reference to the payment of calls and instalments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

Article 6 provides that

6. (1) Subject to the provisions of section 80 of the Act and subject to the provisions of which any shares may have been issued, the Company may issue preference shares which are or at the option of the Company are to be liable to redeem provided that,

a) No such shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of the redemption.
b) No such shares shall be redeemed unless they are fully paid;
c) The premium, if any, payable on redemption shall have been provided for out of the profits of the Company or out of the Company's share premium account before the shares are redeemed.
d) Where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called "the capital redemption reserve account", a sum equal to the nominal amount of the shares redeemed and the provisions of the share capital of the Company shall accept as provided in Section 80 of the Act, apply as if the capital redemption reserve account were paid up share capital of the Company.

(2) Subject to the provisions of Section 80 of the Act and subject to the provisions on which any shares may have been issued, the redemption of preference shares maybe effected on such terms and in such manner as may be provided by the Articles of the Company or the terms and conditions of their issue and subject thereto in such manner as the Directors may think fit.

(3) The redemption of preference shares under this provision by the Company shall not be taken as reducing the amount of its Authorised Share Capital.

(4) Where in pursuance of this Article, the Company has redeemed or is about to redeem any preference shares, it shall have power to issue shares upto the nominal amount of the shares redeemed or to be redeemed as if those have never been issued, and accordingly the Share Capital of the Company shall not,

for the purpose of calculating the fees payable under Section 611 of the Act be deemed to be increased by the issue of shares in pursuance of this clause.

Provided that where new shares are issued before the redemption of the old shares the new shares shall not so far as relates to stamp duty be deemed to have been issued in pursuance of this clause unless the old shares are redeemed within one month after the issue of the shares.

(5) The Capital redemption reserve account may notwithstanding anything in this Article, be applied by the Company, in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

Article 8 provides that

8. The Company may (subject to the provisions of sections 78,80 and 100 to 105 inclusive of the Act) from time to time by Special Resolution reduce its capital and any capital Redemption Reserve Account or Premium Account in any manner for the time being authorised by law, and in particular capital may be paid off the footing that it may be called upon again or otherwise. This Article is not to derogate from any power the Company would have, if it were omitted.

Article 8(A) provides that

8(A) The Company may Purchase its own Shares or other Specified Securities subject to and in accordance with the provisions of Section 77A of the Companies Act, 1956 and or any regulations or procedure made by the Securities And Exchange Board of India or Government of India in this behalf and in accordance with any other guidelines as may be prescribed for the time being in force.

Article 8(B) provides that

8(B). The Company may issue any shares as Sweat Equity Shares of a class of the Shares already issued subject to the guidelines as prescribed by the Securities And Exchange Board of India or Government of India in this behalf for the time being in force.

Article 9 provides that

9. Subject to the provisions of section 94 of the Act, the Company in general meeting may, from time to time, consolidate all or any of its share capital into shares of larger amount than its existing shares or sub-divide its shares, or any of them into shares of smaller amount than is fixed by the memorandum and the resolution whereby any share is sub-divided, may determine that, as between the holders of the shares resulting from such sub-division one or more of such shares shall have some preference or special advantages as regards dividend, capital or otherwise over or as compared with the others or other. Subject to as aforesaid the Company in general meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Article 10 provides that

10. If at any time share capital, by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Act and whether or not the Company is being wound-up be varied, modified, commuted, affected or abrogated with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class. This Article shall not derogate from any power which the Company would have if these Articles were omitted. The provisions of these Articles relating to general meetings shall, mutatis mutandis, apply to every such separate meeting but so that if at any adjourned meeting of such holders a quorum as defined above is not present, those persons who are present shall be the quorum.

Article 15 provides that

15. Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares, provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

Article 16 provides that

16. In addition to and without derogating from the powers for that purpose conferred on the Board under Articles 14 and 15, the Company in General Meeting subject to provisions of section 81 of the Act, determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of section 78 and 79 of the Act) at a premium or at par or at discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in general meeting may make any other provision whatsoever for the issue, allotment or disposal of any shares.

Article 17 provides that

17. Subject to these Articles and the provisions of the Act, the Board may issue and allot shares in the capital of the Company as payment or in consideration of the purchase or acquisition of any property or for services rendered to the Company in the conduct of its business and shares which may be so issued or alloted shall be credited or deemed to be credited as fully paid up shares.

Article 21 provides that

21 (a). Every member shall be entitled, without payment, to receive one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for such delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the Company shall not be borne to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holder.

Provided further that no certificate, as aforesaid shall be issued where such certificate is to be issued for the first time after allotment of share, unless the surrendering, by the allottee, of the letter of allotment or fractional coupons of requisite value, save in case of issued against letter of acceptance or renunciation or in case of issue of bonus shares.

Provided further that the seal of the Company shall be affixed in the presence of two Directors or persons acting on behalf of the Director under a duly registered power of attorney and the Secretary or some other person appointed by the Board for the purpose and the two Directors or their Attorneys and the Secretary or other person shall sign the share certificate, proved that if the composition of the Board permits of it, at least of the aforesaid two Directors shall be a person other than a Managing or a Whole time Director. Particulars of every such share certificate issued shall be entered in the Register of Members against the name of the persons to whom it has been issued, indicating the date of issue.

(b) A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as engraving in metal or lithography, but not by means of rubber stamp, provided that the Director shall be responsible for the safe custody of such machine, equipment or other material used for this purpose.

Article 22(B) provides that

22(B). Notwithstanding anything contained in these Articles, the company shall have powers to dematerialise its shares, debentures and other securities, to rematerialise the same and to offer and issue new shares, debentures or other securities in a dematerialised form in accordance with the provisions of the Depositories Act. The rights and obligations of the concerned parties in respect of the shares, debentures and other securities in the dematerialised form, and all matters connected therewith and/or incidental thereto shall be governed by the provisions of the Depositiories Act and the relevant provisions of the act.

Article 23 provides that

23. If any share stands in the names of two or more person first named in the Register shall, as regards receipts of dividends or bonus or service of notice and all or any other matter connected with the Company, except voting at meetings, and the transfer of the shares, be deemed the sole holder thereofbut the joint-holders of a share shall be severally as well as jointly liable for the payment of all instalments and calls due in respect of such share and for all incidents thereof according to the Company's regulations.

Article 24 provides that

24. Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise any equitable, contingent, future or partial interest in any share, (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as the holder thereof, but the Board shall be at liberty at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.

Article 26 provides that

26. None of the funds of the Company shall be applied in the purchase of any shares of the Company, and it shall not give any financial assistance for or in connection with the purchase of subscription of any share in the Company or in its Holding Company save as provided by section 77 of the Act.

