

DRAFT LETTER OF OFFER

Dated November 3, 2011

For Equity Shareholders of the Company only

**HINDUJA FOUNDRIES LIMITED**

We were incorporated at Chennai, India, on July 30, 1959, as Ennore Foundries Private Limited under the Companies Act, 1956. We changed our name to Ennore Foundries Limited on March 28, 1961 on being converted into a public limited company. We further changed our name on February 14, 2008 to Hinduja Foundries Limited pursuant to a fresh certificate of incorporation.

Our corporate identification number is L27104TN1959PLC003849.

Registered Office: Kathivakkam High Road, Ennore, Chennai, India 600 057.

Phone: +91 44 4356 3535 **Fax:** +91 44 4356 3534; **Website:** www.hindujafoundries.com

Company Secretary and Compliance Officer: Mr. Govind M. Joshi **Email:** rights@hindujafoundries.com



FOR PRIVATE CIRCULATION TO THE EQUITY SHAREHOLDERS OF THE COMPANY ONLY		
ISSUE OF 16,663,812 EQUITY SHARES OF ₹ 10 EACH FOR CASH AT A PRICE OF ₹75 (INCLUDING SHARE PREMIUM OF ₹ 65) PER EQUITY SHARE AGGREGATING ₹ 12,497.86 LAKHS ON RIGHTS BASIS TO OUR EXISTING SHARE HOLDERS IN THE RATIO OF 29 FULLY PAID UP EQUITY SHARES FOR EVERY 50 FULLY PAID UP EQUITY SHARES HELD ON THE RECORD DATE i.e. [●]. THE ISSUE PRICE IS 7.5 TIMES THE FACE VALUE OF THE EQUITY SHARES.		
PROMOTERS		
Our Promoters are Hinduja Automotive Limited and Ashok Leyland Limited		
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 entire investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, Investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities being offered in this 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 document. Investors are advised to refer to the chapter entitled “Risk Factors” beginning on page 15 of this Draft Letter of Offer before making an investment in this Issue.		
ISSUER’S ABSOLUTE RESPONSIBILITY		
Having made all reasonable inquiries, we accept responsibility for and confirm that this Draft Letter of Offer contains all information with regard to us and the Issue, which is material in the context of this Issue, that the information contained in this Draft Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.		
LISTING		
Our existing Equity Shares are listed on BSE Limited (BSE), The National Stock Exchange of India Limited (NSE) and Madras Stock Exchange Limited (MSE). We have received ‘in-principle’ approvals from BSE, NSE and MSE for listing the Equity Shares arising from this Issue <i>vide</i> letters dated [●], [●] and [●], respectively. For the purposes of the Issue, the Designated Stock Exchange shall be [●].		
LEAD MANAGER TO THE ISSUE		REGISTRAR TO THE ISSUE
 <p>HDFC Bank Limited Investment Banking Division Trade World, “A” Wing, 1st Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel (W), Mumbai 400 013 Tel: (+91 22) 4080 4108 ; Fax: (+91 22) 4080 4114 Contact Person: Mr. Paresh Soni Email: paresh.soni@hdfcbank.com Investor Grievance Id: investor.redressal@hdfcbank.com Compliance Officer: Mr. Manoj Nadkarni Website: www.hdfcbank.com SEBI Registration No.: INM000011252</p>		 <p>Integrated Enterprises (India) Limited 2nd Floor, Kences Towers 1, Ramakrishna Street North Usman Road, T Nagar, Chennai 600 017 Tel: (+91 44) 2814 0801-3, Fax: (+9144) 2814 2479 Contact Person: Mr. R.Kalyanaraman E-mail: hfl@iepindia.com Website: www.iepindia.com SEBI Registration No.: INR000000544</p>
ISSUE SCHEDULE		
ISSUE OPENS ON	LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS	ISSUE CLOSSES ON
[●]	[●]	[●]

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SECTION I - GENERAL

ABBREVIATIONS AND DEFINITIONS

Unless the context otherwise indicates or requires, the following terms shall have the meanings given below in this Draft Letter of Offer.

A. Conventional Terms and Abbreviations

Term	Description
AY	Assessment Year
Act / Companies Act	Companies Act, 1956, as amended
BSE	BSE Limited
CAGR	Compounded Annual Growth Rate.
CDSL	Central Depository Services (India) Limited.
CENVAT	Central Value Added Tax.
CESTAT	Central Excise and Service Tax Appellate Tribunal
CIN	Corporate Identification Number.
CLRA	Contract Labour (Regulation and Abolition) Act, 1970
Depository Participant / DP	A participant as defined under the Depositories Act.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended.
ECB	External Commercial Borrowings.
ECS	Electronic Clearing Services.
ERP	Enterprise Resource Planning
Factories Act	The Factories Act, 1948.
FCNR	Foreign Currency Non Resident.
FEMA	The Foreign Exchange Management Act, 1999, as amended, and the regulations framed there under.
FII	Foreign Institutional Investor as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, registered with SEBI under applicable laws in India.
FIPB	Foreign Investment Promotion Board, Ministry of Finance, Government of India.
Financial Year / Fiscal	Period of twelve months ended March 31 of that particular year.
IFRS	International Financial Reporting Standards
GDRs	Global Depository Receipts.
I.D. Act	Industrial Disputes Act, 1947.

Term	Description
ISO	International Organization for Standardization.
IT Act	The Income Tax Act, 1961, as amended.
Indian GAAP	Generally Accepted Accounting Principles followed in India.
MICR	Magnetic Ink Character Recognition.
MSE	Madras Stock Exchange Limited
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
NECS	National Electronic Clearing Service.
NEFT	National Electronic Fund Transfer.
NR	Non-Resident.
NRI	Non-Resident Indian.
NRE Account	Non-Resident External Account.
NRO Account	Non-Resident (Ordinary) Account.
NSDL	The National Securities Depository Limited.
NSE	The National Stock Exchange of India Limited.
OCB	Overseas Corporate Bodies.
p.a	Per annum.
PAN	Permanent Account Number under the I-T Act.
PF	Provident Fund
P. Y.	Previous Year
RBI	The Reserve Bank of India.
Registrar of Companies	Registrar of Companies, Tamil Nadu, Chennai.
Regulation S	Regulation S under the U.S. Securities Act.
Resident Indian	Indian citizen resident in India.
₹ / Rs. / Rupees / INR	Indian Rupees.
SCRA	Securities Contracts (Regulation) Act, 1956 as amended from time to time.
SEBI	The Securities and Exchange Board of India.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 issued by SEBI, as amended from time to time.
U.S. GAAP	Generally Accepted Accounting Principles followed in the U.S.A.

Term	Description
U.S. Person	U.S. Person as defined under Regulation S of the U.S. Securities Act.
U.S. Securities Act	U.S. Securities Act, 1933 as amended from time to time.
TAN	Tax Deduction and Collection Account Number.
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time.
VAT	Value Added Tax.

B. Issue Related Terms

Term	Description
Allotment	Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Issue.
Allottee(s)	Persons to whom Equity Shares are issued pursuant to the Issue.
Applicant(s)	Any Equity Shareholder applying for Equity Shares offered in the present Issue.
Application Money	The aggregate amount payable in respect of the Equity Shares applied for in the Issue at the Issue Price of ₹ 75.
Application Supported by Blocked Amount/ ASBA	The application (whether physical or electronic) used compulsorily by QIBs and Non- Institutional Investors and optionally by Retail Individual Investors to make a Bid authorizing the SCSB to block the Bid Amount maintained with the SCSB.
ASBA Account	Account maintained with a SCSB which will be blocked by such SCSB to the extent of the appropriate amount in relation to an application by an ASBA Investor
ASBA Investor	<p>Equity Shareholders proposing to subscribe to the Issue through ASBA process and who:</p> <p>(a) hold the Equity Shares of the Issuer in dematerialized form as on the Record Date and has applied for Right Entitlements and / or additional Equity Shares in dematerialized form;</p> <p>(b) has not renounced his / her Right Entitlements in full or in part;</p> <p>(c) is not a Renouncee; and</p> <p>(d) is applying through a bank account maintained with a SCSB</p> <p>All QIBs and Non-Institutional Investors, complying with the above conditions, must mandatorily invest through the ASBA process. All Retail Individual Investors complying with the above conditions may</p>

	optionally apply through the ASBA process
Bankers to the Issue / Collecting Bank	[●]
Composite Application Form/CAF	The form used by an Investor to make an application for allotment of Equity Shares in the Issue.
Date of Allotment	Date on which the Equity Shares will be allotted.
Designated Branches	Such branches of the SCSBs which shall collect application forms used by ASBA Investors and a list of which is available on SEBI's website http://www.sebi.gov.in .
Designated Stock Exchange	[●]
Draft Letter of Offer	This Draft Letter of Offer dated November 3, 2011, filed with SEBI in accordance with the SEBI ICDR Regulations.
Investor(s)	Our Equity Shareholders on the Record Date, i.e. [●] and the Renouncees.
Issue	Issue of 16,663,812 Equity Shares of ₹ 10 each for cash at a price of ₹75 (including share premium of ₹65) per share aggregating ₹ 12,497.86 lakhs in the ratio of 29 Equity Shares for every 50 Equity Shares held on the Record Date i.e. [●].
Issue Closing Date	[●]
Issue Opening Date	[●]
Issue Price	₹ 75 per Equity Share including a premium of ₹ 65 per Equity Share.
Lead Manager	HDFC Bank Limited.
Letter of Offer	The letter of offer to be filed with the Stock Exchanges after incorporating SEBI's observations on this Draft Letter of Offer.
Listing Agreement	Equity Listing Agreement entered into with the Stock Exchanges.
Net Issue Proceeds	The Issue Proceeds less the Issue expenses. For further details, please see chapter entitled " <i>Objects of the Issue</i> " at page 72 of this Draft Letter of Offer.
Non Institutional Investors	All Investors including sub-accounts of FIIs registered with SEBI, which are foreign corporate or foreign individuals, that are not QIBs or Retail Individual Investors and who have applied for Rights Issue Equity Shares for an cumulative amount more than ₹ 2,00,000.
Record Date	[●]
Registrar to the Issue or Registrar	Integrated Enterprises (India) Limited.
Renouncee(s)	Any person(s) who has/have acquired Rights

	Entitlements from Equity Shareholders.
Retail Individual Investor(s)	Individual Investors who have applied for Rights Issue Equity Shares for an amount not more than ₹ 2,00,000 (including HUFs applying through their Karta)
Rights Entitlement	The number of Equity Shares that an Equity Shareholder is entitled to in proportion to its shareholding in our Company on the Record Date.
SAF(s)	Split Application Form(s).
SCSB(s)	Self Certified Syndicate Bank, i.e., a banker to the issue registered with SEBI, which offers the facility of ASBA and a list of which is available on SEBI's website http://www.sebi.gov.in .
Stock Exchange(s)	BSE, NSE and MSE where our Equity Shares are presently listed.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual fund registered with SEBI, FII and sub-account (other than a sub-account which is a foreign corporate or foreign individual) registered with SEBI, multilateral and bilateral development financial institution, venture capital fund registered with SEBI, foreign venture capital investor registered with SEBI, state industrial development corporation, insurance company registered with Insurance Regulatory and Development Authority, provident fund with minimum corpus of ₹ 2,500 lakhs, pension fund with minimum corpus of ₹ 2,500 lakhs, National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India, insurance funds set up and managed by army, navy or air force of the Union of India and insurance funds set up and managed by the Department of Posts, India.

C. Company Related Terms

Term	Description
“Hinduja Foundries Limited”, “the Company”, “our Company” or “the Issuer” or “us”, “we”, “our”	Unless the context otherwise requires, refers to Hinduja Foundries Limited, a public limited company incorporated under the Companies Act, 1956, having its Registered Office at Kathivakkam High Road, Ennore, Chennai 600 057, Tamil Nadu, India.
Articles / Articles of Association	Our articles of association.
Annual Report	Our annual report.
Auditors	Our statutory auditors, being B S R and Company, Chartered Accountants
Board/Board of Directors	Our board of directors.
DCU	Our Ductron Casting Unit

Equity Shares	Equity Shares of our Company of face value of ₹ 10 each
Equity Shareholder / Shareholder	A holder of our Equity Shares.
Group Companies	<p>Shall mean companies, firms, ventures, etc. promoted our Promoters, irrespective of whether such entities are covered under section 370 (1)(B) of the Companies Act, 1956 or not. The following entities constitute the Group Companies.</p> <ul style="list-style-type: none"> • Automotive Coaches and Components Ltd. • Irizar TVS Limited • Lanka Ashok Leyland plc, (registered in Sri Lanka) • Ashley Holdings Ltd. • Ashley Investments Ltd. • Ashok Leyland Project Services Ltd. • Ashley Transport Services Ltd. • Gulf Ashley Motor Ltd. • Avia Ashok Leyland Motors s.r.o (registered in Czech Republic) • Ashok Leyland (UAE) LLC, (registered in Ras Al Khaimah, UAE) • Mangalam Retail Services Ltd. • Ashley Bio-Fuels Ltd. • Automotive Infotronics Ltd. • Ashley Alteams India Ltd. • Defiance Testing and Engineering Services Inc, USA • Albonair GmbH (registered in Germany) • Nissan Ashok Leyland Technologies Ltd. • Nissan Ashok Leyland Powertrain Ltd. • Ashok Leyland Nissan Vehicles Ltd. • Hinduja Leyland Finance • Ashok Leyland John Deere Construction Equipment Co. Pvt. Ltd.

- Defiance Technologies Ltd.
- Albonair India Private Ltd.
- Optare plc, (registered in U.K.)
- Ashok Leyland Defence Systems Ltd.
- Hinduja Automotive (UK) Limited
- Hinduja Auto Components Limited

Memorandum / Memorandum of Association

Our Memorandum of Association.

Promoters

Hinduja Automotive Limited and Ashok Leyland Limited.

Promoter Group

As defined in Clause 2(1) (zb) of the SEBI (ICDR) Regulations, the following entities constitute the Promoter Group –

- Automotive Coaches and Components Ltd.
- Irizar TVS Limited
- Lanka Ashok Leyland plc, (registered in Sri Lanka)
- Ashley Holdings Ltd.
- Ashley Investments Ltd.
- Ashok Leyland Project Services Ltd.
- Ashley Transport Services Ltd.
- Gulf Ashley Motor Ltd.
- Avia Ashok Leyland Motors s.r.o (registered in Czech Republic)
- Ashok Leyland (UAE) LLC, (registered in Ras Al Khaimah, UAE)
- Mangalam Retail Services Ltd.
- Ashley Bio-Fuels Ltd.
- Automotive Infotronics Ltd.
- Ashley Alteams India Ltd.
- Defiance Testing and Engineering Services Inc, USA
- Albonair GmbH (registered in Germany)

- Nissan Ashok Leyland Technologies Ltd.
- Nissan Ashok Leyland Powertrain Ltd.
- Ashok Leyland Nissan Vehicles Ltd.
- Hinduja Leyland Finance
- Ashok Leyland John Deere Construction Equipment Co. Pvt. Ltd.
- Defiance Technologies Ltd.
- Albonair India Private Ltd.
- Optare plc, (registered in U.K.)
- Ashok Leyland Defence Systems Ltd.
- Machen Holdings SA, Luxembourg
- Hinduja Automotive (UK) Limited
Hinduja Auto Components Limited

Registered Office

Our registered office located at Kathivakkam High Road, Ennore, Chennai 600 057, Tamil Nadu, India.

SPU

Sriperumbudur Unit

Whole time Directors

Our Whole time Directors.

D. Technical/Industry Related Terms

Term	Description
AMP	Automotive Mission Plan launched by the Government of India
BIS	Bureau of Indian Standards
CIF	Cost Insurance and Freight
EPCG	Export Promotion Capital Goods
IIF	Indian Institute of Foundrymen
ISO	International Organization for Standardization
Kg	Kilogram
KVA	Kilo Volt Ampere
MT	Metric Tonne
Metric Tonne / Tonne	One thousand kgs.
OEM	Original Equipment Manufacturer
SIAM	Society of Indian Automobile Manufacturers
UNIDO	United Nations Industrial Development Organisation

NOTICE TO HOLDERS OF GLOBAL DEPOSITORY RECEIPTS

Our GDRs are listed on the Luxembourg Stock Exchange. The Depository for the Equity Shares underlying the GDRs will deal with the rights entitlements corresponding to the GDRs in the manner specified in the offering circular and the deposit agreement, entered into for the issuance of the GDRs.

PRESENTATION OF FINANCIAL INFORMATION

Financial Data

Unless stated otherwise, the financial information and data in this Draft Letter of Offer is derived from the Company's financial statements which are included in this Draft Letter of Offer and set out in the chapter entitled "*Financial Statements*" on page no. 111 of this Draft Letter of Offer.

Unless indicated otherwise, the financial data in the Draft Letter of Offer is derived from the financial statements as of and for the year ended March 31, 2011 prepared in accordance with the relevant provisions of the Companies Act and unaudited statement of assets and liabilities and unaudited statement of profit and loss for the three months ended June 30, 2011 prepared in accordance with the applicable accounting standards and other recognised accounting practices and policies and the requirements of the SEBI ICDR Regulations.

Our Fiscal Year or Financial Year commences on April 1 and ends on March 31, so all references to a particular Fiscal year are to the twelve month period ended March 31 of that year. In this Draft Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off, and unless otherwise specified, all financial numbers in parenthesis represent negative figures.

We are an Indian public limited listed company and prepare our financial statements in accordance with Indian GAAP and in accordance with the Companies Act, which differs significantly in certain respects from IFRS and US GAAP. Neither the information set forth in our financial statements nor the format in which it is presented should be viewed as comparable to information prepared in accordance with US GAAP, IFRS or any accounting principles other than principles specified in the Indian Accounting Standards. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Letter of Offer should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

Any percentage amounts, as set forth in chapters entitled "*Risk Factors*", "*Summary of our Business*", and elsewhere in this Draft Letter of Offer, unless otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Indian GAAP.

All references to "India" contained in this Draft Letter of Offer are to the Republic of India, all references to the "US" or the "U.S." or the "USA", or the "United States" are to the United States of America, its territories and possessions, and all references to "UK" or the "U.K." are to the United Kingdom of Great Britain and Northern Ireland, together with its territories and possessions.

Currency and units of presentation

The Company prepares and publishes its financial statements in Indian Rupees. All references to "Rupees", "Indian Rupees", "INR", "₹" or "Rs." are to Indian Rupees, the official currency of the Republic of India, all references to "US\$" or "USD" are to United States Dollars, the official currency of the United States of America, all references to "GBP" or "£" are to Great Britain Pounds, the official currency of the United Kingdom and all references to "EURO" or "€" are to the official currency of the European Union.

Unless stated otherwise, throughout this Draft Letter of Offer, all figures have been expressed as ₹ in lakhs/lacs, though certain figures may also be expressed in Rupees in thousands, and/or Rupees in crores.

Please note that:

One lakh is equal to 1,00,000 / 100 thousand

One crore is equal to 100 lakhs

One billion is equal to 100 crores.

Exchange Rates

This Draft Letter of Offer contains translations of U.S. Dollar and other currency amounts into Indian Rupees that have been presented solely to enable better understanding.. It should not be construed as a representation that such currency amounts could have been, or can be converted into Indian Rupees, at any particular rate or at all.

Industry and Market Data

Unless stated otherwise, industry, demographic and market data used throughout this Draft Letter of Offer has been obtained from industry publications, data on websites maintained by private and public entities, data appearing in reports by market research firms, other publicly available information and from our internal source. The external sources generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Neither we nor the Lead Manager have independently verified this data and neither we nor the Lead Manager make any representation regarding the accuracy of such data. Accordingly, Investors should not place undue reliance on this information.

FORWARD LOOKING STATEMENTS

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

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

- i. General economic and business conditions in the markets in which we operate and in the local, regional and national economies;
- ii. Variation in our operating results;
- iii. Our failure to manage our growth effectively;
- iv. Increasing competition in the industry segments in which we operate;
- v. Changes in laws and regulations relating to the sector in which we operate;
- vi. Changes in political and social conditions in India or in other countries in which we have operations, the monetary policies of India or of such other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- vii. The performance of the financial markets in India and other countries where we have operations as well as performance of financial markets globally;
- viii. Any adverse outcome in legal proceedings in which we are involved;
- ix. Our ability to meet our capital expenditure requirements and / or increase in capital expenditure;
- x. Fluctuations in operating costs and impact on financial results;
- xi. Our ability to attract and retain qualified personnel; and
- xii. Changes in technology in future.

For a further discussion of factors that could cause actual results to differ, please see chapters entitled “*Risk Factors*”, “*Industry Overview*”, “*Summary of Our Business*” and “*Financial Statements*” beginning on pages 15, 38, 41 and 111, respectively, of this Draft Letter of Offer.

By their very nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither we nor the Lead Manager 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 / Stock Exchanges requirements, we along with the Lead Manager will ensure that Investors are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges for the Equity Shares allotted pursuant to this Issue.

SECTION II: RISK FACTORS

RISK FACTORS

Prospective investors should carefully consider the risk factors relating to our business and the industry described below, together with all other information contained in this Draft Letter of Offer including the financial statements included in this Draft Letter of Offer at beginning at page 111 before making any investment decision relating to the Equity Shares offered through this Issue. These risks and uncertainties are not the only issues that we face; additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also have a material adverse effect on our financial condition or business. The occurrence of any, or a combination of, the following events could have a material adverse effect on our business, results of operations, financial condition and prospects and cause the market price of the Equity Shares to fall significantly and you to lose all or part of your investment. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other risks mentioned herein.

Prospective investors are advised to read this section in conjunction with the chapters entitled “Industry Overview” “Summary of Our Business” and “Financial Statements” beginning on pages 38, 41 and 111, respectively, of this Draft Letter of Offer, for a comprehensive understanding of the risks material to our business and operations. The financial implications of the risks have been quantifiable where possible. However, there can be no assurance that the implications will not be greater nor that the unquantifiable risks are not material.

In this section the terms such as ‘we’, ‘our’, ‘us’ refer to the Company.

Risks related to our business, operations and the objects of the issue

1. Certain litigation is pending against our Directors

- a. Mr. S Ragothaman, one of our independent directors, was associated as an independent director with a company which has been declared as a vanishing company*

Mr. S. Ragothaman, one of our independent directors, served as an independent director on the board of Sibar Software Services (India) Limited for a period of 13 months from October 1, 1999. He resigned from the board of the company with effect from October 30, 2000 and has not been associated with the company thereafter. Sibar Software Services (India) Limited had made its initial public offering in December 1999, and its shares were listed on the Bombay Stock Exchange from February 28, 2000 onwards.

In its meeting held on April 23, 2007, the Coordination and Monitoring Committee (CMC) on Vanishing Companies constituted by the Ministry of Corporate Affairs identified Sibar Software Services (India) Limited as a vanishing company. The company has now been suspended from BSE.

On August 8, 2007, SEBI issued a show cause notice to Mr. S. Ragothaman (SRO/PMD/VC/EIF/2007/1/1857) in connection with his association with Sibar Software Services (India) Limited, enquiring as to why appropriate action - including prohibiting him from associating with any capital market activity for a period of five years - should not be taken, and directed Mr. Ragothaman to file his reply by August 23, 2007. Mr. Ragothaman replied on August 17, 2007, indicating that after his ceasing to be a director in October 2000 he was not associated with the company in any manner and also requested SEBI to grant him a personal hearing on the said matter.

We understand that there has been no further communication from SEBI in this regard, thereafter.

Subsequently, however, the Registrar of Companies, Hyderabad issued show cause notices to him on February 4, 2008 under Sections 63, 68 and 628 of the Companies Act, in respect of various offences committed by Sibar Software Services (India) Limited. Mr. Ragothaman replied to the RoC, Hyderabad on February 22, 2008.

However, the RoC, Hyderabad has filed separate complaints against him along with other directors of the company in the Court of Special Judge, Economic Offences, Hyderabad on March 10, 2010. The matter is yet to come up for hearing.

- b. *Our Managing Director has been made a party to a litigation under the Minimum Wages Act, 1948*

A claim in the sum of ₹ 3,22,422/- has been made against one of our contractors under s. 20(2) of the Minimum Wages Act, 1948. Our Managing Director, Mr. B. Swaminathan, has been made a party to the litigation. The matter is pending. For further details please see chapter entitled “*Outstanding Litigation and Material Developments*” at page 172 of this Draft Letter of Offer.

2. ***Our business operations may be hampered by certain restrictive covenants in our financing arrangements***

We have entered into various financing arrangements with banks and financial institutions that contain provisions which restrict our ability to do, among other things, the following:

- Incurring additional debt;
- Issuing further equity capital;
- Effecting any change to our capital structure;
- Formulating any scheme of amalgamation or reconstruction;
- Undertaking any new project, implement any scheme of expansion;
- Declaring dividends; and
- Creating any encumbrance on our fixed and movable assets.

We must obtain the consent of our lenders prior to undertaking these significant corporate actions. There can be no assurance that we will obtain relevant consents, on time or at all, and this may restrict/ delay some of the actions / initiatives necessary to operate and grow our business and also impact us financially.

In the past, we have been able to obtain consents or otherwise proceed with transactions that, although discussed with our lenders, could arguably have given rise to technical, though not substantive, breaches of certain covenants under our financing arrangements including maintenance of certain financial ratios. There can be no assurance that our lenders will take the same approach in the future, or that they would not enforce their rights against us on the basis of what we would consider a technical, though not a substantive, breach. However, should our lenders enforce their rights against us in this matter, our business, results of operations and financial condition could be adversely impacted.

Should we breach any of the conditions of these financing arrangements our lenders may accelerate payments, convert the outstanding facilities to demand loans or enforce the security, which will have a significant adverse impact on our business and results of operations.

3. ***We rely heavily on a few customers from whom we derive a significant portion of our revenues. Further, within the automobile sector we depend extensively on the commercial vehicles segment.***

We cater to various automobile manufacturers who have operations in India. However, a large part of our income is derived from Ashok Leyland Limited (**Ashok Leyland**), one of our Promoters. In Fiscal 2011, we derived ₹ 26,148.83 lakhs from sales to Ashok Leyland, out of our net sales of ₹ 55,116.25 lakhs, constituting 47.44%. Further, our top 5 (five) customers contributed approximately 87.48%, 75.29% and 74.95% of our total revenues in Fiscal 2011, Fiscal 2010 and Fiscal 2009, respectively. While our dependence on Ashok Leyland has dropped by approximately 10% from 57.09% in Fiscal 2007, it continues to be and will remain a very significant customer. For further details please see the chapter entitled “*Summary of Our Business*” beginning on page 41 of this Draft Letter of Offer.

Should Ashok Leyland or any other major customer either curtail or discontinue its dealings with us, it will have a significant impact on our business and results of operations.

We are heavily reliant on the commercial vehicles segment of the automobile sector. In Fiscal 2009, Fiscal 2010 and Fiscal 2011, the revenues from the sale to the commercial vehicle segment constituted 48.06%, 48.46% and 47.28% of our total revenue from operations. Consequently, therefore, our growth and prospects are linked to the growth of the commercial vehicles segment. Further, the growth in the commercial vehicles sector is cyclical in nature and is dependent on various factors including growth in India’s gross domestic product (**GDP**) and the levels of industrial production in the country.

4. *We have not completely utilized the proceeds from the previous rights issue*

In 2010 we raised ₹ 5,027.87 lakhs from the issue of equity shares on a rights basis. One of the main objects, constituting more than 50% of the issue size, was the proposed capital expenditure on the existing plants. Of the ₹ 2,576.75 lakhs that was proposed to be used towards capital expenditure at our Ennore and Sriperumbudur plants, only ₹ 1,039.70 lakhs has been spent till June 30, 2011. Consequently, ₹ 1,537.05 lakhs constituting 59.65% of the total issue size demarcated for capital expenditure has remained unutilized, primarily on account of the change in the technical specifications and change in the market conditions. While, in the interim, we have deployed the funds in the manner contemplated in the offer document we have not used it for capital expenditure.

5. *We do not have long term supply contracts for some of our raw materials. Further, sand, a critical raw material, is a natural resource and quarrying of sand may be prohibited by governmental action.*

Sand is a raw material integral to our manufacturing operations. In India, sand is generally procured from quarries on an ad-hoc basis and established operators are scarce. Consequently, we do not have any long term contracts for the supply of sand. We rely heavily on small operators who control the supply and delivery of sand from Gudur, in Andhra Pradesh. While we have been procuring sand from the same operators for a long period of time, these operators have almost a monopolistic control over the supply of sand. For instance, during the quarter ended December 2010, we experienced production interruptions on account of maintenance issues at the supplier’s end. If these operators curtail or discontinue supplying sand to us, on reasonable terms, for any reason whatsoever, our operations will be hampered.

Further, sand is a natural resource and various environmental groups have been actively attempting to prevent quarrying. Also, Certain State Governments have prohibited sand quarrying and if the State, where we procure sand from, prohibits quarrying due to environmental concerns, our operations will be significantly impaired.

The Tamil Nadu Pollution Control Board (**TNPCB**) has subjected its consent to operate to our setting up a sand reclamation system. We have in our action plan for compliance submitted on September 6, 2011, informed the TNPCB that we expect to commence reclamation of sand by

the second quarter of the year 2012. Although there have been recent experiments of reclaiming sand, in India, through a gas fired thermal reclamation process, which is expected to lead to reclamation of about 90% of the sand used in foundries, there is no accurate data to substantiate these claims and we are not aware of any foundry in India using this technology. We are, currently, considering installing a sand reclamation unit which, we believe, will require substantial capital outlay of around ₹ 675 lakhs. However, there can be no assurance about the time that will be required to master the technology or the success of the reclamation process.

While sand of requisite quality is available in Mangalore and Allahabad, Gudur is proximate to all our manufacturing units and hence, the cost of transportation is minimised. Should we be required to source sand from other parts of India, we will have to bear significantly higher transportation costs and it could also lead to delays in procurement. This could have an adverse impact on our business and results of operations.

6. High dependency on uninterrupted power supply

Our operations are power intensive. Our power requirements are met through various sources, such as State grids and wind mills. Our Ennore unit sources about 50-55% of its power requirements from wind mills and the balance power requirement is met through supplies from State grid. Our units at Hyderabad and Sriperumbudur depend on power supply from the State grid.

While we also trade on the power exchanges, it only serves to reduce the average power cost and does not guarantee us any additional, or uninterrupted, electricity supply. Any interruption in power supply to our units will have a material adverse impact on our business and results of operations.

7. Our manufacturing units have been operating at sub-optimal capacity

Our total installed capacity is 1,25,000 Tonnes. Set out below are the installed capacities of our plants and the gross capacity utilized for the past three years.

Year	Installed Capacity (in Tonnes)	Production (in Tonnes)*	Capacity Utilization (in percentage)
Ennore			
2008-2009	51,000	32,289	63.31
2009-2010	51,000	31,656	62.07
2010-2011	51,000	46,521	91.22
Sriperumbudur			
2008-2009	50,000	10,976	21.95
2009-2010	50,000	17,747	35.49
2010-2011	50,000	23,071	46.14
DCU, Hyderabad			
2008-2009	24,000	14,900	62.08
2009-2010	24,000	16,923	70.51
2010-2011	24,000	18,954	78.97

* The data is based on our internal production records.

Accordingly, our average capacity utilization for Fiscal 2009, Fiscal 2010 and Fiscal 2011 was 49.11%, 56.02% and 72.11%, respectively, against a market average of, we believe, 75%. Since capacity utilization is primarily driven by market conditions, there can be no assurance that further capital expenditure will increase our capacity utilization. In addition to rendering the capital expenditure redundant, inability to increase our capacity utilization will continue to hamper our business and the results of our operations.

Further, at the incipient stages of a product's manufacture we face significantly higher rates of rejection primarily on account of unfamiliar pattern / moulds. Accordingly, the quantity of products rejected depends on the stage of manufacture of the product. We face higher rejections with new products and typically the quantity of products rejected, reduces with the passage of time. Further, while we normally do not face large scale rejection of our products, disputes in relation to the quality of our product could adversely impact our reputation.

8. *Labour unrest has impacted our operations in the past and could continue to impact us*

As on September 30, 2011 our total employee strength is 2,934 and a significantly large percentage of these employees are affiliated with labour unions.

We have in the past experienced labour unrests such as strikes and shut downs for various reasons including demand for higher pay, better working facilities, better retirement benefits and on account of suspension/dismissal of employees. These unrests have led to work stoppages in varying durations, from a few hours to a few days. Illustratively, in Fiscal 2011 the employees of the DCU struck work, for a period of 42 days, on account of non-finalisation of the wage agreement. During the said period, no manufacturing activity could be carried out in the facility. While it is difficult to quantify the loss, given a daily average gross production of around 50 Tonnes, we could have manufactured 2,100 Tonnes during the said period, which we could not on account of the strike. There have been other instances of stoppages as well and, cumulatively, we lost a 47 working days in Fiscal 2011 due to these disruptions. There can be no assurance that there will be no future stoppages in work due to labour unrest. Such stoppages will adversely impact our business, reputation and result of operations.

Further, we may be unable to negotiate acceptable collective bargaining agreements with those who have chosen to be represented by unions, which could lead to union-initiated work stoppages, including strikes, thereby adversely affecting our business and results of operations.

Further, we have, in the past, engaged contract labourers in excess of our permitted numbers. While, thus far, no action has been initiated there can be no assurance that we will not be required to pay applicable penalty. Further, we are yet to make an application under the CLRA to engage higher number of contract labourers.

9. *Our performance is linked to the performance of the automobile sector and we are more susceptible to economic downturns*

The automobile sector is our primary focus area and most of the products manufactured by us are used in automobiles. Any factors adversely impacting the automobile industry will also adversely affect us. Automobiles, and in particular the passenger car segment is still perceived as a luxury, in large parts of India. Our primary source of revenue is from the manufacture of key components of automobiles, such as the blocks and heads for use in the engines, and not spare or ancillary parts. These components are expected to be and, are generally, durable and usually not replaced for long periods of time. Consequently, anything which impacts the sale of new automobiles will have a direct impact on our operations. During the economic downturn between 2008 and 2010, our net sales (less returns) dropped significantly from ₹ 44,979.23 lakhs in Fiscal 2008 to ₹ 36,189.09 lakhs in Fiscal 2009 and ₹ 39,146.54 in Fiscal 2010. An economic

slowdown or a slowdown in the automobile sector may significantly impact our business, results of operation and financial condition.

10. *Break-down in machinery and a delay in procurement of replacement for machinery parts could impact our performance*

A large part of our automated machinery is imported. While normally these are covered by warranty, certain parts are not covered and the warranty only covers latent defects. Also, normal wear and tear and break-down due to improper handling is not covered by the warranty. Some of our automated machinery parts, particularly in our Sriperumbudur unit have in the past broken down for reasons not covered by warranty. On such occasions our operations were impacted to the extent of production lost.

However, we have in past also been affected by delay in procurement of replacement parts for some of our imported machinery. Our Sriperumbudur unit experienced work stoppages for about 28 days cumulatively, in Fiscal 2011, as a consequence of unavailability of replacement parts. Inability to promptly procure replacement / spare parts could significantly impact our operations and could also hamper our ability to meet our production timelines, which will, in turn, impact our reputation.

11. *The objects of the issue have not been appraised by any bank, financial institution or any other independent entity*

Since the Net Proceeds from this Issue will be utilised for repaying our outstanding short term loans and redeeming the preference shares issued to Ashok Leyland, the objects of this Issue have not been appraised by any bank, financial institution or any other independent entity. In the absence of any such independent appraisal, the requirement of funds raised through this Issue as stated in the chapter entitled '*Objects of the Issue*' is based on our estimates and the deployment of these funds is at the discretion of our Board of Directors.

12. *We are dependent on the services of key management personnel and our ability to recruit and retain employees with requisite expertise*

We are a professionally managed company and our operations are administered by senior management personnel. We have, over time, built a strong team of experienced professionals to oversee the operations and growth of our varied businesses. We believe that our success in the future is substantially dependent on the expertise of the management team, the loss of any of whom could have an adverse effect on our business, financial condition and results of operations.

The foundry industry is highly technical and requires personnel with specialized knowledge / skill-sets. In India, premier institutions of higher education catering to foundry technology are limited and personnel with the requisite expertise are not easily available. Dearth of trained and skilled resources or our inability attract and retain personnel with requisite expertise could hamper our operations and it could adversely impact our growth prospects.

13. *We have, in the past, restructured some of our loans from banks*

Due to slowdown in the automobile industry and drop in demand of our products from our major customers, we incurred net loss of ₹ 1,198.06 lakhs in Fiscal 2009, and ₹ 1,044.00 lakhs during the first quarter of Fiscal 2010, which adversely affected our cash-flows and our ability to timely service our principal repayments. Consequently, we had to restructure some of our loans. Some of our then existing lenders, State Bank of Travancore, IDBI Bank Limited, Karur Vysya Bank Limited and State Bank of Mauritius Limited permitted us to defer the repayment of the principal amount i.e. ₹4,000, ₹ 10,000 lakhs, ₹ 5,000 lakhs, and ₹ 1,500 lakhs, respectively. In the event that there are any unanticipated downturns in the industry, or a continued slowdown of the

economy, and / or we are unable to repay the loans when due, we cannot assure you that we would be able to restructure our loans with our lenders in the future.

As at September 30, 2011, we had outstanding short term loans (including buyers credit) aggregating ₹ 25,288.31 lakhs. The entire outstanding amount and any further short term loans that we avail of will become due and payable in Fiscal 2012 and Fiscal 2013. In addition, we have a recently availed of a loan from Hinduja Ventures Limited which is repayable on demand. Should we not be able to repay these loans when due or demanded or if we are unable to reschedule the payments, the lenders may initiate legal proceedings, including winding-up proceedings, against us.

14. *We had rescheduled the redemption of preference shares*

We had issued redeemable non-convertible cumulative preference shares (**Preference Shares**) in two tranches to Ashok Leyland Limited i.e. ₹ 1,500 lakhs in March 1999 (**first tranche**) and ₹ 1,000 lakhs in November 2003 (**second tranche**).

Preference shares worth ₹ 1,000 lakhs were due for redemption in three equal annual instalments from April 2008 to April 2010. We redeemed the first instalment of second tranche of Preference Shares of ₹ 333 lakhs in April 2008. However, due to losses affecting our cash flow, Ashok Leyland Limited agreed to our request to reschedule the redemption of the balance Preference Shares aggregating ₹ 667 lakhs and defer the repayment of the second and third instalment by three years each i.e. from April 2009 to April 2012 and from April 2010 to April 2013.

Further, the first tranche of Preference Shares aggregating ₹ 1,500 which was due and payable in three equal instalments between 2004 – 2006 was rescheduled in October 2003. Consequently, the first tranche of Preference Shares was to be redeemed in three equal instalments commencing in April 2011. However, on March 3, 2011, we wrote to Ashok Leyland requesting for a further rescheduling of the redemption until completion of a, then, proposed capital market issue. Ashok Leyland has acceded to our request.

We intend to redeem these Preference Shares from the proceeds from this Issue.

15. *We face significant competition*

We operate in an intensely competitive business environment.

In Fiscal 2011, we believe that our market share amongst the organised sector in India was around 62%. There can be no assurance that the current levels can be maintained. Our competitors may ramp up the scale of their operations at a much faster pace than us and we may not be able to keep pace with our competition. This will impact our business and our growth prospects.

Further, a number of operators, particularly in the unorganised sector who operate at the local level also compete with us, albeit on a smaller scale. However, greater organisation within the sector could lead to an increase in competition.

In addition, we also face competition from overseas operators, in particular from Chinese manufacturers, especially in the manufacture of lower end products such as brake drums and hubs which do not require significant technical expertise. While we believe that high-end Chinese products are generally perceived as inferior in quality, China enjoys significantly lower cost of raw materials and consequently, lower production cost, and is relatively more proximate to automobile manufacturing hubs such as Japan and South Korea. If Chinese companies manage to penetrate the Indian market it could adversely impact our business.

Increasing competition may force us to reduce prices of our products, or we may not be able to pass on, fully or partially, the increased input costs to the customers, which may reduce the

revenues and margins and/or also decrease our market share, either of which could have an adverse impact on our business, financial condition and operations.

16. *Our success will depend greatly on our ability to effectively implement our business and growth strategies*

Our success will depend greatly on our ability to effectively implement our business and growth strategies. Even if we have successfully executed our business strategies in the past, there can be no assurance that we will be able to execute our strategies on time and within the estimated budget, or that we will meet the expectations of targeted customers. We believe that our strategies will place significant demands on our management and other resources and will require us to continue developing and improving operational, financial and other internal controls. Any inability to manage the business and strategies could have an adverse effect on our business, financial condition and results of operation.

We believe that we have a proven business plan and strategy which is critical for our future growth. Accordingly, we have streamlined our operations to adapt to our current business strategy. However, we may not succeed in executing our business plans and / or strategy. In such an event, we will possibly need to adopt unproven plans and / or strategies which may not be successful. This may affect our growth. For further details please see chapter entitled “*Summary of Our Business*” beginning on page 41 of this Draft Letter of Offer.

17. *Failure to meet our production timelines could impact our reputation and could also lead to penalties*

We manufacture diverse products for our customers. We are contractually bound to supply varying quantities at different points in time, through the year. Our operations are streamlined to take into account our delivery schedule. While a certain amount of time is always calculated as buffer, any serious disruption in our manufacturing units will impact our ability to meet our production timelines. Such failure could adversely affect our reputation. Further, some of the agreements have provisions pursuant to which we may be required to expedite delivery, if we fail to honour our contractual commitments. This could lead us to incurring additional freight charges or we could be required to replace the product which will directly impact our production capabilities and impact our profit.

While such instances are uncommon there can be no assurance that we will not face similar situations and such lapses could impact our image and our profitability.

18. *Our high debt-equity ratio may hamper our ability to avail of future debt*

As on March 31, 2011, we had total outstanding borrowing of ₹ 57,056.62 lakhs against our net worth (excluding revaluation reserves and miscellaneous expenditure to the extent not written off) of ₹ 19,467.08 lakhs and earnings before interest, depreciation, tax and adjustments (EBIDTA) of ₹ 6,687.75 lakhs. Further, our total outstanding borrowing increased to ₹ 62,670.42 lakhs as on September 30, 2011. Our high debt leverage may make it difficult for avail of loans, on terms favourable to us or at all. While one of the Objects of this Issue is to pre-pay/repay some of our short term borrowings, there can no assurance that the improvement in the debt-equity ratio will facilitate raising additional debt.

19. *Our longer working capital cycle hampers our liquidity position*

Our high level of outstandings from sundry debtors and the high levels of inventories that we are required to maintain, given the industry we operate in, increase our working capital cycle. Our inventories increased from ₹ 12,611.83 lakhs as at March 31, 2010 to ₹ 14,418.40 lakhs as at March 31, 2011. Further, our sundry debtors increased from ₹ 13,029.06 lakhs as at March 31,

2010 to ₹ 20,854.46 lakhs as at March 31, 2011, against gross sales (less returns) of ₹ 42,408.47 lakhs and ₹ 60,577.25 lakhs, for Fiscal 2010 and Fiscal 2011, respectively, averaging about 4 months' gross sales receivables, each. Sale of patterns has a longer recovery period since the recovery is possible only after endurance testing at the customer's end, which has on occasion, in the past, lasted 18 months. Continuing high levels of outstanding receivables and high levels of inventories could affect our liquidity and, consequently, adversely impact our result of operations.

20. *Our low credit rating currently and any further decline in our credit rating could adversely affect our ability to raise further debt and could also adversely affect cost of our borrowings*

As on March 31, 2011, ICRA has assigned a rating LBB+ (stable) to our term loan facility of ₹ 20,000 lakhs, fund based facilities of ₹ 12,925 lakhs and term loan facility of USD 20 million. ICRA has also assigned a rating of A4+ to our short term fund based facilities of ₹ 1,200 lakhs and non-fund based facilities of ₹ 5,830 lakhs. The BB rating indicates a moderate risk of default regarding timely servicing of financial obligations (the symbol '+' indicates the comparative position within the grade) and any short term debt rating of A4 (the symbol '+' indicates the comparative position within the grade) indicates minimal degree of safety regarding timely payment of financial obligations and hence, carries very high credit risk. Any downward revision of our credit rating by the rating agency could affect our ability to raise further debt. Also any down grade in our credit rating could have adverse impact on our borrowing cost and impact our profitability.

21. *Some of the plant and machinery at our manufacturing units may be dated*

Our plant at Ennore commenced operations in 1961 and has been in continuous operation, while DCU although acquired in 2005, has been operational for over 3 decades. Though our workforce at these facilities has kept the plant and equipment in good working condition through repairs and upkeep, and we have in the past invested significant amount of capital towards upgrading our Ennore and Hyderabad facilities. However, given the age of these machines, the levels of efficiency recorded at our facilities might not be in line with those achieved by other foundries that employ modern technology. If we choose not to invest in upgrading our facilities from time to time in line with technological advancements in the foundry industry, it could lead to loss of efficiency in our production process, and our inability to meet customers' expectations, which could would have an adverse impact on our business.