Article 27 provides that

27. (1) The Company may pay a commission to any person in consideration of:

a) his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares or debentures of the Company, or

b) his procuring of agreeing to procure subscriptions whether absolute or conditional, for any shares in or debentures of the Company, if the following conditions are fulfilled, namely:

(i) the commission paid or agreed to be paid does not exceed in the case of shares, five percent of the price at which the shares are issued and in the case of debentures, two and a half percent of the price at which the debentures are issued;

(ii) the amount or rate percent of the commission paid or agreed to be paid is in the case of shares or debentures offered to the public for subscription disclosed in the prospectus, and in the case of shares or debentures not offered to the public for subscription disclosed in the Statement in lieu of Prospectus and filed, before the payment of commission, with the Registrar, and where a circular or notice, not being a Prospectus inviting subscription for the shares or debentures is issued also disclosed in that circular or notice, and

(iii) the number of shares or debentures which persons have agreed for a commission to subscribe, absolutely or conditionally, is disclosed in the manner aforesaid.

(2) Save as aforesaid and save as provided in Section 79 of the Act, the Company shall not allot any of its shares or debentures, or apply any of its money, either directly or indirectly, in payment of any commission, discount or allowance, to any person in consideration of:

(a) his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in or debentures of the Company, or

(b) his procuring or agreeing to procure subscriptions, whether absolute or conditional for any shares in or debentures of the Company, whether the shares, debentures or money be so alloted or applied by being added to the purchase money be so allotted or applied by being added to the purchase money of any property acquired by the Company or to the contract price of any work to be executed for the Company or the money be paid out of the nominal purchase money or contract price, or otherwise.

(3) Nothing in this Article shall affect the power of the Company to pay such brokerage as it has heretofore been lawful for the Company to pay.

(4) A vendor to, promoter of, or other person who received payment in shares, debentures or money from the Company shall have and shall be deemed always to have had power to apply any part of the shares, debentures or money so received in payment of any commission, the payment of which, if made directly by the Company, would have been legal under Section 76 of the Act.

(5) The Commission may be paid or satisfied (subject to the provisions of the Act and these Articles) in cash or in shares, debentures or debentures stocks of the Company.

Article 30 provides that

30. The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at the meeting of the Board (and not by circular resolution) make such calls as it thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively and each member shall pay the amount of every calls so made on him to the person or persons and at the times and places appointed by the Board. A call may be made payable by instalments.

Article 31 provides that

31. One months notice in writing of any call shall be given by the Company specifying the time and place of payment, and the person or persons to whom such calls shall be paid.

Article 32 provides that

32. A call shall be deemed to have been made at the time when the resolution authorising such calls was passed at the meeting of the Board.

Article 33 provides that

33. A call may be revoked or postponed at the discretion of the Board.

Article 34 provides that

34. The joint-holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

Article 35 provides that

35. The Board may, from time to time, as its discretion extend the time fixed for the payment of any call, and may extend such time as to all or any of the members whom owing to their residence at a distance or other cause, the Board may deem fairly entitled to such extension but no member shall be entitled to such extension save as a matter of grace and favour.

Article 36 provides that

36. If any member fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board, but nothing in the Article shall render it obligatory for the Board to demand or recover any interest from any such member.

Article 37 provides that

37. Any sum, which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account or the nominal value of the share or by way of premium, shall for the purpose of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue of the same becomes payable and in case of non-payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

Article 40 provides that

40. The Company shall have a first an paramount lien upon all the shares (other than fully paid-up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereon, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares, and no equitable interest in any shares shall be created except upon the footing and upon the condition that Article 24 hereof is to have effect. Any such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company’s lien, if any, on such shares.

Article 41 provides that

41. For the purpose of enforcing such lien the Board may sell the shares subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorise one of their members to execute a transfer thereof on behalf of and in the name of such member. No sale shall be made unless a sum in respect of which the lien exists is presently payable nor until notice in writing of the intention to sell shall have been served on such member or his representatives and default shall have been made by him or them in payment, fulfilment or discharge of such debts, liabilities or engagements for fourteen days after such notice.

Article 42 provides that

42. The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of the which the lien as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale)be paid to the amount in respect of which the lien exists.

Article 43 provides that

43. If any member fails to pay any calls or instalment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may at any time thereafter, during the such time as the call or instalment remains unpaid give notice to him requiring to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the company by reason of such non-payment.

Article 44 provides that

44. The notice shall name a day (not being less than thirty days from the date of the notice) and a place or places on and at which such call or instalment and such interest thereon at such rate as the Directors shall determine from the day on which such call or instalment ought to have been paid and expenses as aforesaid are to be paid. The notice shall also state that, in the event of non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or instalment, or such part or other money is or are payable will be liable to be forfeited.

Article 45 provides that

45. Neither a judgement in favour of the Company for call or other moneys due in respect of any shares nor any past payment or satisfaction thereunder nor the receipt by the Company of a portion of any money which shall from time to time be due from any member to the company in respect of its shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of payment of any such money, shall preclude the Company from proceeding to enforce a forfeiture of such shares as hereinafter provided.

Article 46 provides that

46. If the requirements of any such notice as aforesaid shall not be complied with , every or any share in respect of which such notice has been given, may at any time thereafter before payment of all calls or instalments, interest and expenses in respect thereof be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited shares and not actually paid before the forfeiture.

Article 47 provides that

47. When any share shall have been so forfeited notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

Article 48 provides that

48. Any share so forfeited shall be deemed to be property of the Company and may be sold, re-alloted, or otherwise dispose of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

Article 49 provides that

49. Any member whose share has been forfeited shall cease to be a member in respect of the share, but shall notwithstanding such forfeiture, remain liable to pay, and shall forthwith pay to the company all calls, or instalments, interest and expenses, owing upon or in respect of such share, at the time of the forfeiture, togetherwith interest thereon, from the time of forfeiture until payment, at such rate as the Board may determine, and the Board may enforce payment thereof, or any part thereof, without any deduction or allowance for the value of the shares at the time of forfeiture, but shall not be under any obligation to do so.

Article 50 provides that

50. The forfeiture of a share shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demands against the Company, in respect of the share and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.

Article 51 provides that

51. A duly verified declaration in writing that the declarant is a Director or Secretary of the Company, or an Officer duly authorised by the Board in this behalf and that certain shares in the Company have been duly forfeited in accordance with these Articles on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares.

Article 52 provides that

52. Upon any sale after forfeiture, or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the shares sold, and the purchaser shall not be bound to see to the regularity if the proceedings nor to the application of the purchase money, and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

Article 53 provides that

53. Upon any sale, re-allotment or other disposal under the provisions of the proceeding Articles, the certificates or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect and the directors shall be entitled to issue a duplicate certificate in respect of the said shares to the person or persons entitled thereto.

Article 54 provides that

54. The Board may at any time before any shares so forfeited shall have been sold, re-alloted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

Article 55 provides that

55. The Company shall keep a Register of Transfer and therein shall fairly and distinctly enter particulars of every transfer or transmission of any share.

Article 56 provides that

56.The instrument of transfer shall be in writing and all provisions of Section 108 of the companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof and a common form of transfer shall be used for shares as well as debentures.

Article 57 provides that

57. The instrument of transfer shall be accompanied by such evidence as the Board may require to prove the title of transferor and his right to transfer the shares and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board. The transferor shall be deemed to be the holder of such shares until the name of the transferee shall have been entered in the Register of Members in respect thereof. Before the registration of transfer the certificate of the shares must be delivered to the Company.

Article 58 provides that

58. The Board shall have power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the office of the Company is situated to close the Transfer Books, Register of Members or Register Debenture-holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year.

Article 59 provides that

59. Subject to the provisions of Section 111 and 111A of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transfers is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien to the extent of unpaid capital on partly paid up shares. Transfer of shares / debentures in whatever lot shall not be refused.

Provided that noting in section 108 and 110 of the Act shall prejudice this power to refuse to register the transfer of, or the transmission by operation of law of the right to any shares or interest of a member in, or debentures of, the Company.

Article 60 provides that

60. (1) An application of registration of the transfer of shares may be made either by the transferor or the transferee provided that where such application is made by the transferor, no registration shall in the case of partly paid shares be effected, unless the Company gives notice of the application to the transferee and subject to the provisions of clause (4) the Company shall unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register of Members the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.

(2) For the purpose of clause (1) notice to the transferee shall be deemed to have been duly given if sent by prepaid registered post to the transferee at the address given in the instrument of the transfer and shall be deemed to have delivered to him in the ordinary course of post.

(3) It shall not be lawful for the Company to register a transfer of any shares unless the proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation of the transferee has been delivered to the Company along with the certificate relating to the shares and if no such

Certificate is in existence, alongwith the letter of allotment of the shares, the Directors may also call for such other evidence as may reasonably be required to show the right of the transferor to make the transfer. Provided that where it is proved to the satisfaction of the Directors of the Company that an instrument of transfer signed by the transferor and transferee has been lost, the Company may, if the Directors think fit on an application in writing made by the transferee and bearing the stamp required by an instrument of transfer, register the transfer on such terms as to indemnity as the Directors may think fit.

(4) If the Company refuses to register the transfer of any shares, the Company within one months from the date on which the instrument of transfer is lodged with the Company send to the transferee and the transferor notice of the refusal as provided in Article 59.

(5) Nothing in clause (3) above shall prejudice any power of the Company to register as shareholder any person to whom the right to any share has been transmitted by operation of law.

(6) Nothing in this Article shall prejudice any power of the Company to refuse to register the transfer of any share.

Article 60A provides that

60A. The transfer/ transmission of shares held in dematerialized form shall be effected in accordance with the provisions of the Depositories Act, 1996 and any rules and regulations made thereunder

Article 61 provides that

61. The instrument of transfer shall after registration be retained by the Company and shall remain to their custody. All instruments of transfer which the Directors may decline to register shall be returned to the persons depositing the same. The Directors may cause to be destroyed all transfer deeds lying with the Company after such period as they may determine.

Article 62 provides that

62. Where, in the case of partly paid shares, an application for registration is made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.

Article 63 provides that

63. In case of the death of any one or more of the persons named in the Register of Members as the joint-holders of any share, the survivor or survivors shall be the only persons recognised by the Company as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person.

Article 64 provides that

64. The executors or administrators or holders of a Succession Certificate or the legal representatives of a deceased member (not being one or two or more joint-holders) shall be the only persons recognised by the Company as having any title to the shares registered in the name of such member and the Company shall not be bound to recognise such executors or administrators or holders of a Succession Certificate or the legal representatives unless they have first obtained Probate Letters of Administration or Succession Certificate, as the case may be, from a duly constituted Court in the Union of India, provided that in any case where the Board in its absolute discretion, thinks fit, it may dispense with production of Probate or Letters of Administration or Succession Certificate upon such terms as to indemnity or otherwise as the Board in its absolute discretion may think necessary and under Article 65, register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member as a member.

Provided that notwithstanding anything contained in these Articles, every holder of shares in or debentures of the company may, at any time, nominate, in the prescribed manner any person to whom his shares or debentures shall vest in the event of his death, and the provisions of Sections 109A and 109B of the Act shall apply in respect of such nomination."

Article 65 provides that

65. No share shall be transferred to any insolvent, person of unsound mind, or partnership firm.

Article 66 provides that

66. Subject to the provisions of the Act and Articles 60 and 62 any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member, or by any lawful means other than by a transfer in accordance with these Articles, may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the shares or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered he shall testify the election by executing in favour of his nominee an instrument of transfer in accordance with the provision herein contained, and until he does so, he shall not be free from any liability in respect of the shares.

Article 67 provides that

67. A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends of money as hereinafter provided, be entitled to receive any and may give discharge for any dividends or other moneys payable in respect of the share.

Article 68 provides that

68. (a) No fee shall be charged for:

(i) registration of transfer and transmission of the Company's shares and debentures;

(ii) sub-division and consolidation of shares and debenture certificates and for sub-division of letters of allotment and split, consolidation, renewal and pucca transfer receipts into denominations corresponding to the market units of trading;

(iii) sub-division of renounceable letters of right

(iv) issue of new certificates in replacement of those which are old, decrepit or worn out or where the cages on the reverse for recording transfer have been fully utilised;

(v) registration of any power of attorney, succession certificate, certificate of death and marriage, probate, letters of administration or similar other documents.

(b) Fees as agreed upon with the Stock Exchanges will be charged for :

(i) issue of new certificates in replacement of those that are torn, defaced, lost or destroyed;

(ii) sub-division and consolidation of shares and debenture certificates and for sub-division of letters of allotment and split, consolidation, renewal and pacca transfer receipts into denominations other than those fixed for the market unit of trading.

Article 69 provides that

69. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title of interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice or referred thereto, in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest or to be under any liability whatsoever for refusing or neglecting so to do though it may have been entered or referred to in some book of the company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

Article 70 provides that

70. Every transmission of a share shall be verified in such manner as the Directors may require and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.

Article 71 provides that

71. Subject to the provisions of sections 292 and 293 of the Act, the Board may, from time to time at its discretion by a resolution passed at a meeting of the Board, accept deposits from the members either in advance of calls or otherwise and generally from any source or rise, for the purpose of the Company, borrow or secure the payment of such sums as it thinks fit. Provided, however, where the money to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, the Board shall not borrow or raise such moneys without the consent of the Company in the General Meeting.

Article 72 provides that

72. Subject to the provisions of Article 72 hereof, the payment of repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects, as the Company in General Meeting shall prescribe including the issue of bonds, debentures, debenture-stock of the Company charge upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being and the bonds, debentures, debenture-stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

Article 73 provides that

73. Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at general meeting, appointment of Directors and otherwise. or debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting accorded by a Special Resolution.