Further, we expect that eventually the blocks and heads will be made from less heavy metals or alloys such as aluminium to increase efficiencies. In fact, we established an aluminium die casting unit, in 1990, at our Ennore unit to cater to a small segment of customers who are using aluminium casting. If the industry trend turns towards aluminium or lighter material we will be required to set up new plants or replace the existing plants, either of which will require large capital outlay. If we are unable to adjust and adapt or are unable to obtain financing on reasonable terms, we may not be able to compete effectively. This will have an adverse impact on our business, results of operation and financial condition.

22. *Our proposed plant at Toopran may be delayed or may be shelved*

We propose to establish a green-field manufacturing unit at Toopran, Andhra Pradesh. Towards this we have already acquired 60 acres of land from the government of Andhra Pradesh, for which we have paid ₹ 1,500 lakhs. The transfer of land was conditional on the commencement commercial production by March 31, 2011. However, since we were unable to complete the project, within the time allotted, due to adverse market conditions, we sought and received an extension upto March 31, 2012. If we are unable to complete the project and commence commercial production by March 31, 2012, we will be required to seek another extension or

vacate the land. If we do not receive the extension we will not be able to recover the capital expenditure that has been incurred on the project. As of September 30, 2011, we have incurred capital expenditure of ₹ 3,119.13 lakhs. In addition, we cannot quantify the compensation we will receive from the government for re-conveying the land out of the ₹ 1,500 lakhs paid to the government.

23. *Our Promoters have the ability to determine the outcome of any shareholder resolution*

As at September 30, 2011, our Promoters held 70.38% of our issued and paid-up capital. Our Promoters may have interests that are adverse to the interests of other shareholders and/or our interests. Our Promoters have the power to control key corporate actions such as to elect and remove a majority of our Directors and/or determine the outcome of proposals for corporate action requiring approval of our Board of Directors or shareholders; lending and investment policies, revenue budgets, capital expenditure, dividend policy and strategic acquisitions. Our Promoters will be able to influence our major policy decisions, including our overall strategic and investment decisions, by controlling the election of our Directors and, in turn, indirectly controlling the selection of our senior management, determining the timing and amount of any dividend payments, approving our annual budgets, deciding on increases or decreases in our share capital, determining our issuance of new securities, approving mergers, acquisitions and disposals of our assets or businesses, and amending our Articles of Association.

There may, therefore, be a conflict between our interests and those of the Promoters, which may not necessarily be resolved in our favour. In addition, the Promoters may not consider the interests of minority Shareholders in making any determinations regarding shareholder resolutions.

24. *We require certain registrations and permits from government and regulatory authorities in the ordinary course of business and the failure to obtain them in a timely manner or at all may adversely affect our operations.*

We require a number of approvals, licenses, registrations and permits for operating our businesses. While we have obtained a significant number of approvals for our businesses, certain approvals which we have been applied for are currently pending. Moreover, we may need to apply for additional approvals in the future. Further, we may need to renew some of the approvals, which may expire, from time to time, in the ordinary course. For more information regarding the approvals we have applied for and that are currently outstanding, please see chapter entitled “*Government Approvals*” beginning at page 182 of this Draft Letter of Offer.

Further, there can be no assurance that the approvals, licenses, registrations and permits issued to us will not be suspended or revoked in the event of non-compliance or alleged non-compliance with any term or condition thereof, or pursuant to any regulatory action. If we fail to obtain or renew any applicable approvals, licenses, registrations and permits in a timely manner, our ability to undertake our businesses may be adversely impacted, which could adversely affect our results of operations and profitability. Furthermore, government approvals and licenses may be subject to numerous conditions, some of which could be onerous.

25. *Increased cost of raw materials and their non-availability may affect our operations.*

Our business is significantly affected by the availability, supply, cost and quality of raw materials, which exposes us to market demand and supply fluctuations. The price and the supply of raw materials depend on factors beyond our control, which include economic conditions, consumer demand, production levels and transportation costs. The price of pig iron, scrap steel and iron scrap, our primary raw materials are subject to significant volatility. Illustratively, between April 2009 and September 2011, the price of pig iron ranged between ₹ 21,725 to ₹ 34,400 per tonne, MS scrap ranged between ₹ 22,100 to ₹ 30,000 per tonne and iron scrap

ranged between, ₹ 15,300 to ₹ 22,000 per tonne, respectively. (*Source: Internal sources*). Such variations in the cost structure impacts our ability to plan effectively and could affect our operations. While our sale price is based on pricing indices which takes into account the variation in raw material price, we may not be able to change our sale price commensurate to the increase in raw material price. To the extent that we are unable to increase the sale price of our products commensurate to the increase in the cost of our raw materials, our profitability will be adversely affected.

Further, in the event that our primary suppliers curtail or discontinue the supply of such materials to us in the quantities that we need or at prices that are competitive, our operations and financial condition may be adversely affected.

26. *We may not be able to fulfill our aggregate export obligations under the export promotion capital goods scheme*

We have assumed export obligations against licenses issued under the Export Promotion Capital Goods (EPCG) scheme. The EPCG scheme enables us to import capital goods at nil rate of duty to be off-set, by exports, over the stipulated period of time. As at September 30, 2011 our outstanding export obligations under these licenses aggregated ₹ 16,260.18 lakhs. We will have to meet some of these export obligations by Fiscal 2015. There can be no assurance that we will be successful in meeting our export obligations in time or at all. Failure to meet the export obligations will result in levy of import duty saved, with interest thereon, on items previously imported at nil rate of duty. At present, we have not factored these in our contingent liabilities and, therefore, we will have to meet the additional expenditure, if any, out of our internal accruals or assume additional debt liability which may or may not be available on favourable terms or at all.

27. *We have not appointed an independent agency for monitoring the use of the proceeds of this Issue*

We expect to raise ₹ 12,497.86 lakhs from this Issue. We have not engaged and do not propose to engage any independent external agency to monitor the use of the proceeds from this Issue. Consequently, the deployment of funds raised through this Issue will be at the discretion of our Board of Directors and the utilization of proceeds of the Issue will be monitored by our Audit Committee.


28. *Sale of Equity Shares by some of our principal Shareholders could affect the price of our Equity Shares in the secondary market*

The market price of our Equity Shares could decline if some of our existing shareholders sell a substantial number of Equity Shares post listing or on the perception that such sale could occur. This, in turn, could make it difficult for you to sell Equity Shares in the future at a time and at a price that you deem appropriate.

29. *We may raise additional equity capital which could dilute your existing shareholding*

Our business strategy or growth plans may require us to raise additional capital in future. This could be through debt or equity capital, including through Issue of shares to our Promoters. If we raise further equity capital, there can be no assurance that such Issue will be on a rights basis. Any Issue of shares other than on a rights basis will lead to a dilution of your equity stake.

30. *We may be exposed to claims for infringement of intellectual property rights of third parties.*

We have in the recent past changed our trade name from *Ennore Foundries Limited* to *Hinduja Foundries Limited*. Our logo  has not been registered as a trademark and we have not made an application for obtaining a trademark registration, either. Further, our logo resembles the logo

of one of our Promoters i.e. Ashok Leyland and the name 'Hinduja' does not belong to us. Also, we have not entered into any agreements permitting us to use our trademark and trade name. Therefore, while we do not pay any royalty for the use of the trademark and trade name, we may be required to do so or be required to discontinue the use of the trademark and the trade name which could impact our reputation and our financial condition.

31. *Accidents at our manufacturing units will impact our image and could lead to litigation*

We believe that each of our manufactories have adequate equipments and meet the necessary safety standards. However, certain accidents / mishaps may be unavoidable or may occur on account of negligence in complying with the safety standards. Therefore, although we take all possible steps to ensure safety, accidents including human fatalities may occur, and there can be no assurance that such precautions will be completely effective or sufficient. Further, although we maintain third party liability insurance, the liability incurred may far exceed the insurance cover. Any accident at our units will also harm our reputation. Such accidents, irrespective of the monetary liability, may have an adverse impact on our business and reputation.

32. *Any failure in our Information Technology systems could adversely impact our business.*

Our day to day operations depend on information technology. Some of our operations are already functioning under the SAP based ERP systems and we are in the process of moving our entire operations under the ERP system. Further, we rely heavily on our information technology systems including for tracking the progress of our projects and to estimate fluctuations in the price of raw materials. We also use information technology systems for routine corporate activities such as processing of financial information or managing creditors/ debtors or engaging in normal business activities. Although we believe that we have effective backup systems in place, any disruption of an information technology related component or the system will impact our business and the result of our operations.

33. *Certain operations are being conducted on premises that are taken on lease. Our inability to seek renewal or extension of such lease terms may cause disruptions in our operations*

Our Sriperumbudur unit is operated on a 99 year lease. Any adverse impact on the title and ownership rights of the owner from whose premises we operate or any breach of the terms of such lease may adversely impact us. Further, if we are unable to renew existing or future leases at all or on terms acceptable to us we may also be required to spend additional funds which may adversely affect our business operations.

34. *There are certain contingent liabilities in our financial statements*

In our audited financial statements for Fiscal 2011 and the statement prepared for the three months ended June 30, 2011, following are the contingent liabilities not provided for:

(₹ in Lakhs)

Sr. No.	Nature of claims	As at June 30, 2011	As at March 31, 2011
1.	Surcharge on self generation of power	45.17	44.46
2.	Dividend on 6% redeemable non-convertible cumulative preference shares	424.07	391.66
3.	Sales tax, income tax and excise related matters	1,374.64	1,324.82

Payment of additional surcharge on arc furnace

The Tamil Nadu Government had issued a notification dated November 28, 2001 levying additional charge at 25% of the power consumption, on high tension industries, with arc furnaces, emitting effluents in excess of certain prescribed thresholds. The notification was to be effective from December 1, 2001 till March 15, 2003. While we are yet to receive a demand in this regard and have, consequently, not paid any amounts, we challenged the notification before the Madras High Court. The High Court by its order dated March 11, 2002 was pleased to grant interim injunction on the operation of the notification.

The Tamil Nadu Electricity Regulatory Commission (**TNERC**) passed an order dated March 15, 2003 imposing an additional charge of 15% on arc furnaces, effective March 16, 2003. Thereafter, we filed an affidavit before the Hon'ble Madras High Court stating that we had installed harmonic filters in 1999 to contain the harmonic levels. The Hon'ble Madras High Court was pleased to direct TNEB to verify the installation of harmonic filters by us and report back the status. While TNEB appointed third party consultants and completed the verification sometime in 2004, it has not filed the report and the matter is yet to come up for further hearing. Should the matter be decided against us, we will be required to pay an additional amount of approximately ₹ 181.60 lakhs.

There can be no assurance that these contingent liabilities will not fructify and become actual liabilities. If we are required to incur the liabilities, it may have an adverse impact on our results of operation and financial condition.

For further details, please see chapter entitled '*Financial Statements*' at page 111 of this Draft Letter of Offer.

35. *Our operations are subject to varied business risks and our insurance cover may prove inadequate to cover our economic losses*

Our operations are subject to various risks and hazards which may adversely affect revenue generation and profitability. Though we believe that we have taken adequate safeguards to protect our assets from various perceived risks, it is possible that our insurance may not provide adequate coverage in certain circumstances.

We maintain a general all risk insurance for each of our properties including cover for fire, flood and earthquake. Certain types of losses, however, may be either uninsurable or not economically insurable, such as losses due to acts of terrorism or war. Should an uninsured loss occur, we could lose our investment in, as well as anticipated profits and cash flow from, such a property. In addition, even if any such loss is insured, we may be required to pay a significant deductible on any claim for recovery of such a loss prior to our insurer being obligated to reimburse us for the loss, or the amount of the loss may exceed our coverage for the loss. The necessary insurance cover may be insufficient and any loss in excess of the insurance cover could have an adverse effect on our business, financial condition and results of operation. Further, an insurance claim once made could lead to an increase in our insurance premium.

There can be no assurance that the insurer will settle the claim in full or at all.

36. *There are outstanding litigations pending against us*

We are involved in a number of legal cases, including among others, tax, consumer and labour claims. In the event that all of these cases were decided against us, they could have a material adverse effect on our results of operations. For further details, please see chapter entitled '*Outstanding Litigations and Other Material Developments*' on page 172 of this Draft Letter of Offer.

We have been arraigned as the defendant in legal proceedings incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various

fora. The amounts claimed in these proceedings have been disclosed to the extent ascertainable, excluding contingent liabilities and including amounts claimed jointly and severally claimed from us and other parties. Should any new developments arise, such as a change in India law or rulings against us by appellate courts or tribunals, we may need to make provisions in the financial statements of the respective persons/entities, which could increase expenses and current liabilities.

There are also several claims pending in various courts and before various authorities and at different levels of adjudication against our Directors.

Litigation against our Directors

Serial No.	Nature of claim / cases	No. of cases filed	Amount involved (in lakhs)
1.	Civil Matter	1	N.A
2.	Labour and Industrial Matter	1	3.22

Criminal Matters involving our employees

Serial No.	Nature of claim / cases	No. of cases filed	Amount involved
1.	Criminal Matter	1	N.A

Litigation against us

Serial No.	Nature of claim / cases	No. of cases filed	Amount involved
1.	Labour and Industrial Matters	6	N.A
2.	Civil Matters	3	6
3.	Tax and Excise Matters	21	3,023.70

Litigation by us

Serial No.	Nature of claim / cases	No. of cases filed	Amount involved
1.	Civil Matters	5	N.A

In addition to the above, we received two show cause notices from the Chief Inspector of Factories, Hyderabad, dated May 15, 2010 and December 31, 2010, for alleged violations by DCU under the Factories Act, 1950. We replied to the said show cause notices on May 25, 2010 and January 10, 2011, respectively. There has been no further action in this regard.

37. *There can be no assurance that the equity shares issued pursuant to this Issue will be listed on the Stock Exchanges in a timely manner or at all.*

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until the Equity Shares have been issued and allotted and all necessary procedures towards listing are completed. There can be no assurance that the Stock Exchanges will Issue listing and trading permission in a timely manner or at all. If the approval from the Stock Exchanges is delayed you will not be able to trade these securities on the Stock Exchanges. Further, if the Stock Exchanges refuse to list the Equity Shares, this Issue will fail and we will be required to refund the entire amounts back to the Investors. If such monies are not repaid within 8 days from the day we become liable to pay it, we will be required pay interest on the amounts repayable with interest as stipulated under section 73 of the Companies Act.

38. ***The price of the Equity Shares on listing may be volatile, and you may be unable to resell your Equity Shares at or above the Issue Price or at all***

The Issue Price of the Equity Shares is delinked from the price of the Equity Shares on listing. The market price of the Equity Shares after this Issue may be subject to significant fluctuations in response to, among other factors, the results of our operations and performance, subsequent corporate actions, performance of our competitors, market conditions specific to the industries in which we operate, and the market perception about our investments in the theatrical exhibition industry.

39. ***We have not paid any dividend in the recent past and future dividend payments will depend on our performance***

We have not paid any dividends since Fiscal 2009 and we may not be able to pay dividend in the near future. Additionally, our debt arrangements restrict our ability to pay dividends unless we maintain certain financial ratios and obtain approval from our lenders. Further, the declaration and payment of any dividends in the future will be recommended by our Board, at their own discretion, and will depend on a number of factors, including Indian legal requirements, our earnings, cash generated from operations, capital requirements and overall financial condition.

40. ***Our Promoters will be able to subscribe to only a miniscule portion of the Issue in excess of their rights entitlement***

As on September 30, 2011, our Promoters held 70.38% of our equity share capital. Further, approximately 4.25% of the Equity Shares are held by the overseas depository pursuant to the Issue of Global Depository Receipts (**GDRs**) in 2009. Consequently, the public shareholding for purposes of the Securities Contracts (Regulation) Act, 1956 (**SCRA**) and the equity Listing Agreement with the Stock Exchanges (**Listing Agreement**) is marginally in excess 25%. Further, the SEBI (Issue of Capital and Disclosure Requirements Regulations), 2009 (**ICDR Regulations**) prohibit the Promoters from subscribing to unsubscribed portion of the Issue in excess of their rights entitlement if such subscription will result in a breach of the minimum public shareholding requirements stipulated by the Listing Agreement.

Consequently, our Promoters will be able to subscribe to less than 1% of the Issue in excess of their rights entitlement. Further, at present, the Issue is not underwritten. If we are not able to achieve minimum subscription i.e. 90% of the Issue size, this Issue will fail and we will have to refund the entire amounts to Investors.

41. ***Failure to comply with environmental laws and regulations could adversely affect our business and financial prospects, and our results from operations***

The Government of India has enforced specific pollution and emission requirements for foundry and castings industry. Though we are generally compliant, any further restrictions or amendments may have cost implications and consequently have an impact on our operations and profitability. Environmental laws and regulations in India are gradually becoming increasingly stringent and are being brought in line with international standards. It is possible that some of our current plants and operations may not be compliant with such further regulations and standards. In such a case, we would need to incur costs in order to make such facilities regulation compliant, which would adversely impact our profitability. The scope and extent of new environmental regulations, including their effect on our operations, cannot be predicted.

If we fail to meet environmental requirements, we may also be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties

against us as well as orders that could limit or halt our operations and could include us being required to incur substantial clean up costs. There can be no assurance that we will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters in the future, the costs of which could be material. Clean-up and remediation costs, as well as damages, other liabilities and related litigation, may adversely affect our business, prospects, financial conditions and results of operations.

Also, there is a risk that such changes may necessitate a temporary cessation of operations in some of our plants while they are brought up to the desirable standards. If such an occasion does arise, we may be adversely impacted both in terms of revenue and profitability.

42. *We have incurred losses in the past and our net profit has reduced*

While in Fiscal 2011, our total income was ₹ 55,685.50 lakhs and profit after tax was ₹ 747.65 lakhs, our total income for the quarter ended June 30, 2011, was ₹ 18,617.38 lakhs and we incurred a net loss of ₹ 858.81 lakhs on account of voluntary retirement scheme compensation and one time lump sum payment pursuant to the wage settlement with our employees, aggregating ₹ 1,525.41 lakhs. There can no assurance that we will be able post a profit this year. Further, in Fiscal 2009 also we incurred a net loss of ₹ 1,198.06 lakhs. Losses could have an adverse impact on the financial ratios we are required to maintain pursuant to our financial arrangements. Further, it may also hamper our ability to raise fresh capital, be it equity or debt, or the capital that is available may be on terms which are unfavourable to us. Further, losses will also adversely affect our ability to pay dividends and also damage our reputation and goodwill.

43. *Research and development costs may be substantial*

In order to maintain and enhance our business growth, we will have to adapt to and develop new technologies. Any such development may require substantial expenditure on research and development. In Fiscal 2009, Fiscal 2010 and Fiscal 2011, we invested ₹ 819.77 lakhs, ₹ 526.90 lakhs and ₹ 3,519.32 lakhs, respectively on R&D. Incremental investments in R&D may involve substantial capital outlay. If we are unable to invest the required amount in R&D and adapt to and develop new technologies, we may lose our market share and it could adversely impact our business.

44. *We were in violation of the listing agreement for a brief period Fiscal in 2012*

We were in violation of the Clause 49 of the Listing Agreement pertaining to corporate governance norms for brief period in 2011 – 2012. Upon resignation of Mr. R.J. Sahaney, our erstwhile Chairman, the strength of our Board was reduced to 10 (ten) directors comprising of 3 (three) independent directors and 7 (seven) non independent directors. Since Mr. Seshasayee, who took over as our Chairman was a non-independent Director, one half of the Board ought to have comprised of independent directors to ensure compliance with Clause 49 of the Listing Agreement. We ought to have ensured compliance with Clause 49 by April 19, 2011 i.e. being 180 days from October 21, 2010, when Mr. Seshasayee was appointed as the Chairman. However, we were able to ensure the requisite independent director strength only by May 1, 2011. While no action was taken against us by the stock exchanges or SEBI, we were nonetheless in violation for the said period.

45. *We did not have a company secretary for a period of 35 days in this Fiscal*

In terms of the Companies Act we are required to employ a whole-time company secretary. We relieved our company secretary from his duties on September 1, 2011. However, while we identified a new company secretary, he could assume charge only on October 6, 2011.

Accordingly, for 35 days between September 1, 2011 to October 5, 2011, we did not have a company secretary, which is in contravention of the Companies Act. Accordingly, we may be subject to a penalty of ₹ 500 for every day that we did not have a company secretary on our rolls.

Further, under the listing agreement we are required to appoint our company secretary as the compliance officer. While, in the interregnum, we had appointed our Managing Director, as the compliance officer, which, we believe, is common practice, we may be considered to be in technical violation of the listing agreement and the Securities Contracts Regulation Act, 1956. While neither the stock exchanges nor SEBI has taken any action against us, there can be no assurance that there will be no action in future.

46. *The remuneration paid to our Managing Director for the current Financial Year is in excess of the permissible limit*

Our Managing Director, Mr. B. Swaminathan, is entitled to a gross remuneration of ₹ 118.80 (excluding statutory contributions and commission) lakhs for the current Financial Year i.e. Fiscal 2012, in accordance with the terms of his appointment and the terms of his service contract dated May 20, 2011, effective from May 1, 2011.

Prior to the amendment of the Companies Act on July 14, 2011, our Managing Director, in terms of the Companies Act, was entitled to a remuneration of only ₹ 48 lakhs. We have posted a net loss of ₹ 858.81 lakhs for the first quarter ended June 30, 2011. We have, therefore, applied to the Ministry of Corporate Affairs, Government of India on 29 July 2011 seeking for an approval for the excess remuneration. However, since Mr. Swaminathan has confirmed that he satisfies the criteria stipulated in the said amendment, we do not believe that we need the Central Government approval.

We had, in the past, obtained approval from the Central Government for excess remuneration paid to our erstwhile Managing Director, Mr. Mahadevan.

EXTERNAL RISK FACTORS

47. *There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect an Equity Shareholders' ability to sell, or the price at which it can sell Equity Shares at a particular point in time.*

We are subject to a daily circuit breaker imposed by all the stock exchanges in India which does not allow transactions beyond certain volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on the Stock Exchanges. The percentage limits are set by the BSE, NSE and MSE. The BSE, NSE and the MSE do not inform us of the percentage limit of such circuit breakers and may change it without our knowledge. This circuit breaker effectively limits the upwards and downward movement in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of our Equity Shareholders to sell the Equity Shares or the price at which shareholders may be able to sell their Equity Shares at a particular point in time would be curtailed.

48. *Our Equity Shares are thinly traded on the stock exchanges, which could result in lower liquidity and higher price fluctuations*

Our Equity Shares are listed on BSE, NSE and MSE. However the average number of Equity Shares traded daily on stock exchanges is low and the Equity Shares of our company could be termed as not frequently traded i.e. shares in which the traded turnover is less than 10% of total

number of outstanding shares (calculated on the stock exchange where maximum volume of trading in the said shares is recorded during the previous twelve months). Average trading volume in our shares on NSE during October 1, 2010 to September 30, 2011 was 5,491 shares against our total outstanding shares of 2,87,30,711. Also there is no trading in our scrip at MSE since year 2000. Any large buy or sell order in the scrip may not get executed fully due to low liquidity and such order could also result in *vide* price fluctuations.

49. *If natural disasters occur in India, our results of operations and financial condition could be adversely affected*

India has experienced floods, earthquakes, tsunamis (seismically generated sea wave capable of considerable destruction) cyclones and droughts in recent years. Such natural catastrophes including a tsunami that affected several parts of South and South East Asia, including India and Sri Lanka on December 26, 2004 could disrupt our production capabilities, distribution chains or damage our facilities located in India. While our facilities were not damaged on these occasions, a significant portion of our facilities and employees are located in India where they are exposed to such natural disasters. We cannot assure prospective Investors that such events will not occur again in the future, or that our business, results of operations and financial condition will not be adversely affected.

50. *The Indian securities markets are more volatile than certain other securities markets.*

The Indian securities markets are more volatile than the securities markets in certain countries which are members of the Organisation of Economic Co-operation and Development. Stock exchanges in India have in the past experienced substantial fluctuations in the prices of listed securities. For example, in May 2006, Indian stock exchanges substantial volatility. The BSE and NSE, India's main stock exchanges, halted trading for one hour on May 22, 2006 after their respective indices fell more than 10 percent.

The Indian stock exchanges have experienced problems which, if they were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokerage firm employees. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

51. *Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business and the trading price of the Equity Shares.*

Any downgrade of India's credit rating for Indian domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing and the interest rates and commercial terms on which such additional financing is available. This could have an adverse effect on our ability to obtain financing to fund our growth on favourable terms or at all and, as a result, could have a material adverse effect on our results of operations and financial condition.

52. *You will not be able to sell immediately on an Indian stock exchange any of the Equity Shares you purchase in the Issue*

The Equity Shares will be listed on the BSE, NSE and MSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares issued and allotted pursuant to this Issue can be listed and trading commence. Investors' book entry or "demat" accounts with Depository Participants in India are expected to be credited within two working days of the date of Allotment. Thereafter, upon final receipt of final approval from the NSE, the MSE and the BSE, trading in the Equity Shares issued and allotted pursuant to this Issue is expected to commence within seven working days of the date on which the basis of Allotment is approved by the Designated Stock Exchange. We cannot assure that the Equity Shares issued and allotted pursuant to this Issue will be credited to Investors' demat accounts, or that trading in the these Equity Shares will commence, within the time periods specified above.

53. *Changes in Indian Government policies could adversely affect economic conditions in India, and thereby adversely impact our results of operations and financial condition.*

Most of our operations are located in India, and almost all of the revenue is derived from business in India. Consequently, we may be affected by changes in the Government of India's policies. For example, the imposition of foreign exchange controls, rising interest rates, increases in taxation or the creation of new regulations could have a detrimental effect on the Indian economy generally and us in particular.

The Government of India has in recent years sought to implement economic reforms and the current Indian Government has implemented policies and undertaken initiatives that continue the economic liberalisation policies pursued by the previous Indian Governments. For example, the Government of India and the State Governments in the Indian economy as producers, consumers and regulators have remained significant and there can be no assurance that liberalisation policies will continue in the future. Any significant change in such liberalisation and deregulation policies could adversely affect business and economic conditions in India generally and our results of operations and financial condition in particular.

54. *Currency rate fluctuations could have an adverse effect on our financial results*

As at September 30, 2011 we had foreign currency borrowings aggregating approximately ₹ 5,963, representing 9.51% of our total borrowing. Accordingly, depreciation of the INR against the foreign currencies to which we have an exposure may adversely affect our financial position and results of operations by increasing the Rupee cost of servicing and repaying our foreign currency borrowings.

We have not taken forward cover to hedge the receipt and payments of the foreign currency. While we may enter into forward contracts to fully hedge the currency fluctuation risk or other derivative instruments in order to appropriately mitigate risks on account of currency fluctuation, there can be no assurance that the risks arising out of fluctuations by the INR against foreign currencies can be mitigated in case we opt for partial hedging.

55. *Our operations involved hiring of contract labour, which involves compliance with various applicable regulations the non-compliance of which may have financial implications.*

In order to retain flexibility and keep our fixed overhead to the minimum, in line with industry practice, we appoint contractors who in turn engage on-site contract labour for performance of our low skill operations. From a regulatory perspective, we face the risk that on an application made by the contract labourers, the appropriate court / tribunal may direct us that the contract

labourers are required to be regularised or absorbed, and / or that we pay certain contributions in this regard that can adversely impact our financial performance.

It is possible under Indian law that we may be held responsible for wage payments to labourers engaged by contractors should the contractors default on wage payments. Any requirement to fund such payments may adversely affect our business, financial condition and results of operations. Furthermore, pursuant to the provisions of the Contract Labour (Regulation and Abolition) Act, 1970, we may be required to absorb a portion of such contract labourers as our employees if specified conditions are satisfied. Any such order from a court or any other regulatory authority may adversely affect our business and results of our operations.

56. *A slowdown in economic growth in India and overseas could materially and adversely affect our results of operations and financial condition*

Our performance and the quality and growth of our business are dependent on the health of the global economy and in particular, the Indian economy. There have been periods of slowdown in the economic growth of India during the 1990s. The Indian economy is also significantly impacted by the performance of the agriculture sector, which depends on the quality of rainfall during the monsoon season and is therefore difficult to predict. In the past, economic slowdowns have harmed manufacturing industries including the steel manufacturing industry. Any future slowdown in the Indian economy could harm our results of operations and financial condition.

57. *A significant change in the Government's economic liberalisation and deregulation policies could disrupt the Company's business*

We may be affected by changes in the Government of India's policies. For example, the imposition of foreign exchange controls, rising interest rates, increases in taxation or creation of new regulations could have a detrimental effect on the Indian economy generally and us in particular.

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

58. *Financial instability in other countries, particularly emerging market countries, could disrupt the Company's business and cause the trading price of the Equity Shares to decrease*

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, including emerging market economies in Asia. Although economic conditions are different in each country, Investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of Investor confidence in the financial systems of other emerging markets may cause volatility in Indian financial markets and indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India. Any significant financial disruption could have an adverse effect on our business, financial performance and the value of the Shares.

59. *If regional hostilities, terrorist attacks or social unrest in India increase, our business could be adversely affected and the value of the Shares could decrease*

Terrorist attacks, such as the bombing in Mumbai and New Delhi in 2011, the hostage scenario in Mumbai in 2008, train bombings in Mumbai on July 11, 2006, the transport bombings in London on July 7, 2005, the train bombings in Madrid on March 11, 2004, the September 11, 2001 attacks in the United States and other such acts of violence or terrorism may negatively affect investor confidence, thereby adversely affecting worldwide financial markets, including the Indian financial market.

India has from time to time experienced social and civil unrest and hostilities, including terrorist attacks and riots such as Godhra riots in 2003 and armed conflict with neighbouring countries. Examples of such unrest and terrorist attacks include the hostage scenario on November 26, 2008, train bombings in Mumbai on July 11, 2006, and an attack on the Indian Parliament on December 13, 2001. In addition, while India and Pakistan have recently been engaged in conciliatory talks, the two countries have had frequent military confrontations in Kashmir. The hostilities between India and Pakistan are particularly threatening because both India and Pakistan are nuclear powers. A continuation or intensification of such attacks, hostilities and tensions could lead to political or economic instability in India and harm our results of operations and financial condition.

60. *We are subject to regulatory and legal risks which may adversely affect our business.*

Our operations are subject to regulations framed by various regulatory authorities in India and other jurisdictions. Compliance with many of the regulations applicable to us across jurisdictions including any restrictions on investments and other activities currently being carried out by us involve a number of risks, particularly in areas where applicable regulations may be subject to varying interpretations. If the interpretation of the regulators and authorities varies from our interpretation, we may be subject to penalties and our business could be adversely affected. We are also subject to changes in Indian laws, regulations and accounting principles. There can be no assurance that these laws will not change in the future or that such changes or the interpretation or enforcement of existing and future laws and rules by governmental and regulatory authorities will not affect our business and future financial performance.

61. *We are subject to risks arising from interest rates fluctuations, which could adversely affect our business, financial conditions and results of operations*

Changes in interest rates could significantly affect our financial conditions and results of operations. If the interest rates for our existing or future borrowings increase significantly, our cost of funds will increase. This may adversely impact our results of operations, planned capital expenditure and cash flows. Although we may in the future enter into hedging arrangements against interest rate risks, there can be no assurance that these arrangements will successfully protect us from losses due to fluctuations in interest rates.

62. *Compliance with, and changes in, safety, health and environmental laws and regulations may adversely affect our business, prospects, financial condition and results of operations.*

Some of our operations are subject to risks generally associated with manufacture and equipment, which can cause personal injury, loss of life, environmental damage and damage to property. The scope and extent of new environmental regulations, including their effect on our operations, cannot be predicted. The costs and management time required to comply with these requirements could be significant. The measures we implement in order to comply with these new laws and regulations may not be deemed sufficient by governmental authorities and our compliance costs may significantly exceed our estimates. If we fail to meet environmental

requirements, we may also be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against us as well as orders that could limit or halt our operations and could include us being required to incur substantial clean up costs. There can be no assurance that we will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters in the future, the costs of which could be material. Clean-up and remediation costs, as well as damages, other liabilities and related litigation, may adversely affect our business, prospects, financial condition and result of operations.

63. *Epidemics and pandemics could adversely impact us*

India has, in the recent past, has to deal with the H1N1 epidemic scare. India is a vast country with a significant section of the community which is underprivileged and illiterate. In the past, epidemics such as plague have afflicted certain parts of western India in 1994 and northern India in 2002. Such epidemics and pandemics create a mass hysteria and panic.

64. *The extent and reliability of Indian infrastructure could adversely impact our results of operations and financial condition*

India's physical infrastructure is less developed than that of many developed nations and problems with our port, rail and road networks, electricity grid, communication systems or any other public facility could disrupt our normal business activity. Any deterioration of India's physical infrastructure would harm the national economy, disrupt the transportation of goods and supplies, and add costs to doing business in India. These problems could interrupt our business operations, which could have a material adverse effect on our results of operations and financial condition.

65. *If inflation worsens, our results of operations and financial condition may be adversely affected*

In 2006, 2009 and 2011 India's wholesale price inflation index suggested an increasing inflation trend compared to recent years. An increase in inflation could cause a rise in the price of transportation, wages or any other of our expenses. If this trend continues and we are unable to reduce our costs or pass our increased costs along to our consumers, our results of operations and financial condition may be materially and adversely affected. Also, a rise in interest rates will impact interest payable on any future debt, thus increasing the cost of new financing, increasing our interest expense and hindering our ability to implement our growth strategies. Such a rise in interest rates could materially and adversely affect our results of operations and financial condition.

66. *The Competition Act, 2002, by regulating our business and activities, may materially and adversely affect our results of operations and financial condition.*

The Indian Government enacted the Competition Act for the purpose of preventing practices that could have an adverse effect on competition.

Under the Competition Act, any arrangement, understanding or action, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition is void and will be subject to substantial penalties. Any agreement that directly or indirectly determines purchase or sale prices, limit or controls production, or creates market sharing by way of geographical area or number of customers in the market is presumed to have an appreciable

adverse effect on competition. It is unclear how the Competition Act will affect industries in India and our business. Consequently, we cannot assure prospective Investors that enforcement under the Competition Act will not have a material adverse effect on our results of operations and financial condition.

Prominent Notes

1. Our net worth prior to the Issue as on the date of the last audited balance sheet i.e. March 31, 2011 (excluding revaluation reserves and miscellaneous expenditure to the extent not written off) ₹ 19,467.08 lakhs.
2. Issue of 16,663,812 Equity Shares of ₹ 10 each for cash at a price of ₹ 75 (including share premium of ₹ 65) per equity share aggregating ₹ 12,497.90 lakhs on rights basis to our existing share holders in the ratio of 29 fully paid up Equity Shares for every 50 fully paid up Equity Shares held on the Record Date i.e. [●]. The Issue price is 7.5 times the face value of the Equity Shares.
3. Our net asset value per equity share (excluding revaluation reserves), as on March 31, 2011 was ₹ 67.76.
4. We have entered into certain transactions with related parties during Fiscal 2011 and for the three months ended June 30, 2011, aggregating ₹ 34,499.55 lakhs and ₹ 13,773 lakhs, respectively. For details of related party transactions, please see chapter entitled “*Financial Statements*” on page 111, respectively, of this Draft Letter of Offer.
5. No member of our Promoter Group, directors of our Promoters, our Directors or their relatives has financed the purchase by any other person of securities of the issuer other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of this Draft Letter of Offer.
6. We and the Lead Manager will update this Letter of Offer and keep the shareholders/public informed of any material changes till the listing and trading commencement and we will continue to make all material disclosures as per the terms of the Listing Agreement. No selective or additional information will be made available to any section on Investors in any manner whatsoever.

SECTION III: INTRODUCTION

INDUSTRY OVERVIEW

Metal Casting Industry in India

Metal casting is one of the oldest businesses in India – as evident from the various metal sculptures retrieved from various archaeological digs, notably among those, ‘*The Dancing Woman*’ sculpture from the Indus Valley. In medieval times, metal castings found their end uses mostly in sculptures, house hold items, weapons, etc. In modern times, the metal casting industry finds its end use in a number of specialized industries, such as automobiles, pipes and fittings, construction and mining, rail-roads, etc.

According to ‘*Modern Casting*’, an international trade journal, published in December 2010, India was one of the five countries in the world where production capacities were augmented during 2009. India is the second largest casting producer in the world with about 4,600 foundries producing an aggregate of around 74 lakh tonnes per annum.

The Indian Institute of Foundrymen (IIF) estimates that over 95% of these foundries fall under the category of Small Scale Industry (SSI). IIF groups the foundry industry in India into five geographic clusters, in and near the cities of Belgaum, Batala / Jalandhar, Coimbatore, Kolhapur and Rajkot as shown in the table below:

Cluster	State	Number of Foundries*	Major End Use Markets
Belgaum	Karnataka	100	Automotive engines/ pumps/ valves
Coimbatore	Tamil Nadu	600	Pumps/ valves
Batala / Jalandhar	Punjab	NA	Machine parts/ agricultural implements
Kolhapur	Maharashtra	250	Automotive engines/ pumps/ valves
Rajkot	Gujarat	500	Oil engines/ automotive engines

(Source: July 2009 edition of “*Modern Casting*”, an international trade journal)

* Approximate figures

While small foundries will continue to play a role in Indian metal casting, a very significant development has been underway for some time in the growth of larger foundry operations. The trend favouring larger foundries in India is expected to continue and most likely accelerate due to the growing expectations of the OEMs regarding quantity and quality of castings for their growing operations in India. There have been significant developments a several major foundries in India to gear up for the expected uptake in demand.

In addition to the growing demand from global OEMs, there has been an upward thrust in domestic demand, due to a growing middle class population, which is expected to remain strong in the foreseeable future.

India has certain favourable factors in terms of casting costs. For instance, labour costs in Indian foundries are perhaps among the lowest in the world, with unskilled labour costs approximately USD 125

per month. Skilled labour is in the order of USD 250 - USD 400 per month. Senior positions in foundry industries are staffed with freshly graduated metallurgical engineers from good universities for less than USD 6,000 annually. Construction costs for new foundries in India as well as time for construction are currently a major advantage for Indian metal casters. Equipment in more modern foundries is often imported and is state of the art. Compliance costs are also significantly lesser in Indian foundries. Tooling costs are significantly lower than in developed countries.

The Automobile Industry – A Key Growth Driver

A key dominant growth driver for the Indian foundry industry has been the strong domestic demand from the Indian automobile segment. The growth of the Indian middle class together with the expansion of the economy has attracted a number of global auto majors to the Indian market. The attractiveness of the Indian markets on one hand and the stagnation of the auto sector in markets such as Europe, US and Japan on the other have resulted in shifting of new capacities and flow of capital to the Indian automobile industry. According to the International Yearbook of Industrial Statistics 2008 released by United Nations Industrial Development Organisation (UNIDO), India ranks 12th in the list of the world’s top 15 automakers.

‘Economic Engineering’ has become a key factor in the Indian automotive industry, with Indian OEMs leveraging the Indian lead in cost-effectiveness and highly-skilled human resource pools to bring down the product development cost. The global OEMs have increasingly been looking at benefiting from the ‘India advantage’ by using India-based design and development centres.

Although the sector was hit by the economic slowdown, overall production (passenger vehicles, commercial vehicles, two wheelers and three wheelers) increased from 11,087,997 vehicles in Fiscal 2007 to 17,916,035 vehicles in Fiscal 2011, representing a CAGR of 12.73%. The following table, reflecting yearly production data released by the Society of Indian Automobile Manufacturers (SIAM) shows the growth of the Indian automobile segment over the last 7 years:

Automobile Production Trends							
Category	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Passenger Vehicles	1,209,876	1,309,300	1,545,223	1,777,583	1,838,593	2,357,411	2,987,296
Commercial Vehicles	353,703	391,083	519,982	549,006	416,870	567,556	752,735
Three Wheelers	374,445	434,423	556,126	500,660	497,020	619,194	799,553
Two Wheelers	6,529,829	7,608,697	8,466,666	8,026,681	8,419,792	10,512,903	13,376,451
Grand Total*	8,467,853	9,743,503	11,087,997	10,853,930	11,172,275	14,057,064	17,916,035

Source: www.siamindia.com

* Number of vehicles.

Similarly, according to industry data released by SIAM, automobile sales in the overseas markets increased from 1,011,529 vehicles in Fiscal 2007 to 2,339,333 vehicles in Fiscal 2011, at a CAGR of 23.30%.

In order to make India a power to reckon with in the automotive sector the government launched the Automotive Mission Plan (AMP) 2006-2016. As per the AMP, it is estimated that the total turnover of the automotive industry in India would be in the order of USD 122 billion to USD 159 billion in 2016. It is expected that in real terms, India would continue to enjoy its eminent position of being the largest tractor and three-wheeler manufacturers in the world and the world's second largest two-wheeler manufacturer. By 2016, India is expected to emerge as the world's seventh largest car producer (as compared to the eleventh largest currently) and retain the fourth largest position in world truck

manufacturing sector. Further, by 2016, the automotive sector would double its contribution to the country's GDP from current levels of five per cent to 10 per cent (*Source: www.ibef.org*)

The growth prospects of Indian casting industry are closely linked to that of the automobile segment, and are expected to show promising results in the future.

SUMMARY OF OUR BUSINESS

We were incorporated at Chennai, India, on July 30, 1959, as Ennore Foundries Private Limited under the Companies Act. We changed our name to Ennore Foundries Limited on March 28, 1961 on being converted into a public limited company. We further changed our name on February 14, 2008 to Hinduja Foundries Limited.

From a simple foundry in Ennore which produced 1,300 Tonnes in Fiscal 1961, we are now one of the largest automobile-jobbing foundries in India producing 72,989 Tonnes in Fiscal 2011. Our castings find wide application in automobiles, industrial engines, power generators, tractors as well as for defence applications. Our product range includes cast iron and ductile iron components such as cylinder blocks, cylinder heads, flywheels, flywheel housings, transmission casings, gear box housings, hubs, clutch plates, brake drums, intake manifolds and clutch housings for commercial vehicles, passenger car and tractor segments. We have the capacity to manufacture castings of varying complexities across a broad spectrum of sizes ranging from 25 kg to 500 kg.

We are part of the USD 12 billion Hinduja Group, an international conglomerate with diversified interests in energy, chemicals, petrochemicals, telecommunications, media, transportation, banking & financial services and trading. In particular, Ashok Leyland Limited, the flagship company of the Hinduja Group and a major commercial vehicle and diesel engine manufacturer in India, is our Indian Promoter.

We are casting manufacturers and, currently, operate three manufacturing facilities located in the states of Tamil Nadu (at Ennore and Sriperumbudur) and Andhra Pradesh (at Hyderabad). Further, propose to establish a green-field facility in Toopran, Andhra Pradesh (near Hyderabad) and towards that end have acquired approximately 60 acres of land from the Andhra Pradesh Industrial Infrastructure Corporation. The facility at Toopran is currently under construction.

Set out below are the brief details of our manufacturing units.

Sr. No.	Unit	Year of Establishment	Current Installed Capacity (in Tonnes)
1.	Ennore	1961	51,000
2.	Sriperumbudur	2007	50,000
3.	DCU, Hyderabad*	1970	24,000

* We acquired DCU from Ashok Leyland in 2005

We commenced our operations from our then green-field project at Ennore, in 1961. The Ductron Castings Unit which we acquired from our Indian Promoter Ashok Leyland, in April 2005, has been operational since 1970. We commenced operations from our state-of-the-art Sriperumbudur facility, our most recent green-field project, in September 2007.

Our total income has grown at a CAGR of 22.91% from ₹ 36,859.41 lakhs in Fiscal 2009 to ₹ 55,685.50 lakhs in Fiscal 2011. Our net profit has grown from ₹ (1,198.06) lakhs in Fiscal 2009 to ₹ 747.65 lakhs in Fiscal 2011. The losses incurred in Fiscal 2009 were primarily due to the global recession in 2008 which significantly impacted commercial vehicle sales. Our total income for the three months ended June 30, 2011 was ₹ 18,617.38 lakhs and our profit from operations was ₹ 1,584.24, we incurred a net loss of ₹ 858.81 lakhs primarily on account of payment under the voluntary retirement scheme and one-time lump sum payment under the long term wage agreement.

Our total sales of ferrous and non ferrous castings grew from 49,130 Tonnes in Fiscal 2009 to 73,170 Tonnes in Fiscal 2011, representing a CAGR of 22.03%.