Article 74 provides that

74. The Board shall cause a proper Register to be kept in accordance with the provisions of Section 141 of the Act of all mortgages, debentures and charges specifically affecting the property of the Company, and shall cause the requirements of Sections 118, 126 and 127 to 144 (both inclusive) of the Act in that behalf to be duly complied with so far as they fall to be complied with the Board.

Article 75 provides that

75. The Company shall, if at any time is issues debentures, keep a Register and Index of Debenture-holders in accordance with Section 152 of the Act. The Company shall

have the power to keep in any State or Country outside India a branch Register of Debenture-holders resident in that State or Country.

Article 76 provides that

76. Subject to the provisions of section 111 of the Act, if the Board refuses to register the transfer of any debenture, the Company shall within one months from the date on which the instrument of transfer was lodged with the Company, send to the transferee and to the transferor notice of the refusal.

Article 79 provides that

79. The Annual General Meeting and statutory general meeting shall be held in accordance with provisions of section 166 and 165 respectively.

Article 80 provides that

80. (1) a. The Company shall in each year hold in addition to any other meetings, a General Meeting as its Annual General Meeting at the intervals, and in accordance with the provisions of the Act.

Provided that the Registrar may, for any reason extend the time within which any Annual General Meeting shall be held, by such period as may be provided in the Act.

b. Except in the cases referred to in the Act, not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next.

Time and place of annual general meeting

(2) Every Annual General Meeting shall be called for any time during business hours, on a day that is not a public holiday, and shall be hold either at the Registered Office of the Company or at some other place within the city, town or village in which the Registered Office of the Company be situated, and the notices calling the meeting shall specify it as the Annual General Meeting.

Article 81 provides that

81. (1) If default is made in holding an Annual General Meeting in accordance with section 166 of the Act, the Central Government may, not withstanding any thing contained in the Act or in the Articles of the Company on the application of any member of the Company call or direct the calling of a General Meeting of the Company and give such ancillary or consequential directions as the Central Government thinks expedient in relation to the calling holding and conducting of the meeting.

EXPLANATION : The directions that may be given under section of the Act may include a direction that one member of the Company so present in person or by proxy shall be deemed to constitute a meeting.

(2) A General Meeting held in pursuance of clause(1) shall subject to any directions of the Central Government be deemed to be an Annual General Meeting of the Company.

Article 82 provides that

82. (1) The provisions of sections 171 to 186 of the Act, shall notwithstanding anything to the contrary in the Articles of the Company, apply with respect to General Meeting of the Company.

(2) (a) Section 176 of the Act with sub adaptations and modifications, if any, as may be prescribed shall apply with respect to meetings of any class of members or of debentures holders of the Company in like manner as it applied with respect to the General Meetings of the Company.

(b) Unless the Articles or a contract binding on the persons concerned otherwise provide, sections and modifications if any, as may be sections 171 to 175 and sections 177 to 186 of the Act with such adaptations and modifications if any, as may be prescribed, shall apply with respect to meetings of any class of members or of debentures holders or any class of debentures holders of the Company in like manner as they apply with respect to General Meetings of the Company.

Article 83 provides that

83. The Directors may call an Extra Ordinary General Meeting of the Company whenever they think fit.

Article 84 provides that

84. (1) The Board of Directors of the Company shall on the requisition of such number of members of the Company as is specified in clause (4) of this article, forthwith proceed duly to call an Extra Ordinary General Meeting of the Company.

(2) The requisition shall set out the matters for the consideration of which the meeting is to be allied and shall be signed by the requisitionists and shall be deposited at the registered office of the Company.

(3) The requisition may consist of several documents in like form each signed by one or more requisitionist.

(4) The numbers of members entitled to requisition a meeting in regard to any matter shall be such number of them as hold at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company as at that date carried the right of voting in regard to that matter.

(5) Where two or more distinct matters are specified in the requisition, the provisions of clause (4) shall apply separately in regard to each such matter, and the requisition shall accordingly be valid only in respect of those matters in regard to which the conditions specified in that clause is fulfilled.

(6) If the Board does not, within twenty-one days from the date of deposit of a valid requisition in regard to any matters, proceed duly to call a meeting for the consideration of those matters on a day not later than forty five days from the date of deposit of the requisition, the meeting may be called.

a) by the requisitionists themselves

b) by such of the requisitionists as represent either as majority in value of the paid-up share capital held by all of them not less than one-tenth of such of the paid-up share capital of the Company as is referred to in clause (4) whichever is less.

EXPLANATION : For the purpose of this clause, the Board shall in the case of a meeting at which a resolution is to be proposed as a Special Resolution, be deemed not to have duly convened the meeting if they do not give such notice thereof as is required by sub-section (2) of section 189 of the Act.

(7) A meeting called under clause (6) by the requisitionists or any of them:

a) shall be called in the same manner as nearly as possible as that in which meetings are to be called by the Board; but

b) shall not be held after the expiration of three months from the date of the deposit of the requisition.

EXPLANATION : Nothing in clause 7 (b) shall be deemed to prevent a meeting duly commenced before the expiry of the period of three months aforesaid from adjourning to some day after the expiry of that period.

(8) Where two or more persons hold any shares or interest in the Company jointly, a requisition or a notice calling a meeting signed by one or some only or them, shall for the purpose of this Article have the same force and effect as it has been signed by all of them.

(9) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to call a meeting shall be repaid to the requisitionists by the Company, and any, sum so repaid shall be retained by the Company out of sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.

Article 85 provides that

85. (1) A General Meeting of the Company may be called by giving not less than twenty one day's notice in writing.

(2) A General Meeting of the Company may be called after giving shorter notice than that specified in clause (1), if consent is accorded thereto

(i) in the case of an Annual General Meeting by all the members entitled to vote there at, and

(ii) in the case of any other meeting by members of the Company holding not less than 95 (ninety five) percent of such part of the paid-up Capital of the Company as gives a right to vote at the meeting. Provided that where any members of the Company are entitled to vote only on some resolution or resolutions to be moved at the meeting and not on the others, those members shall be taken into account for the purpose of this sub-clause in respect of the former resolution or resolutions and not in respect of the latter.

Article 86 provides that

86. (1) Every notice of a meeting of the Company shall specify the place and the day and hour of the meeting and shall contain a statement of the business to be transacted thereat.

(2) Notice of every meeting of the Company shall be given:

(i) to every members of the Company in manner authorised by sub-section (1) to (4) of section 53 of the Act.

(ii) to the persons entitled to share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title or representatives of the deceased, or assignees of the insolvent, or by any like description, at the address, if any, in India supplied for the purpose by the persons claiming to be so entitled, or until and address has been so supplied, by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred, and

(iii) to the Auditor or Auditors for the time being of the Company in any manner authorised by section 53 of the Act as in the case of any members of the Company.

(3) The Accidental omission to given notice to, or the non-receipt of notice by any member or other person to whom it should be given shall not invalidate the proceedings at the meeting.

Article 87 provides that

87. (1) For the purpose of this Article:

a) in any case of Annual General Meeting all business to be transacted at the meeting shall be deemed special with the exception of business relating to (i) the consideration of account, balance sheet and the report of the Board of Directors and Auditors, (ii) the declaration of a dividend, (iii) the appointment of Directors in the place of those retiring and (iv) the appointment of and the fixing of remuneration of the Auditors, and

b) in the case of any other meetings, all business shall be deemed special.

(2) Where any items of business to be transacted at the meeting are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each such item of business including in particular the nature of the concern of interest, if any therein of every Director and the Manager, if any.

Provided that the extent of shareholding interest of any such person shall be set out in the circumstances specified in the proviso to sub-section (2) of section 173 of the Act.

(3) Where any item of business consists of the according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

Article 88 provides that

88. 1) Five members present in person shall be a quorum for a General Meeting. No business shall be transacted at any General Meeting unless the requisite quorum be present at the commencement of the business.

2) If, at the expiration of half an hour from the time appointed for holding a meeting of the Company, a quorum is not present, the meeting, convened upon the requisition of members, shall stand dissolved, but in any other case the meeting shall stand adjourned to the same day in the next week or if that day is a public holiday, until the next succeeding day which is not a public holiday at the same time and place or to such other day and at such other time and place in the city or town in which the office of the company is for the time being situate as the Board may determine, and if at such adjourned meeting a quorum is not present at the expiration of half an hour from the time appointed for holding the meeting, the members present shall be a quorum, and may transact the business for which the meeting was called.

Article 89 provides that

89. A body Corporate being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act.

Article 90 provides that

90. The Chairman of the Board of Directors shall be entitled to take the chair at every General Meeting. If there be no Chairman or if at any meeting he shall not be present within 15 (fifteen) minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present may choose one of themselves to be Chairman and in default of their doing so, the members present shall choose one of the Directors to be chairman and if no Directors present willing to take the chair, the members present shall choose one of themselves to be the Chairman.

Article 91 provides that

91. No business shall be discussed at any General Meeting except the election of a Chairman whilst the chair is vacant.

Article 92 provides that

92. The Chairman with the consent of the members may adjourn any meeting from time to time and from place to place in the city or town in which the office of the Company is for the time being situate but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

Article 93 provides that

93. At any General Meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded under section 179 of the Act, be decided on a show of hands.

(a) Subject to the provisions of the Act, upon show of hands every member entitled to vote, and present in person shall have one vote, and upon a poll every member entitled to vote and present in person or by proxy shall have one vote, for every share held by him.

No voting by proxy on show of hands

(b) No member not personally present shall be entitled to vote on a show of hand unless such member is a body corporate present by proxy or by a representative duly authorised under section 187 of the Act in which case such proxy or representative may vote on a show of hands as if he were a member of the Company.

Article 94 provides that

94. In the case of an equality of votes, the Chairman shall, both on a show of hands and at a poll (if any), have a casting vote in addition to the vote or votes to which he may be entitled as a member.

Article 95 provides that

95. (1) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting on his own motion and shall be ordered to be taken by him on a demand made in that behalf by the member or members present in person or by proxy and holding shares in the Company which confer a power to vote on the resolution not being less than one tenth of the total voting power in respect of the resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid up.

(2) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

Time of taking poll

(3) a) A poll demanded on a question of adjournment shall be taken forthwith

b) A poll demanded on any other question (not being a question relating to the election of a Chairman which is provided for in section 175 of the Act) shall be taken at such times not being later than 48 (forty eight) hours from the time when the demand was made as the Chairman may direct.

Article 96 provides that

96. (1) Where a poll is be taken, Chairman of the meeting shall appoint two scrutineers to scrutinise the votes given on the poll and to report thereon to him.

(2) The Chairman shall have power at any time before the result of the poll is declared to remove a scrutineer from office and to fill vacancy in the office of scrutineer arising from such removal or from any other cause.

(3) Of the two scrutineers appointed under this Article, one shall always be a member (not being an officer or employee of the Company) present at the meeting, provided such a member is available and willing to be appointed.

Article 97 provides that

97. Any poll duly demanded on the election of a Chairman of a meeting or any question of adjournment shall be taken at the meeting forthwith.

Article 98 provides that

98. The demand for poll except on the question of the election of the Chairman and of an adjournment shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

Article 115 provides that

115. The number of Directors of the Company shall not be less than three and not to be more than twelve, excluding the Special Director, if any, and Debenture Director, if any, and Corporation Directors, if any.

Article 117 provides that

117. Not less than two-thirds of total number of Directors of the Company shall:

(a) be persons whose period of office is liable to determination by retirement of Directors by rotation; and

(b) save as otherwise expressly provided in the Act, be appointed by the Company in General Meeting.

Article 118 provides that

118. Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to the Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), The Industrial Credit and Investment Corporation of India Limited (ICICI), The Industrial Reconstruction Corporation of India Limited (IRCI), Life Insurance Corporation of India (LIC), Unit Trust of India (UTI), General Insurance Company Limited (GIC, The Oriental Fire and General Insurance Company Limited (OFGI), The New India Assurance Company Limited (NIA), United Insurance Company (UI), Himachal Pradesh Mineral and Industrial Development Corporation Limited (HPMIDC) or a State Finance Corporation or any financial Institution owned or controlled by the Central Government or State Government or the Reserve Bank of India or by two or more of them or by Central Government or State Government by themselves (each of the above is hereinafter this Article referred to as “the Corporation” out of any loan/debenture assistance granted by them to the Company or so long as the Corporation holds or continues to hold Debentures/shares in the Company as a result of underwriting or by direct subscription or private placement, or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors wholetime or non wholetime (which Director or Directors, is/are hereinafter referred to as

Nominee Directors) on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person in his or their place/s.

The Board of Directors of the Company shall have no power to remove from the office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Director's shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and subject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as the Corporation holds or continues to hold or continues to hold Debentures/shares in the Company as a result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the guarantee is outstanding and the Nominee Directors so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys owing by the Company to Corporation are paid off or on the corporation ceasing to hold the debentures/shares in the Company or on the satisfaction of the liability of the Company arising out of the guarantee furnished by the Corporation.

The Company shall pay to the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees, commission, monies or remuneration in any form is payable to the Director/s of the Company, the fees, commission monies or remuneration in the relation to such Nominee Director/s shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or as the case may be, to such Nominee Director/s.

Provided that if any such Nominee Director/s is an officer of the Corporation, the sitting fees in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.