Set out below are details of our installed capacity and production for the period Fiscal 2007 to Fiscal 2011.

(in Tonnes)

Particulars	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Installed Capacity	75,000	125,000	125,000	125,000	125,000
Production of Ferrous & Non-Ferrous Castings*	73,148	74,232	48,934	58,014	72,989

*includes production on conversion basis

Note: Production figures shown are balancing figures, ascertained on the basis of opening stock, sales (net of returns) and closing stock.

For more details on our financials, please see chapter entitled “Financial Statements” beginning on page 111 of this Draft Letter of Offer.

We have implemented several quality control measures to ensure that our products meet with the stringent quality norms of international OEMs. We have received ISO 9001:2000, ISO/ TS 16949:2002, ISO 14001:2004 certifications for our Ennore unit and ISO 9001:2000, ISO/TS 16949:2002 certifications for DCU and ISO/TS 16949:2009 for S. We place very high importance on our research & development activities; our in-house research & development centres have been granted recognition by the Department of Scientific and Industrial Research - Ministry of Science and Technology, Government of India.

Our Strengths

1. Our established brand name

We are part of the USD 12 billion Hinduja Group, an international conglomerate with diversified interests in energy, chemicals, petrochemicals, telecommunications, media, transportation, banking & financial services and trading. In particular, Ashok Leyland Limited, the flagship company of the Hinduja Group and a major commercial vehicle and diesel engine manufacturer in India, is our Indian Promoter.

2. We are one of the largest and one of the most experienced operators in India

We were established in 1959 and we believe that we are one of the oldest and most experienced operators in the foundry industry. With three units and a total installed capacity of around 125,000 Tonnes p.a. as of March 31, 2011, we are one of the largest foundry operators in India. Further, we have established state-of-the-art facilities at our Ennore and Sriperumbudur units for tooling design and manufacture. Towards augmenting our manufacturing facilities we have acquired additional land at Toopran at Andhra Pradesh to set up a green-field foundry. We have several leading names in the Indian automobile segment as our esteemed clients.

3. Our state-of-the-art research and development (R&D) centres capable of handling castings designs of high integrity and complexity

We have established state-of-the-art R&D centres both at Ennore and Sriperumbudur capable of handling complex designs for development of castings. Given the significant developments in automobile manufacturing over the years, the requirements of OEMs have undergone several key changes requiring foundries to manufacture castings of greater complexities. Similarly, the tightening pollution control norms in the country as well as abroad also require several upgradations to the usual casting requirements - e.g., manufacture of thin-walled castings which are of increasing demand in the business. Recognising the changing trends in casting design and to cater to increasing demand for complex castings from OEMs, we have established a state-of-the-art research and development centre at our Ennore and Sriperumbudur units capable of designing, calibrating and developing new cylinder blocks, new casting designs, etc. to suit the changing requirements of our

customers, which is expected to play a crucial role in our business in the years to come. Our facilities are capable of 'appropriate engineering' a finished product from the engine stage to the initial casting stage. Both our research facilities at Ennore and Sriperumbudur have been granted recognition by the Department of Scientific and Industrial Research, Ministry of Science and Technology.

4. *We are well-equipped to meet the increasing demand in the casting industry in the future*

As per the annual production trends published on the website of the Society of Indian Automobile Manufacturers (SIAM), the Indian commercial and passenger vehicle segment has been growing at a CAGR of 16.42% from 14,94,117 lakh vehicles manufactured in Fiscal 2006 to 31,96,829 lakh vehicles in Fiscal 2011. Our business is intimately connected with the automobile segment as is seen by our growth in total income from ₹ 22,524.15 lakhs in Fiscal 2005 to ₹ 55,685.50 lakhs in Fiscal 2011, representing a CAGR of 16.27%. With our investments in capacity enhancement over the years including our present investments in our Toopran project, we believe that we are in an advantageous position to cater to the increasing demand in the casting industry.

5. *Our strong and experienced leadership*

Our operations are led by an experienced senior management group that functions well as a team, and that has the vision to continue to expand our business. We have a very professional Board of Directors comprising of eminent personalities with expertise in different fields relevant to our activities including persons who vast experience in the automobile industry. We believe that our qualified and experienced management and key employees have greatly contributed to the growth of our operations and the development of our in-house processes and competencies. Our key employees have considerable experience and expertise in the industry and have been instrumental in successfully implementing our various business strategies from time to time. With Mr. B. Swaminathan, taking over as our Managing Director we believe that we are well placed to face future challenges.

Future Strategy

1. *Leverage existing client relationships by expanding the breadth of services offered*

We intend to continue to grow our business by enhancing our existing relationships with clients by offering a wider range of services leveraging on our strong R&D abilities and technological initiatives. We intend to expand our breadth of services offered by moving away from the traditional role of being a manufacturer of castings to getting involved in designing new products for our customers, including providing "art to part" services, which include part-design as well as manufacture of castings. We intend to exploit our R&D abilities to explore avenues to increase engine performance by developing improved castings, targeting weight optimization of castings manufactured, etc. We believe that our in-house expertise matched with our endeavours in the R&D space would enable us to deepen our relationships with existing clients, as well as gain new clients.

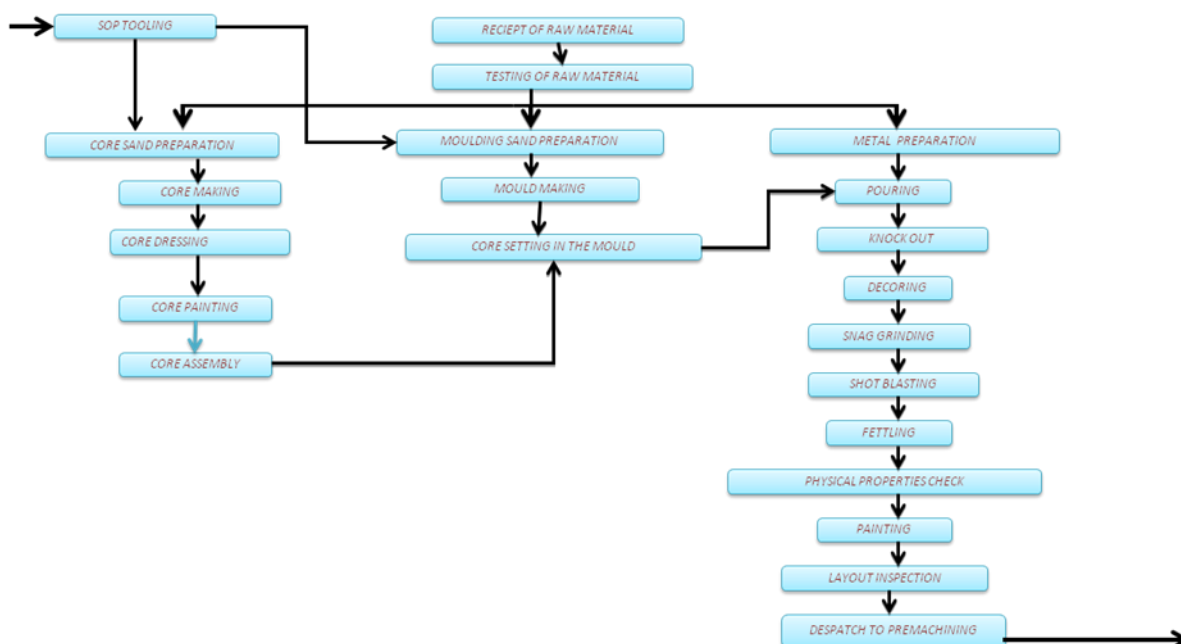
2. *To expand our geographical footprint by foraying into new territories*

The recent global economic slowdown has made it incumbent on the international OEMs to undertake a thorough analysis of their operations and find new ways to manage costs. Given the relatively higher cost of manufacturing castings by foundries located in overseas destinations, OEMs have increasingly shown a tendency to outsource manufacture of metal castings to low-cost countries such as India. Many overseas OEMs have opened their sourcing centres in India over the past few years in order to take advantage of the economic benefits. With our foundries having sufficient capacity to meet such orders, and our focus on timely delivery matched with quality of global standards, we intend to expand our geographical footprint by targeting orders from overseas destinations.

3. *To strategically move away from the commercial vehicles segment and increasing focus on the passenger car and tractor segments*

Historically, the commercial vehicles segment has been a key constituent of our operations, as reflected by the fact that sales to this segment constituted 48.06%, 48.46% and 47.28% of our total revenue from operations, in Fiscal 2009, Fiscal 2010 and Fiscal 2011, respectively. We are, as a part of our de-risking strategy, consciously shifting our dependence on the commercial vehicle segment and increasing our focus on manufacturing castings for other segments such as passenger cars, tractors, etc. which have been showing promising trends of growth in the country.

Process Flow Chart



Production Facilities

We currently operate out of three facilities – at Ennore and Sriperumbudur in Tamil Nadu and at Hyderabad in Andhra Pradesh.

The Ennore Unit

The Ennore unit has been operational since 1961. Spread over a total area of 33.79 acres, our manufacturing facilities at Ennore include a Grey Iron foundry, Casting Design Centre and an Aluminium foundry. As of September 30, 2011, the Ennore unit employed 1,666 employees. The Ennore unit primarily focuses on production of intricate castings such as cylinder blocks and cylinder heads and has an installed capacity of 51,000 Tonnes p.a. Since Fiscal 2009, the Ennore unit has increased its production from 32,289 Tonnes to 46,521 Tonnes in Fiscal 2011, at a CAGR of 20.03%.

The Hyderabad Unit (Ductron Casting Unit)

We acquired the Hyderabad unit from Ashok Leyland in April 2005. Spread over an area of 15.35 acres, our Ductron casting unit specializes in manufacture of SG and Grey Iron castings. The products of the Ductron unit are sold domestically as well as exported to countries such as United States, Europe, etc. The Ductron unit has an installed capacity of 24,000 Tonnes p.a. Some of the key products manufactured at the Ductron unit are Wheel Hubs, Differential Carriers, Bearing Caps, Brackets, Crank Cases, Central Housings and Trumpet Housings. As of September 30, 2011, the Ductron Casting unit had 597

employees. Since Fiscal 2009, the DCU has increased its production from 14,900 Tonnes to 18,954 Tonnes in Fiscal 2011 at a CAGR of 12.79%.

The Sriperumbudur Unit (SPU)

Our green-field foundry at Sriperumbudur has been operational since September 2007. Equipped with state-of-the-art machinery and equipment, we believe our Sriperumbudur unit to be one of the most technologically advanced foundries in the country today. The SPU is fully automated, and consequently, requires less man-power. The SPU is capable of handling complex designs for development of castings. Our Sriperumbudur unit has an installed capacity of 50,000 Tonnes p.a. As of September 30, 2011, the Sriperumbudur unit employed 671 employees. Since Fiscal 2009, the SPU has increased its production from 10,976 Tonnes to 23,071 Tonnes in Fiscal 2011 at a CAGR of 44.98%.

Employment / Labour

Wage Settlement Agreement

We entered into a wage settlement agreement with the employees at our Ennore unit and at the DCU on February 14, 2011 and September 11, 2010, respectively. Pursuant to the said settlement we were to pay the employees a one-time lumpsum payment on the achievement of certain agreed production parameters. Subsequently, when the agreed norms were achieved, we disbursed the settlement amounts aggregating ₹ 541.44 lakhs and ₹ 93.36 lakhs, to the eligible employees at Ennore and DCU.

Voluntary Retirement Scheme

In February 2011, we introduced a voluntary retirement scheme (**VRS**) for some of our employees who satisfied the criteria. Set out below are the salient features of the scheme.

Eligibility

Permanent employees attached to the Ennore Unit, who have completed 40 years of age or a minimum of 10 years of service in the Company as on date of commencement of the scheme i.e. February 25, 2011.

The scheme was open from February 25, 2011 to March 5, 2011.

Compensation

An employee opting for separation under this Scheme is eligible for a lump sum VRS compensation (being exempt from payment of Income Tax subject to a maximum of ₹ 5,00,000).

Monthly wage is the aggregate of monthly basic pay, additional basic pay, service pay, settlement pay and dearness allowance.

Additional Terminal Benefits

- a. Salary and allowances until the last working day;
- b. Encashment of pro-rated casual leave/privileged leave/sick leave unavailed in the current year;
- c. Accumulated PF both Employer's as well as Employee's contributions with interest thereon;
- d. Gratuity;
- e. Employee and his spouse are eligible for the benefits under Medclaim Insurance.

The employees who opted for VRS and were retiring due to attaining Superannuation, from March 1, 2011 to December 31, 2013, in addition to the compensation above, are entitled to an amount of ₹ 55,000.

As of September 30, 2011, 146 employees have opted for VRS.

SUMMARY OF THE ISSUE

Set out below is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in chapter entitled terms of the “*Terms of the Issue*” beginning on page 195 of this Draft Letter of Offer.

Equity Shares to be issued	1,66,63,812 Equity Shares
Rights Entitlement	29 Equity Shares for every 50 Equity Shares held on the Record Date
Record Date	[●]
Issue Price per Equity Share	₹75
Face value per Equity Share	₹10
Equity Shares outstanding prior to the Issue	2,87,30,711 Equity Shares
Equity Shares outstanding after this Issue (assuming full subscription for and allotment of the Rights Entitlement)	4,53,94,523 Equity Shares
Number of Global Depository Receipts outstanding	36,63,000 convertible into 12,21,000 Equity Shares
Terms of the Issue	Please see chapter entitled “ <i>Terms of the Issue</i> ” beginning on page 195 of this Draft Letter of Offer.
Objects of the Issue	The Net Proceeds from the Issue will be utilized for: <ol style="list-style-type: none">The repayment / pre-payment of certain short term loans obtained from banks; andRedemption of redeemable non-convertible cumulative preference shares.
Terms of Payment	For further details please see the chapter entitled “ <i>Objects of the Issue</i> ” on page 72 of this Draft Letter of Offer. The investor must pay ₹ 75 i.e. the entire Issue Price on application.

SUMMARY OF FINANCIAL AND OPERATING DATA

The following tables set forth financial information based on the unaudited statement of assets and liabilities as at June 30, 2011 and unaudited statement of profit and loss for the three month period ended on June 30, 2011, prepared in accordance with the applicable accounting standards and other recognised accounting practices and policies and the requirements of the SEBI ICDR Regulations, on which our statutory auditor has issued a limited review report and the balance sheet, profit and loss account and cash flow statement based on financial statements as at and for the year ended March 31, 2011 on which our auditor has issued an audit report.

The summary statements presented below should be read in conjunction with the financial statements, notes and significant accounting policies thereto included the chapter entitled “*Financial Statements*” beginning on page 111 of this Draft Letter of Offer.

Hinduja Foundries Limited	As at	As at
Balance Sheet as at March 31,	March 31, 2011	March 31, 2010
2011		
(All amounts are in Indian rupees		
in Lakhs, unless otherwise stated)		
Sources of Funds		
Shareholders' Funds		
Share Capital	5,039.73	4,034.16
Reserves and Surplus	35,812.21	31,098.04
	40,851.94	35,132.20
Loan Funds		
Secured Loans	30,701.24	23,675.59
Unsecured Loans	26,355.38	20,858.70
Deferred Tax Liability (net)	1,004.19	907.00
Total	98,912.75	80,573.49
Application of Funds		
Fixed Assets		
Gross Block	70,367.17	63,187.48
Less: Accumulated Depreciation / Amortisation	16,572.88	14,089.45
Net Block	53,794.29	49,098.03
Capital Work-in-progress (CWIP)	10,283.16	10,622.51
	64,077.45	59,720.54
Investments	1,204.38	2.50
Current Assets, Loans and		

Advances

Inventories	14,418.40	12,611.83
Sundry Debtors	20,854.46	13,029.06
Cash and Bank Balances	65.74	83.90
Other Current Assets	931.35	407.18
Loans and Advances	8,012.32	7,101.97
	44,282.27	33,233.94

Less: Current Liabilities and Provisions

Current Liabilities	10,236.23	11,947.02
Provisions	748.66	457.81
	10,984.89	12,404.83

Net Current Assets 33,297.38 20,829.11

Miscellaneous Expenditure
(to the extent not written off or
adjusted)

333.54 21.34

Total 98,912.75 80,573.49

Hinduja Foundries Limited	Year Ended		Year Ended	
Profit and Loss Account for the	March 31, 2011		March 31, 2010	
year ended March 31, 2011				
(All amounts are in Indian rupees				
in Lakhs, unless otherwise stated)				
Income				
Gross Sales Less Returns	60,577.25		42,408.47	
Less: Excise duty	5,461.00		3,261.93	
Net Sales Less Returns	55,116.25		39,146.54	
Conversion charges	0.10		7.92	
Other Income	569.15		991.95	
		55,685.50		40,146.41
Expenditure				
Materials consumed	27,634.30		20,126.63	
(Increase) / Decrease in inventories	(1,481.22)		(2,706.97)	
Power and Fuel	8,332.48		5,576.66	
Other Expenses	14,512.19		11,296.70	
		48,997.75		34,293.02
		6,687.75		5,853.39
Less:				
Finance charges (Net)		3,733.12		3,697.73
Depreciation / amortisation	2,432.57		2,116.98	
Less: Transfer from revaluation reserve	15.15	2,417.42	25.93	2,091.05
Profit before prior period items and taxes		537.21		64.61
Prior period items		307.63		-
Profit before taxes		844.84		64.61
Provision for tax				
Current tax	162.00		15.00	
Less: Minimum alternative tax entitlement credit	(162.00)		(15.00)	
Deferred tax	97.19		30.00	
		97.19		30.00

Profit after tax	747.65	34.61
Balance brought forward from previous year	45.43	10.82
Surplus carried to Balance Sheet	793.08	45.43
Basic and diluted earnings per share of face value Rs.10/- each	2.09	(0.48)

Hinduja Foundries Limited**Cash Flow Statement as at March 31, 2011****(All amounts are in Indian rupees in Lakhs, unless otherwise stated)**

	March 31, 2011		March 31, 2010
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit / (loss) before tax	844.84		64.61
Adjusted for			
- Depreciation / Amortisation	2,417.42	2,091.05	
- Finance charges (net)	3,733.12	3,697.73	
- Prior period item (finance charges)	(307.63)	-	
- (Profit) on disposal of Fixed assets	(19.00)	(3.26)	
Amortisation of VRS Expenses	-	149.20	
Unrealised exchange variations (Net)	77.74	(280.66)	
Provision for doubtful debts (Net of writeback)	33.52	(5.47)	5,648.59
Operating profit before working capital changes	6,780.01		5,713.20
Changes in			
- Trade and other receivables	(8,893.50)	(5,815.14)	
- Inventories	(1,806.57)	(2,854.42)	
- Trade Payables	(1,450.76)	5,021.11	(3,648.45)
Cash generated from operations	(5,370.82)		2,064.75
Direct taxes paid - net of refunds	(143.06)		(11.06)
Net cash from generated / (used in) operating activities	(5,513.88)		2,053.69
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets (including CWIP)	(5,702.81)		(7,454.01)
Purchase of investments	(1,201.88)		-
Proceeds from sale of fixed assets	23.67		22.30
Interest received	94.92		25.77
Net Cash used in investing activities	(6,786.10)		(7,405.94)

**C. CASH FLOW FROM FINANCING
ACTIVITIES**

Proceeds from issue of share capital	5,027.87	-
Share issue expense	(40.63)	(18.81)
Proceeds from long term borrowings	39,789.05	9,930.80
Repayment of long term borrowings	(27,266.72)	(611.10)
Finance charges	(5,227.75)	(3,911.30)
Net cash generated from financing activities	12,281.82	5,389.59
Net change in cash and cash equivalents	(18.16)	37.34
Cash and Cash Equivalents - Opening Balance	83.90	46.56
Cash and Cash Equivalents - Closing Balance	65.74	83.90

Financial results for the three months ended June 30, 2011

Hinduja Foundries Limited	As at	As at
Statement of Assets and Liabilities as at June 30, 2011	June 30, 2011	March 31, 2011
(All amounts are in Indian rupees in Lakhs, unless otherwise stated)	(Unaudited)	(Audited)
Sources of Funds		
Shareholders' Funds		
Share Capital	5,039.73	5,039.73
Reserves and Surplus	34,949.62	35,812.21
	39,989.35	40,851.94
Loan Funds		
Secured Loans	28,076.32	30,701.24
Unsecured Loans	32,668.24	26,355.38
	578.21	1,004.19
Deferred Tax Liability (net)		
	1,01,312.12	98,912.75
Total		
Application of Funds		
Fixed Assets		
Gross Block	70,538.35	70,367.17
Less: Accumulated Depreciation / Amortisation	17,301.62	16,572.88
Net Block	53,236.73	53,794.29
Capital Work-in-progress	11,222.34	10,283.16
	64,459.07	64,077.45
Investments	1,204.38	1,204.38
Current Assets, Loans and Advances		
Inventories	14,977.34	14,418.40
Sundry Debtors	22,587.96	20,854.46
Cash and Bank Balances	564.56	65.74
Other Current Assets	960.62	931.35

Loans and Advances	8,256.53	8,012.32
	47,347.01	44,282.27
Less: Current Liabilities and Provisions		
Current Liabilities	11,181.05	10,236.23
Provisions	793.89	748.66
	11,974.94	10,984.89
Net Current Assets		35,372.07
		33,297.38
Miscellaneous Expenditure		
(to the extent not written off or adjusted)		276.60
		333.54
Total		1,01,312.12
		98,912.75

for B S R and Company

Chartered Accountants

Firm registration no: 128900W

S Sethuraman

Partner

Membership No : 203491

Place : Chennai

Date : November 3, 2011

For and on behalf of the Board of Directors

B Swaminathan

Managing Director

V Sankar

Chief Financial Officer

Hinduja Foundries Limited
Statement of Profit or Loss for the
three months ended June 30, 2011
(All amounts are in Indian rupees in
Lakhs, unless otherwise stated)

Sl No	Particulars	Three months ended (Unaudited)		Year ended (Audited)
		June 30,2011	June 30,2010	March 31,2011
1	Net Sales/Income from operations	18,564.05	11,095.23	55,116.35
2	Expenditure			
	a. (Increase)/decrease in work in progress and finished goods	242.28	(957.20)	(1,481.22)
	b. Consumption of raw materials	8,861.30	6,172.72	27,634.30
	c. Employees cost	2,916.34	2,414.50	10,235.11
	d. Power and fuel	2,242.43	1,590.05	8,332.48
	e. Depreciation	782.73	562.01	2,417.42
	f. Other expenditure	1,934.73	1,112.11	4,277.08
	g. Total	16,979.81	10,894.19	51,415.17
3	Profit/ (loss) from operations before other income, interest and exceptional items	1,584.24	201.04	3,701.18
4	Other income	53.33	533.93	569.15
5	Profit / (loss) before interest and exceptional items	1,637.57	734.97	4,270.33
6	Interest	1,396.95	542.09	3,425.49
7	Profit / (loss) after interest but before exceptional items	240.62	192.88	844.84
8	Exceptional items - Voluntary retirement scheme compensation	1,525.41	-	-
9	Profit / (loss) from ordinary activities before tax	(1,284.79)	192.88	844.84
10	Tax expense	(425.98)	51.08	97.19
11	Net profit / (loss) for the period	(858.81)	141.80	747.65
12	Basic and diluted earning per share - Rs.	(3.12)	0.39	2.09
		(not annualized)	(not annualized)	

for B S R and Company

**For and on behalf of the Board
of Directors**

Chartered Accountants

Firm registration no: 128900W

S Sethuraman

Partner

Membership No : 203491

Place : Chennai

Date : November 3, 2011

**B
Swaminathan
Managing
Director**

**V Sankar
Chief Financial
Officer**

GENERAL INFORMATION

ISSUE OF 16,663,812 EQUITY SHARES OF ₹ 10 EACH FOR CASH AT A PRICE OF ₹75 PER EQUITY SHARE INCLUDING PREMIUM OF ₹ 65 PER EQUITY SHARE AGGREGATING ₹ 12497.86 LAKHS ON RIGHTS BASIS TO OUR EXISTING SHAREHOLDERS OF IN THE RATIO OF 29 FULLY PAID UP EQUITY SHARES FOR EVERY 50 FULLY PAID UP EQUITY SHARES HELD ON THE RECORD DATE i.e. [●]. THE ISSUE PRICE IS 7.5 TIMES OF THE FACE VALUE OF THE EQUITY SHARES.

Issue Programme

The subscription will open upon the commencement of the banking hours and will close upon the close of banking hours on the dates mentioned below:

ISSUE OPENS ON	LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS	ISSUE CLOSES ON
[●]	[●]	[●]

Our Registered Office:

Hinduja Foundries Limited

Kathivakkam High Road

Ennore

Chennai 600 057

Tamil Nadu, India

Phone: +91 44 4356 3535

Fax: +91 44 4356 3534

Website: www.hindujafoundries.com

Email: rights@hindujafoundries.com

Registration No. 3849

CIN: L27104TN1959PLC003849

Address of the Registrar of Companies:

Registrar of Companies, Tamil Nadu, Chennai

Block No. 6, B Wing

2nd Floor

Shastri Bhavan

Haddows Road

Chennai 600 006

Tamil Nadu, India

Phone: +91 44 2827 7182

Fax: +91 44 2823 4298

Our Equity Shares are listed on the BSE, NSE and MSE. The GDRs of our Company are listed on the Luxembourg Stock Exchange.

Board of Directors

The following table sets out the composition of our Board as at the date of filing of this Draft Letter of Offer.

Name and DIN	Designation	Age	Address
R. Seshasayee	Chairman (Non-executive and Non-independent)	63 years	Ashok Leyland Limited 1, Sardar Patel Road Guindy Chennai 600 032
D.G. Hinduja	Co-Chairman (Non-executive and Non-independent)	40 years	Hinduja Group (I) Limited “Hinduja House” 171, Dr Annie Besant Road Worli, Mumbai 400 018
B. Swaminathan	Managing Director (Executive Director)	64 years	No. 5, First Avenue, Boat Club Road, Chennai 600 028
F. Sahami	Non-executive and Non-independent	74 years	Finac Services Limited 16, Charles 2 nd Street 3 rd Floor London SW1Y 4QU United Kingdom
Narender Nagpal	Non-executive and Non-independent	44 years	Primus Investment Advisors G-3, Ground Floor, Makers Chambers V Nariman Point Mumbai 400 021
S. Ragothaman	Independent	65 years	C-3, Golden Gate Apartments New No.33, Old No.11, Habibullah Road, T. Nagar Chennai 600 017
Jorma Antero Halonen	Independent	63 years	Holzaeckerlstr, 14 Kreuzlingen 8280 Switzerland
D. J. Balaji Rao	Independent	72 years	D 103, Adarsh Residency 47 th cross, 2 nd main 8 th Block, Jaya Nagar Bangalore – 560 082
Jean Brunol	Independent	59 years	34, BD Victor Hugo Nevilly Sur Seine 92200 France
Sridhar Venkiteswaran	Independent	45 years	C34, 3 rd Floor Panchsheel Enclave New Delhi 110 017
Y.M. Kale	Alternate Director to Mr. Dheeraj Hinduja	64 years	Hinduja Group India Limited “Hinduja House” 171, Dr Annie Besant Road Worli, Mumbai 400 018.

For further details, please see chapter entitled ‘*Our Management*’ on page 95 of this Draft Letter of Offer.

Company Secretary and Compliance Officer

Mr. Govind M. Joshi
Hinduja Foundries Limited
Kathivakkam High Road
Ennore
Chennai 600 057
Tamil Nadu, India
Phone: +91 44 4356 3535
Fax: +91 44 4356 3534
Email: rights@hindujafoundries.com

Investors may contact the Compliance Officer in case of any pre-Issue or post-Issue related concerns.

Lead Manager to the Issue:

HDFC Bank Limited
Investment Banking Division
First Floor, Trade World
A Wing, Kamala Mills
Senapati Bapat Marg
Lower Parel (West)
Mumbai 400 013
Maharashtra, India
Tel: +91 22 4080 4108
Fax: +9122 4080 4114
Website: www.hdfcbank.com
Email: paresh.soni@hdfcbank.com
Investor Grievance id: investor.redressal@hdfcbank.com
Contact Person: Mr. Paresh Soni
Compliance Officer: Mr. Manoj Nadkarni
SEBI Registration Number: INM000011252

Legal Counsel to the Issue

Bharucha & Partners
2nd Floor, Hague Building
9, S.S. Ram Gulam Marg
Ballard Estate
Mumbai – 400 001
Maharashtra, India.
Tel: +91 22 6132 3900
Fax: +91 22 6633 3900
E-mail: projectsunrise@bharucha.in

Bankers to the Issue

[•]

Self Certified Syndicate Bank:

The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in>. For details on Designated Branches of SCSB collecting the CAF, please refer the above mentioned SEBI link.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the Applicant, number of Equity Shares applied for, Amount blocked, ASBA Account number and the Designated Branch of the SCSB where the CAF was submitted by the ASBA Investors.

Registrar to the Issue:

Integrated Enterprises (India) Limited

2nd Floor, Kences Towers
1, Ramakrishna Street
North Usman Road
T Nagar
Chennai 600 017
Tamil Nadu, India
Tel: +91 44 2814 0801 - 803
Fax: +91 44 2814 2479
Contact Person: Mr. R.Kalyanaraman
E-mail: hfl@iepindia.com
Website: www.iepindia.com
SEBI Registration Number: INR000000544

Note: Investors are advised to contact the Registrar to the Issue/Compliance Officer in case of any pre-Issue/ post-Issue related problems such as non-receipt of Letter of Offer /Composite Application Form/allotment advice/Share certificates/ refund orders.

Auditors of the Company:

B S R and Company

Chartered Accountants
10, Mahatma Gandhi Road
Nungambakkam
Chennai 600 034
Tamil Nadu, India
Tel: +91 44 3914 5000
Fax: +91 44 3914 5999
Contact Person: Mr. S. Sethuraman
Email: sethuramans@kpmg.com

Registration No. of the firm with ICAI: 128900W

Membership No. of concerned partner: 203491

Our Bankers

Bank of America

748, Anna Salai, Chennai 600 002
Tel: +91 44 1852 3856
Fax: +91 44 1852 5170
Contact Person: Mr. Ashwin Narasimhan

HDFC Bank Limited

9th floor, 115, R.K. Salai, Mylapore, Chennai 600 004
Tel: +91 44 2847 7253
Fax: +91 44 2847 7250
Contact Person: Mr. Viswanathan Ramadass
E-mail: viswanathan.ramadass@hdfcbank.com

ICICI Bank Limited

No.1, Cenotaph Road, 3rd floor, Teynampet, Chennai 600 018
Tel: +91 44 4231 6964
Fax: +91 44 4231 6960
Contact Person: Mr. A. Senthil Raj
E-mail: senthil.raj@icicibank.com

IDBI Bank Limited

Specialised Corporate Branch
7, Chevalier Shivaji Ganeshan
Salai, T. Nagar, Chennai 600 017
Tel: +91 44 6457 5039
Fax: +91 44 2431 5370
Contact Person: Mr. K.V.
Saravanan
E-mail: kv.saravanan@idbi.co.in

Standard Chartered Bank

19, Rajaji Salai, Chennai 600 001
Tel: +91 44 2534 9248
Fax: +91 44 2534 0877
Contact Person: Mr. S.
Balamurugan
E-mail: sl.balamurugan@sc.com

State Bank of India

Commercial Branch
232, NSC Bose Road,
Chennai 600 001
Tel: +91 44 2534 2074
Fax: +91 44 2534 1316
Contact Person: Mr. M.
Ravikumar
E-mail: sbi.07347@sbi.co.in

State Bank of Travancore

Chennai Main Branch,
United India Building,
Esplanade, Chennai 600 108
Tel: +91 44 2534 1530
Fax: +91 44 2534 2538
Contact Person: Mr. V. Ramesh
E-mail: chennai@sbt.co.in

Union Bank of India

Kathivakkam (Ennore),
Kathivakkam Municipal Complex,
Shop No. 44, Ennore,
Chennai 600 057,
Tel: +91 44 2575 0344
Fax: +91 44 2575 2828
Contact Person: Mr. M. Kesavan
E-mail:
ennorechennai@unionbankofindia.c
om

Canara Bank

Spencer Towers 1, Ground
Floor,
770, Anna Salai,
Chennai 600 002
Tel: +91 44 2849 7017
Fax: +91 44 2849 7016
Contact Person: Mr. B.G.
Kamath
E-mail:
cb2596@canarabank.com

Kotak Mahindra Bank Limited

555, Anna Salai, 11th Floor,
Teynampet, Chennai
Tel: +91 44 4554 4740
Fax: +91 44 4554 4779
Contact Person: Mr.
Bharanidharan
E-mail:
bharanidharan.v@kotak.com

Karur Vysya Bank

Royapuram Branch, No.212, G.A.
Road, Old Washermenpet,
Chennai 600 021
Tel: +91 44 2595 4204
Fax: +91 44 2595 7780
Contact Person: Mr. R. Ramesh
Raja
E-mail: royapuram@kvbmail.com

**Hongkong and Shanghai
Banking Corporation
Limited**

3rd Floor, Nagabhrama
Towers, 76, Cathedral Road,
Chennai 600 086.
Tel: +91 44 4391 2005
Fax: +91 44 2811 1845
Contact Person: Mr. Shailesh
Singh
Email:
shaileshsingh@hsbc.co.in

Statement of Inter-se Allocation of Responsibilities for the Issue

HDFC Bank Limited is the sole Lead Manager and shall be responsible for, and co-ordinate, the following activities in relation to this Issue.

Sr. No.	Activities
1.	Capital structuring with the relative components and formalities such as composition of debt and equity type of instruments etc.
2	Due diligence of the Company's operations/ management/ business plan/ legal documents. Drafting and Design of the Offer Document and ensure compliance with stipulated requirements and completion of prescribed formalities (including finalization of Letter of Offer) with Stock Exchanges and SEBI. Liaison with stock exchanges and SEBI, including obtaining in-principle listing approval and completion of prescribed formalities with the Stock Exchanges and SEBI.
3.	Assisting the Company and its legal advisors in drafting this Draft Letter of Offer, Letter of Offer, the Abridged Letter of Offer and the CAF; all publicity material such as statutory and non-statutory advertisements / publicity material including newspaper advertisements, brochure, corporate film, etc.
4.	Retail/Non-Institutional marketing strategy which will cover inter-alia, preparation of publicity budget, arrangement for selection of (i) ad-media, (ii) centres of holding conferences of brokers, investors etc., (iii) bankers to the issue, (iv) collection centres, (v) distribution of publicity and Issue materials including application form and letter of offer.
5.	Institutional marketing strategy.
6.	Assisting in the selection of various agencies connected with the Issue, including printers, advertising agencies, legal advisors bankers to the Issue, deciding on quantum of issue material and selecting collection centers and Registrar to the Issue.
7.	Follow up with Bankers to the Issue and Self Certified Syndicate Banksto get quick estimates of collection and advising the Issuer about closure of the Issue based on the correct figures.
8.	The post issue activities will involve essential follow up steps which must include finalization of basis of allotment/ weeding out of multiple applications, listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the activities such as Registrars to the Issue, Bankers to the Issue. Whilst, many of the post issue activities will be handled by other intermediaries, the designated Lead Manager shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this responsibility through suitable agreements with the Issuer Company.

Credit Rating

This being an Issue of Equity Shares, no credit rating is required.

Debenture Trustee

This being an Issue of Equity Shares, a debenture trustee is not appointed.

Issue Grading

As this is an Issue of Equity Shares on a rights basis, Issue grading is not required.

Monitoring Agency

In terms of Regulation 16 of the SEBI (ICDR) Regulations, we are not required to appoint a monitoring agency in relation to the Issue

Appraising Entity

The objects of this Issue have not been appraised by an independent agency since the Net Issue Proceeds are not being utilized towards a project.

Issue Price

The issue price has been arrived at in consultation between us and the Lead Manager.

Expert

Except for the audit reports of our statutory auditor on the financial statements of the Company as at and for the year ended March 31, 2011 and their limited review report on the statement of unaudited assets and liabilities as at June 30, 2011 and statement of profit and loss for the three months ended June 30, 2011, '*Statement of Accounting Ratios*', the Capitalisation Statement and their report on '*Statement of Tax Benefits*', we have not obtained any other expert opinion in relation to this Issue.

Underwriting / Standby arrangements

The present Issue is neither underwritten nor has we entered into any underwriting agreement nor made any standby arrangements with the Lead Manager for the present Issue.

Impersonation

As a matter of abundant caution, attention of the Applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act which is reproduced below:

“Any person who

(a) makes in a fictitious name an application to 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 ninety percent of the Issue the entire subscription shall be refunded to the Applicants within fifteen days from the date of closure of the Issue. If there is delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount, the Issuer will pay interest for the delayed period, at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act. Under-subscription will be determined after considering the number of Equity Shares applied as per entitlement plus allocation to Renounees for shares renounced in their favour, and additional Equity Shares applied by original shareholders and Renounees.

The Promoters have confirmed that the rights entitlement of the Promoters will be fully subscribed. In addition, the Promoters also intend to subscribe to the full extent, directly or through its nominees, the shortfall in the Issue, if any. As a result of this subscription and consequent Allotment, Promoters may acquire Equity Shares over and above their entitlement in the Issue, which may result in their equity shareholding in the Company exceeding their current equity shareholding.

However, such participation will not result in breach of minimum public shareholding requirement stipulated in the equity Listing Agreement entered into between us and the Stock Exchanges, where our Equity Shares.

Further, the subscription and acquisition of additional Equity Shares by the Promoters, if any, will not result in change of control of the management of the Company and shall be exempt in terms of provision to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. Other than meeting the requirements indicated in Objects of the Issue, there is no other intention/purpose for the Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoters through the Issue, the Promoter shareholding in the Company exceeds their current shareholding.

Principal Terms of Loans and Assets charged as security as of March 31, 2011

For details of our material indebtedness please see chapter entitled “*Description of Certain Indebtedness*” beginning at page 166 of this Draft Letter of Offer.

For details of our loans and assets charged as security, please see audited financial statements at page 111 of this Draft Letter of Offer.

CAPITAL STRUCTURE

Our share capital as of the date of this Draft Letter of Offer is set forth below:

(₹ Lakhs, except share data)

		Aggregate Value at nominal value	Aggregate Value at Issue Price
A)	AUTHORISED SHARE CAPITAL		
	50,000,000 Equity Shares of ₹10/- each	5,000.00	
	4,500,000 Preference Shares of ₹100/- each	4,500.00	
	Total	9,500.00	
B)	ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		
	ISSUED CAPITAL		
	28,843,118 Equity Shares of ₹ 10/- each	2,884.31	
	1,500,000 6% Redeemable non-convertible cumulative Preference Shares of ₹100/- each	1,500.00	
	1,000,000 6% Redeemable non-convertible cumulative Preference Shares of ₹100/- each	1,000.00	
	Total	5,384.31	
	SUBSCRIBED AND PAID UP CAPITAL		
	28,730,711 Equity Shares of ₹ 10/- each	2,873.07	
	1,500,000 6% Redeemable non-convertible cumulative Preference Shares of ₹100/- each	1,500.00	
	1,000,000 6% Redeemable non-convertible cumulative Preference Shares of ₹100/- each	1,000.00	
	Less: Redeemed	333.33	
	Total	5,039.73	
C)	PRESENT ISSUE BEING OFFERED THROUGH DRAFT LETTER OF OFFER		
	16,663,812 Equity Shares of ₹10/- each at an Issue Price of ₹ 75/-per share	1,666.38	12,497.86
D)	PAID UP EQUITY CAPITAL AFTER THE ISSUE		

		Aggregate Value at nominal value	Aggregate Value at Issue Price
	45,394,523 Equity Shares of ₹ 10/- each	4,539.45	
	1,500,000 6% Redeemable non-convertible cumulative Preference Shares of ₹100/ each	1,500.00	
	1,000,000 6% Redeemable non-convertible cumulative Preference Shares of ₹ 66.67 each	666.67	
E)	SECURITIES PREMIUM ACCOUNT		
	Before this Issue	14,911.89	
	After this Issue assuming Allotment of all Equity Shares offered	25,743.37	

This Issue has been authorised by a resolution of our Board dated May 20, 2011, the resolution of the Capital / Securities Committee dated May 27, 2011 and the resolution of our shareholders dated July 20, 2011. Further, the Capital / Securities Committee has approved this Draft Letter of Offer pursuant to its resolution dated November 3, 2011.

Notes to the Capital Structure

1. Details of the shareholding of our Promoters and Promoter Group

Sr. No.	Name	No. of Shares	% of share capital	Shares Pledged or otherwise encumbered	As % of their holding	As % of total number of Shares
1.	Hinduja Automotive Limited	14,814,609	51.56	Nil	Nil	Nil
2.	Ashok Leyland Limited	5,405,793	18.82	Nil	Nil	Nil
	Total	20,220,402	70.38			

2. Details of transactions of Equity Shares by the Promoter / Promoter Group during the last one year immediately preceding date of this Draft Letter of Offer.

There have been no transactions in our Equity Shares by the Promoter / Promoter Group in the last one year from the date of this Draft Letter of Offer.

3. Our Shareholding Pattern as on September 30, 2011

Set out below is our shareholding patter as on September 30, 2011.

Category Code	Category Shareholder of	No. of Shareholders	Total No. of Shares	No. of Shares held in dematerialised form	Total Shareholding as a % of Total No. of Shares	
					As a % of (A+B)	As a % of (A+B+C)
(A)	Shareholding of Promoter & Promoter Group					
(1)	Indian					
(a)	Individual/Hindu undivided family					
(b)	Central Govt./ State Govt.(s)					
(c)	Bodies Corporate	1	5,405,793	5,405,793	19.65	18.82
(d)	Financial Institutions/ Banks					
(e)	Any other (Specify)					
	Sub-Total (A) (1)	1	5,405,793	5,405,793	19.65	18.82
(2)	Foreign					
(a)	Individual (Non-Resident Indi./Foreign individuals)					
(b)	Bodies Corporate	1	14,814,609	4,012,290	53.85	51.56
(c)	Institutions					
(d)	Any Other (Specify)					
	Sub-Total (A) (2)	1	14,814,609	4,012,290	53.85	51.56
	Total Shareholding of Promoter and Promoter Group (A) = (A) (1) + (A) (2)	2	20,220,402	9,418,083	73.50	70.38
(B)	Public Shareholding					
(1)	Institutions					

Category Code	Category of Shareholder	No. of Shareholders	Total No. of Shares	No. of Shares held in dematerialised form	Total Shareholding as a % of Total No. of Shares	
					As a % of (A+B)	As a % of (A+B+C)
(a)	Mutual Funds/UTI	1	4,001	Nil	0.01	0.01
(b)	Financial Institutions/Banks	1	10	10	0.00	0.00
(c)	Central Govt./State Govt.(s)					
(d)	Venture Capital Funds					
(e)	Insurance Companies	1	142,633	142,633	0.52	0.50
(f)	Foreign Institutional Investor	3	2,876,679	2,876,679	10.46	10.01
(g)	Foreign Venture Capital Investor					
(h)	Any Other					
	Sub-Total (B) (1)	6	3,023,323	3,019,322	10.99	10.52
(2)	Non-Institutions					
(a)	Bodies Corporate	168	1,140,158	1,137,200	4.14	3.97
(b)	Trust	1	141	141	0.00	0.00
(c)	Individuals -					
i.	Individual Shareholders holding nominal share capital upto ₹ 1 Lakh	8,477	1,737,819	1,466,578	6.32	6.05
ii.	Individual Shareholders holding nominal share capital in excess of ₹ 1 Lakh	25	1,370,829	1,370,829	4.98	4.77
(d)	Any other					
	- Clearing Member	34	17,039	17,039	0.06	0.06

Category Code	Category Shareholder of	No. of Shareholders	Total No. of Shares	No. of Shares held in dematerialised form	Total Shareholding as a % of Total No. of Shares	
					As a % of (A+B)	As a % of (A+B+C)
	- NRI					
	Sub-Total (B) (2)	8,705	4,265,986	3,991,787	15.51	14.85
	Total Public shareholding = (B) (1) + (B) (2)	8,711	7,289,309	7,011,109	26.50	25.37
	TOTAL (A) + (B)	8,713	25,556,108	14,475,589	100.00	95.75
(C)	Shares held by custodians and against which depository receipts have been issued	1	1,221,000	1,221,000		4.25
	GRAND TOTAL (A)+(B)+(C)	8,714	28,730,711	17,650,192		100.00

4. Details of Shareholders (other than our Promoters and Promoter Group) holding more than 1% of our share capital as on September 30, 2011.

Sr. No.	Name of the Shareholder	No. of Shares	Percentage
1.	Amam Limited a/c Amas India Investments Mauritius Limited	523,076	1.82
2.	Veritable, L.P. a/c VEMF- A, L.P.	400,000	1.39
3.	Morgan Stanley Mauritius Company Limited	1,953,603	6.80
	TOTAL	2,876,679	10.01

5. There have been no transactions in the Equity Shares by our Directors or their immediate relatives in the last six months.
6. Except as disclosed in this Draft Letter of Offer our Promoters, the Promoter Group, the directors of our Promoters, our Directors and their relatives have not undertaken/financed, directly or indirectly, any transaction in the Equity Shares in the six months preceding the date of filing of this Draft Letter of Offer.
7. The present Issue being a rights issue, the requirements of Promoters' contribution and lock-in are not applicable.
8. Our total number of shareholders as on September 30, 2011 was 8,714.

9. We have not issued any Equity Shares or granted any options under any scheme of employee stock option or employee stock purchase.
10. We, our Promoters, our Directors and / or the Lead Manager of the Issue have not entered into any buy-back, standby or similar arrangements for purchase of any of the securities being issued through this Draft Letter of Offer.
11. All securities offered through the Issue shall be made fully paid-up or may be forfeited for non-payment of calls within twelve months from the date of Allotment of securities
12. Our Promoter either by themselves or through a combination of entities controlled by them shall subscribe to their entitlement in this Issue. Further, they will also subscribe to the entire unsubscribed portion of the Issue in accordance with applicable law. Allotment to our Promoter, or companies controlled by them, of any unsubscribed portion, over and above their entitlement shall be done in compliance with the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements. However, such participation will not result in breach of minimum public shareholding requirement stipulated in the equity Listing Agreement entered into between us and the Stock Exchanges, where our Equity Shares.

Consequent to the subscription and the subsequent Allotment, our Promoters either by themselves or through a combination of entities controlled by them, may acquire Equity Shares in excess of the entitlement in the Issue, which may result in an increase in their shareholding. Such acquisition of Equity Shares will not result in a change of control of our management and shall be exempt in terms of proviso to Regulation 3(1) (b) (ii) of the Takeover Code.

13. At any given time, there shall be only one denomination of the Equity Shares. Our equity shareholders do not hold any warrant, option or convertible loan or debenture, which would entitle them to acquire further shares in us.
14. Except as disclosed in this Draft Letter of Offer, no further Issue of capital by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner which will affect our equity capital, shall be made during the period commencing from the filing of this Draft Letter of Offer with SEBI and the date on which the Equity Shares under the Letter of Offer are listed or application monies are refunded on account of the failure of the Issue.
15. We presently do not have any intention or proposal to alter our capital structure for a period of six months from the Issue Opening Date, by way of split/consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible / exchangeable, directly or indirectly for Equity Shares) whether on preferential basis or otherwise except for the redemption of Preference Shares as set out in the chapter entitled “*Objects of the Issue*” at page 72 of this Draft Letter of Offer. However, if we go in for acquisitions and joint ventures, we might consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition and/or participation in such joint venture.
16. Except for the global depository receipts issued by and redeemable into Equity Shares, we do not have any outstanding warrants, options, convertible loan, debenture or any other securities convertible at a later date into Equity Shares, as on the date of this Draft Letter of Offer, which would entitle the holders to acquire further Equity Shares.
17. The Issue will remain open for 15 days. However, the Board or the Capital / Securities Committee of the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.
18. As on September 30, 2011, there are 36,63,000 GDRs outstanding which may be exchanged with 12,21,000 Equity Shares which constitute 4.25% of our Company’s paid-up equity share capital. For eligibility of the GDR holders please refer to chapter entitled “*Notice to Holders of Global*

Depository Receipts” at page 11 of the Draft Letter of Offer. The GDRs are listed on the Luxembourg stock exchanges.

19. We have complied with all applicable laws, rules and regulations in respect of our previous bonus and preferential issues.
20. As on the date of this Draft Letter of Offer, neither the Lead Manager nor its associates holds any of our Equity Shares.
21. We have not availed of any ‘bridge loan’ which is to be repaid from the proceeds of the Issue.
22. Except as set out in the chapter entitled “*Other Regulatory and Statutory Information*” at page 185 of the Draft Letter of Offer we have not re-valued our assets in the last five years preceding the date of this Draft Letter of Offer.

OBJECTS OF THE ISSUE

We intend to utilise the proceeds of this Issue, after deduction of Issue expenses, towards the repayment / pre-payment of certain loans, in part or full, which were obtained from banks to finance increased working capital requirements and to redeem the redeemable non-convertible cumulative preference shares issued to Ashok Leyland.

The main objects set out in our Memorandum of Association enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue.

Requirement of Funds and Means of Finance

Set out in the table below are the Net Issue Proceeds.

Sr. No	Description	Amount (in ₹ lakhs)
1	Gross proceeds of the Issue	12,497.86
2	Issue expenses	[•]
3	Net proceeds of the Issue	[•]

Utilization of Net Proceeds

The details of utilisation of Net Proceeds are set out below:

Sr. No	Particulars	Amount to be utilised (in ₹ lakhs)	Total (in ₹ lakhs)
		Fiscal 2012	
1.	Repayment / pre-payment, in part or full, of certain short term loans	[•]	[•]
2.	Redemption of redeemable non-convertible cumulative preference shares	2,166.67	[•]
Total		[•]	[•]

Details of the Objects of the Issue

The objects of the Issue are proposed to be financed entirely out of the proceeds of the Issue. The details of the objects of the Issue are set out below.

1. Repayment/ pre-payment of loans

We have been sanctioned fund based facilities by various banks, financial institutions and other entities. Set out below are the fund based limits (excluding buyers credit) and the outstanding amounts, as on September 30, 2011. These short term loans were utilised by us to meet increased working capital requirements.

(All figures other than interest rates in ₹ lakhs)

Sr. No.	Name of The Banks	Sanctioned Limits*	Outstanding*	Average Rate of Interest (%)*
1.	IDBI Bank Limited	1,000.00	1,000.00	12.50

Sr. No.	Name of The Banks	Sanctioned Limits*	Outstanding*	Average Rate of Interest (%)*
2.	Canara Bank	5,000.00	5,000.00	13.25
3.	IFCI Limited	10,000.00	10,000.00	14.00
4.	Standard Chartered Bank	6,000.00	6,000.00	12.83
5.	Kotak Mahindra Bank Limited	1,500.00	1,500.00	12.00
6.	Hinduja Ventures Limited	1,500.00	1,500.00	13.00
TOTAL		25,000.00	25,000	

* As certified by R. Suryanarayanan, Chartered Accountant vide his certificate dated October 22, 2011.

The requirements of the objects detailed above are intended to be funded from the Net Proceeds of the Issue. Accordingly, we confirm that there is no requirement to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised through the Issue.

We intend to utilise the Net Issue Proceeds to pre-pay / repay, in part or full, some of our outstanding loan facilities. The rationale for pre-paying / repaying these facilities, *inter alia*, is to reduce our prevailing high interest costs and to increase our administrative and operating flexibility. We will identify the facilities to be repaid based, amongst others, on the factors set out below.

- a. Sanction limits granted;
- b. Existence of other facilities from the same lender;
- c. Prevailing rate of interest; and
- d. Operational flexibility.

In the event that the terms on which the lenders permit prepayment are not commercially favorable to us, we may utilize the Net Proceeds of the Issue to repay the loans as per the repayment schedules as stated in the respective loan agreements.

For further details regarding our indebtedness, please see chapter entitled “*Description of Certain Indebtedness*” beginning on page 166 of this Draft Letter of Offer.

2. Redemption of redeemable non-convertible cumulative preference shares

We had issued redeemable non-convertible cumulative preference shares in two tranches to Ashok Leyland Limited, one of our Promoters, aggregating ₹ 2,500 lakhs, comprising of ₹ 1,500 lakhs in March 1999 and ₹ 1,000 lakhs in November 2003.

Preference shares worth ₹ 1,000 lakhs were due for redemption in three equal annual instalments from April 2008 to April 2010. We redeemed the first instalment of second tranche of Preference Shares of ₹ 333 lakhs in April 2008. However, due to losses affecting our cash flow, Ashok Leyland Limited agreed to our request to reschedule the redemption of the balance Preference Shares aggregating ₹ 667 lakhs and defer the repayment of the second and third instalment by three years each i.e. from April 2009 to April 2012 and from April 2010 to April 2013.

Further, the first tranche of Preference Shares aggregating ₹ 1,500 which was due and payable in three equal installments between 2004 – 2006 was rescheduled in October 2003. Consequently, the first tranche of Preference Shares was to be redeemed in three equal installments commencing in April 2011. However, on March 3, 2011, we wrote to Ashok Leyland requesting for a further rescheduling of the

redemption until completion of a, then, proposed capital market issue. Ashok Leyland has acceded to our request.

We, now, propose to redeem the balance Preference Shares aggregating ₹ 2,166.67 lakhs from the Net Proceeds of the Issue.

Appraisal

The objects of this Issue have not been appraised by any bank or any other independent financial institution.

Issue related expenses

The total expenses of the Issue are estimated to be approximately ₹ [•] lakhs. The Issue related expenses include, Issue management fees, Registrar fees, printing and distribution expenses, fees of the legal counsel, advertisement and listing fees to the Stock Exchanges etc. The break-up of total Issue expenses is set out below:

Category	Estimated expenses (₹ in lakhs)	% of the Issue expenses	% of total Issue size
Fees to the Lead Manager and Registrar to the Issue	[•]	[•]	[•]
Fees to the Auditors and Legal Counsel	[•]	[•]	[•]
Fees to SCSBs	[•]	[•]	[•]
Advertising, Publicity and Stationery Expenses	[•]	[•]	[•]
Contingency, Stamp duty, Listing Fees etc	[•]	[•]	[•]
Total	[•]	[•]	[•]

Interim utilisation of Issue Proceeds

Our management, in accordance with the policies formulated by our Board of Directors from time to time will have flexibility in deploying the proceeds received from the Issue. Pending utilization, we propose to temporarily use the Net Issue Proceeds for general corporate purposes, including, but not restricted to reduction of bank overdraft, investment in quality interest bearing liquid instruments including money market mutual funds and other financial products, such as principal protected funds, derivative linked debt instruments, other fixed and variable return instruments, listed debt instruments, rated debentures and deposits with banks, for the necessary duration as may be approved by our Board.

Monitoring of Utilisation of Funds

Our Board or a committee of the Board will monitor the utilisation of the Net Proceeds. We will disclose the details of the utilisation of the Net Proceeds, including interim use, under a separate head in our financial statements specifying the purpose for which such proceeds have been utilized or in any other manner statutorily required. Further, we will make such disclosures till the Net Proceeds are outstanding.

We will, on a quarterly basis, disclose to the Audit Committee the uses and applications of the Issue Proceeds in accordance with the provisions of the Listing Agreement. On an annual basis, prepare a statement of funds utilised for purposes other than those stated in this Letter of Offer and place it before the Audit Committee. Such disclosure will be made only until such time that all the Issue Proceeds have been utilised in full. The statement shall be certified by our Auditors. Further, in accordance with clause 43A of the Listing Agreement we will furnish to the Stock Exchanges on a quarterly basis, a statement including material deviations if any, in the utilisation of the Issue Proceeds from the objects of the Issue

as stated above. This information will also be published in newspapers simultaneously with the interim or annual financial results, after placing the same before the Audit Committee.

Bridge Financing Facilities

We have not raised any bridge loan from any bank or financial institution for any amount as at the date of this Draft Letter of Offer.

Other Confirmations

Except to the extent of redemption of Preference Shares aggregating ₹ 2,166.67 lakhs, issued to Ashok Leyland, no part of the Issue Proceeds will be paid by us as consideration to the Promoters, the Directors, our key management personnel or companies promoted by the Promoters, except in the usual course of business.

STATEMENT OF TAX BENEFITS

The Board of Directors
Hinduja Foundries Limited
Ennore
Chennai - 600 057

Dear Sirs,

Statement of possible tax benefits available to Hinduja Foundries Limited and its Shareholders

We hereby report that the enclosed statement, states the possible tax benefits / consequences available to Hinduja Foundries Limited ('the Company') and its shareholders under the Income Tax Act, 1961('the Act') and other Direct tax laws presently in force in India. Several of these tax benefits/consequences are dependent on the Company or the Shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or the Shareholders to derive tax benefits is dependent upon fulfilling such conditions, which are based on business imperatives the Company may face in the future, and accordingly, the Company may or may not choose to fulfill. No assurance is given that the revenue authorities will concur with the views expressed herein.

The benefits disclosed in the enclosed annexure are not exhaustive in nature. The enclosed statement is only intended to provide general information to the Company 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; and
- the conditions prescribed for availing the benefits, where applicable have been/would be met with.

The contents of the enclosed statement are based on information, explanations and representations obtained from the management of the Company. Further our examination is based on our understanding of the business activities and operations of the Company and is also based on an interpretation of the current tax laws in force in India which are subject to change from time to time. We do not assume any obligation or responsibility to update the views consequent to these changes.

The Direct Taxes Code ("Code") has been presented in the Parliament for approval and once approved would be enacted as a law effective from 01 April 2012. The enclosed statement does not incorporate the effect of the same on the Company and its shareholders, as the Code has not yet been approved.

The enclosed statement is intended solely for your information and for inclusion in the offer document in connection with the proposed rights issue of shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for B S R and Company
Chartered Accountants
Firm Registration No: 128900W

S Sethuraman
Partner
Membership No: 203491
Place: Chennai
Date: November 3, 2011

**STATEMENT OF TAX BENEFITS AVAILABLE TO HINDUJA FOUNDRIES LIMITED
("THE COMPANY") AND ITS SHAREHOLDERS**

A (i) Special tax benefits available to the Company under the Income Tax Act, 1961

There are no company specific special tax benefits available to the Company. Tax benefits mentioned below in A (ii) are general tax benefits available to all the companies subject to fulfillment of specified conditions.

A (ii) General Benefits available to the Company under the Income Tax Act, 1961:

1. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O received by the Company from another domestic company/ companies is exempt from income-tax.

However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, section 94(7) of the Act provides that losses arising from the sale/ transfer of shares or units purchased within a period of three months prior to the record date and sold/ transferred within three months (in case of shares) or nine months (in case of units) respectively after such date, will be ignored to the extent dividend income on such shares or units is claimed as tax exempt.

2. Further, as per section 94(8) of the Act, if an investor purchases units within three months prior to the record date for entitlement of bonus, and is allotted bonus units without any payment on the basis of holding original units on the record date and such person sells/redeems the original units within nine months of the record date, then the loss arising from sale/ redemption of the original units will be ignored for the purpose of computing income chargeable to tax and the amount of loss ignored shall be regarded as the cost of acquisition of the bonus units.

3. By virtue of section 10(35) of the Act, the following income shall be exempt in the hands of the company:

- (a) Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or
- (b) Income received in respect of units from the Administrator of the "specified undertaking"; or
- (c) Income received in respect of units from the "specified company".

However this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be. For this purpose:

- i. "Administrator" means the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002.
- ii. "Specified Company" means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;

4. As per the provisions of section 10 (38) of the Act, the long term capital gains (gain arising on transfer of long term capital asset) arising to the Company from the transfer of shares or a unit of an equity oriented fund, where the transaction of sale of such share or unit is entered into in a recognized stock exchange in India on or after October 1, 2004 and chargeable to Securities Transaction Tax, will be exempt from tax in the hands of the Company. The equity shares or units of an equity oriented fund are treated as long term assets if it is held for a period of more than 12 months prior to the date of transfer.

However the income by way of long-term capital gain of a company shall be taken into account in computing the book profit and income-tax payable under section 115JB of the Act.

For this purpose 'Equity Oriented Fund' means a fund:

- i. where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty-five per cent of the total proceeds of such fund; and
- ii. which has been set up under a scheme of Mutual Fund specified under clause (23D) of section 10.

For this purpose, the percentage of equity share holding shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

5. Under section 48 of the Act, if the investments in shares are sold after being held for not less than twelve months, the gains, if any, will be treated as long-term capital gains and the gains will be calculated by deducting from the gross consideration, the indexed cost of acquisition and indexed cost of improvement. The indexed cost of acquisition / improvement refers to the cost of acquisition / improvement adjusted by the cost of inflation index, as prescribed from time to time.
6. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax subject to the limit of Rs. 50 lakhs in a year if the capital gains are invested in a "long term specified asset" within a period of six months after the date of such transfer.

For the above purposes a "long term specified asset" inter-alia means any bond, redeemable after three years and issued on or after the first day of April 2007 by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, or by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

7. Under section 112 of the Act, and other relevant provisions of the Act, long term capital gains (In case not covered under section 10(38) of the Act), arising on transfer of shares/ units, shall be taxed at a rate of 20% (plus applicable surcharge and education cess). The tax shall however, not exceed 10% (plus applicable surcharge and education cess) without indexation, if the transfer is made of a listed security.

8. The long term capital gains on transfer of assets other than shares/ units shall be chargeable to tax at the rate of 20 percent (plus applicable surcharge and education cess) of the capital gains computed after indexing the cost of acquisition /improvement.
9. As per the provisions of section 111A of the Act the short term capital gains arising from the transfer of equity shares or unit of an equity oriented fund, where the transaction of sale of such share/ unit is entered into in a recognized stock exchange in India and chargeable to Securities Transaction Tax will be chargeable to tax at the rate of 15% (plus applicable surcharge and education cess).

Where the gross total income includes short term capital gains referred to above, the deduction under Chapter VI-A shall be allowed from the gross total income as reduced by such short term capital gains.

For the purpose of this section, 'equity oriented fund' shall have meaning as assigned to it in explanation to section 10(38).

10. Under section 32 of the Act, the Company is entitled to claim depreciation, subject to conditions specified therein, at the prescribed rate on its specified assets used for its business.
11. As per section 35(2AB), the Company can claim 200% of expenditure incurred on scientific research (not being expenditure in the nature of cost of any land or building), on in-house research and development facility as approved by the prescribed authority.
12. As per provisions of section 35DDA of the Act, where the company makes payment to an employee in connection with his voluntary retirement of services, it shall be allowed a deduction of an amount equal to one-fifth of such payment for each of the five successive previous years beginning with the previous year in which the payment has been made.
13. The amount of tax paid under section 115JB by the Company for any assessment year commencing from 01 April 2006 and any subsequent assessment year, will be available as credit to the extent specified in section 115JAA for ten years succeeding the assessment year in which MAT credit becomes allowable in accordance with the provisions of Section 115JAA of the Act.
14. As per section 70 of the Act, short-term capital loss can be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short term as well as long term capital gains. Long term capital loss suffered during the year can be set-off only against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long - term capital gains
15. Under section 35D of the Act, the Company will be entitled to a deduction equal to 1/5th of the expenditure incurred of the nature specified in the said section, by way of amortisation over a period of 5 successive years, beginning with the previous year in which the business commences or after the commencement of its business in connection with the extension of its industrial undertaking or in connection with setting up a new industrial unit, subject to the stipulated limits
16. Section 72 of the Act provides that the business loss shall be carried forward to the following assessment year to be set off against the profits and gains of business and profession and the balance shall be allowed to be carried forward for next 8 assessment years subject to the provisions of the Act. Unabsorbed depreciation, if any, for any assessment year can be carried

forward and set off against any source of income of subsequent assessment years as per section 32 of the Act.

A (iii) Tax Rates

17. The normal tax rate applicable to the Company is 30%. Minimum alternate tax (MAT) rate applicable to the company is 18.5%

Surcharge at the rate of 5% is applicable, only if the total income exceeds Rs.1 Crore.

Education cess of 3% is chargeable on tax plus surcharge

A (iv) Dividend distribution tax

18. Tax on distributed profits of domestic companies is charged at 15% (plus applicable surcharge and education cess)

As per sub-section (1A) to section 115O, the domestic company will be allowed to set-off the dividend received from its subsidiary company during the financial year against the dividend distributed by it, while computing the DDT if:

- a. the dividend is received from its subsidiary;
- b. the subsidiary has paid the DDT on the dividend distributed;
- c. the domestic company is not a subsidiary of any other company.

Also, the same amount of dividend shall not be taken into account for reduction more than once.

For the purpose of this sub-section a company shall be a subsidiary of another company, if such other company holds more than half in nominal value of the equity share capital of the company.

B Benefits available to the shareholders of the Company under the Income Tax Act, 1961:

B (i) Special Tax Benefits available to Shareholders of the Company

There are no special tax benefits available to the members of the Company.

B (ii) General Tax Benefits available to Resident Shareholders

19. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O received from a domestic company is exempt from income tax.

However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, section 94(7) of the Act provides that losses arising from the sale/ transfer of shares purchases within a period of three months prior to the record date and sold/ transferred within three months after such date, will be ignored to the extent dividend income on such shares is claimed as tax exempt.

20. As per the provisions of section 10 (38) of the Act any Long Term Capital Gains arising from the transfer of shares, where the transaction of sale of such shares is entered into in a recognized stock exchange in India on or after October 1, 2004 and chargeable to Securities Transaction Tax, will be exempt from tax. The equity shares or units of an equity oriented fund are treated as long term assets if it is held for a period of more than 12 months prior to the date of transfer.

However the income by way of Long-term Capital Gains of a company shall be taken into account in computing the book profit and Income-tax payable under section 115JB of the Act.

21. Under section 48 of the Act, if the investments in shares are sold after being held for not less than twelve months, the gains, if any, will be treated as long-term capital gains and the gains will be calculated by deducting from the gross consideration, the indexed cost of acquisition and indexed cost of improvement. The indexed cost of acquisition / improvement refers to the cost of acquisition / improvement adjusted by the cost of inflation index, as prescribed from time to time.
22. Under section 112 of the Act, and other relevant provisions of the Act, long term capital gains (In case not covered under section 10(38) of the Act), arising on transfer of shares/ units, shall be taxed at a rate of 20% (plus applicable surcharge and education cess). The tax shall however, not exceed 10% (plus applicable surcharge and education cess) without indexation, if the transfer is with respect to a listed security.
23. In case of an individual or a Hindu Undivided Family, where the total taxable income as reduced by the long term capital gains is less than the basic exemption limit, the long term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be subject to tax in accordance with the proviso to sub section (1) of section 112 of the Act.
24. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax subject to the limit of Rs 50 lakhs in a year if the capital gains are invested in a “long term specified asset” within a period of six months after the date of such transfer.

For the above purposes a “long term specified asset” inter-alia means any bond, redeemable after three years and issued on or after the first day of April 2007 by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, or by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

25. As per the provisions of section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family will be exempt from tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years.
26. Short-term capital gains arising on transfer of the shares (i.e. held for less than 12 months) of the Company will be chargeable to tax at the rate of 15% (plus applicable surcharge and education cess) as per the provisions of section 111A of the Act, if securities transaction tax is chargeable on such transaction. In case of an individual or Hindu Undivided Family, where the total taxable income as reduced by short-term capital gains is below the basic exemption limit, the short-term

capital gains will be reduced to the extent of the shortfall and only the balance short-term capital gains will be subjected to such tax in accordance with the proviso to sub-section (1) of section 111A of the Act.

27. The short-term capital gains accruing to the shareholders of the Company from the transfer of the shares of the Company otherwise than as mentioned in Paragraph 26 above shall be chargeable to the capital gains tax at the normal tax rate applicable.
28. As per section 70 of the Act, Short Term Capital Loss suffered during the year is allowed to be set-off against short term as well as Long Term Capital Gain of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short term as well as long term capital gains. Long Term Capital Loss suffered during the year is allowed to be set-off against Long Term Capital Gains only. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' Long Term Capital Gains only.
29. Where the business income of an assessee includes profits and gains of business arising from transactions on which securities transaction tax has been charged, such securities transaction tax shall be deductible expense from business income as per the provisions of section 36(1)(xv) of the Income-Tax Act,1961.

B (iii) Tax Rates of Resident Shareholders:

30. (i) *Individuals, HUFs, BOI and Association of Persons:*

The income tax exemption limit for the assessment year 2012-13 is Rs.1, 80,000/-

(ii) *Women residents of India and below the age of 60 years:*

The income tax exemption limit for the assessment year 2012-13 is Rs.1,90,000/-

(iii) *Senior Citizens:*

- a) For individual residents of India above the age of 60 years but below 80 years, the income tax exemption limit for the assessment year 2012-13 is Rs.2,50,000/-
- b) For individual residents of India above the age of 80 years, the income tax exemption limit for the assessment year 2012-13 is Rs.5,00,000/-

There is no surcharge on tax for individuals

Education cess is 3% for all the above categories.

B (iv) General Tax Benefits available to Non-resident Indians / Non residents shareholders (Other than FIIs)

31. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O received from a domestic company is exempt from income tax.

However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such

expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, section 94(7) of the Act provides that losses arising from the sale/ transfer of shares purchases within a period of three months prior to the record date and sold/ transferred within three months after such date, will be ignored to the extent dividend income on such shares is claimed as tax exempt.

32. As per section 10(38) of the Act, long term capital gains arising to the shareholder from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund, where such transaction is chargeable to securities transaction tax, will be exempt in the hands of shareholders. However, the said exemption will not be available to a member being a company while computing the book profit and the tax payable under section 115JB of the Act.
33. In accordance with, and subject to section 48 of the Income-Tax Act, capital gains arising on transfer of shares of the Company which are acquired in convertible foreign exchange shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency as was initially utilised in the purchase of shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing / arising from every reinvestment thereafter and sale of shares of the Company.
34. As per section 111A of the Act, short term capital gains arising from the sale of equity shares or units of an equity oriented mutual fund, will be chargeable to tax at the rate of 15% (plus applicable surcharge and education cess), if securities transaction tax is chargeable on such transaction.
35. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax subject to the limit of Rs. 50 lakhs in a year if the capital gains are invested in a “long term specified asset” within a period of six months after the date of such transfer.

For the above purposes a “long term specified asset” inter-alia means any bond, redeemable after three years and issued on or after the first day of April 2007 by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, or by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

36. As per the provisions of section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family will be exempt from tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years after the date of transfer.
37. Where the business income of an assessee includes profits and gains of business arising from transactions on which securities transaction tax has been charged, such securities transaction tax shall be a deductible expense from business income as per the provisions of section 36(1)(xv) of the Income-Tax Act.

38. As per Section 70 of the Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long term capital gains.
39. The tax rates and consequent taxation mentioned below will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Double Taxation Avoidance Agreement ("DTAA") to the extent they are more beneficial to the non-resident.
40. Besides the above benefits available to non-residents, Non-Resident Indians (NRIs) have the option of being governed by the provisions of Chapter XII-A of the Income-Tax Act which *inter alia* entitles them to certain benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange.
41. As per section 115A of the Act, where the total income of a Non-resident (not being a company) or of a foreign company includes dividends (other than dividends referred to in section 115O of the Act), tax payable on such income shall be aggregate of amount of income-tax calculated on the amount of income by way of dividends included in the total income, at the rate of 20 per cent (plus applicable surcharge and education cess).
42. In accordance with section 115E of the Act, income from investment or income from long-term capital gains on transfer of assets other than specified asset shall be taxable at the rate of 20% (plus applicable surcharge and education cess). Income by way of long term capital gains in respect of a specified asset (as defined in section 115C (f) of the act), shall be chargeable at 10% (plus applicable surcharge and education cess).
43. In accordance with section 115F of the Act, subject to the conditions and to the extent specified therein, long-term capital gain arising from transfer of shares of the company acquired out of convertible foreign exchange, and on which securities transaction tax is not chargeable, shall be exempt from capital gains tax, if the net consideration is invested within six months of the date of transfer in any specified asset.
44. In accordance with section 115G of the Act, it is not necessary for a Non resident Indian to file a return of income under section 139(1), if his total income consists only of investment income earned on shares of the company acquired out of convertible foreign exchange or income by way of long term capital gains earned on transfer of shares of the company acquired out of convertible foreign exchange or both, and the tax has been deducted at source from such income under the provisions of Chapter XVII-B of the Act.
45. As per section 115H of the Act, where a non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are transferred or converted into money.

46. In accordance with section 115-I, where a Non Resident Indian opts not to be governed by the provision of chapter XII-A for any assessment year, his total income for that assessment year (including income arising from investment in the company) will be computed and tax will be charged according to the other provisions of the Income-tax Act.

B (v) General Tax Benefits available to Foreign Institutional Investors (FIIs)

47. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O received from a domestic company is exempt from income tax.

However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, section 94(7) of the Act provides that losses arising from the sale/ transfer of shares purchases within a period of three months prior to the record date and sold/ transferred within three months after such date, will be ignored to the extent dividend income on such shares is claimed as tax exempt.

48. As per section 10(38) of the Act, long term capital gains arising from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund, where such transaction is chargeable to securities transaction tax, will be exempt.
49. Under section 115AD(1)(b)(iii) of the Income-Tax Act, income by way of long-term capital gains arising from the transfer of shares held in the Company not covered under Paragraph 48 above will be chargeable to tax at the rate of 10% (plus applicable surcharge and education cess) without indexation benefit.
50. As per section 115AD read with section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15% (plus applicable surcharge and education cess).
51. Under section 115AD(1)(b)(ii) of the Income-Tax Act, income by way of short- term capital gains arising from the transfer of shares held in the Company not covered under Paragraph 50 above will be chargeable to tax at the rate of 30% (plus applicable surcharge and education cess).
52. The tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any between India and the country in which the FII has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.
53. As per Section 70 of the Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

54. Where the business income of an assessee includes profits and gains of business arising from transactions on which securities transaction tax has been charged, such securities transaction tax shall be a deductible expense from business income as per the provisions of section 36(1) (xv).
55. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax subject to the limit of Rs. 50 lakhs in a year if the capital gains are invested in a “long term specified asset” within a period of six months after the date of such transfer.

For the above purposes a “long term specified asset” inter-alia means any bond, redeemable after three years and issued on or after the first day of April 2007 by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, or by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

B (vi) General Tax Benefits available to Mutual Funds

56. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O received from a domestic company is exempt from income tax.

In view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, section 94(7) of the Act provides that losses arising from the sale/ transfer of shares purchases within a period of three months prior to the record date and sold/ transferred within three months after such date, will be ignored to the extent dividend income on such shares is claimed as tax exempt.

57. Under section 10(23D) of the Act, any income of:
- a. A Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under;
 - b. Such other Mutual Fund set up by a public sector bank or a public financial institution or authorized by the Reserve Bank of India and subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf will be exempt from income-tax.

B (vii) General Tax Benefits available to Venture Capital Companies / Funds

58. Any income received by venture capital companies or venture capital funds set up to raise funds for investment in a venture capital undertaking registered with the Securities and Exchange Board of India, subject to conditions specified in section 10(23FB) of the Act, is eligible for exemption from income-tax. However, the income distributed by the Venture Capital Companies/ Funds to its investors would be taxable in the hands of the recipient. As per Section 14A, no deduction shall be allowed in respect of expenditure incurred by the assessee in relation to income which does not form part of the total income under this Act. Also, Section 94(7) of the Act provides that losses arising from the sale/ transfer of shares or units purchases within a

period of three months prior to the record date and sold/ transferred within three months or nine months respectively after such date, will be ignored to the extent dividend income on such shares or units is claimed as tax exempt.

C Benefits available to the shareholders of the Company under the Wealth Tax Act, 1957

59. Shares of the company held by the shareholders will not be treated as an asset within the meaning of section 2 (ea) of the Wealth Tax Act, 1957. Hence, shares are not liable to wealth tax.

D Benefits available to the shareholders of the Company under the Gift Tax Act, 1958

60. 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 under the Gift Tax Act, 1958. However, as per section 56(1)(vii)(c) of the Income Tax Act, gift of shares to an individual or Hindu undivided family would be taxable in the hands of the donee as “Income From Other Sources” subject to the provisions of the Act.

Notes:

- i. The above statement of Possible Direct Tax Benefits sets out the possible tax benefits available to the Company and its 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.
- ii. The above Statement of possible tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or list of all potential tax consequences and the tax benefits listed above are not exhaustive.
- iii. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
- iv. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
- v. In view of the individual nature of tax consequences, each investor is advised to consult his/her/its own tax advisor with respect to specific tax consequences of his/her/its participation in the scheme.
- vi. The Direct Taxes Code (“Code”) has been presented in the Parliament for approval and once approved would be enacted as a law effective from 01 April 2012. The enclosed statement does not incorporate the effect of the same on the Company and its shareholders, as the Code has not yet been approved.

SECTION IV: ABOUT US

KEY INDUSTRY REGULATIONS AND POLICIES

The following description is a summary of the certain relevant regulations and policies, as prescribed by the central or state governments in India which are applicable to us. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designated nor intended to substitute for professional legal advice.

We are regulated by various general and sector-specific laws and regulations and policies in India, and are required to obtain certain licenses and approvals under the existing laws and regulations as applicable in order to carry on with our business. For details of such approvals, please see chapter entitled “Government Approvals” on page 182 of this Draft Letter of Offer.

Introduction

The following is an overview of the important laws and regulations which are relevant to our business. The automobile industry in India is regulated by following significant regulations and policies:

Regulations governing Automotive Industry

Automotive Mission Plan, 2006-2016

The automotive mission plan (“Plan 2006”) laid down by the Ministry of Heavy Industries and Public Enterprises in December 2006, consists of recommendations to the task force of the Development Council on Automobile and Allied Industries constituted by the Government of India, in relation to the preparation of the 10th five year mission plan for the Indian automotive industry. Plan 2006 recommends that a negative list of items, such as no duty concession for import of used or re-manufactured vehicles, or treatment of remanufactured automotive products as old products, shall be negotiated for free trade agreements or regional trade agreements on a case-to case basis with other countries. It recommends the adoption of appropriate tariff policy to attract more investment into the automobile industry, improvement of power infrastructure to facilitate faster growth of automotive sector both domestically and internationally, policy initiatives such as encouragement of collaboration of the automotive industry with research and academic institutions, tax concessions and incentives to enhance competitiveness in manufacturing, promote research and technology development. For the promotion of exports in the auto component sector, among other things, it recommends creation of special automotive component parks in special economic zones and creation of virtual special economic zones, which would enjoy certain exemptions on sales tax, excise and customs duty. Strengthening the inspection and certification system by encouraging public-private partnership and rationalization of the motor vehicles regulations are also among the major recommendations of the plan.

A committee set up under the chairmanship of the Secretary, Heavy Industries and Public Enterprises consisting of all stake holders including representatives of Ministry of Finance, Road Transport, Environment, Commerce, Industrial Policy and Promotion, Labour, Shipping, Railways, Human Resource Development, Science & Technology, New and Renewable Energy, Petroleum & Natural Gas and representatives of automotive industry will monitor the implementation and progress of the Plan 2006.

The Auto Policy, 2002

The Auto Policy was introduced by the Department of Heavy Industries, Ministry of Heavy Industries and Public Enterprises in March 2002, with the aim, among others, to promote a globally competitive automotive industry and emerge as a global source for auto components, establish an international hub for manufacturing small, affordable passenger cars, ensure a balanced transition to open trade at a minimal risk to the Indian economy and local industry, to conduce modernization of the industry and facilitate indigenous design, research and development and to develop domestic safety and environment standards at par with international standards.

Central Motors Vehicles Rules, 1989

Chapter V of the Central Motor Vehicle Rules, 1989 (**CMV Rules**) lays down the rules relating to construction equipment and maintenance of motor vehicles. Amongst specifications pertaining to dimensions, gears, indicators, reflectors, lights, horns, safety belts and others, the CMV Rules govern emission standards for vehicles operating on compressed natural gas (**CNG**), petrol, liquefied petroleum gas and diesel. The Bharat Stage-II mass emission standards (equivalent to Euro II norms) as defined under Rule 115 of the CMV Rules were applicable to all four wheels vehicles in all states and union territories with effect from April 1, 2005. However, *vide* notification dated May 21, 2010 issued by Department of Road Transport and Highways, Ministry of Shipping, Road Transport and Highways, Bharat Stage-II mass emission standards (norms equivalent to Euro III norms) were made applicable in respect of all four wheeled vehicles in the National Capital Region, Mumbai, Kolkata, Chennai, Bangalore, Hyderabad including Secunderabad, Ahmedabad, Pune, Surat, Kanpur, Agra, Lucknow and Sholapur (except in respect of four wheeled transport vehicles plying on inter-state permits or national permits of all India tourist permits within the jurisdiction of these cities). Manufacturers must comply with the emission standards as laid down in the CMV Rules from time to time and will be required to certify such compliance.

CMV Rules also requires the manufactures to comply with notifications in the Official Gazette, issued by Central Government to use such parts, components or assemblies in manufacture of such vehicle, of such standards as may be specified or the relevant standards as specified by the Bureau of Indian Standards.

Regulations governing Manufacturing Sector

The Factories Act, 1948

The Factories Act, 1948 (**Factories Act**) seeks to regulate labour employed in factories and makes provisions for the safety, health, and welfare of the workers. It applies to any “factory” which means any premises including the precincts thereof:

- (i) whereon ten or more workers are working, or were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on with the aid of power, or is ordinarily so carried on, or
- (ii) whereon twenty or more workers are working, or were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on without the aid of power, or is ordinarily so carried on.

Each State Government has rules in respect of the prior submission of plans and their approval for the establishment, registration and licensing of factories. The Factories Act provides that occupier of a factory i.e. the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors, must ensure the health, safety and welfare of all workers especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and

supervision to ensure workers' health and safety, cleanliness and safe working conditions. The Factories Act also provides for fines to be paid and imprisonment by the manager of the factory in case of any contravention of the provisions of the Factories Act.

The Employees State Insurance Act, 1948

The Employees State Insurance Act, 1948 (**ESI Act**) provides for certain benefits to employees in case of sickness, maternity and employment injury. The Act applies, to all factories (including factories belonging to the Government other than seasonal factories) and the appropriate Government may, in consultation with the Corporation and where the appropriate Government is a State Government, with the approval of the Central Government, after giving six months' notice of its intention of so doing by notification in the Official Gazette, extend the provision of this Act or any of them, to any other establishment or class of establishments, industrial, commercial, agriculture or otherwise. A factory or an establishment to which this Act applies will continue to be governed by this Act notwithstanding that the number of persons employed therein at any time falls below the limit specified by or under this Act or the manufacturing process therein ceases to be carried on with the aid of power. Under Section 2 (9), lay down a list of the employees who can be covered by this Act.

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 provides for the compulsory institution of contributory provident funds, pension funds and deposit linked insurance funds for employees. The act aims to ensure a retiral benefit to secure the future of the employee after retirement. It applies to every establishment which is a factory engaged in any industry specified in Schedule I and in which twenty or more persons are employed and to any other establishment employing twenty or more persons or class of such establishments which the Central Government may, by notification in the Official Gazette, specify, in this behalf. An establishment to which this Act applies will continue to be governed by this Act notwithstanding that the number of persons employed therein at any time falls below twenty.

The Payment of Wages Act, 1936

The Payment of Wages Act, 1936 (**Wages Act**) is a central legislation which applies to the persons employed in the factories and to persons employed in industrial or other establishments specified in sub-clauses (a) to (g) of clause (ii) of section 2 of the Wages Act. This Act does not apply on workers whose wages payable in respect of a wage period average 6500 a month or more. The Wages Act has been enacted with the intention of ensuring timely payment of wages to the workers and for payment of wages without unauthorized deductions.

A worker, who either has not been paid wages in time or an unauthorized deductions have been made from his/her wages, can file a claim either directly or through a trade union or through an Inspector under this Act, before with the Authority appointed under the Wages Act.

Industrial Disputes Act, 1947

The Industrial Disputes Act, 1947 (the "ID Act") provides the machinery and procedure for the investigation and settlement of industrial disputes and certain safeguards to the workers. The ID Act aims to improve the service conditions of industrial labour. It applies to industries as mentioned in Section 2 (j) and to all workmen as covered under Section 2 (s) of the Act.. When a dispute exists or is apprehended, the appropriate government is empowered to refer the dispute to the authorities mentioned under the ID Act in order to prevent the occurrence or continuance of the dispute. Reference may be made to a labour court, tribunal or arbitrator, as the case may be, to prevent a strike or lock –out while a proceeding is

pending. Wide powers have been given to the labour courts and tribunals under the ID Act while adjudicating a dispute to grant appropriate relief such as modification of contract of employment or to reinstate workmen with ancillary relief.

Workman's Compensation Act, 1923

The Workman's Compensation Act, 1923 provides that if personal injury is caused to a workman by accident arising out of and in the course of his employment, his employer would be liable to pay him compensation.

Payment of Gratuity Act, 1972

The Payment of Gratuity Act, 1972 provides for lump sum retirement benefits upon termination of the Employment and it applies to:

- (a) every factory, mine, oilfield, plantation, port and railway company;
- (b) every shop or establishment within the meaning of any law for the time being in force in relation to shops and establishments in a State, in which ten or more persons are employed, or were employed, on any day of the preceding twelve months;
- (c) such other establishments or class of establishments, in which ten or more employees are employed, or were employed, on any day of the preceding twelve months, as the Central Government may, by notification, specify in this behalf.

A shop or establishment to which this Act has become applicable will continue to be governed by this Act notwithstanding that the number of persons employed therein at any time after it has become so applicable falls below ten.

The employees should be employed for a period of five years on any day during an accounting year who is in 'continuous service' notwithstanding that his service has been interrupted during that period by sickness, accident, leave, absence without leave, lay-off, strike, lock-out or cessation of work not due to the fault of the employee is eligible for gratuity upon his retirement, superannuation, death or disablement.

Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 applies to every factory and every other establishment in which twenty or more persons are employed on any day during an accounting year. An employee in a factory is eligible for bonus provided he has worked for at least 30 working days in a year in a factory is eligible to be paid bonus from the 'allocable surplus' of the company.

Contravention of the Payment of Bonus Act by a company will be punishable by proceedings for imprisonment up to six months or a fine up to 1,000 or both against those individuals in charge at the time of contravention.

Maternity Benefit Act, 1961

The Maternity Benefit Act, 1961 provides that a woman who has worked for at least 80 days in the 12 months preceding her expected date of delivery is eligible for maternity benefits, which include leave for six weeks immediately preceding the scheduled date of delivery and average daily wages for this period. The maximum period for which any woman will be entitled to maternity benefit shall be 12 weeks. Contravention of this Act is punishable by imprisonment up to one year or a fine up to ₹ 5,000 or both.

Minimum Wages Act, 1948

The Minimum Wages Act, 1948 provides that the State Governments may stipulate the minimum wages applicable to a particular industry. Workers are to be paid for overtime at rates stipulated by the appropriate Government. Any contravention may result in imprisonment up to six months or a fine up to ₹ 500.

Contract Labour (Regulation and Abolition) Act, 1970

The Contract Labour (Regulation and Abolition) Act, 1970 applies to every establishment in which twenty or more workmen are employed or were employed on any day of the preceding twelve months as contract labour and to every contractor who employs or who employed on any day of the preceding twelve months twenty or more workmen. The Act requires the industry to be registered as a principal employer and prescribes certain obligations with respect to welfare and health of contract labourers.

It aims at the abolition of contract labour in some respects of the industries. It also lays down the basic welfare, health and first aid facilities that a contractor will have to provide. Any contraventions would attract a penalty of ₹ 1000 and imprisonment extended to 3 months.

Environmental Regulations

The major statutes in India which seek to regulate and protect the environment against pollution related activities in India include the Water (Prevention and Control of Pollution) Act 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Environment Protection Act, 1986 (**Environment Protection Act**). The basic purpose of these statutes is to control, abate and prevent pollution. In order to achieve these objectives, Pollution Control Boards (**PCBs**), which are vested with diverse powers to deal with water and air pollution, have been set up in each state. The PCBs are responsible for setting the standards for maintenance of clean air and water, directing the installation of pollution control devices in industries and undertaking inspection to ensure that industries are functioning in compliance with the standards prescribed. These authorities also have the power of search, seizure and investigation if the authorities are aware of or suspect pollution that is not in accordance with such regulations. All industries and factories are required to obtain consent orders from the PCBs, which are indicative of the fact that the factory or industry in question is functioning in compliance with the pollution control norms. These consent orders are required to be renewed annually.

The issue of management, storage and disposal of hazardous waste is regulated by the Hazardous Waste Management Rules, 1989 made under the Environment Protection Act. Under these rules, the PCBs are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility.

Water (Prevention and Control of Pollution) Act, 1981

The Water (Prevention and Control of Pollution) Act, 1981 (**Water Act**) prohibits the use of any stream or well for the disposal of polluting matter, in violation of standards set down by the state PCB. The Water Act also provides that the consent of the State PCB must be obtained prior to opening of any new outlets or discharges, for discharge sewage or effluent.

In addition, the Water Cess Act, 1977 requires a person carrying on any industry which involves the use of water to pay a cess in this regard. The person in charge is required to affix meters of certain prescribed

standards in order to measure and record the quantity of water consumed by such industry. Furthermore, a monthly return showing the amount of water consumed in the previous month must also be submitted.