Provided also that in the event of the Nominee Director/s being appointed as wholetime Director/s, such Nominee Director/s shall exercise such power and duties as may be approved by the Corporation and have such rights as are exercised or available to wholetime Director in the management of the affairs of the company. Such wholetime Director/s shall be entitled to receive such renumeration, fee, commission, and monies as may be approved by the Corporation.

Power to appoint ex-officio Directors

Article 120 provides that

120. It is provided by the Trust Deed securing or otherwise, in connection with any issue of debentures of the Company that any person or persons shall have power to nominate a Director of the Company, than in the case of any and every such issue of debentures, the person or persons having such power may exercise such power from time to time and appoint a Director accordingly. Any Director so appointed is herein referred to as Debenture Director. A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power

under which he was appointed and another Director may be appointed in his place. A Debenture Director shall not be liable to retire by rotation.

Article 121 provides that

121. The Board may in accordance with and subject to the provisions of Section 313 of the Act, appoint and Alternate Director to act for a Director during the latter's absence for a period of not less than three months from the state in which the meetings of the Board are ordinarily held. And Alternate Director appointed under this Article shall not hold office for a period longer than that permissible to the original Director in whose place he has been appointed and shall vacate office if and when the original Director returns to the state. If the time of office of the Original Director is determined before he so returns to state any provision in the Act or in these Articles for the automatic reappointment of a retiring Director in default of another appointment shall apply to the Original Director and not to the Alternate Director.

Article 122 provides that

122. Subject to the provisions of sections 260 and 264 of the Act the Board shall have power at any time and from time to time to appoint any other person to be an additional Director but so that the total number of Directors shall not at any time exceed the maximum fixed under Article 116. Any such additional Director shall hold office only up to the date of the next Annual General Meeting.

Article 125 provides that

125. (a) Until otherwise determined by the Company in General Meeting, each Director other than the Managing Director and Wholetime Director shall be entitled to receive out of the funds of the Company for his services in attending meeting of the Board or committees thereof, such fee as may from time to time be determined by the Board but not exceeding such sum as may from time to time be prescribed by or under the Act and applicable to the Company.

(b) Subject to the provisions of the Act, a Managing Director or Director in the whole-time employment of the Company may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other.

(c) Subject to the provisions of the Act, a Director who is neither in the whole-time employment of the Company nor a Managing Director, may be paid remuneration either;

(i) by way of a monthly, quarterly or annually payment with the approval of the Central Government: or

(ii) by way of commission if the Company by special resolution authorised such payment.

Article 126 provides that

126. If any Director be called upon to perform extra services or make special exertion of efforts (which expression shall include work done by a Director as a member of any committee of the Board), the Board may arrange with such Director for special remuneration for such service or exertions or efforts either by a fixed sum or otherwise as may be determined by the Board and such remuneration may be either in addition to or in substitution for his remuneration above provided.

Article 127 provides that

127. The Board may allow and pay to any director, who is not a bona fide resident of the place where the meetings of the Board are ordinarily held and who shall come to such place for the purpose of attending any meeting, such sum as the Board may consider fair compensation or for travelling, boarding, lodging and other expenses, in addition to his fee for attending such meeting as above specified; and if any Director be called upon to go or reside out of the ordinary place of his residence on the Company's business, he shall be entitled to be repaid and reimbursed any travelling or other expenses incurred in connection with business of the Company.

Article 130 provides that

130. (1) A Director or his relative, a firm in which such director or relative is a partner; or any other partner in such a firm or a private company of which the director is a member or director may enter into any contract with the company for the sale, purchase or supply of any goods, materials or services or for underwriting the subscription of any shares in or debentures of the Company, provided that in the case of the Company having a paid-up capital of not less than Rupee one crore, no such contract shall be entered into except with the previous approval of the Central Government and the sanction of the Board shall be obtained before or within three months of the date on which the contract is entered into in accordance with section 297 of the Act.

(2) No sanction shall, however, be necessary for:

(a) any purchase of goods and material from the Company, or the sale of goods or materials to the Company, by any such director relative, firm, partner or private company, as aforesaid for cash at prevailing market prices; or

(b) any contract or contracts between the Company on one side and any such director, relative, firm partner or private company on the other for sale, purchase or supply of any goods, materials or services in which either the Company or the director, relative, firm, partner or private company, as the case may be, regularly trades or does business, where the value of the goods and materials or the cost of such services does not exceed Rs.5000 (Rupees five thousand) in the aggregate in any year comprised in the period of the contract or contracts. Provided that in circumstances of urgent necessity, a director, relative, firm, partner or private company as aforesaid may, without obtaining the consent of the Board, enter into any such contract with the Company for the sale, purchase or supply of any goods, materials or services even if the value of such goods or cost of such services exceeds Rs.5,000/- in the aggregate in any year comprised in the period of contract, if the consent of the Board shall be obtained to such contract or contracts at a meeting within three months of the date on which the contract was entered into.

Article 136 provides that

136. Subject to the provisions of section 256 of the Act, at every Annual General Meeting of the Company, one third of such of the Directors, for the time being as are liable to retire by rotation or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office. In the following Articles 'a Retiring Directors' means a Director retiring by rotation.

Article 137 provides that

137. Subject to section 256(2) of the Act, the Directors to retire by rotation under Article 137, at every Annual General Meeting, shall be those who have been longest in office since their last appointment, but as a between person who become directors on the same day those who are to retire shall, in default and subject to any agreement among themselves, be determined by lot.

Article 138 provides that

138. A retiring Director shall be eligible for re-election and shall act as a Director throughout the meeting at which he retired.

Article 140 provides that

140. (a) If the place of the retiring Director is not so filled up and the meeting had not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same place, and time or if that day is a public holiday, till the next succeeding day which is not a holiday, at thesame time and place.

(b) If at the adjourned meeting also it has been nor expressly resolved not to fill the vacancy the retiring Director shall be deemed to have been re-appointed at the adjourned meeting, unless.

(i) at that meeting or at the previous meeting resolution for the re-appointment of such Director has been put to the meeting and lost;

(ii) the retiring Director has, by a notice in writing addressed to the Company or its Board, expressed his unwillingness to be so re-appointed;

(iii) he is not qualified or is disqualified for appointment;

(iv) a resolution, whether special or ordinary, is required for the appointment or re-appointment by virtue of any provisions of the Act; or

(v) the proviso to sub-section (2) of section 263 of the Act is applicable to the case.

Article 141 provides that

141. Subject to section 259 of the Act, the Company may, by ordinary resolution, from time to time, increase or reduce the number of Directors, and may alter their qualifications and the Company may (subject to the provision of section 284 of the Act) remove any Director before the expiration of his period of office and appoint another person in his stead. The person so appointed shall hold the office during such time as the Director in whose place he is appointed would have held the same if he had not been removed.