Air (Prevention and Control of Pollution) Act, 1981

Air (Prevention and Control of Pollution) Act, 1981 (**Air Act**) under which any individual, industry or institution responsible for emitting smoke or gases by way of use as fuel or chemical reactions must apply in a prescribed form and obtain consent from the state pollution control board prior to commencing any activity. The state PCB is required to grant, or refuse, consent within four months of receipt of the application. The consent may contain conditions relating to specifications of pollution control equipment to be installed.

Within a period of four months after the receipt of the application for consent, the state PCB shall, by an order in writing, and for reasons to be recorded in the order, grant the consent applied for subject to such conditions and for such period as may be specified in the order, or refuse consent.

In addition, the Ministry of Environment and Forests looks into Environment Impact Assessment. The Ministry receives proposals for expansion, modernization and setting up of projects and the impact which such projects would have on the environment is assessed by the Ministry before it grants clearances for the proposed projects.

Hazardous Wastes (Management and Handling) Rules, 1989

The Hazardous Wastes (Management and Handling) Rules, 1989 fix the responsibility of the occupier and the operator of the facility that treats hazardous wastes to properly collect, treat, store or dispose the hazardous wastes without adverse effects on the environment. Moreover, they must take steps to ensure that persons working on the site are given adequate training and equipment for performing their work. When an accident occurs in a hazardous site or during transportation of hazardous wastes, then the SPCB has to be immediately alerted. If, due to improper handling of hazardous waste, any damage is caused to the environment, the occupier or the operator of the facility will have to pay for the necessary remedial and restoration expenses.

The Manufacture, Storage and Import of Hazardous Chemical Rules, 1989

The Manufacture, Storage and Import of Hazardous Chemical Rules, 1989 provide for various safeguards and handling of hazardous chemical in specific industries carrying on certain activities. These rules provide for safety standards to be observed in industries while handling such chemicals

Regulation of Foreign Investment

The Foreign Exchange Management Act, 1999

Foreign investment in India is governed primarily by the provisions of the Foreign Exchange Management Act, 1999 (**FEMA**), which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion (**DIPP**), Government of India which is regulated by the Foreign Investment Promotion Board (**FIPB**).

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 (“FEMA Regulations”) to prohibit, restrict or regulate, transfer or issue of any security to a person resident outside

India. As laid down by the FEMA Regulations, no prior consents and approvals are required from the RBI, for Foreign Direct Investment (**FDI**) under the 'automatic route' within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI.

The FDI Policy

Automatic approval for foreign equity investment up to 100% is allowed in the manufacture of automobile sector under the FDI Policy.

Regulation of Imports and Exports

Quantitative restrictions on imports into India were removed with effect from April 1, 2001, as per India's World Trade Organization (**WTO**) obligations, and imports of capital goods and automotive components were placed under the open general license category.

In addition, the Company is also regulated by the provisions of the Customs Act, 1962 and the Central Excise Act, 1944.

Excise Regulations

The Central Excise Act, 1944 seeks to impose an excise duty on excisable goods which are produced or manufactured in India. The rate at which such a duty is imposed is contained in the Central Excise Tariff Act, 1985. However, the Indian Government has the power to exempt certain specified goods from excise duty by notification. Steel products are classified under Chapter 72 of the Central Excise Tariff Act and presently attract an ad-valorem excise duty at the rate of 10% and also an education cess of 3% over the duty element.

Customs Regulations

All imports into India are subject to duties under the Customs Act, 1962 at the rates specified under the Customs Tariff Act, 1975. However, the Indian Government has the power to exempt certain specified goods from customs duty by notification. The customs duty on iron and steel items falling under Chapter 72 of the Custom Tariff Act, 1975 has been reduced sharply during the last five years. The current custom duty on non-alloy steel is 10%. The current basic custom duties on imports of raw materials range up to 10%.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association, we are required to have not less than three (3) directors and not more than twelve directors. As on September 30, 2011, we had ten (10) Directors on our Board.

The management of our Company vests with the Board of Directors comprising of industrialists, professionals and persons having industry experience. The Managing Director is the overall in charge of our Company. He is assisted by a team of senior personnel to manage the day to day affairs of our Company.

The following table sets out details regarding our Board as on September 30, 2011:

Sr. No	Name, Father's Name, Qualification, Occupation Address & DIN No.	Date of Birth & Age	Date of Appointment	Directorship in other Companies
1)	<p>Mr. R Seshasayee</p> <p>Father's Name: Mr. M S Ramaswamy</p> <p>Designation: Non-Executive Chairman Non-Independent Director</p> <p>Qualification: Chartered Accountant</p> <p>Occupation: Professional</p> <p>Address: Executive Vice Chairman Ashok Leyland Limited 1, Sardar Patel Road Guindy Chennai 600 032</p> <p>DIN: 00047985</p> <p>Term: Liable to retire by rotation</p>	<p>June 1, 1948</p> <p>63 years</p>	<p>March 30, 1998</p>	<p>Ashok Leyland Limited</p> <p>Ashley Alteams India Limited</p> <p>IndusInd Bank Limited</p> <p>Hinduja Group India Limited</p> <p>Hinduja National Power Corporation Ltd</p> <p>Irizar TVS Limited</p> <p>Infosys Technologies Ltd</p> <p>Nissan Ashok Leyland Power Train Limited</p> <p>Nissan Ashok Leyland Technologies Limited</p> <p>Ashok Leyland Nissan Vehicles Limited</p> <p>Hinduja Leyland Finance Limited</p> <p>Ashok Leyland Defence Systems Limited</p> <p>Hinduja Automotive Limited, United Kingdom</p> <p>Optare Plc, UK</p> <p>Hinduja Energy India Limited</p>
2)	<p>Mr. Dheeraj G Hinduja</p>	<p>July 27, 1971</p>	<p>September 5, 1998</p>	<p>Amas NP Holdings Ltd (Regd. in UK)</p>

Sr. No	Name, Father's Name, Qualification, Occupation Address & DIN No.	Date of Birth & Age	Date of Appointment	Directorship in other Companies
	<p>Father's Name: Mr. G P Hinduja</p> <p>Qualification: Graduate in Business Management</p> <p>Designation: Co-Chairman Non-independent Director</p> <p>Occupation: Industrialist</p> <p>Address: Hinduja Group (I) Limited "Hinduja House" 171, Dr Annie Besant Road Worli, Mumbai 400 018</p> <p>DIN: 00133410</p> <p>Term: Liable to retire by rotation</p>	40 years		<p>Amas NP Utilities Limited, (Regd. in UK)</p> <p>Ashok Leyland Limited</p> <p>Hinduja Group India Limited</p> <p>Hinduja Ventures Limited</p> <p>Hinduja Global Solutions Limited</p> <p>Hinduja National Power Corporation Limited</p> <p>Hinduja Automotive Limited, United Kingdom</p> <p>Defiance Technologies Limited</p> <p>Hinduja Leyland Finance Limited</p>
3)	<p>Mr. D J Balaji Rao</p> <p>Father's Name: Mr. D B Jagannath Rao</p> <p>Designation: Independent Non-Executive Director</p> <p>Qualification: B. E. (Mechanical) P.G. Diploma in Industrial Engineering</p> <p>Occupation: Professional</p> <p>Address: D 103, Adarsh Residency 47th cross, 2nd main 8th Block, Jaya Nagar Bangalore – 560 082</p> <p>DIN: 00025254</p> <p>Term: Liable to retire by rotation</p>	<p>December 15, 1939</p> <p>72 years</p>	March 30, 2004	<p>Bajaj Auto Limited</p> <p>3M India Limited</p> <p>Ashok Leyland Limited</p> <p>Bajaj Holdings and Investment Limited</p> <p>JSW Energy Limited</p> <p>Bajaj FinServ Limited</p> <p>CMI – FPE Limited</p> <p>Bajaj Finance Limited</p> <p>Graphite India Limited</p>

Sr. No	Name, Father's Name, Qualification, Occupation Address & DIN No.	Date of Birth & Age	Date of Appointment	Directorship in other Companies
4)	<p>Mr. Jean Brunol</p> <p>Father's Name: Mr Pierre Brunol</p> <p>Designation: Independent Non-Executive Director</p> <p>Qualification: Highest degree in Physics and Masters Degree in Business Administration</p> <p>Occupation: Professional</p> <p>Address: 34, BD Victor Hugo Nevilly Sur Seine 92200 France</p> <p>DIN: 03044965</p> <p>Term: Liable to retire by rotation</p>	<p>March 23, 1952</p> <p>59 years</p>	<p>April 30, 2010</p>	<p>Ashok Leyland Limited</p>
5)	<p>Mr. Jorma Antero Halonen</p> <p>Father's Name: Risto Antero Halonen</p> <p>Designation: Independent Non-Executive Director</p> <p>Qualification: Highest degree in Physics and Masters Degree in Business Administration</p> <p>Occupation: Professional</p> <p>Address: Holzaeckerlstr, 14 Kreuzlingen 8280 Switzerland</p> <p>DIN: 03516837</p>	<p>December 12, 1948</p> <p>63 Years</p>	<p>May 1, 2011</p>	<p>Ashok Leyland Limited</p> <p>Elektrobit, Oulu, Finland</p> <p>Permira, Stockholm, Sweden</p> <p>CPS Color, Helsinki, Finland</p> <p>TDM Friction, Leverkusen</p>

Sr. No	Name, Father's Name, Qualification, Occupation Address & DIN No.	Date of Birth & Age	Date of Appointment	Directorship in other Companies
	Term: Liable to retire by rotation			
6)	<p>Mr. F Sahami</p> <p>Father's Name: Mr. G R Sahami</p> <p>Designation: Non-Independent Director</p> <p>Qualification: Chartered Accountant</p> <p>Occupation: Professional</p> <p>Address: Finac Services Limited 16, Charles 2nd Street 3rd Floor London SW1Y 4QU United Kingdom</p> <p>DIN: 00151966</p> <p>Term: Liable to retire by rotation</p>	<p>April 26, 1937</p> <p>74 years</p>	<p>February 8, 1988</p>	<p>Finac Services Limited</p> <p>Ashok Leyland Limited</p> <p>Hinduja Automotive Limited, United Kingdom</p>
7)	<p>Mr. Narender Pahalajrai Nagpal</p> <p>Father's Name: Mr. Pahalajrai S Nagpal</p> <p>Designation: Non-Independent Director</p> <p>Qualification: Chartered Accountant Cost Accountant</p> <p>Occupation: Professional</p> <p>Address: Managing Director Primus Investment Advisors G-3, Ground Floor, Makers Chambers V Nariman Point Mumbai 400 021</p> <p>DIN:</p>	<p>December 29, 1967</p> <p>44 years</p>	<p>July 31, 2008</p>	<p>Primus Investment Advisors Private Limited</p>

Sr. No	Name, Father's Name, Qualification, Occupation Address & DIN No.	Date of Birth & Age	Date of Appointment	Directorship in other Companies
	00091765 Term: Liable to retire by rotation			
8)	Mr. S Ragothaman Father's Name: Mr. Sethumadadhava Rao Qualification: Chartered Accountant Designation: Independent Non-Executive Director Occupation: Management Consultant Address: C-3, Golden Gate Apartments New No.33, Old No.11, Habibullah Road, T. Nagar Chennai 600 017 DIN: 00042395 Term: Liable to retire by rotation	May 10, 1946 65 years	April 1, 1993	The Bombay Dyeing & Manufacturing Limited XPRO India Limited XPRO Global Limited Shreyas Shipping & Logistics Limited Sakthi Finance Limited Shreyas Relay Systems Limited
9)	Mr. Sridhar Venkiteswaran Father's Name: Mr. Venkiteswaran Shekaripuram Lakshminarayan Qualification: Bachelor of Engineer Designation: Independent Non-Executive Director Occupation: Professional & Consultant Address: C34, 3 rd Floor Panchsheel Enclave New Delhi 110 017	July 7, 1966 45 years	March 31, 2011	Stratbiz Consulting Pvt Ltd OC&C Strategy Consultants India Private Limited Rockman Industries Limited

Sr. No	Name, Father's Name, Qualification, Occupation Address & DIN No.	Date of Birth & Age	Date of Appointment	Directorship in other Companies
	DIN: 03499271 Term: Liable to retire by rotation			
10	Mr. B Swaminathan Father's Name: Mr. Krishna Balasubramanian Designation: Managing Director Qualification: Bachelor of Engineering Occupation: Professional Address: No. 5, First Avenue, Boat Club Road, Chennai 600 028 DIN : 02948177 Term: 2 years (May 1, 2011 to April 30, 2013)	April 24, 1947 64 years	May 1, 2011	AL Wind Energy Limited
11)	Mr. Y M Kale Father's Name: Mr. Madhusudan Kale Designation: Alternate Director to Mr. D G Hinduja, Non-independent Director Qualification: Chartered Accountant Occupation: Professional Address: Group President – Corporate Governance & Developments Hinduja Group India Limited “Hinduja House” 171, Dr Annie Besant Road	November 4, 1947 64 years	May 2, 2003	Oracle Financial Services Software Limited Gulf Oil Marine Limited Ashok Leyland Limited (Alternate) IndusInd Bank Limited (Alternate) Hinduja National Power Corporation Limited (Alternate)

Sr. No	Name, Father's Name, Qualification, Occupation Address & DIN No.	Date of Birth & Age	Date of Appointment	Directorship in other Companies
	Worli, Mumbai 400 018 DIN: 00013782			

Further, except as set out below none of our Directors are or were directors, during the preceding five years, in listed companies the shares of which have been or were suspended from being traded on the Bombay Stock Exchange Limited or the National Stock Exchange of India Limited or in companies which have been / were delisted from stock exchanges:

Name of the Company	Listed on	Date of Suspension on Stock Exchange(s)	Suspended more than three months:	Whether suspension revoked:	Term (along with relevant dates) of directorship in the above company(ies):
Sibar Software Services (India) Limited	BSE	May 19, 2004 *	Yes	No	13 months from October 1, 1999 to October 30, 2000

* The BSE website www.bseindia.com indicates that the last day on which the stock was traded was May 18, 2004.

Name of the Company	Listed on	Date of delisting on Stock Exchange(s)	Compulsory or voluntary delisting	Reasons for delisting	Whether relisted	Term (along with relevant dates) of directorship in the above company(ies):
Nil	Nil	Nil	Nil	Nil	Nil	Nil

Nature of Relationship

None of our other Directors are related to each other directly or indirectly. Further, none of our Directors were selected pursuant to any arrangement or understanding with major shareholders, customers or others.

Brief Biographies of Directors

Mr. R. Seshasayee is a Chartered Accountant and started his career with Hindustan Lever Limited in 1971. He joined Ashok Leyland in 1976. He was the Managing Director of Ashok Leyland from 1998 to March 31, 2001. Prior to serving as the Managing Director, he served as Ashok Leyland's Deputy Managing Director from 1993 and as its Executive Director 1983. He is the Executive Vice Chairman of Ashok Leyland Limited with effect from April 1, 2011.

He was the national President of CII during Fiscal 2007 and was Chairman of the Southern Region besides being on its National council for over 15 years. He has served on several government committees, including the JJ Irani Committee on Company Law. He was also a member of the Government of India delegation to Doha Ministerial Round of WTO in 2001 and Hongkong Ministerial Round in 2005.

He has also served on several professional committees such as Accounting Standards Committee and the Research Committee of the Institute of Chartered Accountants of India. He is also the Chairman of the Board of Governors of National Institute of Technology, Tiruchirapalli.

Mr. D. J. Balaji Rao is a Mechanical Engineer and holds PG diploma in Industrial engineering. He has also attended an Advanced Management Program at INSEAD, Fontainebleau, France. He pursued his career in engineering before joining ICICI in 1970 and became its Deputy Managing Director. He took over as Vice Chairman and Managing Director of SCICI Limited in 1996. He retired in 2000 as the Managing Director of Infrastructure Development Finance Company Limited. He was a nominee director of ICICI in Ennore Foundries Limited (as we were then known) till 1993 and was appointed as our Director in 2004.

Mr. Jean Brunol holds the highest general degree in Physics and a Masters Degree in Business Administration. Mr. Brunol joined Federal Mogul in 2005 and is in charge of worldwide Business and Operations Strategy as well as International Operations.

Mr. D. G. Hinduja is a graduate in Business Management and has international business experience. He is a member of the Hinduja family and is a Director of the Company since 1998.

Mr. S Ragothaman is an Independent Director in our Company. He is a Chartered Accountant by profession and was associated with ICICI Bank Limited for nearly 27 years and was involved across various functions such as Project Evaluation, Term Lending, etc. He has been a Director in our Company since April 1993.

Mr. F Sahami is a Non-independent Director in our Company. He is a Chartered Accountant by profession and has wide international experience in the fields of auditing, accounting and financial management. Mr. Sahami has been a Director in our Company since February 1988.

Mr. Narender Nagpal is a Non-independent Director in our Company. He is Chartered Accountant and Cost Accountant by qualification. Mr. Nagpal is the Managing Director of Primus Investment Advisors Private Limited. Prior to founding Primus, he was the Head – Research across various firms from 1996 to 2004 and the last position was Managing Director and Head –Equities, Deutsche Bank, India. Mr. Nagpal has been a Director in our Company since July 2008.

Mr. Sridhar Venkiteswaran holds a Bachelor's degree in science (Chemistry) and Masters Degree in Marketing Management. He is an entrepreneur and a key founding member and Director of the India based, Avalon Group, consisting of multiple entities along the information services value chain ranging from Strategy and Performance Improvement Consulting, Business Research and Marketing Analytics serving global clients with group revenues of approximately \$30mn in 2010 and employing in excess of 1200 people.

In a career spanning over 20 years, Mr. Venkiteswaran has been engaged by and developed lasting relationships with industrialists and senior management professionals in companies / groups like Dow Chemical, DSM, TVS & Sons, Ashok Leyland, Hero Group, Claris Life sciences, DCM Shriram Consolidated, Rane Group, Asahi India, Deepak Fertilisers etc.

Mr B Swaminathan was a Non-Independent Director in our Company, serving as Alternate Director to Mr. Anders Spare till March 29, 2011. He is an Engineer by qualification having 43 years of industrial experience in a number of companies viz. ITI Limited, HMT International Limited, TVS Group of

Companies, Robert Bosch (India) Limited, Toyota Kirloskar Auto Parts (P.) Limited and Bharat Forge Limited. Prior to joining our Company, he served as Group President-Technology and Development with Hinduja Group India Limited.

He is the Managing Director of the Company with effect from May 1, 2011.

Mr Jorma Antero Halonen is a Graduate with Bachelor of Science (Economics) from Hanken School of Economics, Helsinki, Finland. He has also completed several Post Graduation programmes in management and attended leading international seminars including the World Economic Forum. He has rich experience in industry-university partnership through varied experience including in Harvard University, M.I.T. Boston, and Stanford University.

He has the distinction of being Knighted, First Class of the Order of Lion of Finland in 2006. His experience spans across continents in several industries. He has rich and varied experience and has held Board level positions in Volvo, USA, Brazil, Sweden, Brussels, China as well as Renault Trucks, France, Nissan Diesel Motor Co. Ltd. Japan. He has also been a member of several automobile related technical and advisory committees. He is an Independent Director of the Company with effect from May 1, 2011.

Mr. Y. M. Kale (Alternate to Mr. D. G. Hinduja) was President of the Institute of Chartered Accountants of India (1995-1996) and is also a fellow member of the Institute of Chartered Accountants of England and Wales. He has contributed to various governmental and regulatory bodies such as the Securities & Exchange Board of India, the Committee of Offer Documents, the Committee of Takeovers and the Committee on Accounting for Corporates. He has participated as a member of the group for the Introduction of Concurrent Audit of Banks, which was organized by the RBI. He was also a member of the National Drugs and Pharmaceutical Development Council of the Government of India. He was also on the Board of the International Accounting Standards Committee from 1995 to 1998 as India's representative.

Arrangement / Understanding with major shareholders, customers, suppliers or others

None of our Directors or members of our senior management were selected pursuant to any arrangement / understanding with any of our shareholders, customers, suppliers or others.

Borrowing Powers of our Board

Pursuant to a resolution passed by our shareholders on July 20, 2011, in accordance with provisions of the Companies Act, our Board has been authorised to borrow sums of money for the purpose of business our Company upon such terms and conditions and with or without security as the Board of Directors may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by us shall not exceed, at any time, a sum of ₹ 75,000 lakhs.

Shareholding of Directors

Except as set out below none of our director holds Equity Shares in us.

Sr. No.	Name of the Director	No. of Equity Shares held
1.	Mr. Balaji Rao	290

Interests of Directors

All of our Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and

reimbursement of expenses, if any, payable to them under the Articles of Association, and to the extent of remuneration, if any, paid to them for services rendered as our officer or employee.

There are no service contracts pursuant to which our directors are entitled to any benefits upon termination of employment.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and Promoters, pursuant to this Issue. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Remuneration details of Directors

A. Remuneration of Managing Director of our Company

Set out below are details of remuneration paid during Fiscal 2011, to Mr. Mahadevan, our then Managing Director. Mr. Mahadevan resigned as Managing Director with effect from April 30, 2011:

(₹ in Lakhs)

Salary and Allowances	Contribution to PF and Other Funds	Perquisites	Commission	Total
82.80	4.10	25.80	0.00	112.70

As we provide for future liabilities of gratuity and leave encashment on an actuarial basis for all employees cumulatively, the amounts pertaining to the Managing Director are not ascertainable, separately and, therefore, not included above.

Set out below are details of the remuneration payable to Mr. Swaminathan, our Managing Director, during Fiscal 2012.

(₹ in Lakhs)

Salary and Allowances	Contribution to PF and Other Funds	Perquisites	Commission	Total
84.00	5.76	34.80	35.20*	159.76

* This is the maximum commission payable to the MD. Commission in the form of variable pay will be determined by our Remuneration Committee based on our performance, the performance of the MD. The commission will be computed as percentage of net profits.

As we provide for future liabilities of gratuity and leave encashment on an actuarial basis for all employees cumulatively, the amounts pertaining to the Managing Director are not ascertainable, separately and, therefore, not included above.

B. Remuneration details of Non-executive Directors

During Fiscal 2011, Non-executive Directors were paid sitting fees as under (excluding reimbursement of travel and other expenses incurred on company's business).

(₹ in lakhs)

Sr. No	Name	Position	Sitting Fees

1.	Mr. R.J. Shahaney (Director upto October 21, 2010)	Chairman	2.20
2.	Mr. D.G. Hinduja	Co-Chairman	2.00
3.	Mr. D.J. Balaji Rao	Director	2.60
4.	Mr. S. Ragothaman	Director	3.60
5.	Mr. Narender Pal	Director	0.60
6.	Mr. F. Sahami	Director	1.20
7.	Mr. R. Seshasayee	Chairman (from October 21, 2010)	3.20
8.	Mr. A. Spare	Director	1.00
9.	Mr. Prabal Banerji	Director	0.80
10.	Mr. B. Swaminathan	Director	0.20
11.	Mr. Jean Brunol	Director	0.40

Interest in promotion of the Issuer

Our Directors do not have any interest in the promotion of the Issuer.

Interest in property

Our Directors do not have any interest in our property acquired within two years preceding the date of this Draft Letter of Offer or proposed to be acquired by us.

Loans and Advances to Directors

Our Directors have not taken any loan from us. However, excess, remuneration paid to Managing Director, as under, has been shown as recoverable under loans and advances pending receipt of approval from the Government.

Our Managing Director, Mr. B. Swaminathan, is entitled to a gross remuneration of ₹ 118.80 lakhs (excluding statutory contributions and commission) for the current Financial Year i.e. Fiscal 2012, in accordance with the terms of his appointment and the terms of his service contract dated May 20, 2011, effective from May 1, 2011. While we believe that Mr. Swaminathan satisfies the criteria stipulated in the amendment of the Act on July 11, 2011, we have also made an application to the Ministry of Corporate Affairs, Government of India on 29 July 2011 seeking for an approval for the excess remuneration.

Our previous Managing Director of the Company Mr. V Mahadevan was paid a remuneration (including our contribution to provident fund (PF) and other funds) which was higher than the remuneration payable as per the provisions of the Companies Act by ₹ 1.73 lakhs and ₹16.48 lakhs, in Fiscal 2010 and Fiscal 2011, respectively.

The Government of India has approved the excess remuneration paid by way of its letters dated May 31, 2011 and July 28, 2011.

Terms of appointment of our Managing Director

Pursuant to the resolution passed by the members at the Annual General Meeting of our Company held on July 20, 2011, the terms and conditions of employment of B. Swaminathan, our Managing Director have been approved with effect from May 1, 2011 as under.

Tenure: 2 years from May 1, 2011 to April 30, 2013.

Remuneration

(₹ Lakhs)

Salary and Allowances	Contribution to Provident Fund and Other Funds	Perquisites	Commission	Total
84.00	5.76	34.80	35.20*	159.76

* This is the maximum commission payable to the MD. Commission in the form of variable pay will be determined by our Remuneration Committee based on our performance, the performance of the MD. The commission will be computed as percentage of net profits and will be subject to the overall ceiling in accordance with the Companies Act.

Perquisites

- In addition to the above remuneration, Mr. B. Swaminathan shall also be entitled to perquisites like house rent, furnishings, gas, cars, electricity and water, medical reimbursement for self and family, club subscription, medical insurance, personal accident insurance, group term insurance, LTA, driver's wages, etc. The annual value of these perquisites shall be restricted to an amount equal to the annual salary of Mr. B. Swaminathan.
- Company's contribution to PF: not exceeding 12% of the remuneration. Gratuity as per rules of the Company, and leave including encashment of leave at the end of the tenure as per company policy. These, however, shall not be included in the computation of limits on perquisites as aforesaid.
- In the event of loss or inadequacy of profits in any financial year during the tenure of Mr. B. Swaminathan as Managing Director, he shall be entitled to receive the above remuneration including allowances, perquisites etc., but excluding Commission as per the limits specified in Section II of Part II of Schedule XIII of the Companies Act, 1956 or such other limit as may be prescribed by the Government/ Companies Act, 1956 from time to time, as minimum remuneration. Any amount paid in excess of the limits, if any, prescribed by the Companies Act, or other applicable laws/ regulations shall be waived by us.

Corporate Governance

Compliance with Clause 49(I)(A)(iii) on independence of Directors

The following Independent Directors on our Board of Directors are also independent directors in one of our Promoters, Ashok Leyland Limited:

Sr. No.	Name	Status in Hinduja Foundries Limited	Status in Ashok Leyland Limited
1.	Mr. D J Balaji Rao	Independent	Independent
2.	Mr. Jorma Antero	Independent	Independent

Sr. No.	Name	Status in Hinduja Foundries Limited	Status in Ashok Leyland Limited
	Halonen		
3.	Mr. Jean Brunol	Independent	Independent

The basis behind classifying a director as independent or non-independent in a company is laid down in Clause 49(I) (A) (iii) of the Listing Agreement of the stock exchange. Accordingly, an independent director shall mean:

“A non-executive director of the company who:

- a. Apart from receiving director’s remuneration, does not have any material pecuniary relationships or transactions with the company, its Promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director;
- b. Is not related to Promoters or persons occupying management positions at the board level or at one level below the board;
- c. Has not been an executive of the company in the immediately preceding three Financial Years;
- d. Is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:
 - i) the statutory audit firm or the internal audit firm that is associated with the company, and
 - ii) the legal firm(s) and consulting firm(s) that have a material association with the company.
- e. Is not a material supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director.
- f. Is not a substantial shareholder of the company, i.e. owning two percent or more of the block of voting shares.
- g. Is not less than 21 years of age.”

In light of the above, we confirm that the above directors are fully compliant with each of the above requirements laid down under Clause 49(I) (A) (iii) in respect of their directorships in our promoter company and group companies, and therefore remain independent directors on our Board of Directors in line with the corporate governance provisions of the Listing Agreement.

Compliance with Clause 49(1) (C) (iv) on Composition of Board of Directors

We had 11 (eleven) Directors on our Board until October 21, 2010 comprising of 4 (four) independent directors and 7 (seven) non independent directors. The Chairman of our Board was non-executive, Independent director. Mr. R.J. Shahaney, non- executive Chairman and independent Director, resigned from his directorship in our Company on October 21, 2010. Pursuant to resignation of Mr. R.J. Shahaney, Mr R. Seshasayee, non-independent Director, Promoter Group was appointed as our Chairman in place of Mr. R.J. Shahaney.

Upon resignation of Mr. R.J. Sahaney, the strength was reduced to 10 (ten) directors comprising of 3 (three) independent directors and 7 (seven) non independent directors. Since Mr. Seshasayee, the Chairman, was a non independent Director, Promoter Group, one half of the Board must have comprised of independent directors for us to be in compliance with Clause 49 of the Listing Agreement. We should have ensured compliance with Clause 49 by April 19, 2011 i.e. being 180 days from October 21, 2010, when Mr. Seshasayee was appointed as the Chairman. In the interim, on December2, 2010 and March 29, 2011, Mr. Prabal Banerji and Mr. Andres Spare, respectively, both non independent directors, resigned

from the Board. Consequently, the total strength of the Board was reduced to 8 (eight) directors comprising of 3 (three) independent directors and 5 (five) non independent directors, thereby falling short of having 2 (two) independent directors in order to be compliant with Clause 49 of the Listing Agreement.

Immediately on Mr. Seshasayee assuming Chairmanship, we commenced efforts to identify and appoint the two independent directors required to ensure compliance with the Listing Agreement.

However, despite our best efforts, we were unable to identify any qualified person with necessary technical experience to hold the position of its independent director. Further, there is a dearth of professionally qualified independent directors in the country and listed companies, in general, are struggling to identify competent independent directors. Consequently, the Board was unable to appoint additional directors at its meeting held on March 11, 2011 as no final decision could be reached in respect of such appointments though reconstitution of the Board was one of the agenda items discussed by the Board.

After an extensive search, we identified Mr. Sridhar Venkiteswaran and Mr. Jorma Antero Halonen as independent directors. A number of discussions were held between us and Mr. Halonen which culminated on March 27, 2011, when Mr. Jorma Antero Halonen accepted our offer. However, while accepting the appointment he informed us that he could join the Board from May 1, 2011 only. Our Board, at its meeting held on March 31, 2011, considered the appointment of Mr. Sridhar Venkiteswaran and Mr. Jorma Antero Halonen as independent directors. Mr. Sridhar Venkiteswaran was appointed as director at the same Board meeting and joined the Board from that date itself. However, Mr. Halonen's appointment could not be finalized at the said Board meeting due to his inability to join the board before May 1, 2011.

Mr. Halonen has vast experience in similar businesses and has held Board level positions in Volvo (USA, Brazil, Sweden, Belgium and China) Renault Trucks, France and Nissan Diesel Motor Co. Ltd. Japan. He has also been a member of several automobile related technical and advisory committees. In 2006, Mr. Halonen was honoured with the distinction of Knight, First Class, of the Order of the Lion of Scotland. He has also been a member of the Defence Support Committee and the Air Force Support Committee, Helsinki, Finland. The Company, therefore, felt that Mr. Jorma Antero Halonen would bring in rich technical expertise and experience to the Board whose presence would greatly benefit us. Hence, when Mr. Halonen requested that he join the Board with effect from May 1, 2011 we acceded since we recognised the strength his presence would add to the Board.

Since Mr. Jorma Antero Halonen was formally appointed and joined the Board on May 1, 2011, we were not in compliance with Clause 49 of the Listing Agreement during the period from April 19, 2011 till May 1, 2011. In fact, the Board was scheduled to meet on May 20, 2011 as per the normal meeting schedule. However, we wanted to rectify the minor transgression, albeit for reasons beyond our control, at the earliest. Accordingly, the resolution for appointment of Mr. Halonen was passed as a circular resolution on May 2, 2011, appointing Mr. Jorma Antero Halonen as additional director effective from May 1, 2011, immediately after Mr. Halonen was available to join the Board. The said resolution by circulation was confirmed at the Board meeting held on May 20, 2011.

During said period from April 19, 2011 to May 1, 2011, we did not hold any Board meeting and hence did not take any decisions.

Audit Committee

Audit Committee monitors and supervises compliance of internal control systems and other financial disclosures in addition to the issues in respect of requirements specified by Company Law/ Stock Exchanges, etc. Our Audit Committee consists of Mr. D J Balaji Rao (Chairman), Mr. F. Sahami and Mr. S. Ragothaman.

All members of the Committee have vast experience in financial matters. The Mr. Balaji Rao was the Deputy Managing Director of ICICI Limited and was also Managing Director of IDFC Limited. The other two members of the Committee are finance professionals.

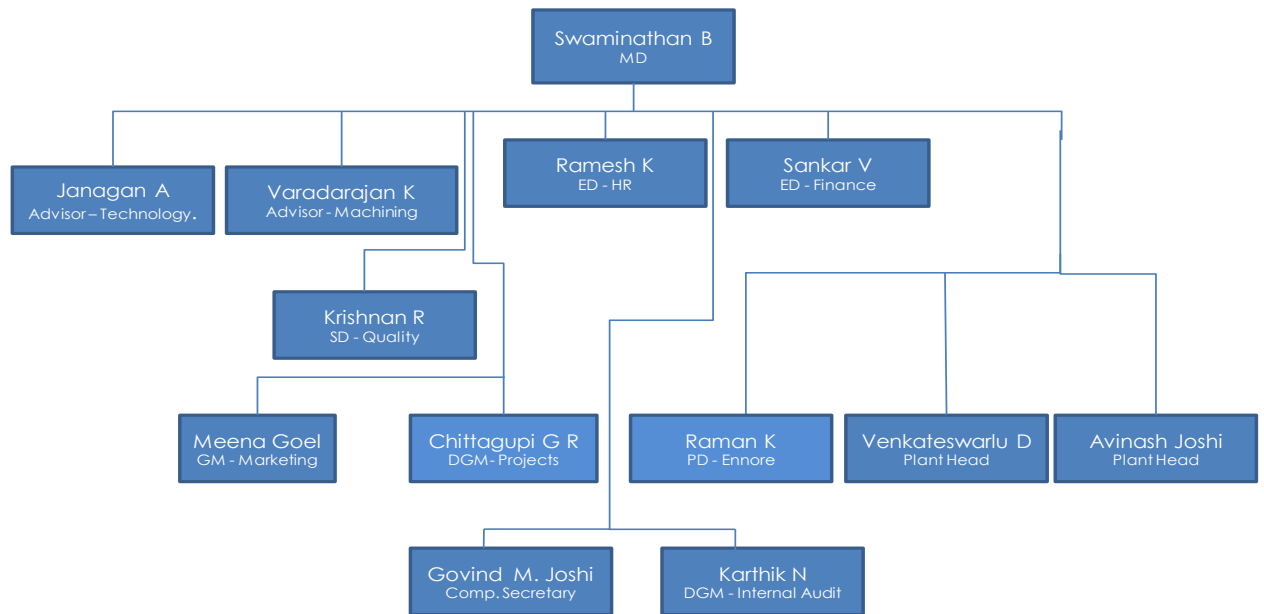
Remuneration Committee

This committee has been formed to determine the remuneration packages for our Managing Director, including the quantum of variable components and annual increments. Our Remuneration Committee comprises of Mr. S. Ragothaman (Independent Director and Chairman of the Committee), Mr. R Seshasayee and Mr. D G Hinduja.

Shareholders / Investors Grievance Committee

This Committee has been formed to look into the shareholders/ Investors complaints, if any, on matters such as transfer of shares, non-receipt of balance sheet, non-receipt of interest and redemption of debentures, etc. and approve issue of share certificates arising out of loss/ destruction, sub-division, consolidation, rematerialisation etc. Details of transfer, transmission and transposition of shares approved by the Managing Director are also placed before the Committee. Our Shareholders/ Investors Grievances Committee consists of Mr. R. Seshasayee (Chairman), Mr. S. Ragothaman and Mr. B. Swaminathan.

ORGANIZATIONAL CHART - HFL



SECTION V: FINANCIAL INFORMATION
FINANCIAL STATEMENTS

Auditors' report

To the Members of Hinduja Foundries Limited

1. We have audited the attached Balance Sheet of Hinduja Foundries Limited (“the Company”) as at March 31, 2011, the Profit and Loss account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor’s Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (“the Act”) we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books of account;
 - (c) the Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) on the basis of written representations received from the directors as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - (ii) in the case of the Profit and Loss account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of Cash Flow statement, of the cash flows for the year ended on that date.

for B S R and Company
Chartered Accountants
Firm registration No.:128900W

S Sethuraman

Partner

Membership No: 203491

Chennai

Date: May 20, 2011

Hinduja Foundries Limited

Annexure to Auditors' Report

The Annexure referred to in the auditors' report to the members of Hinduja Foundries Limited ("the Company") for the year ended March 31, 2011. We report that:

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme certain fixed assets were verified during the year and as explained to us, no material discrepancies were noticed on such verification.
(c) Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.
2. (a) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.
(b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material and the same have been properly dealt with in the books of accounts.
3. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories are for the Company's specialised requirements and similarly certain goods sold or services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
(b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above does not exceed the value of Rs. 5 lakh with any party during the year.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. The Central Government has not prescribed the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 for any of the products manufactured/services rendered by the Company.
9. (a) According to the information and explanations given to us and on the basis of our examination of the records of the company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues have been generally

regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund. There were no dues on account of cess under section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at March 31, 2011 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, the dues set out in Appendix I in respect of Excise duty, Service tax, and Sales tax have not been deposited by the Company on account of disputes.
10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
 11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debenture during the year.
 12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
 14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
 15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
 16. In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
 17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
 18. The Company has not made any preferential allotment of shares to companies / firms / parties covered in the register maintained under Section 301 of the Companies Act.
 19. According to the information and explanations given to us, the Company has not issued any debentures.
 20. The Company has raised money by way of public issue (Rights Issue) during the year as defined under SEBI (Disclosure and Investor Protection) Guidelines, 2000. We have verified the end-use of money raised by such public issue as disclosed in the notes to the financial statements.
 21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for B S R and Company

Chartered Accountants

Firm registration No.:128900W

S Sethuraman

Partner

Membership No: 203491

Chennai

Date: May 20, 2011

Appendix I as regards to Para 9 (b) of Annexure to the Auditors' Report

Name of the statute	Nature of dues	Amount in Rs. Lakhs	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944*	Excise Duty	83.77	1998-1999	Hon'ble High Court of Madras
Cenvat Credit Rules, 2004	Service Tax credits	14.74	2007-2008	Commissioner of Central Excise (appeals)
Cenvat Credit Rules, 2004	Service Tax credits	153.48	Oct 2008- Sep 2009	Customs, Excise and Service Tax Appellate Tribunal
Cenvat Credit Rules, 2004	Service Tax credits	246.60	Jun 2006 - Sep 2007	Customs, Excise and Service Tax Appellate Tribunal
Cenvat Credit Rules, 2004	Service Tax credits	137.56	Nov 2007 - Sep 2008	Customs, Excise and Service Tax Appellate Tribunal
Cenvat Credit Rules, 2004	Excise Duty	4.28	2007-2008	Commissioner of Central Excise (appeals)
Central Sales Tax Act, 1956**	Sales Tax	41.42	2004-2005	Appellate Deputy Commissioner (Commercial Taxes) – I
Central Sales Tax Act, 1956**	Sales Tax	5.52	2003-2004	Appellate Deputy Commissioner (Commercial Taxes) – I

* Excludes amount paid under protest of Rs. 61.13 Lakhs

** Excludes amount paid under protest aggregating to Rs. 31.55 Lakhs

Hinduja Foundries Limited
Balance Sheet as at March 31,
2011
(All amounts are in Indian rupees
in Lakhs, unless otherwise stated)

As at
March 31, 2011

As at
March 31, 2010

	Schedules	Rs. Lakhs	Rs. Lakhs
Sources of Funds			
Shareholders' Funds			
Share Capital	1.1	5,039.73	4,034.16
Reserves and Surplus	1.2	<u>35,812.21</u>	<u>31,098.04</u>
		40,851.94	35,132.20
Loan Funds			
Secured Loans	1.3	30,701.24	23,675.59
Unsecured Loans	1.4	26,355.38	20,858.70
Deferred Tax Liability (net)	1.5	1,004.19	907.00
		<u> </u>	<u> </u>
	Total	<u><u>98,912.75</u></u>	<u><u>80,573.49</u></u>
Application of Funds			
Fixed Assets			
	1.6		
Gross Block		70,367.17	63,187.48
Less: Accumulated Depreciation / Amortisation		<u>16,572.88</u>	<u>14,089.45</u>
Net Block		53,794.29	49,098.03
Capital Work-in-progress (CWIP)		<u>10,283.16</u>	<u>10,622.51</u>
		64,077.45	59,720.54
Investments	1.7	1,204.38	2.50
Current Assets, Loans and Advances			
Inventories	1.8	14,418.40	12,611.83
Sundry Debtors	1.9	20,854.46	13,029.06
Cash and Bank Balances	1.10	65.74	83.90
Other Current Assets	1.11	931.35	407.18
Loans and Advances	1.12	<u>8,012.32</u>	<u>7,101.97</u>
		<u>44,282.27</u>	<u>33,233.94</u>

Less: Current Liabilities and Provisions

Current Liabilities	1.13	10,236.23	11,947.02
Provisions	1.14	<u>748.66</u>	<u>457.81</u>
		<u>10,984.89</u>	<u>12,404.83</u>
Net Current Assets		33,297.38	20,829.11
Miscellaneous Expenditure (to the extent not written off or adjusted)	1.15	333.54	21.34
		<u>98,912.75</u>	<u>80,573.49</u>
Total		<u>98,912.75</u>	<u>80,573.49</u>

Notes to Financial Statements 3

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

for B S R and Company
Chartered Accountants
Firm Regn. No : 128900W

For and on behalf of the Board of Directors

S Sethuraman
Partner
Membership No : 203491

R Seshasayee
Chairman

B Swaminathan
Managing Director

V V Naresh
Company Secretary

V Sankar
Chief Financial Officer

Place : Chennai
Date : May 20, 2011

Hinduja Foundries Limited
Profit and Loss Account for the
year ended March 31, 2011
(All amounts are in Indian rupees
in Lakhs, unless otherwise stated)

Year Ended
March 31, 2011

Year Ended
March 31, 2010

	Schedules	Rs. Lakhs	
		Rs. Lakhs	Rs. Lakhs
Income			
Gross Sales Less Returns		60,577.25	42,408.47
Less: Excise duty		<u>5,461.00</u>	<u>3,261.93</u>
Net Sales Less Returns	2.1	55,116.25	39,146.54
Conversion charges	2.2	0.10	7.92
Other Income	2.3	<u>569.15</u>	<u>991.95</u>
		55,685.50	40,146.41
Expenditure			
Materials consumed	2.4	27,634.30	20,126.63
(Increase) / Decrease in inventories	2.5	(1,481.22)	(2,706.97)
Power and Fuel		8,332.48	5,576.66
Other Expenses	2.6	<u>14,512.19</u>	<u>11,296.70</u>
		<u>48,997.75</u>	<u>34,293.02</u>
		6,687.75	5,853.39
Less:			
Finance charges (Net)	2.7	3,733.12	3,697.73
Depreciation / amortisation		2,432.57	2,116.98
Less: Transfer from revaluation reserve	3.2.3	<u>15.15</u>	<u>25.93</u>
		2,417.42	2,091.05
Profit before prior period items and taxes		<u>537.21</u>	<u>64.61</u>
Prior period items		<u>307.63</u>	<u>-</u>
Profit before taxes		<u>844.84</u>	<u>64.61</u>
Provision for tax			
Current tax		162.00	15.00
Less: Minimum alternative tax entitlement credit		(162.00)	(15.00)
Deferred tax		97.19	30.00

		97.19	30.00
Profit after tax		747.65	34.61
Balance brought forward from previous year		45.43	10.82
Surplus carried to Balance Sheet		793.08	45.43
Basic and diluted earnings per share of face value ₹10/- each	3.21	2.09	(0.48)
Notes to Financial Statements	3		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

for B S R and Company
Chartered Accountants
 Firm's Regn. No : 128900W

For and on behalf of the Board of Directors

S Sethuraman
Partner
 Membership No : 203491

R Seshasayee
Chairman

B Swaminathan
Managing Director

V V Naresh
Company Secretary

V Sankar
Chief Financial Officer

Place : Chennai
 Date : May 20, 2011

Hinduja Foundries Limited**Cash Flow Statement as at March 31, 2011**

(All amounts are in Indian rupees in Lakhs, unless otherwise stated)

	March 31, 2011	March 31, 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit / (loss) before tax	844.84	64.61
Adjusted for		
Depreciation / Amortisation	2,417.42	2,091.05
Finance charges (net)	3,733.12	3,697.73
Prior period item (finance charges)	(307.63)	-
(Profit) on disposal of Fixed assets	(19.00)	(3.26)
Amortisation of VRS Expenses	-	149.20
Unrealised exchange variations(Net)	77.74	(280.66)
Provision for doubtful debts (Net of write back)	33.52	
	<u>5,935.17</u>	<u>(5.47)</u>
Operating profit before working capital changes	6,780.01	5,713.20
Changes in		
Trade and other receivables	(8,893.50)	(5,815.14)
Inventories	(1,806.57)	(2,854.42)
Trade Payables	(1,450.76)	
	<u>(12,150.83)</u>	<u>5,021.11</u>
Cash generated from operations	(5,370.82)	2,064.75
Direct taxes paid - net of refunds	(143.06)	(11.06)
Net cash from generated / (used in) operating activities	<u>(5,513.88)</u>	<u>2,053.69</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including CWIP)	(5,702.81)	(7,454.01)
Purchase of investments	(1,201.88)	-
Proceeds from sale of fixed assets	23.67	22.30
Interest received	94.92	25.77
Net Cash used in investing activities	<u>(6,786.10)</u>	<u>(7,405.94)</u>

**C. CASH FLOW FROM FINANCING
ACTIVITIES**

Proceeds from issue of share capital	5,027.87	-
Share issue expense	(40.63)	(18.81)
Proceeds from borrowings	39,789.05	9,930.80
Repayment of borrowings	(27,266.72)	(611.10)
Finance charges	<u>(5,227.75)</u>	<u>(3,911.30)</u>
Net cash generated from financing activities	<u>12,281.82</u>	<u>5,389.59</u>
Net change in cash and cash equivalents	(18.16)	37.34
Cash and Cash Equivalents - Opening Balance	83.90	46.56
Cash and Cash Equivalents - Closing Balance	65.74	83.90

Components of cash and cash equivalents Refer Schedule 1.10

As per our report of even date

for B S R and Company
Chartered Accountants
Firm's Regn. No : 128900W

For and on behalf of the Board of Directors

S Sethuraman
Partner
Membership No : 203491

R Seshasayee
Chairman

B Swaminathan
Managing Director

V V Naresh
Company Secretary

V Sankar
Chief Financial Officer

Place : Chennai
Date : May 20, 2011

Hinduja Foundries Limited Schedules to the Balance Sheet (All amounts are in Indian rupees in Lakhs, unless otherwise stated)	As at March 31, 2011	As at March 31, 2010
	₹ Lakhs	₹ Lakhs
1.1 Share Capital		
Authorised		
50,000,000 (Previous Year 30,000,000) equity shares of ₹10/-each	5,000.00	3,000.00
4,500,000 (Previous Year 4,500,000) Preference shares of ₹100/- each	<u>4,500.00</u>	<u>4,500.00</u>
	<u><u>9,500.00</u></u>	<u><u>7,500.00</u></u>
Issued		
28,843,118 (Previous year 18,787,369) equity shares of ₹10/- each [Refer Note (a) below]	2,884.31	1,878.74
1,500,000 (Previous year 1,500,000) 6% Redeemable non-convertible cumulative preference shares of ₹100/- each [Refer Note (b) below]	1,500.00	1,500.00
1,000,000 (Previous year 1,000,000) 6% Redeemable non-convertible cumulative preference shares of ₹100/- each [Refer Note (c) below]	<u>1,000.00</u>	<u>1,000.00</u>
	<u><u>5,384.31</u></u>	<u><u>4,378.74</u></u>
Subscribed and paid up		
28,730,711 (Previous year 18,674,962) equity shares of ₹10/- each fully paid-up [Refer Note (a) below]	2,873.07	1,867.50
1,500,000 (Previous year 1,500,000) 6% Redeemable Non-convertible cumulative preference shares of ₹100/- each fully paid [Refer Note (b) below]	1,500.00	1,500.00
1,000,000 (Previous year 1,000,000) 6% Redeemable Non-convertible cumulative preference shares of ₹100/- each fully paid [Refer Note (c) below]	<u>666.66</u>	<u>666.66</u>
	<u><u>5,039.73</u></u>	<u><u>4,034.16</u></u>

Note:

a) Of the 28,730,711 (Previous year 18,674,962) equity shares:

i. 358,857 equity shares were allotted as fully paid-up pursuant to a contract for consideration other than cash in earlier years.

ii. 14,814,609 (Previous year 9,629,496) equity shares are held by the holding company, Hinduja Automotive Limited, UK.

iii. 2,142,476 equity shares (Previous year 2,142,476) were allotted as fully paid up Bonus Shares by capitalisation of general reserve, share premium and capital reserve in earlier years.

iv. During the current year, 10,055,749 equity shares were issued pursuant to a rights issue made. Such shares were fully subscribed and paid up.

b) 1,500,000 6% Redeemable non-convertible cumulative preference shares of ₹ 100/- each issued to Ashok Leyland Limited on 19th March 1999 are redeemable at par during the period April 2011 to April 2013.

c) 1,000,000 6% Redeemable non-convertible cumulative preference shares of ₹ 100/- each issued to Ashok Leyland Limited on 12th November 2003 are redeemable at par during the period April 2008 to April 2010. Out of the above, an amount of ₹333.33 has been redeemed in April 2008. Redemption due on April 2009 and April 2010 has been rescheduled to April 2012 and April 2013, respectively.