Article 142 provides that

142. (1) No person not being a retiring Director shall be eligible for appointment to the office of Director at any General Meeting unless he or some member intending to propose him has, not less than fourteen days before the meeting, left at the office of the Company a notice in writing under his hand signifying his candidature for the office of Director or the intention of such member to propose him as a candidate of that office, as the case may be alongwith a deposit of such sum as may be prescribed by the Act, or the Central Government, from time to time which shall be refunded to such person or, as the case may be, to such member, if the person succeeds in getting elected as a Director.

(2) The Company shall inform its members of the candidature of a person for the office of director or the intention of a member(s) to propose a person as a candidate for that office by serving individual notice on the members not less than seven days before the meeting in the manner provided under section 257 of the Act.

(3) Every person other than a Director or a person who has left at the office of the Company a notice under section 257 of the Act signifying his candidature for the office of a Director posted as a candidate for the office of a Director shall sign and file with the Company, the consent in writing to act as such Director, if appointed.

(4) A person other than a Director re-appointed after retirement by rotation or immediately on the expiry of his return of office, or an additional or alternate Director, or a person filling a casual vacancy in the office of Director under section 262 of the Act appointed as a Director or re-appointed as an additional or alternate Director immediately on the expiry of his term of office, shall not act as a Director of the Company, unless he has within thirty days of his appointment signed and filed with the Registrar his consent in writing to act as such Director.

Article 146 provides that

146. (1) The Directors may meet together as a Board for despatch of business from time to time, and shall so meet at least once in every three month and at least four such meetings shall be held in every year. The Directors may adjourn and otherwise regulate their meetings as they think fit.

Notice of meetings

(2) Notice of every meeting of the Board shall be given in writing to every Director for the time being in India and at his usual address in India to every other Director provided however that in the case of a Director resident outside India, notice of every meeting of the board shall also be given to such Director at his usual address in India. Such notice shall be accompanied by the agenda setting out the business proposed to be transacted at the meeting of the Board.

Article 147 provides that

147. Subject to section 287 of the Act, the Quorum for a meeting of the Board shall be one third of its total strength (excluding Directors, if any, whose place may be vacant at the time and any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher, provided, that where at any time the number of interested Director exceeds or is equal to two thirds of the total strength in number of the remaining Directors, that is to say, the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum during such time.

Article 148 provides that

148. If a meeting of the Board could not be held for want of quorum then the meeting shall automatically stand adjourned to such other date and time (if any) as may be fixed by the Chairman not being later than seven days from the date originally fixed for the meeting.

Article 150 provides that

150. a) The Board shall appoint from amongst its members a Chairman, and a Vice Chairman.

b) The Chairman of the Board shall be entitled to take the chair at every meeting of the Board. If any meeting of the Board the Chairman shall not be present within fifteen minutes of the time appointed for holding the same or if he be unable or unwilling to take the chair then the Vice Chairman shall be entitled to take the chair at such Board meeting, and failing him the Board may elect one of their members to act as the Chairman of the meeting.

Article 152 provides that

152. A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act or the Articles of the Company are for the time being vested in or exercisable by the Board generally.

Article 153 provides that

153. Subject to the provisions of the Act and the restrictions contained in section 292 of the Act the Board may delegate any of their powers to committees of the Board consisting of such members or of its body as it thinks fit, and it may from time to time revoke and discharge any such committee of the Board either wholly or in part and either as to persons or purposes, but every committee of the Board so formed shall in the exercise of the powers so delegated confirm to any regulations that may from time to time be imposed on it by the Board. All acts done by any such committee of the Board in conformity with such regulations and in fulfilment of the purposes of their appointment but not otherwise shall have the like force and effect as if done by the Board.

Article 157 provides that

157. The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act, or any other Act or by the Memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting, subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the Company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made. Provided that the Board shall not, except with the consent of the Company in General Meetings:

(a) sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking, the whole or substantially the whole of any such undertaking;

(b) remit or give time for the repayment of any debt due by a Director.

(c) invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertakings as is referred to in sub-clause (a) or of any premises or properties used for any such undertakings and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;

(d) borrow money where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, Provided further that the powers specified in section 292 of the Act shall subject to these Articles be exercised only at meetings of the Board; unless the same be delegated to the extent therein stated; or

(e) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five percent of its average net profits as determined in accordance with the provisions of sections 349 and 350 of the Act,during the three financial years immediately preceding whichever is greater.

Article 159 provides that

159. (1) Subject to the provision of the Act and of these Articles, the Board shall have power to appoint from time to time any of its members as Managing Director or Managing Directors and / or Wholetime Directors and / or Special Director like Technical Director, Financial Director, etc. of the Company for a fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit, and the Board may by resolution vest in such Managing Director or Managing Directors/Wholetime Director(s), Technical Director(s), Financial Director(s) and Special Director(s) such of the power hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods, and upon such conditions and subject to such restrictions as it may determine. The remuneration of such Directors may be by way of monthly remuneration and/or fee for each meeting and/or participation in profits, or by any or all of those modes, or of any other mode not expressly prohibited by the Act.

(2) The Directors may whenever they appoint more than one Managing Director, designate one or more of them as “Joint Managing Director” or “Joint Managing Directors” or “Deputy Managing Directors” as the case may be.

(3) If a Nominee Director discharges the duties of Managing Director enjoying substantial powers of management or is in the whole time service of the Company, the Company shall, where required, obtain the necessary approval of the Central Government under Section 269 of the Act.

Article 160 provides that

160. Subject to the provisions of Section 255 of the Act, a Managing Director shall not while he continues to hold office be subject to retirement by rotation and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire. Subject to the revisions of any contract between him and the Company a Managing Director shall be subject to the same provisions as to resignation and removal as the other Directors, and he shall, ipso facto and immediately, cease to be a Managing Directors if he ceases to hold the office of Director from any cause save that if he shall retire by rotation under the provisions of Section 256 of the Act or otherwise vacates office as a Director at an Annual General Meeting and be reappointed a Director at the same meeting he shall not, by reason only of the such retirement, or vacation cease to be a Managing Director.

Article 161 provides that

161. If at any time the total number of Managing Directors is more than one third of the total number of Directors not liable to retire by rotation the Managing Directors who shall retire be determined by and in accordance with their respective seniorities. For the purpose of this Article the seniorities of the Managing Directors shall be determined by the date of their respective appointments as Managing Directors by the Board. As between persons who became Managing Directors on the same day those to retire shall in default of or subject to any agreement among themselves be determined by lot.

Article 162 provides that

162. Subject to the provisions of Sections 198, 269, 309, 310 and 311 of the Act a Managing Director shall in addition to the remuneration payable to him as a Director of the Company under these Articles receive such additional remuneration as may from time to time be sanctioned by the Board.