1.2 Reserves and Surplus

Capital Redemption Reserve		333.33		333.33
Securities Premium				
At the commencement of the year	10,930.22		10,949.03	
Add: Premium of allotment of shares	4,022.30		-	
Less: Utilisation towards rights issue expenses	40.63	14,911.89	18.81	10,930.22
Fixed assets revaluation reserve				
At the commencement of the year	18,899.81		18,925.74	
Less: Incremental depreciation for the year on revaluation)	15.15		25.93	
		18,884.66		18,899.81
General reserve		889.25		889.25
Profit and loss account		793.08		45.43
		<u>35,812.21</u>		<u>31,098.04</u>

Hinduja Foundries Limited
Schedules to the Balance Sheet
(All amounts are in Indian rupees
in Lakhs, unless otherwise stated)

As at
March 31, 2011

As at
March 31, 2010

Rs. Lakhs

Rs. Lakhs

1.3 Secured Loans

Term loans

From Banks	20,000.00	15,436.02
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Other loans from Banks:

Working capital loan	355.00	1,255.00
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Cash credit	10,346.24	6,972.49
-------------	-----------	----------

Others

Finance lease obligation
(Refer Note No. 3.11)

-	12.08
---	-------

<u>30,701.24</u>	<u>23,675.59</u>
------------------	------------------

Repayable within 12 months

- Term Loans	3,000.00	2,666.66
--------------	----------	----------

The term loan of Rs. Nil (Previous year Rs. 4,717.54) from Karur Vysya Bank was secured by a pari passu first charge on the fixed assets of the Company.

The term loan of Rs. Nil (Previous year Rs. 6,551.82) from IDBI Bank was secured by a pari passu first charge on the fixed assets of the Company.

The term Loan of Rs. Nil (Previous year Rs. 1,666.66) from State Bank of Travancore was secured by hypothecation of fixed assets and movable properties by way of pari passu First charge along with other term loan lenders.

The term loan of Rs. 20,000 (Previous year Rs. Nil) from ICICI Bank is secured by Equitable mortgage and first charge over all the fixed assets of the Company including movable properties and immovable properties (both present and future) and second charge on the current assets of the Company.

The term loan of Rs. Nil (Previous year Rs. 2,500) from Canara Bank was secured by pari passu first charge on the entire fixed assets and also pari passu second charge on the current assets of the Company.

The working capital loan and cash credit from bankers are secured by a first charge on current assets and a pari passu second charge on the fixed assets of the Company.

1.4 Unsecured Loans

External Commercial

Borrowing from a bank	8,930.00	9,028.00
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Intercorporate Deposit	-	7,200.00
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Short term loan from banks	<u>17,425.38</u>	<u>4,630.70</u>
----------------------------	------------------	-----------------

<u>26,355.38</u>	<u>20,858.70</u>
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	Repayable within 12 months	14,402.20	11,830.70
1.5	Deferred Tax Liability (net)		
	Deferred Tax Liabilities		
	Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	<u>3,281.00</u>	<u>2,819.00</u>
	Gross Deferred Tax Liabilities	3,281.00	2,819.00
	Deferred Tax Assets		
	Unabsorbed Depreciation	(2,220.50)	(1,851.00)
	Provision for doubtful debts	(56.00)	(56.00)
	Others	<u>(0.31)</u>	<u>(5.00)</u>
	Gross Deferred Tax Assets	<u>(2,276.81)</u>	<u>(1,912.00)</u>
	Deferred Tax Liability (net)	<u><u>1,004.19</u></u>	<u><u>907.00</u></u>
1.6	Refer the next page for the Fixed asset schedule		

Hinduja Foundries Limited											
Schedules to the Balance Sheet											
(All amounts are in Indian rupees in Lakhs, unless otherwise stated)											
1.6 Fixed Assets											
										₹ Lakhs	
Description	Cost				Depreciation / Amortisation				Net Block as at March 31, 2011	Net Block as at March 31, 2010	
	As at April 1, 2010	Additions ***	Deductions	As at March 31, 2011	As at April 1, 2010	For the year		Deductions			As at March 31, 2011
						on cost *	on revalued amount				
TANGIBLE ASSETS											
Freehold Land @ # \$	22,496.15	-	-	22,496.15	-	-	-	-	-	22,496.15	
Leasehold Land	1,660.41	-	-	1,660.41	138.55	50.66	-	-	189.21	1,521.86	
Buildings @ &	8,658.90	357.06	-	9,015.96	1,855.53	254.76	14.21	-	2,124.50	6,891.37	
Plant and Machinery @	22,306.66	1,980.71	-	24,287.37	8,570.01	1,606.65	-	-	10,176.66	13,736.65	
Service Installations @	2,060.36	4.08	-	2,064.44	771.11	152.12	-	-	923.23	1,289.25	
Electrical Installations @ ^	2,244.99	3.68	-	2,248.67	684.87	92.44	0.94	-	778.25	1,560.12	
Patterns and Dies	1,006.04	4,223.30	2.04	5,227.30	569.23	125.30	-	1.18	693.35	4,533.95	
Fixtures	467.21	17.96	-	485.17	162.52	24.35	-	-	186.87	298.30	
Office Furniture	288.99	19.52	0.30	308.21	73.11	19.22	-	0.42	91.91	216.30	
Office Machinery	999.10	145.44	0.73	1,143.81	414.69	126.89	-	1.18	540.40	603.41	
Motor Vehicles **	232.14	21.58	7.40	246.32	83.30	21.69	-	3.02	101.97	144.35	

INTANGIBLE ASSETS											
Technical Know how / Process know how	618.96	416.83	-	1,035.79	618.96	-	-	-	618.96	416.83	-
Goodwill	147.57	-	-	147.57	147.57	-	-	-	147.57	-	-
	63,187.48	7,190.16	10.47	70,367.17	14,089.45	2,474.08	15.15	5.80	16,572.88	53,794.29	49,098.03
Capital Work-In-Progress at Cost *										10,283.16	10,622.51
										64,077.45	59,720.54
Previous year figures	62,112.45	1,105.84	30.81	63,187.48	11,983.84	2,091.45	25.93	11.77	14,089.45	59,720.54	-

\$ As at March 31, 2009 the Company had revalued its entire freehold land of manufacturing units at Ennore and Uppal. These were revalued to reflect the current value of the same based on Valuation Report of Registered Value dated 25th May, 2009. The valuation has been carried based on the present market price and/ or the guideline value. The difference of ₹18,573.40 between the revalued amount and book value thereof has been credited to Fixed Assets Revaluation Reserve.

@ includes upward revaluation made on 31st March 1992.

Acquired Land from Andhra Pradesh Industrial Infrastructure Corporation Limited on 09.08.2007 for a consideration of ₹1,500. As per the terms of "Agreement for Sale", the registration of the land in favour of the Company will be completed only if the company commences commercial production within two years from the date of allotment of land, but the Andhra Pradesh government has extended the period till 31st March 2012.

** Includes Assets on Lease: Cost ₹ Nil (Previous Year ₹71.72); Written Down Value ₹ Nil (Previous year ₹55.03). - Refer Note 3.11 of Schedule 3

& Buildings include Cost: ₹145.37 (previous year ₹ 145.37) and Written Down Value ₹ 116.72 (previous year ₹ 115.41) in respect of expenditure incurred on capital assets, the ownership of which does not vest in the Company.

^ Electrical installations include Cost: ₹ 98.17 (previous year ₹ 98.17) and Written Down Value ₹46.76 (previous year ₹ 50.84) in respect of expenditure incurred on capital assets, the ownership of which does not vest in the Company.

* Depreciation on assets capitalized relating to TCU / SPU project, amounting to ₹ Nil / 56.66 (previous year 0.40 / Nil) is debited to Capital Work In Progress Account.

*** Consequent to realignment in the rupee value on foreign exchange, there has been a decrease of ₹98 (Previous year decrease of ₹1,162) in the Company's liability for repayment of External Commercial Borrowings. Additions to fixed assets are net of this exchange gain.

1.7 Investments - Non-Trade - Unquoted (Cost less provision for diminution in value, if any)

Long Term

25,000 shares (Previous year 25,000) of Rs.

10/- each in OPG Energy (P) Ltd

2.50

2.50

12,018,750 equity shares (Previous year Nil) of Rs. 10/- each in AL Wind Energy Ltd

1,201.88

-

1,204.38

2.50

1.8 Inventories

Stores and Spare parts

1,672.67

1,379.17

Raw Materials

1,814.61

1,687.79

Work-in-progress

10,462.83

8,811.02

Finished Goods

111.94

282.53

Bought out materials

66.67

92.26

Materials-in-transit

289.68

359.06

14,418.40

12,611.83

1.9	Sundry Debtors (Unsecured) *		
	Over six months:		
	Considered good	3,708.49	3,617.73
	Considered doubtful	<u>168.70</u>	<u>138.50</u>
		3,877.19	3,756.23
	Less: Provision for doubtful debts	<u>168.70</u>	<u>138.50</u>
		3,708.49	3,617.73
	Other debts - Considered good	<u>17,145.97</u>	<u>9,411.33</u>
		<u>20,854.46</u>	<u>13,029.06</u>
	Included in Sundry Debtors are:		
	Dues from companies under the same management		
	Ashok Leyland Limited	8,941.86	6,446.82
	* Includes accrued revenue	1,853.04	1,179.62
1.10	Cash and Bank Balances		
	Cash in hand	3.16	2.66
	Balance with Scheduled banks		
	On current accounts	10.23	14.73
	On deposits	50.90	65.05
	On unpaid dividend account	<u>1.45</u>	<u>1.46</u>
		<u>65.74</u>	<u>83.90</u>
1.11	Other Current Assets (Unsecured and considered good)		
	Insurance claim	524.17	-
	Amount Recoverable from TNEB (Refer note no 3.3)	<u>407.18</u>	<u>407.18</u>
		<u>931.35</u>	<u>407.18</u>

**Loans and Advances
(Unsecured and
1.12 considered good)**

Advances recoverable in cash or in kind or for value to be received *	4,802.50	3,560.38
Interest accrued on deposits	39.34	37.81
MAT Credit entitlement	470.45	308.45
Advance payments of tax (net of provisions)	493.20	504.67
Balance with customs, central excise etc	942.43	1,295.99
Deposits	<u>1,264.40</u>	<u>1,394.67</u>
	<u>8,012.32</u>	<u>7,101.97</u>

* Includes capital advances 405.90 152.50

Included in Loans and
Advances are:
Dues from a company under
the same management

Ashok Leyland Limited Maximum amount outstanding during the year	296.04	397.99
	296.04	397.99

Due from Managing Director of the Company (Refer note no 3.19) Maximum amount outstanding during the year	18.21	45.84
	45.84	45.84

1.13 Current Liabilities

Dues to Micro and Small Enterprises (Refer Note 3.6)	-	-
Dues to Creditors other than Micro and Small Enterprises	7,373.24	7,393.31
Advance from Customer	-	2,500.00
Other Liabilities	2,754.56	2,001.66
Unclaimed Fixed Deposits *	0.02	0.25
Unclaimed Interest on Fixed Deposits *	0.12	0.12
Unclaimed Equity Dividend *	1.45	1.46
Interest accrued but not due on loans	<u>106.84</u>	<u>50.22</u>
	<u>10,236.23</u>	<u>11,947.02</u>

* There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund as on March 31, 2011.

1.14 Provisions

Provision for compensated absences	101.14	81.81
Provision for Gratuity (Refer Note 3.20)	<u>647.52</u>	<u>376.00</u>
	<u>748.66</u>	<u>457.81</u>

1.15 Miscellaneous Expenditure (to the extent not written off or adjusted)

(i) Voluntary retirement scheme costs		
Opening as the beginning of the year	-	149.20
Less: Amortisation	<u>-</u>	<u>149.20</u>
	<u>-</u>	<u>-</u>

(ii) Ancillary borrowing costs		
Opening as the beginning of the year	21.34	-
Add: Additions during the year	417.68	30.00
Less: Amortisation	<u>105.48</u>	<u>8.66</u>
	<u>333.54</u>	<u>21.34</u>

Hinduja Foundries Limited
Schedules to the Profit and Loss
Account
(All amounts are in Indian rupees
in Lakhs, unless otherwise stated)

Year Ended
March 31, 2011
₹ Lakhs

Year Ended
March 31, 2010
₹ Lakhs

2.1 Sales less Returns	Tonnes	Tonnes
Ferrous Castings	72,790 49,829.71	57,074 34,864.62
Non-ferrous Castings	380 904.95	613 1,227.61
Other (Miscellaneous Order Jobs - Quantification not feasible)	4,381.59	3,054.31
	<u>55,116.25</u>	<u>39,146.54</u>
2.2 Conversion charges		
Non-ferrous castings	- 0.10	14 7.92
	<u>0.10</u>	<u>7.92</u>
2.3 Other Income		
Profit on disposal of assets	19.00	3.26
Claim for refund of electricity tax on maximum demand charges (Refer note no 3.3)	-	407.18
Provision no longer required written back	-	119.28
Insurance claim on loss of profit	400.95	-
Exchange variation (Net)	-	330.29
Miscellaneous Income	149.20	131.94
	<u>569.15</u>	<u>991.95</u>

2.4 Materials consumed

i) Raw materials consumed:

Opening Stock	1,687.79	1,956.23
Add: Purchases	<u>18,789.25</u>	<u>13,429.88</u>
	20,477.04	15,386.11
Less: Closing stock	<u>1,814.61</u>	<u>1,687.79</u>

ii) Stores and spares consumed	18,662.43	13,698.32
	8,216.04	5,619.37

iii) Bought out materials	<u>755.83</u>	<u>808.94</u>
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	<u>27,634.30</u>	<u>20,126.63</u>
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2.5 (Increase) / Decrease in inventories:

Opening:

Work-in-progress	8,811.02	6,329.89
Finished Goods	<u>282.53</u>	<u>56.69</u>
	<u>9,093.55</u>	<u>6,386.58</u>

Closing:

Work-in-progress	10,462.83	8,811.02
Finished goods	<u>111.94</u>	<u>282.53</u>
	<u>10,574.77</u>	<u>9,093.55</u>

	<u>(1,481.22)</u>	<u>(2,706.97)</u>
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Hinduja Foundries Limited
Schedules to the Profit and Loss
Account
(All amounts are in Indian rupees
in Lakhs, unless otherwise stated)

Year Ended
March 31, 2011
₹ Lakhs

Year Ended
March 31, 2010
₹ Lakhs

2.6 Other Expenses

Salaries, Wages and Bonus *		7,779.76		6,132.09
Contribution to Provident, Gratuity, Superannuation and Other Funds		1,074.35		791.42
Compensation under voluntary retirement scheme		-		149.20
Welfare expenses **		1,381.00		1,176.35
Rent		38.88		31.22
Rates and taxes		129.04		63.13
Repairs and maintenance of plant and machinery ***		1,052.04		693.89
Repairs and maintenance of buildings ****		87.60		61.88
Insurance		39.07		40.89
Directors' sitting fees		17.80		20.00
Audit fees and expenses \$				
- Audit fees	12.00		12.00	
- Tax audit	2.00		2.00	
- Certifying statements to Government and others	5.03	#	2.75	
- Out of pocket expenses	1.16	##	1.79	
		20.19		18.54
Increase / (decrease) of Excise duty on Inventory (Refer note no 3.23)		(11.70)		24.48
Provision for doubtful debts (Net of writeback)		33.52		(5.47)
Fettling / Machining Charges		2,159.51		1,427.74
Other expenses		2,445.81		1,237.50
		<u>16,246.87</u>		<u>11,862.86</u>
Less: Expenditure capitalised		<u>(1,734.68)</u>		<u>(566.16)</u>
		<u>14,512.19</u>		<u>11,296.70</u>
* Includes Research and Development		2.54		2.30

**Includes Stores consumed	110.84	240.60
***Includes Stores consumed	828.66	424.11
****Includes Stores consumed	38.76	7.26
# Amounts paid to erstwhile auditors		
# Includes ₹0.36 paid to erstwhile auditors		
\$ As regards audit fees for the year ended March 31, 2010 ₹6.30 paid towards Certification work in connection with Rights Issue to the erstwhile auditors has been adjusted against securities premium account.		

2.7 Finance charges (net)

(i) Interest on fixed loans

To Banks	3,111.01	2,539.21
ii) Other Interest		
To Banks	1,852.54	1,726.35
To Others @	(95.30)	(54.94)
	<u>4,868.25</u>	<u>4,210.62</u>
Less: Expenditure capitalised for the year 2010-11	(1,135.13)	(512.89)
	<u>3,733.12</u>	<u>3,697.73</u>
@ Net of interest received from Customers/Others(Refer Note 3.5)	103.92	56.95

Hinduja Foundries Limited

Notes to financial statements for the year ended March 31, 2011

Schedule 3 to the financial statements

3.1 Background of the Company

Hinduja Foundries Limited ('the Company') was incorporated in the year 1959 and commenced commercial production in the year 1961. The Company is a part of the Hinduja group of companies and is listed in the Bombay, Madras and National Stock Exchanges. The Company is primarily engaged in the business of manufacture of grey iron and aluminium gravity die-castings for automobiles, compressors, industrial engines, power generators, and tractors, as well as for defence and marine applications.

3.2 Significant Accounting Policies

3.2.1 Basis of Preparation

The financial statements of the Company have been prepared and presented in accordance with the Generally Accepted Accounting Principles ("GAAP") under the historical cost convention (except in

respect of revalued fixed assets) on accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 other pronouncements of Institute of Chartered Accountants of India and the provisions of Companies Act, 1956 to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to existing accounting standards requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an on-going basis.

3.2.2 Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period, reported balances of assets and liabilities, and disclosure of contingent assets and liabilities as at the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

3.2.3 Fixed Assets and depreciation

Fixed assets are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Net increase in fixed assets on account of revaluation is credited to the Revaluation Reserve account.

Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation on fixed assets is provided using the straight-line method based on useful economic life as estimated by the management or at the rates prescribed under Schedule XIV of the Companies Act, 1956 whichever is higher

For the following assets the depreciation rates are higher than the rates prescribed by Schedule XIV:

	<u>Rates</u> <u>(SLM)</u>
Plant and machinery	10.34– 25%

Individual assets costing Rs. 5,000/- or less are depreciated in full in the year of purchase.

The incremental depreciation on account of enhancement in the value of major fixed assets on revaluation is charged against Fixed Assets Revaluation Reserve.

Assets acquired under Hire Purchase/Finance Lease agreements are capitalized and finance charges thereon are expensed over the period of agreements.

Developmental costs relating to Leasehold land is amortized over the period of 33 years.

Intangibles

Intangible assets comprise of acquired goodwill, acquired technical know-how and internally generated intangibles relating to development of methodologies, frameworks, and processes.

Acquired goodwill and technical know-how are stated at acquisition cost. Internally generated intangible assets are stated at cost that can be measured reliably during the development phase and when it is probable that future economic benefits that are attributable to the assets will flow to the Company.

Goodwill, technical know-how fees and process know how are amortized using the straight-line method over a period of five years.

3.2.4 Inventory

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost includes all taxes and duties, but excludes duties and taxes that are subsequently recoverable from tax authorities.

The methods of determining cost of various categories of inventories are as follows:

Description	Method of determining cost
Raw materials, stores and spares and bought out materials	Moving weighted average
Work in progress and finished goods	Moving weighted average and including an appropriate share of overheads

3.2.5 Borrowing costs

Borrowing costs (including amortization of ancillary borrowing costs) that are directly attributable to the acquisition or construction of qualifying fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized as part of the cost of such assets. Other borrowing costs are recognized as expense in the period in which they are incurred.

3.2.6 Employee benefits

Gratuity liability is a defined benefit obligation and is provided for based on actuarial valuation performed in accordance with the projected unit credit method, as at the balance sheet date and is funded with Life Insurance Corporation of India(LIC).

Short term compensated absences / leave encashment are provided for based on the eligible leave at credit on the balance sheet date and the estimated cost is based on the terms of the employment contract. Long term compensated absences are provided for based on actuarial valuation as at the balance sheet date using projected unit credit method.

Eligible employees of the Company relating to Ennore Unit, receive benefits from the provident fund, which is a defined benefit plan. Both the employee and the Company make monthly contributions to the Ennore Foundries Limited Employees' Provident Fund Trust. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

The Guidance on implementing AS 15, Employee Benefits issued by the Accounting Standards Board (ASB) provides that exempt provident funds which require employers to meet the interest shortfall are in effect defined benefit plans. The Company believes that it is not practicable to determine the interest shortfall obligation. The computation of liability and disclosure in accordance with the provisions of AS 15 cannot be implemented.

Contributions to Provident fund (other than relating to Ennore Unit of the Company), Employee pension fund (other than relating to Ennore Unit of the Company), Superannuation fund and cost of other benefits are charged to the Profit and Loss Account of the year when the contributions to the

respective funds are due. The Company has no further obligations under the plan beyond its monthly contributions.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

3.2.7 Revenue recognition

Revenue comprises sale of castings and design and development of patterns and tools. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured and is expected to be received.

Revenue from the sale of castings are recognized when all significant risks and rewards of ownership to the buyer, which generally coincides with dispatch of goods. The amount recognized as sale is exclusive of sales tax.

Income from development of patterns and tools and other incidental works is recognised in accordance with the percentage of completion method.

Revision in prices subsequent to sale is recognised when accepted by the customers.

Interest income on deposits and interest bearing securities is recognized on the time proportionate method.

Insurance claims are recognized when the amount thereof can be measured reliably and ultimate collection is reasonably certain

3.2.8 Income Taxes

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. However, where there is unabsorbed depreciation or carry forward of losses under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realization of such assets. Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably / virtually certain that future taxable income will be available against which such deferred tax assets can be realized.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

3.2.9 Foreign Currency transactions

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transactions or rates that approximates the exchange rate prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. Exchange differences arising on foreign exchange transactions during the year and on restatement of monetary assets and liabilities are recognized in the profit and loss account of the year.

Pursuant to the notification G.S.R. 225(E) of the Ministry of Corporate Affairs issued on March 31, 2009, the Company has exercised the irrevocable option granted under the said notification.

Accordingly, exchange fluctuations on all long term monetary items so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and is depreciated over the balance life of such assets. All other exchange fluctuations on long term monetary items are accumulated in 'foreign currency monetary item translation difference account' in the Company's financial statements and amortized over the balance period of such long term asset/liability but not beyond March 31, 2011 (or such other extended period as may be permitted by law)

3.2.10 Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year.

As at the reporting date, the Company has not issued any potential equity shares, and accordingly, the basic earnings per share and diluted earnings per share are the same.

3.2.11 Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

3.2.12 Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

3.2.13 Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is neither related to the construction activity nor is incidental thereto charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.

3.2.14 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

3.2.15 Investments

Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

3.2.16 Cash flow statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated

3.3 Claim for refund of electricity tax on maximum demand charges amounting to ₹ 407.18 Lakhs represents electricity tax paid for the period September 1991 to November 2009 recoverable from Tamil Nadu Electricity Board (TNEB). The amount has been accounted based on a Supreme Court decision delivered in May 2007 and legal opinions obtained by the Company.

3.4 Rights issue

Consequent to the approval of the members in their meeting held on July 29, 2009, the Company offered for subscription 10,055,749 equity shares of Rs. 10/- each at a premium of Rs. 40/- per share aggregating to Rs. 5027.87, to the existing shareholders on a rights basis, in the ratio of 7 equity shares for every 13 fully paid up equity shares. The issue was fully subscribed and the allotment has been made during the year.

The details of utilisation of rights issue proceeds arising from allotment made in April 2010 are stated below:

Particulars	Envisaged in letter of offer	Amount utilised till March 31, 2011	Amount remaining to be utilised*
Proposed capital expenditure to be incurred at our facilities	2,576.75	1,023.94	1,552.81
Repayment of loans	2,401.12	2,401.12	-

* Pending utilisation, the Company has utilised the funds to reduce the bank overdraft in accordance with the letter of offer.

3.5 Tax deducted at source from conversion charges is Rs. Nil (Previous year Rs. 0.34) and from interest income earned is Rs. 7.47 (Previous Year Rs. 12.18).

3.6 The management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2011 has been made in the financial statements based on information received and available with the Company and relied upon by auditors. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material.

3.7 **Capital Commitments and Export obligations**

	2010-11	2009-10
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	643.00	4,942.39
(b) Export obligations on account of duty free import of capital goods	15,155.89	15,094.18

3.8 **Contingent liabilities**

	2010-11	2009-10
(a) Revision in property tax contested by the Company in the High Court of Madras	-	21.30
(b) Surcharge on self generation of power)	44.46	40.73
(c) Dividend on 6% Redeemable preference shares	391.66	130.00
(d) Sales tax, income tax and excise related matters)	1,324.82	683.41

(e) The Tamil Nadu Government has issued notification levying additional charge on High Tension Industries, having Arc furnaces at 25% of the power consumption effective from 1st December 2001 till 15th March 2003. Pursuant to this notification all companies which have an arc furnace will have to pay additional surcharge on their power consumption when these furnaces emit effluents exceeding certain thresholds. Though the Company has not received any demand in this regard, the notification has been challenged by the Company before the High Court of Madras. The High Court has granted interim stay.

Subsequently, Tamil Nadu Electricity Regulatory Commission ('TNERC') passed an order imposing 15 % Arc furnace additional charge effective from March 16, 2003. The Company also filed an affidavit stating that it had installed in 1999, harmonic filters to contain the harmonic levels. The Hon'ble Madras High Court after hearing the case on October 8, 2003, directed Tamil Nadu Electricity Board ('TNEB') to verify the installation of harmonic filters by the Company and report back the status. Though the verification is done, TNEB has not filed the

report in the High Court and the case is yet to come up for further hearing. The Management believes that the final impact is not ascertainable pending the receipt of report from TNEB.

In the opinion of the management, no provision is considered necessary for the disputes mentioned above on the grounds that there are reasonable chances of successful outcome of appeals.

3.9 Related Party disclosure

List of parties where control exists

Holding Company: Hinduja Automotive Limited (formerly 'LRLIH Ltd'), UK

Fellow Subsidiary: Ashok Leyland Limited

Associate Company: AL Wind Energy Limited

Entity under common control Nissan Ashok Leyland Powertrain Limited

Other related party

Key Managerial Personnel: Mr. V Mahadevan, Managing Director.

Transactions/balance with related parties

Particulars	Relationship	2010-11	2009-10
Sales of goods/Services	Fellow Subsidiary	26,064.46	20,020.97
Purchases of materials	Fellow Subsidiary	1,285.00	584.26
Amount Receivable	Fellow Subsidiary	8,941.86	6,446.82
Loan availed and repaid during the year	Fellow Subsidiary	-	5,900.00
Advance received /(repaid)during the year	Fellow Subsidiary	(2,500.00)	2,500.00
Advances receivable	Fellow Subsidiary	296.04	397.99
Amount Payable	Fellow Subsidiary	196.91	192.20
Advance Received	Entity under common control	-	85.00
Advance from customer	Fellow Subsidiary	-	2,500.00
Managerial Remuneration	Key Managerial personnel	112.70	97.72
Advances to Directors *		18.21	45.84

*Being the excess Managerial Remuneration paid to Managing Director as disclosed in Note No 3.19.

3.10 Segment Reporting

The Company's business is confined to only castings. Accordingly, the Company operates in a single business segment. Further, the Company markets its products primarily in the domestic markets. Hence there are no reportable geographical segments.

3.11 Details of Lease Payments due - For acquisition of a vehicle

i) Reconciliation of Total minimum Lease payment and their present value

Particulars	2010-11	2009-10
Total minimum Lease payments	-	12.08
Less : Future liability on account of interest	-	0.86
Present value of payments	-	11.22

ii) Future Lease Rentals payable

Particulars	2010-11	2009-10
As at the Balance Sheet date	-	12.08
Not later than one year	-	12.08
Later than one year and not later than five years	-	-

3.12 Raw Materials Consumed

Particulars	2010-11		2009-10	
	Tonnes	Value	Tonnes	Value
Pig Iron	3,646	896.92	2,664	546.70
Steel Scrap	57,132	11,471.17	41,563	8,175.08
Iron Scrap	18,502	3,307.09	14,101	2,656.98
Carboriser	2,259	647.86	1,706	420.99
Ferro Alloys	2,298	1,900.34	1,722	1,204.35
Aluminium Alloy	351	439.05	762	694.22
Total	84,187	18,662.43	62,518	13,698.32

3.13 Consumption of Raw Materials, Stores & Spares and Bought out materials

	2010-11		2009-10	
	% of total	Value	% of total	Value

	Consumption		Consumption	
Imported	1.27%	364.29	15.33%	3,190.10
Indigenous	98.73%	28,248.27	84.67%	17,608.50
Total	100.00	28,612.56	100.00%	20,798.60

3.14 Finished Goods

		2010-11		2009-10	
		Tonnes	Value	Tonnes	Value
a)	Opening Stock				
	Ferrous Castings	314	209.61	20	18.97
	Non-Ferrous Castings	36	72.92	17	37.72
b)	Closing Stock				
	Ferrous Castings	169	111.94	314	209.61
	Non-Ferrous Castings	-	-	36	72.92

3.15 Capacity and Production

	2010-11		2009-10	
	Installed Capacity (Tonnes)	Production (Tonnes)	Installed Capacity (Tonnes)	Production (Tonnes)
Ferrous and Non-Ferrous Castings*	125,000	72,989	125,000	58,014
*Includes Production on conversion basis	-	-	-	14

Licensed Capacity is not applicable.

Note:

The production figures shown are balancing figures, ascertained on the basis of opening stock, sales (net of returns) and closing stock.

3.16 Value of Imports (Calculated on CIF basis)

Particulars	2010-11	2009-10
Raw Materials	367.52	1,584.89
Stores and Spare parts	49.57	55.67

Capital Goods	675.11	3,376.57
---------------	--------	----------

3.17 Expenditure in Foreign Currencies (on accrual basis)

Particulars	2010-11	2009-10
Travelling*	18.44	2.84
Consultants Fees*	17.90	-
Interest on External Commercial Borrowings	257.13	210.55

*Included in Schedule 2.6 ('other expenses')

3.18 Earnings in foreign currency (on accrual basis)

Particulars	2010-11	2009-10
Export – FOB Value	123.61	6.63

3.19 Information regarding Managerial remuneration

a) Managing directors remuneration

Particulars	2010-11	2009-10
Salary	82.80	69.84
Contribution to Provident and Other Funds	4.10	3.88
Perquisites or benefits	25.80	24.00
Total	112.70	97.72

- 1) As the future liabilities of gratuity and leave encashment are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the Managing Director is not ascertainable separately and therefore not included above.
- 2) The remuneration paid for the year is higher than the maximum remuneration allowable by Rs. 16.48
- 3) During the previous year., the Company paid Managerial remuneration of Rs. 93.84, which was in excess by Rs. 45.84. Pending the receipt of Central Government approval, the Company had shown such excess managerial remuneration amounting to Rs. 45.84 as recoverable under Sch. 1.12 as at 31 March 2010. During the year, the Company has received the approval from Central Government for Rs. 44.11 which has been charged off to the current year profit & loss account and balance of Rs. 1.73 is considered as recoverable.

The Company has filed an application with the Central Government requesting for approval of the excess amount of Rs. 1.73 and Rs. 16.48 relating to the years 2009-10 and 2010-11, respectively.

Pending such approval, the aggregate amount of Rs. 18.21 has been shown as recoverable under Schedule 1.12 of the financial statements.

b) Director sitting fees paid during the year amounting to Rs. 17.80 (Previous year: Rs. 20)

3.20 Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days basic salary (based on last drawn remuneration) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summaries the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

Profit and Loss account

Net employee benefit expense (Recognised in Employee Cost)

Particulars	2010-11	2009-10
Current service cost	199	314
Interest cost on benefit obligation	177	168
Expected return on plan assets	(147)	(135)
Net actuarial(gain) / loss recognized in the year	51	(134)
Net benefit expense	280	213
Actual return on plan assets	171	150

Balance sheet

Reconciliation of present value of the obligation and the fair value of plan assets .

Particulars	2010-11	2009-10
Fair value of plan assets at the end of the year	1,932	1,912
Present value of funded obligation at the end of the year	(2,579)	(2,288)
Asset/(Liability) recognized in the balance sheet	(647)	(376)

Changes in the present value of the defined benefit obligation are as follows:

Particulars	2010-11	2009-10
Present value of obligations as at the beginning of year	2,288	2,030
Interest cost	177	168

Current Service cost	199	314
Benefits paid	(161)	(105)
Actuarial (Gain) / Loss on obligation	76	(119)
Present value of obligations as at the end of year	2,579	2,288

Changes in the fair value of plan assets are as follows:

Particulars	2010-11	2009-10
Fair value of plan assets at beginning of year	1,912	1,626
Expected return on plan assets	147	135
Contributions	9	241
Benefits paid	(161)	(105)
Actuarial gain on plan assets	25	15
Fair value of plan assets as at end of year	1,932	1,912

Experience adjustments in:

Particulars	2010-11	2009-10
Plan Liabilities loss / (gain)	76	(119)
Plan Assets (loss) / gain	25	15

The principal assumptions used in determining gratuity and other post-employment benefit obligations for the Company's plans are shown below:

Particulars	2010-11	2009-10
	%	
Discount rate	8	8
Expected rate of return on assets	8	8
Salary escalation	3	3

The fund is administered by Life Insurance Corporation of India. The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The details with respect to the composition of investments in the fair value of plan assets have not been disclosed in the absence of the aforesaid information.

3.21 Earnings per share

Particulars	2010-11	2009-10
Net profit/ (loss) as per the profit and loss account	747.65	34.61
Less: Dividend attributable to preference shareholders (including tax)	151.59	152.09
Net loss as per the profit and loss account after preference dividend	596.06	(117.48)
Weighted average number of equity shares outstanding as at the end of the year	28,502,926	24,573,639
Basic and diluted earnings per share	2.09	(0.48)

3.22 Expenditure incurred on projects during Construction period (including amounts grouped under Capital work in progress)

a) Project: Greenfield Foundry, Sriperumbuddur

Particulars	As at April 1, 2010	Incurred 2010-11	Capitalised to fixed assets	As at March 31, 2011
Traveling and conveyance	48.81	-	-	48.81
Interest	581.82	1,318.28	639.86	1,260.24
Professional and consultancy charges	307.28	-	-	307.28
Others	170.43	57.13	-	227.56
Total	1,108.34	1,375.41	639.86	1,843.89

b) Project: Tooparan Castings Unit, Hyderabad

Particulars	As at April 1, 2010	Incurred 2010-11	Capitalised to fixed assets	As at March 31, 2011
Salaries and wages	313.82	120.09	-	433.91
Travelling and conveyance	13.39	-	-	13.39
Interest	436.28	162.75	-	599.03

Rent	3.39	-	-	3.39
Rates and taxes	15.04	-	-	15.04
Compound wall	131.35	239.77	371.12	-
Depreciation on assets capitalized	0.87	-	-	0.87
Professional and consultancy charges	-	1.73	-	1.73
Others	41.53	6.38	-	47.91
Total	955.67	530.72	371.12	1,115.27

3.23 Disclosure of Revenue from Sales Transactions as per Para 10 of Accounting Standard 9.

The total excise duty for the year excluding the excise duty related to difference between the closing stock and opening stock has been disclosed as a reduction from turnover. Excise duty related to difference between the closing stock and opening stock has been disclosed in Schedule 2.6 “expenses”.