Article 163 provides that

163. Subject to the provisions of the Act and in particular to the prohibitions and restrictions contained in Section 292 thereof the Board may, from time to time, entrust to and confer upon a Managing Director for the time being such of the powers exercisable under these presented by the Board as it may think fit, and may confer such powers, for such time and to be exercised for such objects and purposes and upon such terms and conditions, and with such restrictions as it thinks fit, and the Board may confer such powers either collaterally with, or to the exclusion of and in substitution for all or any of the powers of the Board in that behalf and may from time to time, revoke, withdraw, alter or vary all or any of such powers.

Article 168 provides that

168. The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the provisions of these Articles shall be divisible among the members in proportion to the amount of capital paid or credited paid-up on the shares held by them respectively.

Article 169 provides that

169. The Company in General Meeting may declare dividends to be paid to members according to their respective rights, but no dividends shall exceed the amount recommended by the Board, but The Company in General Meeting may declare a smaller dividend.

Article 170 provides that

170. No dividend shall be declared or paid otherwise than out of profits of the financial year arrived at after providing for depreciation in accordance with the provisions of section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both, provided that :

(a) if the Company has not provided for depreciation for any previous financial year or years it shall, before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of the financial year or out of the profits of any other previous financial year or years;

(b) if the Company has incurred any loss in any previous financial year or years the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the Company for the year which the dividend is proposed to be declared or paid or against the profits of any other previous financial year or years;

(c) if the Company has incurred any loss in any previous financial year or years the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years which ever is less, shall be set off against the profits of the Company for the year for which the dividends is proposed to be declared or paid or against the profits of the company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of section 205 of the Act or against both.

Article 179 provides that

171. The Board may, from time to time, pay to the members such interim dividend as in their judgement the position of the Company justifies.

Article 179 provides that

179. (a) The Company in General Meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the reserve fund, or any capital redemption reserve accounts, or in the hands of the Company and available for dividend (representing premium received on the issue of shares and standing to the credit of the share premium account) be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such shareholders in paying up in full either at par or at such premium as the resolution may provide, any unissued shares of the Company which shall be distributed accordingly or in or towards payment shall be accepted by such share holders in full satisfaction of their interest in the said capitalised sum provided that a share premium account and a capital redemption reserve account may, for the purpose of this Article, only be applied in the paying of any unissued shares to be issued to members of the Company as fully paid bonus shares.

(b) A General Meeting may resolve that any surplus money arising from the realisation of any capital assets of the Company or any investment representing the same or any other undistributed profits of the Company not subject to charge for income tax be distributed among the members on the footing that they receive the same as capital.

(c) For the purpose of giving effect to any resolution under the preceding paragraphs of this Articles the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates.

Article 198 provides that

198. Subject to section 201 of the Act, every officer or an agent for the time being of the Company shall be indemnified out of the assets of the Company against all liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or discharged or in connection with any application under section 633 of the Act in which reliefs is granted to him by the Company.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus have been delivered to the Registrar of Companies, Gujarat, Dadra and Nagar Haveli, located at Ahmedabad for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered office of the Company from 10.00 a.m. to 4.00 p.m. on working days from the date of this Draft Red Herring Prospectus until the date of closure of the Issue.

A. Material Contracts

1. Letter dated July 27, 2004 from us appointing SBI Capital Markets Limited, as Book Running Lead Manager and their acceptance thereto.
2. Memorandum of Understanding between SBI Capital Markets Limited, and us dated September 01, 2004.
3. Letter from us dated July 12, 2004 appointing Karvy Computershare Private Limited as Registrar to the Issue and their acceptance thereto.
4. Memorandum of Understanding between Karvy Computershare Private Limited and us dated July 15, 2004.
5. Supply Agreement dated August 30, 2004 between us and Shah Alloys Limited

Documents for Inspection

1. The Memorandum and Articles of Association of the Company, as amended from time to time.
2. SIA Acknowledgement no. 2850/SIA/IMO/2004 dated August 10, 2004
3. Underwriting Agreement dated_____ entered among the Company, BRLM and the syndicate members.
4. Escrow Agreement dated_____ entered into with Escrow Collection Banks, Syndicate Members and us for our Escrow account in terms of this Draft Red Herring Prospectus.
5. Syndicate Agreement dated_____ signed with the BRLM and Syndicate Members.
6. Resolution of the Board of Directors of the Company, passed at its Meeting held on August 5, 2004 and August 31, 2004 approving this issue.
7. The report of the statutory auditors, J. Vageriya & Associates, Chartered Accountant dated July 22, 2004 prepared as per Indian GAAP and mentioned in the Draft Red Herring Prospectus and copies of balance sheet and profit and loss account of the Company referred to therein.
8. Consent dated July 22, 2004 from J. Vageriya & Associates, Chartered Accountant for inclusion of their reports on accounts in the form and context in which they appear in the Draft Red Herring Prospectus.
9. A copy of the tax benefit report dated July 22, 2004 from Company's statutory auditors J. Vageriya & Associates, Chartered Accountant.
10. Consents of Directors, Auditors, Legal Advisors of the Issue, Legal Underwriter to the Underwriter, Project Appraiser, Technical Appraiser, Expert named in the Draft Red Herring Prospectus, BRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bankers, Bankers to the Issue, Bankers to the Company, Company Secretary and Compliance Officer as referred to in their respective capacities.
11. Union Bank of India Appraisal Report dated March 30, 2004

12. State Bank of India Appraisal Note dated July 13, 2004
13. Technical Appraisal Report of Dalal Mott MacDonald
14. Sanction Letters of SBI, UBI, SBS & SBH
15. General Power of Attorney executed by Directors of the Company in favour Shri Rajendra V. Shah for signing and making necessary changes to the Draft Red Herring Prospectus.
16. Due Diligence Certificate dated September 06, 2004 to SEBI from SBI Capital Markets Limited. SEBI observation Letters No.________ dated _________, in-seriatim reply dated _________ and fresh due-diligence certificate dated _______.
17. In-principle listing approval dated _______ and _______ from BSE and NSE. Initial listing application dated [•] and [•], for listing the equity shares at The Stock Exchange, Mumbai and The National Stock Exchange of India Limited, respectively.
18. Tripartite Agreement between the Company, NSDL and Karvy Computershare Private Limited dated _________.
19. Tripartite Agreement between the Company, CDSL and Karvy Computershare Private Limited dated ________.
20. Supply Agreement dated August 30, 2004 between us and Shah Alloys Limited

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be.

SIGNED BY THE DIRECTORS OF THE COMPANY

Shri Rajendra V. Shah

Smt. Ragini R. Shah*

Shri Harshad Shah*

Shri Mahendra Shah*

Shri Gulamhusain Shaikh*

Shri Jethabhai M. Shah*

Shri Ambalal C. Patel*

*** Signed by Power of Attorney holder, Shri Rajendra V. Shah, on behalf of the directors**

SIGNED BY THE GENERAL MANAGER PURCHASE

SIGNED BY THE MANAGER FINANCE

Date: _________
Place: Ahmedabad