3.24 Unhedged foreign currency exposure

The yearend foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	Amount (Foreign currency)		Amount (₹ In Lakhs)	
	2011	2010	2011	2010
Loan payable	20,838,917 USD 3,42,834 EURO	20,846,872 USD 2,887,097 EURO	9,304.58 216.81	9,410.28 1,748.42
Creditors payable	120,000,000 YEN 3,575 EURO	- -	648.24 2.07	- -

3.25 Prior period items

Prior period items represents borrowing cost erroneously not capitalized relating to earlier years aggregating to Rs. 307.63

3.26 Previous year comparatives

Prior period figures have been reclassified / regrouped wherever necessary to conform to the current year’s classification to the extent of information available/retrievable. Prior year financial statements have been audited by firms other than B S R and Company.

for B S R and Company
Chartered Accountants
 Firm registration no: 128900W

For and behalf of the Board of Directors of Hinduja Foundries Limited

S Sethuraman
Partner

R Seshasayee
Chairman

B Swaminathan
Managing Director

Membership No.203491

V V Naresh
Company Secretary

V Sankar
Chief Financial Officer

Place: Chennai

Date : May 20, 2011

LIMITED REVIEW

To the Board of Directors of Hinduja Foundries Limited Limited Review report on the interim financial information as of and for the three months ended June 30, 2011

Introduction

We have reviewed the accompanying unaudited Statement of assets and liabilities of **Hinduja Foundries Limited** (“the Company”) as at June 30, 2011 and the related unaudited Statement of profit or loss for the three-month period then ended, together with selected explanatory notes (“Interim Financial Information”). Management is responsible for the preparation and presentation of this interim financial information in accordance with the applicable accounting standards and other recognized accounting practices and policies and requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with applicable accounting standards and other recognized accounting practices and policies and has not disclosed the information required to be disclosed in terms of the requirements of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

This report is intended solely for the use of the Company for filing with Securities and Exchange Board of India in connection with the proposed rights issue of the Company under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and the same should not be used, referred to or distributed for any other purpose, without our prior written consent. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

for B S R and Company

Chartered Accountants

Firm registration no: 128900W

S Sethuraman

Partner

Membership No. 203491

Place: Chennai

Date: November 3, 2011

Hinduja Foundries Limited
Statement of Assets and Liabilities as at June 30,
2011
(All amounts are in Indian rupees in Lakhs,
unless otherwise stated)

As at
June 30, 2011
(Unaudited)

As at
March 31, 2011
(Audited)

Sources of Funds

Shareholders' Funds

Share Capital	5,039.73	5,039.73
Reserves and Surplus	34,949.62	35,812.21
	39,989.35	40,851.94

Loan Funds

Secured Loans	28,076.32	30,701.24
Unsecured Loans	32,668.24	26,355.38

Deferred Tax Liability (net)

578.21 1,004.19

Total

1,01,312.12 **98,912.75**

Application of Funds

Fixed Assets

Gross Block	70,538.35	70,367.17
Less: Accumulated Depreciation / Amortisation	17,301.62	16,572.88
Net Block	53,236.73	53,794.29
Capital Work-in-progress	11,222.34	10,283.16
	64,459.07	64,077.45

Investments

1,204.38 1,204.38

Current Assets, Loans and Advances

Inventories	14,977.34	14,418.40
Sundry Debtors	22,587.96	20,854.46
Cash and Bank Balances	564.56	65.74
Other Current Assets	960.62	931.35
Loans and Advances	8,256.53	8,012.32
	47,347.01	44,282.27

Less: Current Liabilities and Provisions

Current Liabilities	11,181.05	10,236.23
Provisions	793.89	748.66
	11,974.94	10,984.89
Net Current Assets	35,372.07	33,297.38

Miscellaneous Expenditure

(to the extent not written off or adjusted) 276.60 333.54

Total 1,01,312.12 98,912.75

for B S R and Company

Chartered Accountants

Firm registration no: 128900W

For and on behalf of the Board of Directors

B Swaminathan
Managing Director

S Sethuraman

Partner

Membership No : 203491

Place : Chennai

Date : November 3, 2011

V Sankar
Chief Financial Officer

Hinduja Foundries Limited
Statement of Profit or Loss for the
three months ended June 30, 2011
(All amounts are in Indian rupees in
Lakhs, unless otherwise stated)

Sl No.	Particulars	Three months ended (Unaudited)		Year ended (Audited)	
		June 30,2011	June 30,2010	March 31,2011	
1	Net Sales/Income from operations	18,564.05	11,095.23	55,116.35	
2	Expenditure				
	a. (Increase)/decrease in work in progress and finished goods	242.28	(957.20)	(1,481.22)	
	b. Consumption of raw materials	8,861.30	6,172.72	27,634.30	
	c. Employees cost	2,916.34	2,414.50	10,235.11	
	d. Power and fuel	2,242.43	1,590.05	8,332.48	
	e. Depreciation	782.73	562.01	2,417.42	
	f. Other expenditure	1,934.73	1,112.11	4,277.08	
	g. Total	16,979.81	10,894.19	51,415.17	
3	Profit/ (loss) from operations before other income, interest and exceptional items	1,584.24	201.04	3,701.18	
4	Other income	53.33	533.93	569.15	
5	Profit / (loss) before interest and exceptional items	1,637.57	734.97	4,270.33	
6	Interest	1,396.95	542.09	3,425.49	
7	Profit / (loss) after interest but before exceptional items	240.62	192.88	844.84	
8	Exceptional items - Voluntary retirement scheme compensation	1,525.41	-	-	
9	Profit / (loss) from ordinary activities before tax	(1,284.79)	192.88	844.84	
10	Tax expense	(425.98)	51.08	97.19	
11	Net profit / (loss) for the period	(858.81)	141.80	747.65	
12	Basic and diluted earning per share - Rs.	(3.12)		0.39	2.09
		(not annualized)	(not annualized)	annualized)	

for B S R and Company

Chartered Accountants

Firm registration no: 128900W

**For and on behalf of the Board
of Directors**

S Sethuraman

Partner

Membership No : 203491

Place : Chennai

Date : November 3, 2011

B Swaminathan
Managing
Director

V Sankar
Chief Financial
Officer

1. **Significant Accounting Policies**

Significant accounting policies for the quarter ended June 30, 2011 are the same as are referred to in the statement giving significant accounting policies as disclosed in the audited financial statements for the year ended March 31, 2011

2. Interest expense relating to the quarter ended June 30, 2010 and year ended March 31, 2011 is net of interest capitalisation of Rs. 307.63 lakhs relating to prior years.
3. Exceptional item of Rs. 1525.41 lakhs for the quarter ended June 30, 2011 represents amount incurred towards voluntary retirement and other settlement arrangements with the employees in one of the plants.
4. Where applicable, the Company has considered the impact of subsequent events arising from the balance sheet date through to November 3, 2011.
5. The Company has sought and obtained extension of time for redemption of preference shares in respect of certain installments that have fallen due as at the balance sheet date.
6. Previous year's / period's figures have been regrouped or rearranged wherever necessary to conform to current year/ period presentation.

for B S R and Company
Chartered Accountants
Firm registration no: 128900W

For and behalf of the Board of Directors

S Sethuraman
Partner
Membership No.203491

B Swaminathan
Managing Director

Place: Chennai
Date : November 3, 2011

V Sankar
Chief Financial Officer

Information as required by Government of India, Ministry of Finance, Circular No. F2/5/SE/76 dated February 5, 1977 as amended *vide* their circular of even number dated March 8, 1977 is given below:

Working Results of the Company

(₹ Lakhs)

PARTICULARS	For the Period from April 1,2011 to August 31,2011
Net Sales/Income from operations	32,539.14
Other Income	75.71
Total Income	32,614.86
Gross Profit excluding exceptional items, depreciation and taxes	1,684.24
Less: Depreciation	1,298.55
Profit / (Loss) Before Tax excluding exceptional items	385.69
Less: Exceptional Items	1,525.41*
Profit / (Loss) Before Tax after exceptional items	(1,139.72)
Less: Provision for Taxation	(376.11)
Estimated Profit / (Loss) for the period	(763.61)

* *Exceptional item of ₹ 1,525.41 lakhs represents the amount incurred towards voluntary retirement and other settlement arrangements with certain employees.*

ACCOUNTING RATIOS AND CAPITALISATION STATEMENT

November 3, 2011

The Board of Directors
Hinduja Foundries Limited
Ennore
Chennai 600 057

Dear Sirs,

1. As requested by you vide our engagement letter dated September 8, 2011, we have examined the financial information set out in Statement of Accounting Ratios (Annexure A) and Capitalisation Statement (Annexure B) prepared by the Company based on the audited financial statements of the Company for the year ended March 31, 2011 and signed by us for identification. We understand that this certificate is required pursuant to Securities and Exchange Board of India (SEBI) Guidelines in connection with the filing of a Draft Letter of Offer (DLoF) with SEBI pursuant to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (“SEBI Guidelines”) and the financial information set out in Annexure A and B would be included in the DLoF to be filed with SEBI.
2. In this connection, we have:
 - (a) Read the definitions of key ratios included in the Statement of Accounting Ratios set out in Annexure A and agreed the financial information used in computation of the ratios with the audited financial statements for the year ended March 31, 2011.
 - (b) Agreed the mathematical accuracy of and recomputed, where required, the amounts and ratios thereon in respect of the financial information in Annexure A.
 - (c) Read the Capitalization Statement set out in Annexure B on the basis that all shareholders subscribe to the rights issue.
 - (d) Agreed the mathematical accuracy of and recomputed, where required, the amounts thereon based on the data in the audited financial statements and the DLoF in respect of the financial information in Annexure B.
3. The accompanying Annexures A and B are the responsibility of the Company’s management. Our responsibility is to perform the procedures enumerated in paragraph 2 above on the particulars given in Annexures A and B and state our findings. Our procedures have been performed in accordance with the Guidance Note on Audit Reports and Certificates for Special Purposes issued by the Institute of Chartered Accountants of India (“ICAI”). The procedures referred to in paragraph 2 above include examining evidence supporting the particulars in the Statement on a test basis. Further, our scope of work did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole.

We have not performed an audit, the objective of which would be the expression of an opinion on the financial statements, specified elements, accounts or items thereof, for the purpose of this certificate. Accordingly, we do not express such opinion. This certificate does not amount to a reissuance of our audit opinion on the financial statements for the year ended March 31, 2011 or any components thereof.

4. In respect of the financial year ended March 31, 2010, the financial statements of the Company were jointly audited by the previous auditors, Fraser & Ross and S.R. Batliboi & Associates.

Accordingly, the financial information pertaining to the year ended March 31, 2010 has been included based upon the financial statements audited by the previous auditors and relied upon by us.

5. Based on the procedures performed above and information and explanations provided to us by the Company, we confirm that the information mentioned in Annexure A and Annexure B are in accordance with the SEBI Guidelines in connection with issue of shares on rights basis.
6. We make no representations regarding compliance with Companies Act, 1956 or any other statutory requirements, other than those relating to the SEBI Guidelines in connection with issue of shares on rights basis.
7. This report is intended solely for your information and for inclusion in the DLoF in connection with the proposed rights issue of shares of Hinduja Foundries Limited, and is not to be used, referred to or distributed for any other purpose without our prior written consent.
8. We have no responsibility to update this certificate for events and circumstances occurring after the date of this certificate.

for B S R and Company
Chartered Accountants
Firm registration no: 128900W

S Sethuraman
Partner
Membership No. 203491

STATEMENT OF ACCOUNTING RATIOS

Annexure A

Particulars	Financial year 2010-11	Financial year 2009-10
Earnings per share (Basic and Diluted)	2.09	(0.48)
Return on Networth	3.06%	-0.84%
Net asset value per share	67.76	75.20

Notes:

(1) The above ratios have been computed as set out below:

Earnings per share (Basic) (Rs.)	=	$\frac{\text{Net profit attributable to Equity shareholders (excluding extraordinary items, if any)}}{\text{Weighted average number of Equity shares outstanding during the year}}$
Earnings per share (Diluted) (Rs.)	=	$\frac{\text{Net profit attributable to Equity shareholders (excluding extraordinary items, if any)}}{\text{Weighted average number of Equity shares including dilutive potential equity shares outstanding during the year}}$
Return on Networth (%)	=	$\frac{\text{Net profit attributable to Equity shareholders (excluding extraordinary items, if any)}}{\text{Networth at the end of the year (excluding revaluation reserves)}}$
Net asset value per share (Rs.)	=	$\frac{\text{Networth at the end of the year (excluding revaluation reserves)}}{\text{Number of Equity shares outstanding at the end of the year}}$
Net profit attributable to Equity Shareholders	=	Profit after tax (-) Dividend attributable to Preference shareholders
Networth	=	Equity share capital (+) Reserves and surplus (excluding revaluation reserves) (-) Miscellaneous expenditure not written off

Particulars	Financial year 2010-11	Financial year 2009-10
Net profit/(loss) attributable to equity shareholders (excluding extraordinary items, if any) – Rs. In lakhs	596.06	(117.48)
Weighted average number of Equity shares outstanding during the year	28,502,926	24,573,639
Weighted average number of Equity shares including dilutive potential equity shares outstanding during the year	28,502,926	24,573,639

Particulars	Financial year 2010-11	Financial year 2009-10
Networth at the end of the year (excluding revaluation reserves) – Rs. in lakhs	19,467.08	14,044.39
Number of Equity shares outstanding at the end of the year	28,730,711	18,674,962

(2) Profit after tax as appearing in audited financial statements for the year ended March 31, 2011 and March 31, 2010 has been considered for the purpose of computing the above ratios.

(3) Earnings per share calculations are done in accordance with Accounting Standard 20 “Earnings Per Share” issued by the National Advisory Committee on Accounting Standards (*NACAS*).

CAPITALISATION STATEMENT

Annexure B

(Rs. in lakhs)

Particulars	Ref.	Pre-issue as at March 31, 2011	Post Issue (Assuming all shareholders subscribe to the rights issue)
Short term debt	A	28,126.62	28,126.62
Long - term debt	B	28,930.00	28,930.00
Total debt	C=A+B	57,056.62	57,056.62
Shareholders' funds			
Equity share capital		2,873.07	4,539.45
Preference share capital		2,166.66	2,166.66
Reserves & surplus (excluding revaluation reserves)		16,927.55	27,759.03
Less: Miscellaneous Expenditure not written off		(333.54)	(333.54)
Total Shareholders' Funds	D	21,633.74	34,131.60
Total debt/ Equity ratio	C/D	2.64	1.67
Long-term Debt/Equity ratio	B/D	1.34	0.85

Notes:

The above statement has been computed on the basis of following:

- Long term debt = Secured term loans from a bank (+) External commercial borrowings from a bank
- Short term debt = Working capital loans (+) Cash credit (+) Short term loans
- Post issue values are computed based upon the proposed rights issue of 16,663,812 equity shares of Rs. 75 each (Face value of Rs. 10 per share and premium of Rs. 65 per share) aggregating to Rs. 12,497.86 lakhs

STOCK MARKET DATA FOR EQUITY SHARES OF THE COMPANY

Our Equity Shares are listed on the BSE, NSE and MSE. As our Equity Shares are actively traded only on the BSE and NSE, stock market data has been given separately for BSE (BSE Code: 505982) and NSE (NSE Code: HINDUJAFO) only as our equity shares have not been traded at MSE since December 2000.

The monthly high and low price and the volume of shares traded at the BSE and NSE during the past six months were recorded are stated below:

BSE

Month, Year	High (₹)	Date of High	Volume traded on date of high (no. of Equity Shares)	Low (₹)	Date of Low	Volume traded on date of low (no. of Equity Shares)
October, 2011	73.45	October 31, 2011	375	64.70	October 11, 2011	99
September, 2011	78.00	September 8, 2011	1,213	63.55	September 26, 2011	10,179
August, 2011	81.50	August 21, 2011	855	66.65	August 18, 2011	25
July, 2011	102.00	July 19, 2011	527	71.85	July 1, 2011	301
June, 2011	89.00	June 1, 2011	581	69.00	June 27, 2011	222
May, 2011	104.50	May 2, 2011	2	79.00	May 25, 2011	4,125

(Source: www.bseindia.com)

NSE

Month, Year	High (₹)	Date of High	Volume traded on date of high (no. of Equity Shares)	Low (₹)	Date of Low	Volume traded on date of low (no. of Equity Shares)
October, 2011	73.85	October 12, 2011	213	63.85	October 25, 2011	219
September, 2011	78.50	September 8, 2011	11,548	65.30	September 26, 2011	246
August, 2011	81.00	August 1, 2011	189	65.95	August 29, 2011	304
July, 2011	95.40	July 11, 2011	1,06,205	72.00	July 4, 2011	671
June, 2011	84.50	June 1, 2011	1,452	70.10	June 28, 2011	4,947
May, 2011	105.00	May 11, 2011	3,5,83	80.55	May 25, 2011	1,048

(Source: www.nseindia.com)

The high and low closing prices recorded on the BSE and NSE for the preceding three years and the number of Equity Shares traded on the days the high and low prices were recorded are stated below.

BSE

Financial Year	High (₹)	Date of High	Volume traded on date of high (no. of Equity Shares)	Low (₹)	Date of Low	Volume traded on date of low (no. of Equity Shares)
2010-2011	164.00	October 5, 2010	54,853	77.10	February 10, 2011	2,47,378
2009-2010	172.70	January 13, 2010	3,209	52.50	April 1, 2009	699
2008-2009	232.95	June 2, 2008	734	48.00	March 9, 2009	3,064

(Source: www.bseindia.com)

NSE

Financial Year	High (₹)	Date of High	Volume traded on date of high (no. of Equity Shares)	Low (₹)	Date of Low	Volume traded on date of low (no. of Equity Shares)
2010- 2011	163.00	October 5, 2011	1,57,284	71.50	February 11, 2011	8,332
2009- 2010	179.80	January 4, 2010	2,906	54.25	April 1, 2009	606
2008- 2009	230.00	May 5, 2008	21,468	46.60	March 12, 2009	4,210

(Source: www.nseindia.com)

The week-end prices of our Equity Shares on the BSE and the NSE in the last four weeks together with the high and low prices are set out below:

BSE

Week ended on (#)	Closing Price (₹)	High (₹)	Date of High	Low (₹)	Date of Low
October 28, 2011	67.00	71.95	October 26, 2011	65.20	October 25, 2011
October 21, 2011	70.00	72.00	October 21, 2011	65.85	October 20, 2011
October 14, 2011	69.50	71.10	October 11, 2011	64.70	October 11, 2011
October 7, 2011	65.55	68.00	October 5, 2011	65.05	October 4, 2011

(#) Based on calendar week

(Source: www.bseindia.com)

NSE

Week ended on (#)	Closing Price (₹)	High (₹)	Date of High	Low (₹)	Date of Low
October 28, 2011	69.00	73.00	October 25, 2011	63.85	October 25, 2011
October 21, 2011	67.35	72.70	October 21, 2011	64.75	October 21, 2011
October 14, 2011	66.50	73.85	October 12, 2011	65.55	October 12, 2011
October 7, 2011	70.00	70.00	October 7, 2011	65.10	October 4, 2011

(#) Based on calendar week

(Source: www.nseindia.com)

Total trading days in last 6 months – 126 (From May 1, 2011 to October 31, 2011).

Average volume of shares traded during 126 days (in last 6 months i.e. from May 1, 2011 to October 31, 2011) is 2,144 on BSE.

Average volume of shares traded during 126 days (in last 6 months i.e. from May 1, 2011 to October 31, 2011) is 3,446 on NSE.

Our share price on BSE was ₹ 71.85 as on November 2, 2011. Our market capitalization on the BSE was ₹ 20,643.01 lakhs as on November 2, 2011.

Our share price on the NSE was ₹ 73.05 as on November 2, 2011. Our market capitalization on the NSE was ₹ 20,987.78 lakhs as on November 2, 2011.

The closing market price was ₹ 83.00 on BSE on May 30, 2011, the trading day immediately following the day on which meeting of Capital Securities Committee of the Board was held to approve this Issue.

The closing market price was ₹82.60 on NSE on May 30, 2011, the trading day immediately following the day on which meeting of Capital Securities Committee of the Board was held to approve this Issue.

DESCRIPTION OF CERTAIN INDEBTEDNESS

The aggregate borrowings of our Company as on September 30, 2011 were as follows:

(₹ Lakhs)

Sr. No.	Nature of Borrowing	Amount
1.	Secured Borrowings	31,419.11
2.	Unsecured Borrowings	31,251.31
	Total	62,670.42

A. The details of secured borrowings of our Company are as follows:

(₹ in lakhs)

Name of Lender, Nature of facility and date of loan agreement	Purpose of the loan	Amount Sanctioned and availed (₹ Lakhs)	Outstanding as on September 30, 2011 (₹ lakhs)	Security	Repayment Date / Schedule	Rate of Interest (%)
ICICI Bank Ltd. Rupee Term Loan Facility	For refinancing of existing loans taken from Banks and institutions for Capital Expenditure	20,000.00	20,000.00	Equitable mortgage and first charge over all the Fixed assets of the company including movable properties and second charge on current assets.	Repayable in ten semi annual installments from September 30, 2011 to March 31, 2016	13.15
Bank of America Working Capital Demand Loan	Working Capital	195.00	195.00	First charge on current assets and pari passu second charge on fixed assets of the company	Repayable on demand	13.50

Union Bank of India WCDL	Working Capital	160.00	160.00	First charge on current assets and pari passu second charge on fixed assets of the company	Repayable on demand	17.50
State Bank of India Cash Credit	Working Capital	6,000.00	6,006.25	First charge on current assets and pari passu second charge on fixed assets of the company	Repayable on demand	17.15
ICICI Bank Cash Credit	Working Capital	300.00	302.43	First charge on current assets and pari passu second charge on fixed assets of the company	Repayable on demand	13.62
Bank of America Cash Credit	Working Capital	5.00	0.00	First charge on current assets and pari passu second charge on fixed assets of the company	Repayable on demand	13.50
Standard Chartered Bank Cash Credit	Working Capital	200.00	0.00	First charge on current assets and pari passu second charge on fixed assets of the company	Repayable on demand	13.00
Union Bank of India Cash Credit	Working Capital	40.00	5.44	First charge on current assets and pari passu second charge on fixed assets of the company	Repayable on demand	17.50
HDFC Bank Limited Cash Credit	Working Capital	675.00	673.27	First charge on current assets and pari passu second charge on fixed assets of the company	Repayable on demand	14.00

IDBI Bank Cash Credit	Working Capital	1,500.00	1,482.77	First charge on current assets and pari passu second charge on fixed assets of the company	Repayable on demand	15.50
Canara Bank Cash Credit	Working Capital	2,025.00	1,951.41	First charge on current assets and pari passu second charge on fixed assets of the company	Repayable on demand	16.50
Karur Vysya Bank Cash Credit	Working Capital	600.00	594.00	First charge on current assets and pari passu second charge on fixed assets of the company	Repayable on demand	13.50
State Bank of Travancore Cash Credit	Working Capital	300.00	48.55	First charge on current assets and pari passu second charge on fixed assets of the company	Repayable on demand	15.50

We have also availed of unsecured loans from various banks, financial institutions and other entities. Set out below are the details of our outstanding unsecured loans:

Name of Lender, Nature of facility and date of loan agreement	Purpose of the loan	Amount Sanctioned and availed (₹ Lakhs)	Outstanding as on September 30, 2011 (₹ lakhs)	Security	Repayment Date / Schedule	Rate of Interest (%)
HSBC External Commercial Borrowing	Greenfield Project	7,994.00 (USD 20 million)	5,963.00	Unsecured	Repayable in three annual installments starting from April 2011	6 months LIBOR plus 200 bps pa.
IDBI Bank Short Term Loan	Short Term	1,000.00	1,000.00	Unsecured	Repayable on November 16, 2011	12.50

Canara Bank Short Term Loan	Short Term	5,000.00	5,000.00	Unsecured	Repayable on December 16, 2011	13.25
IFCI Short Term Loan	Short Term	10,000.00	10,000.00	Unsecured	Repayable on May 15, 2012	14.00
Standard Chartered Bank Short Term Loan	Short Term	6,000.00	1,000.00	Unsecured	Repayable on November 30, 2011	12.75
			1,000.00	Unsecured	Repayable on December 30, 2011	12.75
			1,000.00	Unsecured	Repayable on January 18, 2012	12.95
			1,000.00	Unsecured	Repayable on February 24, 2012	12.95
			1,000.00	Unsecured	Repayable on March 21, 2012	13.50
			1,000.00	Unsecured	Repayable on April 29, 2012	12.10
Kotak Mahindra Bank Limited Short Term Loan	Short Term	1,500.00	1,500.00	Unsecured	Repayable on November 16, 2011	12.00
Hinduja Ventures Limited	Demand Loan	1,500.00	1,500.00	Unsecured	Repayable on demand	13.00

Buyers Credit from	Short Term		288.31			
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Further, several of the loan agreements executed provide for the rescheduling of loans by the lenders and contain pre-payment penalties and delayed payment penalties. Some agreements also permit the lender to disclose the name us as a defaulter to the RBI and debar us from borrowing monies for certain periods of time, if we fail to repay the amounts due.

Restrictive Covenants

Some of our borrowings subject us to certain restrictive covenants which require us to obtain the prior permission of such banks before undertaking certain activities, such as:

1. Changes or alterations to our capital structure;
2. During the currency of the loan, declaration of any dividend on our share capital unless all dues to the bank upto the date on which the dividend is proposed to be declared has been paid or satisfactory provisions therefor has been made;
3. Merger, consolidation, scheme of arrangement or compromise with its creditors or shareholders or effect any scheme of amalgamation or reconstruction;
4. Creation of any subsidiary or permitting any company to become our subsidiary;
5. Disinvestment of Promoter's equity in our Company;
6. A transfer of controlling interest of Promoters/ directors/ partners or carrying out significant changes in the management set up;
7. Any demerger/ hiving off of operations to another company or converting any division into a subsidiary company or otherwise;
8. Diverting the facilities to inter-corporate deposits, investment in debentures, stocks and shares, real estate business, etc.;
9. Giving any corporate or financial guarantee;
10. Implementing any scheme of expansion/ diversification/ modernisation other than those incurring routine capital expenditure;
11. Undertaking any revaluation of our assets;
12. Paying any dividend on Preference Shares issued to Ashok Leyland Limited while interest/ installments due to the bank are overdue;
13. Redemption of any Preference Shares to Ashok Leyland Limited while interest/ installments due to the bank are overdue;
14. Prepayment of any loan availed from any other party; in cases where we are is required to prepay such loan, then a proportionate prepayment be made to the bank and subject to such other conditions as may be stipulated by the bank;
15. Entering into any long term contractual obligations which affect the borrower's financial position to any significant extent;
16. Changing the practice with regard to remuneration of directors by means of ordinary remuneration or commission etc.
17. Purchasing or selling capital goods on hire purchase or lease basis;
18. Carrying on banking transactions through the bank, proportionate to the credit exposure, based on the competitiveness of pricing and other services;
19. Borrowing or obtaining credit facilities from any other bank or institution, credit agency or money lenders or enter into any hire purchase agreement during currency of the loan; and
20. Creating/ permitting to subsist for additional loans any encumbrance over all fixed assets, present or future, in favour of lenders for such similar borrowings, except with the prior permission of the bank. Undertaking any trading activity other than the sale of products arising out its own manufacturing operations / core operations unless such activity was disclosed and taken into account at the appraisal stage.

Our loan arrangements also require us to:

1. Maintain sufficient financial interest in the business and if required by the bank bring additional funds or assets by way of capital, deposits or otherwise;
2. Conform to financial covenants pertaining to maintaining minimum ratios; and
3. Subject the facility availed to a negative lien on future term borrowings.

Additionally, one of our loan agreements requires our Promoters to continue to hold at least 51% of our equity during the currency of the loan.

Our lenders may revoke in part/ full, or withdraw/ stop financial assistance at any stage by giving reasonable notice.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigations including suits, criminal or civil prosecutions and taxation related proceedings against us that would have a material adverse effect on our business. Further, there are no defaults, non-payment of statutory dues including, 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 against us as of the date of this Draft Letter of Offer.

Further, except as disclosed below, we are involved in any criminal litigation or litigation involving moral turpitude.

I. Pending Litigation:

A. Litigation against our Directors

- i. *Mr. S Ragothaman, one of our independent directors, was associated as an independent director with a company which has been declared as a vanishing company*

Mr. S. Ragothaman, one of our independent directors, served as an independent director on the board of Sibar Software Services (India) Limited for a period of 13 months from October 1, 1999. He resigned from the board of the company with effect from October 30, 2000 and has not been associated with the company thereafter. Sibar Software Services (India) Limited had made its initial public offering in December 1999, and its shares were listed on the Bombay Stock Exchange from February 28, 2000 onwards.

In its meeting held on April 23, 2007, the Coordination and Monitoring Committee (**CMC**) on Vanishing Companies constituted by the Ministry of Corporate Affairs identified Sibar Software Services (India) Limited as a vanishing company. The company has now been suspended from BSE.

On August 8, 2007, SEBI issued a show cause notice to Mr. S. Ragothaman (SRO/PMD/VC/EIF/2007/1/1857) in connection with his association with Sibar Software Services (India) Limited, enquiring as to why appropriate action - including prohibiting him from associating with any capital market activity for a period of five years - should not be taken, and directed Mr. Ragothaman to file his reply by August 23, 2007. Mr. Ragothaman replied on August 17, 2007, indicating that after his ceasing to be a director in October 2000 he was not associated with the company in any manner and also requested SEBI to grant him a personal hearing on the said matter.

We understand that there has been no further communication from SEBI in this regard, thereafter.

Subsequently, however, the Registrar of Companies, Hyderabad issued show cause notices to him on February 4, 2008 under Sections 63, 68 and 628 of the Companies Act, in respect of various offences committed by Sibar Software Services (India) Limited. Mr. Ragothaman replied to the RoC, Hyderabad on February 22, 2008.

However, the RoC, Hyderabad has filed separate complaints against him along with other directors of the company in the Court of Special Judge, Economic Offences, Hyderabad on March 10, 2010. The matter is yet to come up for hearing.

- ii. Our Managing Director, Mr. M. Balasubramaniam Swaminathan, received a notice dated August 4, 2011, under s. 20(2) of the Minimum Wages Act, 1948 from the Joint Commissioner of Labour, Hyderabad, in matter no. M.W./ 57/2011. The Deputy Labour Commissioner submitted an application claiming ₹ 3.22 lakh. The Authority had summoned

Mr. Swaminathan to appear before the Joint Commissioner of Labour, Hyderabad on August 25, 2011. The matter is pending.

B. Criminal matters involving our employees

- i. Further to a first information report dated March 28, 2010, a charge sheet has been filed before the Judicial Magistrate Court, Tiruvottiyur, against Mr. T. Senthurapandiyan and Mr. Kamraj, managers at the maintenance department at our Ennore Unit. The defendants allegedly did not provide proper safety gear to the deceased, Mr. Manimaran, as he tried to remove a block in a short blasting machine in the screw fitter area of the manufacturing unit. The deceased was attempting to complete the job with the help of a hand lamp, which burst and caused his death due to electrical shock. A case has registered under section 304A of the Indian Penal Code. If found guilty the accused could face imprisonment of up to 2 years and / or fine.

C. Show Cause Notices

In addition to the above, we received two show cause notices from the Chief Inspector of Factories, Hyderabad, dated May 15, 2010 and December 31, 2010, for alleged violations by DCU under the Factories Act, 1950. We replied to the said show cause notices on May 25, 2010 and January 10, 2011, respectively. There has been no further action in this regard.

D. Litigation Involving our Company:

Cases filed against us:

Labour and industrial matters:

- i. Mr. S Raja, one of our employees was dismissed from service on April 29, 2000, consequent to adverse findings in a domestic enquiry. Mr. Raja, thereafter, raised a dispute before the Conciliation Officer, Kuralagam on September 26, 2000 against which we submitted our counter statement on October 14, 2000. Subsequently, the Conciliation Officer submitted a failure report dated January 18, 2000 and the case was referred to the Second Additional Labour Court, Chennai with I.D. No. 279/2001. The matter has been posted for hearing on November 7, 2011.
- ii. Mr. Karthikeyan of Ennore Foundries Co-operative Canteen was dismissed from service in 2005, for regular absence from work. Mr. Karthikeyan raised a dispute before the Conciliation Officer, Kuralagam on July 24, 2007 against which we submitted our reply. The Conciliation Officer submitted a failure report dated November 28, 2007, pursuant to which the matter was referred to First Additional Labour Court, Chennai as I.D. No. 1/2008. The matter has been posted for hearing on November 4, 2011.
- iii. Mr. A.D.V. Satyanarayana, one of our employees was dismissed from service on January 7, 1999 for accepting bribes from a scrap supplier. Mr. Satyanarayana filed a petition bearing number 144 of 1999 before the Additional Tribunal for reinstatement with continuity of service. The Additional Tribunal dismissed the petition filed by Mr. Satyanarayana, *vide* order dated July 13, 2000. Aggrieved by the said order, Mr. Satyanarayana filed a writ petition bearing No. 17581 of 2001 before the Andhra Pradesh High Court for reinstatement with continuity of service. The case is currently pending for final disposal.
- iv. Mr. P.S. Rao was dismissed from service on October 9, 1998 for forging the signature of an absent worker, to enable another worker to take his place. On another occasion, he forged the signature of a co-employee to apply for equity shares of Ashok Leyland Limited. Mr. P.S. Rao filed a petition bearing number 124 of 1998 before the Additional Industrial Tribunal for

reinstatement. The Additional Industrial Tribunal *vide* its order dated April 17, 2002, dismissed the petition of Mr. P.S. Rao. Aggrieved by the said order, Mr.P.S. Rao filed a writ petition bearing No. 18141 of 2002 for reinstatement before the Andhra Pradesh High Court. The case is pending for final disposal.

- v. We terminated the service of Mr. B. Balaswamy, a temporary worker, on August 23, 1992. Subsequently Mr. B. Balaswamy tendered his resignation and collected his full and final settlement. Subsequent to this, Mr. B. Balaswamy filed a petition bearing No. 201 of 1999 before the Additional Industrial Tribunal, Hyderabad for reinstatement. The Additional Industrial Tribunal *vide* its order dated October 9, 2002 dismissed the said petition. Mr. B. Balaswamy has subsequently filed a writ petition bearing No. 22869 of 2004 before the Andhra Pradesh High Court. The case is pending for final disposal.
- vi. We had terminated the services of Mr. S. Mohan after finding him guilty of misconduct. Mr. S. Mohan, filed a petition on 27 June 2011, under s. 2A of the Industrial Disputes Act, for conciliation, before the Assistant Commissioner of Labour, (The Conciliation Officer) Section II. He alleged that his services were wrongfully terminated and that he had been coerced into admitting his guilt. The Assistant Commissioner of Labour, (The Conciliation Officer) Section II issued a letter dated July 27, 2011, to us, informing us that enquiry will be undertaken on August 10, 2011. Subsequently, we received a further communication from the said Assistant Commissioner informing us that conciliation proceedings would take place on August 24, 2011. In response we filed a reply dated October 6, 2011 stating that Mr. S. Mohan was not a workman within the scope of s. 2(S) of the Industrial Disputes Act and that his services were terminated after conducting enquiry regarding his misconduct. While the date for hearing was set, the same has been postponed.

Civil Matters

- i. Ezhil Hospital filed a suit at the City Civil Court, Chennai against our Company claiming ₹ 2.75 lakh being the deductions made by us in the bills raised by Ezhil Hospital for medical treatment given to our employees. The Court *vide* its order dated August 14, 2008 dismissed the suit filed by Ezhil Hospital. Aggrieved by the said order, Ezhil Hospital filed an appeal bearing No. 81 of 2009. The Court of Additional District and Sessions Judge, on April 12, 2010 set aside the City Civil Court's order and has asked us to pay the plaintiff a sum ₹ 2,80,180 together with an interest on ₹ 2,11,840 at 12% p.a. from the date of the plaint till the date of realisation. We are also to pay the appellants a sum of ₹ 37,535 towards the cost of appeal and a sum of ₹ 15,677 towards the cost of the suit. We have preferred an appeal before the Madras High Court on October 10, 2011.
- ii. Mr. Natarajan, a civil engineer of Century High Tech Polymer filed a petition W.C.124/2000 against us before the Deputy Commissioner of Labour, Dindugal for sustaining permanent injury of his workmen during contract work. The Deputy Commissioner of Labour *vide* order dated March 7, 2002 directed us to pay the compensation to him. Aggrieved by the said order, we preferred a Civil Miscellaneous Petition bearing No. 6478/2002 in the Madras High Court. The High Court *vide* its order dated October 29, 2002 directed us to deposit ₹ 2.67 lakh and issued an injunction against the disbursement of the amount. Subsequently the case was transferred to Madras High Court, Madurai Bench. The case is pending for final disposal.
- iii. One of our employees, late Mr. B. Narasimha Reddy who died in an accident in June 16, 2005 allegedly owed some monies to a certain Mr. M. Udaya Bhaskara Rao. Udaya Bhaskara Rao filed O.S. No. 1723/2005 against the wife, father and mother of the late Mr. B. Narasimha Reddy for the recovery of ₹ 1,90,000/- that he claims the deceased allegedly owed him. Udaya Bhaskara Rao also has filed I.A.No. 3111/2005 requesting the court to direct us to recover the

dues from the full and final settlement amount due to be paid to Mr. B. Narasimha Reddy's family. While we filed an affidavit stating that the gratuity amount payable to the family of the deceased employee cannot be attached towards any dues, the court, ruled in favour of Mr. M. Udaya Bhaskara Rao. Subsequently, Mr. M. Udaya Bhaskara Rao filed an E.P. bearing No. 93/08 in the court of the Honorable First Additional. Senior Civil Judge for execution of the decree against the wife of late B. Narasimha Reddy. The Honorable First Additional. Senior Civil Judge issued summons to us to appear on June 9, 2009 before it for appearance. The case has thereafter been adjourned and the matter has, since, not come up for hearing.

Tax matters

- i. A show cause notice was issued by the Central Excise Department on June 30, 1998, alleging shortfall of goods worth ₹ 387.30 lakhs and excess of ₹ 85.52 lakhs, respectively, with a net duty demand of ₹45.26 lakhs (₹ 58.10 lakhs for shortage less ₹ 12.82 lakhs for excess). The show cause notice relates to the period 1993, 1994-1995 to 1997-1998. We preferred an appeal bearing CMA No 1616 of 2007, before the Madras High Court, against the said show cause notice seeking an injunction on the recovery. The Madras High Court *vide* order dated July 19, 2007 was pleased to grant an interim stay on the recovery, on the condition that we pay 50% of the excise duty imposed. Pursuant to the order, 50% of the excise duty imposed has been deposited. The appeal is currently pending in the Madras High Court for final disposal.
- ii. We received a show cause notice from the Commissioner of Central Excise, dated August 27, 2009 with regard to the credit of service tax availed by our Ennore unit on fees paid to Amas Bank for raising funds through GDRs, while the GDRs were for funding the Hyderabad and Sriperumbudur units of our Company. We filed our reply on September 16, 2009. Subsequently, The Commissioner of Central Excise passed an order on February 22, 2010 pursuant to which we are required to pay a sum of ₹ 29.51 lakhs with appropriate interest. Aggrieved by the above order, we preferred an appeal before the Commissioner of Central Excise (Appeals) on April 28, 2010, before which authority, the matter is pending.
- iii. We received a show cause notice, dated June 3, 2008, from the Commissioner of Central Excise, in a dispute regarding an irregular availing of CENVAT credit of service tax availed on rentals for lease of wind mills, for the Ennore Unit of our Company during the period between June 2006 and September 2007. The alleged claim amount in this matter is ₹ 246.61 lakhs with appropriate interest. We filed our reply to the said show cause notice *vide* letter dated November 7, 2008. We also received another show cause notice dated October 28, 2008 for the period from November 2007 to September 2008, from the Commissioner of Central Excise, with the alleged claim amount in this matter of ₹ 137.56 lakhs. We filed our reply to the said show cause notice *vide* letter dated November 28, 2008. A joint order was passed by the Commissioner of Central Excise on April 9, 2009 that in respect of the former matter, we pay ₹ 246.62 lakhs and in respect of the latter matter, we pay ₹ 137.58 lakhs. We preferred an appeal to the CESTAT against the said order on July 6, 2009. The CESTAT was pleased to grant an interim stay order on October 15, 2009, on the order passed by the Commissioner of Central Excise, for the demand of ₹ 384.2 lakhs.

Thereafter, we received the following show causes notices from the Commissioner of Central Excise, on the same ground mentioned above. An interest is also to be paid on the claim amount.

Date of show cause notice	Relevant Period	Claim (in ₹ lakhs)	Status
October 20, 2009	October 2008-September 2009	153.48	We filed a reply to the show cause notice on 21 January 2010. Subsequently, the Commissioner of Central Excise had on March 3, 2010, ordered the payment of ₹ 153.47 lakhs with appropriate interest. We have preferred an appeal against the said order, before the CESTAT on June 4, 2004. The matter is yet to be heard.
November 2, 2010	October 2009-September 2010	187.01	We have replied <i>vide</i> our letter dated December 19, 2010.
October 11, 2011	October 2010 - March 2011	123.57	The matter is pending and we are yet to file our reply to the said show cause notice.

- iv. We received the following show cause notices from the Commissioner of Central Excise, in relation to the determination of the transaction value due to a related party relationship between Ashok Leyland Limited and us. The claim amounts also attract appropriate interest:

Date of show cause notice	Relevant Period	Claim (in ₹ lakhs)	Status
March 19, 2009	April 2004 - September 2008	1157.08	We have replied <i>vide</i> our letter dated June 8, 2009.
October 28, 2009	October 2008-September 2009	92.27	A personal hearing before the Commissioner of Central Excise was held on January 25, 2010.
November 4, 2010	October 2009 - September 2010	97.52	We have replied <i>vide</i> our letter dated December 19, 2010.
September 22, 2011	October 2010 - March 2011	63.58	The matter is pending and we are yet to reply to the said show cause notice.

- v. We received a show cause notice from the Commissioner of Central Excise dated September 16, 2008, in a matter relating to the irregular availment of CENVAT credit of service tax on ineligible human resources support and policy making services for our Ennore Unit. The alleged claim amount is ₹ 18.85 lakhs with interest. We have filed a reply to the said show cause notice on November 7, 2008. The matter is currently pending.
- vi. We received a show cause notice dated June 2, 2009, from the Deputy Commissioner of Central Excise, in relation to the CENVAT credit availed on stores and spares for which

provisions were made in the books of accounts of our Ennore Unit, for the period of 2007-2008. We filed our reply to the show cause notice on November 25, 2009. Subsequently, an order was passed by the Deputy Commissioner of Central Excise on April 28, 2010, directing us to pay a sum of ₹ 8.57 lakhs with appropriate interest. We have preferred an appeal to the Commissioner of Central Excise on June 14, 2010 which is yet to be heard.

- vii. We received a show cause notice dated February 7, 2011, from the Deputy Commissioner of Central Excise, in a matter with an alleged claim amount of ₹ 2.98 lakhs with appropriate interest, relating to the CENVAT credit availed on capital goods forming part of insurance claim of the Ennore Unit. We filed our reply to show cause notice *vide* letter dated May 4, 2011. This matter is yet to be heard.
- viii. We received a show cause notice dated March 14, 2011, from the Deputy Commissioner of Central Excise, in a matter relating to the clearance of black sand without the payment of duty, for the Ennore Unit, for the period of March 1, 2008 to December 31, 2010 with an alleged claim of ₹ 4.26 lakhs with appropriate interest. We filed our reply to the said show cause notice *vide* letter dated May 4, 2011. The matter is currently pending.
- ix. We received a show cause notice dated April 28, 2011 by the Commissioner of Central Excise relating to the CENVAT credit availed on angles, channels, bars etc., for the Ennore Unit, for the period of April 2006 to December 2010, with alleged claim of ₹ 42.60 lakhs with interest. We had filed our reply to the said show cause notice *vide* dated letter dated June 1, 2011. The matter is currently pending.
- x. We received a show cause notice from the Commissioner of Central Excise dated August 31, 2009, for a matter relating to service tax credit on royalty amount payment paid to foreign consultants for the Sriperumbudur unit, for the period of September 2008 to March 2009, with alleged claim of ₹ 21.88 lakhs with interest. We had filed our reply to the said show cause notice *vide* letter dated October 19, 2009. The matter is yet to come up for hearing.
- xi. Show cause notices from the Deputy / Assistant Commissioner of Central Excise were received dated March 22, 2010 and February 9, 2011 in a matter relating to the irregular availing of CENVAT credit of service tax paid on ineligible outdoor catering services, for the periods of May 2009 to January 2010 and February 2010 to September 2010, respectively. The total disputed credit availed is ₹ 15.16 lakhs. We replied to these show cause notices *vide* letters dated April 20, 2010 and March 14, 2011. The matter is currently pending.
- xii. A show cause notice from the Deputy / Assistant Commissioner of Central Excise was received dated March 8, 2010 in a matter relating to the irregular availing of CENVAT credit of service tax paid on ineligible 'house keeping services', for the periods of February 2009 to January 2010. The alleged claim availed amounts to ₹ 56,386. We replied to the show cause notice *vide* letter dated April 8, 2010. We had also received a show cause notice dated March 29, 2010, from the Deputy Commissioner of Central Excise, for the irregular availing of CENVAT credit of service tax paid on 'Sewage Plant Treatment and Pest Control Services', for the period of March 2009 to January 2010. The alleged claim amounts to ₹ 0.35 lakhs with interest. Subsequently, an order was passed by the Assistant Commissioner of Central Excise on March 21, 2011 for the irregular availing of CENVAT credit of service tax paid on 'house keeping services' and 'Sewage Plant Treatment and Pest Control Services' requiring us to pay a sum of ₹ 0.95 lakhs with appropriate interest. We have preferred an appeal number 93 / 2011 (MIV) against the said order before the Commissioner of Central Excise (Appeals), Chennai on August 3, 2011. The matter is yet to be posted for hearing.

- xiii. We received a show cause notice, dated February 17, 2011, from the Assistant Commissioner of Central Excise, for the irregular availing of CENVAT credit of service tax paid on sewage plant treatment and maintenance services, for the period of February 2010 to January 2011. The alleged claim amounts to ₹ 0.45 lakhs with interest. We had responded to the show cause notice *vide* letter dated March 24, 2011. This matter is currently pending.
- xiv. We received a show cause notice dated October 21, 2010, from the Commissioner of Central Excise, for the irregular availing of CENVAT credit of service tax paid on custom house agents' services, during the years 2008-09 and 2009-10. The alleged claim amounts to ₹ 6.78 lakhs with interest. We had responded to the show cause notice *vide* letter dated December 18, 2010. This matter is currently pending.
- xv. We received a show cause notice dated June 4, 2010, from the Superintendent of Central Excise, for wrongly availing input service tax credit on labour charges, for the period of May 2009 to January 2010. The alleged claim amounts to ₹ 0.24 lakhs with interest. We had replied to the show cause notice *vide* letter dated October 9, 2010. Subsequently, an order was passed by the Assistant Commissioner of Central Excise on July 29, 2011 for the irregular availing of CENVAT credit of service tax paid on labour charges with a liability of ₹ 0.26 lakhs with interest.
- xvi. We received a show cause notice dated March 30, 2010, from the Deputy Commissioner of Central Excise, for wrongly availing service tax credit on Insurance Services, for the period of March 2009 to December 2009. The alleged claim amounts to ₹ 2.25 lakhs with interest. We had replied to this show cause notice *vide* letter dated May 24, 2010. Subsequently, an order was passed by the Deputy Commissioner of Central Excise on July 19, 2010 for the irregular availing of CENVAT credit of service tax paid on insurance services with a liability of ₹ 2.27 lakhs with interest. We have preferred an appeal against the said order with the Commissioner of Central Excise (Appeals), Chennai *vide* appeal number 105, on September 27, 2010. The matter is currently pending.
- xvii. We received the following show cause notices, dated April 7, 2010, September 29, 2010, January 4, 2011 and October 7, 2011 from the Commissioner of Service Tax, for the design and development charges for patterns to be manufactured which are eligible to service tax.

Date of show cause notice	Relevant Period	Claim (₹ in lakhs)	Status
April 7, 2010	March 2009 – August 2009	174.24	We have filed our reply <i>vide</i> letter dated July 20, 2010.
September 29, 2010	September 2009 - March 2010	110.77	We have replied <i>vide</i> our letter dated October 29, 2010.
January 4, 2011	April 2010 – September 2010	100.06	We have replied <i>vide</i> our letter dated February 8, 2011.
October 7, 2011	October 2010 – March 2011	25.65	This matter is pending.

- xviii. We have received show cause notices dated July 6, 2010 and February 23, 2011 relating to the CENVAT credit availed on steel shots, for the periods of July 2009 to January 2010 and February 2010 to December 2010. The alleged claim amounts to ₹ 39.05 lakhs with interest.

We filed our replies to the said show cause notices *vide* August 27, 2010 and March 24, 2011 respectively.

An order was passed against us, in the matter pursuant to show cause notice dated July 6, 2010, by Superintendent, Office of the Assistant Commissioner of Central Excise on July 29, 2011 thereby requiring us to repay a sum of ₹ 0.81 lakhs with interest. We filed an appeal against the same on September 21, 2011 with the Commissioner of Central Excise (Appeals).

- xix. Assessment orders under the Central Sales Tax Act, 1956 relating to the Tamil Nadu General Sales Tax for 2003-04 and 2004-05 were passed by the Assistant Commissioner (CT) on May 8, 2009 and June 29, 2009. Appeals filed have been heard by the Deputy Commissioner (Appeals) and an order was passed on March 10, 2011 remanding the matter back to the Assessing Officer to determine the taxable turnover and rate of tax correctly. The total alleged claim in this matter is ₹ 46.93 lakhs. The matter is currently pending.
- xx. An assessment order was passed by the Deputy Commissioner of Income Tax, under Income Tax Act, 1961, for the Assessment Year 2007-2008 dated December 31, 2009 was received by us. An appeal was filed against the order, with the Commissioner of Income Tax (Appeals), on February 12, 2010. The matter has an alleged income tax liability of ₹ 67.7 lakhs.
- xxi. An assessment order was passed by the Assistant Commissioner of Income Tax, under Income Tax Act, 1961, for the Assessment Year 2008-2009 on December 31, 2010. We preferred an appeal against the said order before the Commissioner of Income Tax (Appeals), on February 9, 2011. Should the matter be determined against us, the set off of carried forward losses will be reduced by ₹ 1157.45 lakhs.

Cases filed by us:

Civil Matters

- i. We filed an Original Petition bearing No. 201 of 2000 before the Third Senior Judge, Secunderabad, against Pennar Steels Ltd. We had taken one main electrical transformer on hire from Pennar Steels Ltd. on October 3, 1998 for ₹ 50,000/- as rental per month and had paid a deposit of ₹ 5 lakh. We used the said transformer for two months and returned the transformer to Pennar Steels Ltd. on November 30, 1998 and requested Pennar Steels Ltd. to return the balance deposit of ₹ 4 lakh after adjusting rent for two months. Pennar Steels Limited refused to return the monies stating that the group company Ashok Leyland Ltd., Hosur unit had to pay ₹ 3.62 Lakhs to Pennar Steels Ltd. We filed the present suit for recovery of monies. We have been informed that Pennar Steels Limited has become sick and is under reference with the BIFR. In the meantime, Ashok Leyland Limited, Hosur Unit paid us ₹ 4 lakhs. We, *vide* its letters dated June 30, 2001 and December 16, 2001 requested Pennar Industries Ltd. (erstwhile Pennar Steels Ltd.) to pay ₹ 50,000/- as legal charges and ₹ 1,61,424/- towards interest on the principal of ₹ 4 lakhs. Pennar Industries Ltd. was declared as a sick company and the case has to be settled by Board of Industrial and Financial Reconstruction.
- ii. The Andhra Pradesh Electricity Regulatory Commission imposed a levy of surcharge on captive power generation at the rate of 25 paise per unit as per the revised tariff order in 2003. We challenged the said order and filed a writ petition bearing no. 8562 of 2004 before the Andhra Pradesh High Court. The High Court *vide* its order dated April 30, 2004 stayed the Government Order stating that the recovery of amount demanded shall not be enforced but the

Company will continue to submit the details of electricity consumption. The Case is posted for final hearing. The stay granted is extended till such final hearing.

- iii. A distraint order was passed on February 4, 1991 for recovery of ₹ 1.38 lakh by the Deputy Tahsildar/ Special Revenue Inspector. We had purchased Five and half acres of land, previously owned by Fluid Systems Private Limited in Hyderabad, through Andhra Pradesh State Financial Corporation. Fluid Systems Private Limited owed some monies to the Employee State Insurance Corporation (ESIC). However, instead of claiming the amount from Andhra Pradesh State Financial Corporation, through whom we purchased the lands of Fluid Systems Private Limited, a distraint order was passed against us. Aggrieved by the said order we filed a writ petition before the Andhra Pradesh High Court bearing number E.I. Case No. 46 of 2001. In 2004, the A.P. High Court has given judgment that the recoveries under ESI Act are to be dealt in the ESI Court only. Accordingly, an Interim Application was filed in the Employees Insurance Court and First Industrial Tribunal, Hyderabad. We obtained a stay by depositing an amount of ₹ 42,000/- (30% of the total amount). After hearing the arguments the ESI court delivered the judgment in our favour and we claimed the deposit of ₹ 42,000/- and interest of ₹ 12,321/-. The ESI Corporation filed an affidavit in the Andhra Pradesh High Court requesting the Court to condone the delay and consider its appeal and we have, subsequently, received a notice from Andhra Pradesh High Court. The ESI Corporation has opened the case once again after a lapse of 2 years. The case is pending for final hearing before the Andhra Pradesh High Court and has been listed for November 8, 2011.
- iv. We received an enquiry notice dated September 3, 2010 under Section 7A of the Employees Provident Funds and Miscellaneous Provisions Act 1952, directing its plant at Sriperumbudur to pay PF on other allowances with effect from January 1, 2010. We have, hitherto have been paying PF only on basic pay of our employees. We challenged this decision of the PF Commissioner *vide* W.P. 22480 of 2010 before the Madras High Court, which was dismissed *vide* order dated June 7, 2011. We have filed a writ appeal numbered 1096 of 2011 on July 6, 2011, before the Division Bench of the Madras High Court, against the said order. The High Court has *vide* order dated October 10, 2011 granted an interim stay of the operation of the impugned order.
- v. We have filed a writ petition in the Madras High Court being W.P. No. 28931 of 2010 and M.P. No. 1 of 2010 seeking to forebear ESIC from holding proceedings initiated pursuant to a notice dated September 14, 2006 claiming contribution from us for the period between 2000-2001 to 2004-2005. The matter was dismissed *vide* an order dated June 6, 2011. We had filed an appeal with the Madras High Court to set aside the said order, on October 10, 2011.

E. Statement of Contingent Liability:

(₹ in Lakhs)

Sr. No.	Nature of claims	As at June 30, 2011	As at March 31, 2011
1.	Surcharge on self generation of power	45.17	44.46
2.	Dividend on 6% Preference Shares	424.07	391.66
3.	Sales tax, income tax and excise related matters	1,374.64	1,324.82

- i. The Tamil Nadu Government had issued notification dated November 28, 2001 levying additional charge at 25% of the power consumption, on high tension industries, with arc furnaces, emitting effluents in excess of certain prescribed thresholds. The notification was to be effective from December 1, 2001 till March 15, 2003. While we are yet to receive a demand in this regard and have consequently not paid any

amounts, we challenged the notification before the Madras High Court. The High Court by its order dated March 11, 2002 was pleased to grant interim injunction on the operation of the notification.

The Tamil Nadu Electricity Regulatory Commission (**TNERC**) passed an order dated March 15, 2003 imposing an additional charge of 15% on arc furnaces, effective March 16, 2003. Thereafter, we filed an affidavit before the Madras High Court stating that we had installed harmonic filters in 1999 to contain the harmonic levels. The Hon'ble Madras High Court was pleased to direct TNEB to verify the installation of harmonic filters by us and report back the status. While TNEB appointed third party consultants and completed the verification sometime in 2004, it has not filed the report and the matter is yet to come up for further hearing. Should the matter be decided against us, we will be required to pay an additional amount of approximately ₹ 181.60 lakhs.

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Rights Issue and our current business activities and no further material approvals are required from any Government authority or the RBI to continue such activities.

Approvals for the Issue

- Board resolution dated May 20, 2011 authorizing this Issue.
- Capital / Securities Committee resolution dated May 27, 2011.
- Shareholders' resolution dated July 20, 2011 authorising this Issue.
- Capital / Securities Committee resolution dated November 3, 2011 approving this Draft Letter of Offer.
- In-principle approval [●] from the BSE dated [●], 2011.
- In-principle approval [●] from the NSE dated [●], 2011.
- In-principle approval [●] from the MSE dated [●], 2011

A. Incorporation Details

- Certification of incorporation as Ennore Foundries Limited dated July 30, 1959.
- Fresh certificate of incorporation dated February 14, 2008 consequent to change of name from Ennore Foundries Limited to Hinduja Foundries Limited.

B. Tax Related Approvals

- PAN: AAACE1078K
- TAN for our factory at Ennore, Tamil Nadu: CHEE00046E
- TAN for our factory at Hyderabad, Andhra Pradesh: HYDD00012F
- TAN for our factory at Sriperumbudur: CHEE04233F
- Central Excise Registration Number for our factory at Ennore, Tamil Nadu: AAACE1078KXM001
- Central Excise Registration Number for our factory at Hyderabad, Andhra Pradesh: AAACE1078KXM002
- Central Excise Registration Number for our factory at Sriperumbudur: AAACE1078KXM004
- Central Excise Registration Number for our office at Guindy, Chennai, Tamil Nadu: AAACE1078KXM003
- Tamil Nadu VAT Registration Number: 33241080006
- Andhra Pradesh VAT Registration Number: 28550246265
- Service Tax Registration Code: AAACE1078KST004
- Service Tax Registration Number for our factory at Hyderabad, Andhra Pradesh: AAACE1078KST002
- Service Tax Registration Number for our factory at Ennore, Tamil Nadu: AAACE1078KST001

C. Details about registrations/licenses that have expired and renewal is under process

We have obtained the requisite approvals for its business and the same are valid as of the date of the Draft Letter of Offer. Some of these have expired in the ordinary course of business and applications for their renewal have been submitted. Further, there are certain licenses which have expired as of the date of this Draft Letter of Offer for which our Company is yet to make applications.

As at October 30, 2011, the following applications are pending renewal with respect to our Company's business:

I. Ennore

- i. Hazardous Wastes (Management, Handling and Transboundary Movement) License under Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008. We have applied for the license on July 1, 2011.
- ii. We have made an application for renewal of our license for furnace oil and light diesel oil on June 28, 2011.
- iii. We have made an application for the renewal of our Solvent license on June 28, 2011.
- iv. We have made an application for renewal the D&O Trade license and have paid the requisite fees on March 1, 2011.

II. Sriperumbudur

- i. We have made an application dated July 26, 2011 for renewal of Fire License issued by the Director of Fire and Rescue Services.

III. Ductron Casting Unit, Hyderabad

- i. We have made an application for renewal of Consent and Hazardous Wastes Authorization Order (Consent Order No. 311-RR-I/PCB/ZOH/CFO/2008-1413) under the Air (Prevention and Control of Pollution) Act, 1981 and (Prevention and Control of Pollution) Act, 1981.
- ii. We have made an application for renewal of Consent and Hazardous Wastes Authorization Order (Authorisation No. 311-RR-I/PCB/ZOH/CFO/2008) under the Air (Prevention and Control of Pollution) Act, 1981 and Water (Prevention and Control of Pollution) Act, 1981.

We have received the necessary consents, licenses, permissions and approvals from the government and various governmental agencies required for carrying on our present activities.

MATERIAL DEVELOPMENTS

There are no material changes and commitments, which are likely to affect the financial position of the Company since June 30, 2011 (i.e. last date up to which updated financial information is incorporated in this Draft Letter of Offer).

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Pursuant to the resolution passed by our Board of Directors at the meeting held on May 20, 2011 it has been decided to make the rights offer to our Equity Shareholders with a right to renounce.

Prohibition by SEBI

Neither us, nor our Directors, Promoters or the Promoter Group or person(s) in control of our Company have been prohibited from operating in or accessing the capital markets or have been restrained from buying, selling or dealing in securities under any order or direction passed by SEBI and there has been no violation of any securities law committed by any of them in past and no such proceedings are pending against them.

None of our Promoters, Directors or persons in control of our Company was or also is a promoter, director or person in control of any other company which is debarred from accessing the capital markets under any order or direction passed by SEBI.

Prohibition by RBI and other authorities

Further, neither we, nor our Promoters or Group Companies have been declared to be wilful defaulters by the RBI or any other government authority.

Association with the Securities Market

Except as set out below none of our Directors are associated with the securities markets in any manner.

Mr. Narender Nagpal is the Managing Director of Primus Investment Advisors Private Limited. Primus Investment Advisors Private Limited is registered with SEBI as a portfolio manager.

Mr. Dheeraj Hinduja, is on the Board of Directors of Hinduja Ventures Limited, which is registered with SEBI as a sub-broker.

SEBI has not initiated any action against either Primus Investment Advisors Private Limited or Hinduja Ventures Limited.

Eligibility for the Issue

We are an existing company registered under the Companies Act with our Equity Shares listed on the BSE, the NSE and the MSE. We are eligible to make this Issue in terms of Chapter IV of the SEBI ICDR Regulations.

Our Company has complied with the provisions of Regulation 4 of the SEBI (ICDR) Regulations in connection with the general eligibility requirements for the Issue. Further, we are in compliance with the provisions specified in Part E of Schedule VIII of the SEBI ICDR Regulations.

In-principle Approval

We have received in-principle approvals for listing of the Equity Shares to be issued pursuant to this Rights Issue from the BSE, the NSE and MSE *vide* letters dated [●], [●] and [●], respectively, and have chosen [●] to be the Designated Stock Exchange for the purposes of this Rights Issue. We shall make applications to the BSE, the NSE and MSE for permission to trade Equity Shares being offered in terms of this Draft Letter of Offer.

Disclaimer Clause of SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED/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 LETTER OF OFFER. THE LEAD MANAGER, HDFC BANK LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE WE ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT WE DISCHARGE OUR RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, HDFC BANK LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED NOVEMBER 3, 2011, WHICH WILL READ AS FOLLOWS:

- 1. “WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:**
 - (A) THE DRAFT LETTER OF OFFER FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
 - (B) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
 - (C) THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**
- 3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.**

4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS - NOT APPLICABLE.
5. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT LETTER OF OFFER WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT LETTER OF OFFER - NOT APPLICABLE.
6. WE CERTIFY THAT REGULATION 33 OF THE ICDR REGULATIONS, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER - NOT APPLICABLE.
7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE ICDR REGULATIONS SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE - NOT APPLICABLE.
8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION
9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE DRAFT LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION - NOTED FOR COMPLIANCE.
10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.
11. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE

REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.

- 12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER:**
 - (A) AN UNDERTAKING FROM THE COMPANY THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER; AND**
 - (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.**
- 13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.**
- 14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, ETC.**
- 15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.”**

THE FILING OF THIS DRAFT LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE US FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THIS DRAFT LETTER OF OFFER.

CAUTION / DISCLAIMER CLAUSE OF THE ISSUER AND THE LEAD MANAGER

We and the Lead Manager accept no responsibility for statements made otherwise than in this Draft Letter of Offer or in any advertisement or any other material issued by us or issued on the our instance and that anyone relying on any other source of information does/will do so at his own risk.

Investors who invest in this Issue will be deemed to have represented to us, the Lead Manager and our respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares and are relying on independent advice / evaluation as to their ability and quantum of investment in this Issue.

We, along with the Lead Manager shall make all information available to the Equity Shareholders and no selective or additional information will be available for a section of the Equity Shareholders in any manner

whatsoever including at presentations, in research or sales reports etc. after filing of this Draft Letter of Offer with SEBI. In addition, we, along with the Lead Manager are also obliged to update the Offer Document and keep the public informed of any material changes till the listing and trading commencement of the Equity Shares offered through this Issue.

Disclaimer with respect to jurisdiction

This Draft Letter of Offer has been prepared in accordance with the applicable provisions of Indian laws. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Chennai, India, only.

The distribution of this Draft Letter of Offer and the Issue of Equity Shares on a rights basis to persons in jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons in possession of this Draft Letter of Offer are required to inform themselves about and observe such applicable restrictions. This Issue of Equity Shares is being made to the Shareholders on a rights basis and this Draft Letter of Offer and CAFs shall be dispatched to Shareholders who have provided an Indian address.

No action has been or will be taken to permit this Issue in any jurisdiction where action is required for that purpose, except that this Draft Letter of Offer will be filed with SEBI for observations. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Draft Letter of Offer may be distributed in any jurisdiction, only in accordance with the legal requirements applicable in such jurisdiction. Receipt of this Draft Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and in those circumstances, this Draft Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of this Draft Letter of Offer should not, in connection with the Issue of Equity Shares or the Rights Entitlements, distribute or send the same in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If this Draft Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Equity Shares or the Rights Entitlements referred to in this Draft Letter of Offer.

Neither the delivery of this Draft Letter of Offer nor any sale of Equity Shares 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 in this Draft Letter of Offer is correct as of any time subsequent to this date.

Designated Stock Exchange

The Designated Stock Exchange for the purposes of this Issue will be the [●].

Disclaimer Clause of the NSE

As required, a copy of this Draft Letter of Offer has been submitted to the NSE. This Disclaimer Clause, as intimated by the NSE to us, post scrutiny of this Draft Letter of Offer, shall be included in the Letter of Offer prior to the filing with the Stock Exchanges.

Disclaimer Clause of the BSE

As required, a copy of this Draft Letter of Offer has been submitted to the BSE. This Disclaimer Clause, as intimated by the BSE to us, post scrutiny of this Draft Letter of Offer, shall be included in the Letter of Offer prior to the filing with the Stock Exchanges.

Disclaimer Clause of the MSE

As required, a copy of this Draft Letter of Offer has been submitted to the MSE. This Disclaimer Clause, as intimated by the MSE to us, post scrutiny of this Draft Letter of Offer, shall be included in the Letter of Offer prior to the filing with the Stock Exchanges.

Filing

This Draft Letter of Offer will be filed with SEBI, SEBI Bhavan, Plot No.C4-A,'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai- 400 051, India for its observations.

This Draft Letter of Offer will also be filed with the BSE Limited and the NSE at Mumbai and MSE at Chennai for their observations. All the legal requirements applicable till the date of filing this Draft Letter of Offer with the Stock Exchanges have been complied with

Listing

The existing Equity Shares are listed on BSE, NSE and the MSE. We have made applications to the Stock Exchanges for permission to deal in and for an official quotation in respect of the Equity Shares to be offered in terms of this Draft Letter of Offer. We have received in-principle approvals from BSE, NSE and MSE by their letters dated [●], [●] and [●], respectively. We will apply to the Stock Exchanges for listing of the Equity Shares to be issued pursuant to this Issue.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by either the BSE, the NSE or the MSE, we will forthwith, repay, without interest, all monies received from Applicants in pursuance of this Draft Letter of Offer. If such money is not paid within eight days after we become liable to repay it (i.e. 15 days after closure of the Issue), then we and every Director who is an officer in default will, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under the section 73 of the Companies Act.

Issue Related Expenses

Our obligation to pay the expenses associated with the Issue, including brokerage, fees and reimbursement to the Lead Manager, Auditors, legal advisor, Registrar to the Issue, printing and distribution expenses, publicity, listing fees, stamp duty and other expenses and all such expenses will be met out of the Issue Proceeds.

Category	Estimated expenses* (₹ in millions)	% of the Issue expenses*	% of total Issue size*
Fees to the Lead Manager and Registrar to the Issue	[●]	[●]	[●]
Fees to the Auditors and Legal Counsel	[●]	[●]	[●]
Commission to the SCSBs for ASBA applications	-	-	-
Advertising, Publicity and Stationery, Distribution and Postage Expenses etc.	[●]	[●]	[●]
Contingency, Stamp duty, Listing Fees, etc	[●]	[●]	[●]
Total	[●]	[●]	[●]

* Amounts will be finalized at determination of Issue Price and other details.

Investor Grievances and Redressal System

We have a Shareholders/Investor Grievance Committee which meets as and when required, to deal and monitor redressal of complaints from shareholders. Generally, the Investor grievances are dealt within ten working days of the receipt of the complaint. We have adequate arrangements for redressal of Investor complaints. Well-arranged correspondence system developed for letters of routine nature. Letters are filed category wise after having attended to. Redressal norm for response time for all correspondence including shareholders complaints is 21 working days where the Equity Shares are held in dematerialised form and 30 days where the Equity Shares are held in physical form. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Status of Complaints

- (a) Total number of complaints received during last three Financial Years

Year	Number of Complaints
2008 – 2009	99
2009 – 2010	120
2010 – 2011	148

- (b) No. of shareholders complaints pending as of September 30, 2011– NIL
(c) Total number of complaints received during current Financial Year (2011-2012) upto September 30, 2011– 35
(d) Status of the complaints:
Replied – 35
Pending – NIL
(e) Time normally taken by it for disposal of various types of Investor grievances: 10 days

Investor Grievances arising out of this Issue

Any Investor grievances arising out of this Issue will be handled by the Registrar to the Issue. The Registrar will have a separate team of personnel handling only post-Issue correspondence.

The agreement between the Issuer and the Registrar provides for retention of records with the Registrar for a period of at least one year from the last date of dispatch of Allotment advice / share certificate / refund orders to enable the Investors to approach the Registrar for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue giving full details such as folio number, name and address, contact telephone/cell numbers, email id of the first Investor, number of Equity Shares applied for, CAF serial number, amount paid on application and the name of the bank and the branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the person renouncing should be furnished.

The average time taken by the Registrar for attending to routine grievances will be 15 days from the date of receipt. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrar to attend to them as expeditiously as possible. We undertake to resolve the Investor grievances in a time bound manner.

The contact details of the Registrar to the Issue are:

Integrated Enterprises (India) Limited
2nd floor, Kences Towers

1, Ramakrishna Street
North Usman Road
T Nagar
Chennai 600 017
Phone: +91 44 2814 0801
Fax: +91 44 2814 2479
Contact Person: Mr. R.Kalyanaraman
E-mail: hfl@iepindia.com
Website: www.iepindia.com
SEBI Registration No.: INR000000544

Investors may contact the Company Secretary and the Compliance Officer in case of any pre-Issue / post -Issue related problems such as non-receipt of Allotment advice / Equity Share certificates / demat credit / refund orders etc.

The contact details of the Company Secretary and Compliance Officer are set out below:

Mr. Govind M. Joshi
Hinduja Foundries Limited
Kathivakkam High Road
Ennore
Chennai 600 057
Tamil Nadu
India
Phone: +91 44 4356 3535
Fax: +91 44 4356 3534
Email: rights@hindujafoundries.com

Capitalisation of Reserves or Profits

We have not capitalized any of our reserves or profits for the last five years other than those mentioned in the chapter entitled ‘*Capital Structure*’ on 65 of the Letter of Offer.

Revaluation of Fixed Assets

Pursuant to a revaluation report dated May 23, 2009, we revalued the entire freehold land of our Ennore unit and DCU, in June 2009. The difference of ₹ 18,573.40 lakhs between the revalued amount and the book value has been credited to our Fixed Asset Revaluation Reserve. For further details please see chapter entitled “*Financial Statements*” at page 111 of this Draft Letter of Offer.

Important

1. This Issue is pursuant to the resolution passed by the Committee of Board of Directors at its meetings held on May 27, 2011 and resolution passed by shareholders at Annual General Meeting held on July 20, 2011.
2. This Issue is applicable to those Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of our Company at the close of business hours on the Record Date i.e. [●] after giving effect to the valid share transfers lodged with our Company upto the Record Date i.e. [●].
3. Your attention is drawn to the chapter entitled “*Risk Factors*” beginning on page no. 15 of this Draft Letter of Offer.
4. Please ensure that you have received the Composite Application Form (CAF) with the Letter of Offer.
5. Please read the Letter of Offer and the instructions contained therein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are each an integral part of the Letter of Offer and must

be carefully followed. An application is liable to be rejected for any non-compliance of the provisions contained in the Letter of Offer or the CAF.

6. All enquiries in connection with the Letter of Offer or CAF should be addressed to the Registrar to the Issue, quoting the Registered Folio number/ DP and Client ID number and the CAF numbers as mentioned in the CAF.
7. All information shall be made available to the Investors by the Lead Manager and by us, and no selective or additional information would be available by them for any section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports, etc.
8. We, along with the Lead Manager shall update the Letter of Offer and keep the public informed of any material changes till the listing and trading commences.
9. Please note that pursuant to the applicability of the directions issued by SEBI *vide* its circular bearing number CIR/CFD/DIL/1/2011 dated April 29, 2011, all Applicants who are QIBs or are applying in this Issue for Equity Shares for an amount exceeding ₹ 2,00,000 shall mandatorily make use of ASBA facility.

Issue Programme

The subscription list will open at the commencement of banking hours and will close at the closure of banking hours on the date mentioned below or such extended date (subject to maximum of 30 days) as may be determined by the Board of Directors of our Company.

Issue Opens on: [●]

Issue Closes on: [●]

Last date for receiving request for split forms: [●]

Allotment Letters / Refund Orders

The Company will issue and dispatch letters of Allotment / share certificates / demat credit and /or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of 15 days from the date of closure of the Issue. If such money is not repaid within eight days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under section 73 of the Companies Act. The Board of Directors declares that funds against this Issue will be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Act.

Applicants residing at centres where clearing houses are managed by the RBI will get refunds through NECS only (National Electronic Clearing Service) except where Applicants are otherwise disclosed as applicable/eligible to get refunds through direct credit, NEFT and RTGS. In case of those Applicants who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, an advice regarding their credit of the Equity Shares shall be given separately. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of the Issue.

In case of those Applicants who have opted to receive their Rights Entitlement in physical form and we issue Letter of Allotment, the corresponding share certificates will be kept ready within three months from the date of Allotment thereof or such extended time as may be approved by the Companies Law Board under Section 113 of the Companies Act or other applicable provisions, if any. Allottees are requested to preserve such letters of Allotment, which would be exchanged later for the share certificates.

All Allotment advise/letter of allotment or refund order would be sent by registered post/speed post to the sole/first Applicant's registered address. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked 'Account Payee only' and would be drawn in

favour of the sole/first Applicant. Adequate funds would be made available to the Registrar to the Issue for this purpose.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue Size, we shall forthwith refund the entire subscription amount received within 15 days from the date of closure of the Issue. If there is a delay beyond eight days after the date from which the Company becomes liable to pay the amount, the Company shall pay interest for the delayed period as prescribed in subsections (2) and (2A) of section 73 of the Companies Act.

SECTION VII – ISSUE RELATED INFORMATION

TERMS OF THE ISSUE

The Equity Shares, to be issued by us is subject to the terms and conditions contained in this Draft Letter of Offer, the CAF (enclosed with the Letter of Offer), our Memorandum and Articles of Association, the provisions of the Act, regulations issued by SEBI, guidelines, notifications and regulations for Issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or letter of allotment or security certificate and rules as may be applicable and introduced from time to time.

I. Authority for the Issue

This Issue has been authorised by a resolution of our Board dated May 20, 2011, the resolution of the Capital / Securities Committee dated May 27, 2011 and the resolution of our shareholders dated July 20, 2011. Further, the Capital / Securities Committee has approved this Draft Letter of Offer pursuant to its resolution dated November 3, 2011.

II. Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Memorandum and Articles of Association and shall rank *pari-passu* with our existing Equity Shares including rights in respect of dividend.

III. Basis for the Issue

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners in the list to be furnished by the depositories in respect of the shares held in the electronic form and on the register of our Members in respect of shares held in the physical form at the close of business hours on the Record Date i.e. [•] fixed in consultation with the Stock Exchanges.

The Equity Shares are being offered for subscription in the ratio of 29 Equity Shares for every 50 Equity Shares held by the Equity Shareholders.

IV. Rights Entitlement

The Shareholders, whose names appear as beneficial owner in respect of the Equity Shares held in the electronic form or appears in the Register of Members as an Equity Shareholder on the Record Date, are entitled to the number of Equity Shares shown in Part A of the enclosed CAF. The eligible Equity Shareholders are entitled to 29 Equity Shares for every 50 Equity Shares held on the Record Date.

Our GDRs are listed on the Luxembourg Stock Exchange. The Depository for the Equity Shares underlying the GDRs will deal with the rights entitlements corresponding to the GDRs in the manner specified in the offering circular and the deposit agreement, entered into for the issuance of the GDRs.

V. Principal Terms and conditions of the Issue

Face value

Each Equity Share shall have the face value of ₹ 10.

Issue Price

Each Equity Share is being offered at a price of ₹ 75 (including a premium of ₹ 65).

Fractional Entitlements

For Equity Shares being offered on rights basis under this Issue, if the shareholding of any of the Equity Shareholders is less than 50 Equity Shares or is not in multiples of 50, the fractional entitlement of such holders shall be ignored. Shareholders whose fractional entitlements are being ignored would be given preferential allotment of one additional Equity Share each if they apply for additional Equity Shares.

For e.g. if a Equity Shareholder holds 75 Equity Shares, he will be entitled to 29 Equity Shares on a rights basis with the fractional entitlement of 14.5 being ignored. He will also be given a preference for allotment of 1 additional Equity Share if he has applied for the same. Those Equity Shareholders holding less than 50 Equity Shares and therefore entitled to zero Equity Shares under the Right Issue shall be dispatched a CAF with zero entitlement. Such Equity Shareholders are entitled to apply for additional Equity Shares. However, they cannot renounce the same to third parties. CAF with zero entitlement will be non-negotiable /non-renounceable.

For e.g. if an Equity Shareholder holds between 1 and 50 Equity Shares, he will be entitled to Nil Equity Shares on rights basis. He will be given a preference for Allotment of 1 additional Equity Share if he has applied for the same.

Terms of payment

Full amount of ₹ 75 shall be payable on application.

The payment towards the Equity Shares offered will be applied as under:

- ₹ 10 towards share capital; and
- ₹ 65 towards securities premium account.

Where an Applicant has applied for additional Equity Shares and is allotted lesser number of Equity Shares than applied for, the excess Application Money paid shall be refunded. The monies would be refunded within 15 days from the closure of the Issue, and if there is a delay beyond eight days from the stipulated period, we will pay interest on the monies in terms of Section 73 of the Companies Act.

VI. Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

1. Right to receive dividend, if declared;
2. Right to attend general meetings and exercise voting powers, unless prohibited by law;
3. Right to vote on a poll or in person or by proxy;
4. Right to receive offers for rights shares and be allotted bonus shares, if announced;
5. Right to receive surplus on liquidation;
6. Right to free transferability of shares; and
7. Such other rights as may be available to a shareholder of a listed company under the Act and the Memorandum and Articles of Association.

VII. General Terms of the Issue

Market Lot

The market lot for the Equity Shares in dematerialised mode is one. In case of physical certificates, we would issue one certificate for the Equity Shares allotted to one folio (**Consolidated Certificate**). In respect of Consolidated Certificate, we will upon receipt of a request from the respective holder of Equity Shares, split such Consolidated Certificates into smaller denominations within 6 weeks time from the receipt of the request in respect thereof. We will not charge any fee for splitting of the Consolidated Certificates.

Joint Holders

Two or more persons registered as the holders of any Equity Shares shall be deemed to hold the same as joint tenants with the benefit of survivorship subject to the provisions contained in the Articles.

Arrangement for Odd Lot Equity Shares

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

Nomination

Section 109A of the Companies Act gives the Shareholders the right to nominate the Equity Shares held by them. The Applicant may nominate any person who is not an excluded U. S. Person as defined in Regulation S under the U.S. Securities Act, as amended, by filling the relevant details in the CAF in the space provided for this purpose.

In case of Equity Shareholders who are individuals, a sole Equity Shareholder or the first named Equity Shareholder, along with other joint Equity Shareholders, if any, may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. A person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if they were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Equity Share by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. When the Equity Share is held by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at our Registered Office or such other person at such addresses as may be notified by us. The Applicant may make the nomination by filling in the relevant portion of the CAF.

Only one nomination would be applicable for one folio. Hence, in case the Equity Shareholder(s) has already registered the nomination with us, no further nomination needs to be made for Equity Shares that may be allotted in this Issue under the same folio.

In case the Allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective Depository Participant of the Applicant would prevail. Any Applicant desirous of changing the existing nomination is requested to inform its respective DP.

Minimum Subscription

If we do not receive minimum subscription of 90% of the Issue, or the subscription level falls below 90%, after the Issue Closing Date on account of cheques being returned unpaid, we will refund the entire subscription amount received within 15 days from the Issue Closing Date. If there is delay in the refund of the subscription amount by more than eight days after we become liable to pay the subscription amount (i.e. 15 days after the Issue Closing Date), we will pay interest for the delayed period, as prescribed under sub-sections (2) and (2A) of section 73 of the Companies Act.

Offer to NR Equity Shareholders/Applicants

The RBI has, *vide* regulation no. 6 of notification FEMA 20/2000-RB dated May 3, 2000, given general permission to Indian companies to issue rights shares to Non Resident (**NR**) shareholders including additional shares. Applications received from NRIs and NRs for Allotment of Equity Shares shall be, *inter alia*, subject to the conditions imposed from time to time by the RBI under the FEMA in the matter of refund of Application Moneys, Allotment of Equity Shares, issue of letter of allotment as per notification No. FEMA 20/200-RB dated May 3, 2000. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the Allotment of Equity Shares, payment of dividend etc. to the NR shareholders. The Equity Shares purchased by NRs pursuant to the Issue shall be subject to the same conditions including restrictions in regard to the repatriation as are applicable to the original Equity Shares against which rights Equity Shares are issued.

By virtue of circular No. 14 dated September 16, 2003 issued by the RBI, OCBs have been derecognized as an eligible class of Investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, OCBs shall not be eligible to subscribe to the Equity Shares. The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated NR entities. Thus, OCBs desiring to participate in this Issue must obtain prior approval from the RBI. On providing such approval to us at our Registered Office, the OCB shall receive this Draft Letter of Offer and the CAF.

Draft Letter of Offer and CAF shall be dispatched to NR Equity Shareholders with a registered address in India only.

No Offer in the United States

We have not, and will not, register our Rights Entitlement and the Equity Shares under the U.S. Securities Act, as amended, or any US state securities laws. Consequently, our shares may not be offered, sold, resold, or otherwise transferred within the United States of America or the territories or possessions thereof (the "United States" or "U.S."), except in a transaction exempt from the registration requirement of the U.S. Securities Act, as amended. The Rights Entitlement referred to in this Draft Letter of Offer is being offered in India but not in the United States of America. The offering to which this Draft Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any shares or rights for sale in the United States, or as a solicitation therein of an offer to buy any of the said shares or rights. Accordingly, this Draft Letter of Offer should not be forwarded to or transmitted in or into the United States by any person other than us at any time. The Lead Manager or any person acting on its behalf will not accept subscriptions from any person, or his agent, who appears to be, or who we have reason to believe is, a resident of the United States and to whom an offer, if made, would result in requiring registration of this Draft Letter of Offer with the United States Securities and Exchange Commission.

Notices

We shall publish all required notices to the Equity Shareholder(s) in one English national daily with wide circulation, one Hindi national daily with wide circulation and one Tamil daily newspaper with wide circulation and/or, will be sent by ordinary post / registered post / speed post to the registered holders of the Equity Shares from time to time.

Listing and trading of Equity Shares proposed to be issued

Our existing Equity Shares are traded on the BSE and the NSE under the scrip code 505982 and HINDUJAF0, respectively. The fully paid up Equity Shares proposed to be issued on a rights basis shall be listed and admitted for trading on the BSE and the NSE under the existing ISIN for our fully paid Equity Shares. The fully paid up Equity Shares allotted pursuant to this Issue will be listed as soon as practicable and we will complete all necessary formalities for listing and commencement of trading within seven working days from the date of finalization of the basis of Allotment. We have made an application for “in-principle” approval for listing of the Equity Shares in accordance with clause 24(a) of the Listing Agreement to the BSE, the NSE and the MSE through letters dated [●] and has received such approval from the BSE through letter no. [●], the NSE through letter no. [●] and the MSE through letter no. [●].

The distribution of this Letter of Offer and the Issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. We are making this Issue on a rights basis to our Shareholders and we will dispatch this Letter of Offer/Abridged Letter of Offer and the CAF to Shareholders who have provided an Indian address.

Subscription to the Issue by Promoters

The Promoters have confirmed that the rights entitlement of the Promoters will be fully subscribed. Promoters also intend to subscribe to the full extent, directly or through its nominees, the shortfall in the Issue, if any. As a result of this subscription and consequent Allotment, Promoters may acquire Equity Shares over and above their entitlement in the Issue, which may result in their equity shareholding in the Company exceeding their current equity shareholding.

However, such participation will not result in breach of minimum public shareholding requirement stipulated in the equity Listing Agreement entered into between us and the Stock Exchanges, where our Equity Shares.

Further, the subscription and acquisition of additional Equity Shares by the Promoters, if any, will not result in change of control of the management of the Company and shall be exempt in terms of provision to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. Other than meeting the requirements indicated in Objects of the Issue, there is no other intention/purpose for the Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoters through the Issue, the Promoter shareholding in the Company exceeds their current shareholding.

As such, other than meeting the requirements indicated in the chapter entitled ‘*Objects of the Issue*’ on page 72 of this Draft Letter of Offer, there is no other intention or purpose for the Issue, including any intention to delist, even if, as a result of any Allotment in the Issue to our Promoters and/or members of our Promoter Group, the shareholding of our Promoters and/or Promoter Group in us exceeds the current shareholding. Our Promoters and/or members of our Promoter Group intend to subscribe for any undersubscribed portion as per the provisions of applicable law. Allotment to our Promoters and/or members of our Promoter Group of any undersubscribed portion, over and above their Rights Entitlement, shall be completed in compliance with the Listing Agreements and other applicable laws prevailing at that time relating to continuous listing requirements. For further details of under-subscription and Allotment to our Promoters and Promoter Group, please refer to sub-heading ‘*Basis of Allotment*’ on page 212 of this Draft Letter of Offer.

Issue of duplicate equity share certificate

If any Equity Share certificate(s) is / are mutilated or defaced or the spaces for recording transfers of Equity Shares are fully utilized, we will replace the same on the surrender of such certificate(s), provided that such certificates will be replaced as aforesaid only if the certificate numbers and the distinctive numbers are legible. If any Equity Share certificate(s) is / are destroyed, stolen, lost or misplaced, then upon production of proof thereof to the satisfaction of the Company and upon furnishing such indemnity / surety and / or such other documents as the Company may deem adequate, duplicate Equity Share certificate(s) shall be issued.

Restrictions on transfer and transmission of shares and on their consolidation / splitting

There are no restrictions on transfer and transmission and on their consolidation / splitting of shares issued pursuant to this Issue.

Procedure for Application

The CAF would be printed in black ink for all shareholders. Additional separate advice for NR shareholders will be provided. In case the original CAF is not received by the Applicant or is misplaced by the Applicant, the Applicant may request the Registrars to the Issue for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address. For further details, please see the heading entitled "*Availability of Duplicate CAF*" below on page 206. NR shareholders can obtain a copy of the CAF from the Registrars to the Issue by furnishing the registered folio number, DP ID number, Client ID number and their full name and address. Equity Shares offered to you may be renounced either in full or in part in favour of any other person or persons. For further details, please see the heading entitled "*Renunciation*" below on page 203.

Option to receive Equity Shares in Dematerialized Form

Applicants to the Equity Shares issued through this Issue shall be allotted the securities in dematerialised (electronic) form at the option of the Applicant. We have signed a tripartite agreement with NSDL and the Registrar to the Issue on April 30, 2002 and with CDSL and the Registrar to the Issue on April 19, 2002, which enables the Investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates.

Procedure for availing the facility for Allotment of Equity Shares in this Issue in the electronic form is as under:

1. Open a beneficiary account with any Depository Participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is exhibited in the records of the Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as with the Company). In case of Investors having various folios in the Company with different joint holders, the Investors will have to open separate accounts for such holdings. Those Equity Shareholders who have already opened such beneficiary account(s) need not adhere to this step.
2. For Equity Shareholders already holding Equity Shares of the Company in dematerialized form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the Allotment of Equity Shares arising out of this Issue may be made in dematerialized form even if the original Equity Shares of the Company

are not dematerialized. Nonetheless, it should be ensured that the depository account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of the Company.

3. Responsibility for correctness of information (including Applicant's age and other details) filled in the CAF vis-à-vis such information with the Applicant's Depository Participant, would rest with the Applicant. Applicants should ensure that the names of the Applicants and the order in which they appear in CAF should be the same as registered with the Applicant's Depository Participant.
4. Applicants must necessarily fill in the details (including the beneficiary account number or client ID number) appearing in the CAF under the heading 'Request for Shares in Electronic Form'.
5. Equity Share allotted to an Applicant in the electronic account form will be credited directly to the Applicant's respective beneficiary account(s) with Depository Participant.
6. Applicants should ensure that the names of the Applicants and the order in which they appear in the CAF should be the same as registered with the Applicant's Depository Participant.
7. Non-transferable Allotment advice/refund orders will be directly sent to the Applicant by the Registrar to this Issue.
8. If incomplete/incorrect details are given under the heading 'Request for Shares in Electronic Form' in the CAF, the Applicant will get Equity Shares in physical form.
9. Renounees can also exercise the option to receive Equity Shares in the dematerialised form by providing the necessary details about their beneficiary account.
10. It may be noted that Equity Share arising out of this Issue can be received in dematerialised form even if the existing Equity Shares are held in physical form. Nonetheless, it should be ensured that the Depository Participant account is in the name of the Applicant(s) in the same order as per specimen signatures appearing in the records of the Depository Participant/Company.
11. It may be noted that shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL.
12. Dividend or other benefits with respect to the Equity Shares held in dematerialized form would be paid to those Equity Shareholders whose names appear in the list of beneficial owners given by the Depository Participant to the Company as on the date of the book closure.
13. If incomplete / incorrect beneficiary account details are given in the CAF the Applicant will get Equity Shares in physical form.
14. The Equity Shares pursuant to this Issue Allotted to Investors opting for dematerialized form would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the Applicant by the Registrar to the Issue but the Applicant's Depository Participant will provide to him the confirmation of the credit of such Equity Shares to the Applicant's depository account.
15. Renounees will also have to provide the necessary details about their beneficiary account for Allotment of securities in this Issue. In case these details are incomplete or incorrect, the Renounees will get Equity Shares in physical form.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

Please note that pursuant to the applicability of the directions issued by SEBI *vide* its circular bearing number CIR/CFD/DIL/1/2011 dated April 29, 2011, all applicants who are QIBs or Non Institutional Investors are applying in this Issue for Equity Shares shall mandatorily make use of ASBA facility.

VIII. How to Apply

Resident Equity Shareholders

Applications should be made only on the enclosed CAF provided by us. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Manager or by the Registrar to the Issue or by us at any offices except in the case of postal applications as per instructions given in this Draft Letter of Offer.

NR Equity Shareholders

Applications received from the NR Shareholders for the Allotment of Equity Shares shall, *inter alia*, be subject to the conditions as may be imposed from time to time by the RBI, in the matter of refund of Application Moneys, Allotment of Equity Shares, issue of letters of Allotment/ certificates/ payment of dividends etc.

The CAF consists of four parts:

- Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares;
- Part B: Form for renunciation;
- Part C: Form for application for Renounees; and
- Part D: Form for request for SAFs.

NR Equity Shareholders will be required to represent, *inter alia*, that they are not excluded U.S. Persons as such term is defined in Regulation S under the U.S. Securities Act, as amended.

Option available to the Equity Shareholders

The CAF will clearly indicate the number of Equity Shares that the Equity Shareholder is entitled to.

An Equity Shareholder will have the following five options:

- A. Apply for his entitlement of Equity Shares in full;
- B. Apply for his entitlement of Equity Shares in part (without renouncing the other part);
- C. Apply for his entitlement of Equity Shares in full and apply for additional Equity Shares;
- D. Renounce his entitlement of Equity Shares in full; or
- E. Apply for his entitlement of Equity Shares in part and renounce the other part of the Equity Shares.

Acceptance of the Issue

The Issue may be accepted and the Equity Shares offered may be applied for either in full or in part, by filing Part A of the enclosed CAF and by submitting the same along with the Application Money payable to the Bankers to the Issue or any of the collection branches as mentioned on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date or such extended time as may be specified by our Board of Directors in this regard. Applicants at centres not covered by branches of Collecting Banks may send their CAF together with the cheque drawn at par on a local bank at Chennai/ demand draft payable at Chennai to the Registrar to the Issue by registered post/ speed post/ courier. Such application sent to anyone other than the Registrar to the Issue shall be liable to be rejected.

Renunciation

The Issue includes a right exercisable by the Shareholders to renounce the Equity Shares offered either in full or in part in favour of any other person or persons.

Any renunciation from Resident Indian Shareholder(s) to NR(s) or from NRI shareholder(s) to Resident Indian(s) or from NRI shareholder(s) to other NRI(s) is subject to the renouncer(s) / renounee(s) obtaining the necessary approvals including the permission of the RBI under the FEMA and such permissions should be attached to the CAF. Applications not accompanied by the aforesaid approvals are liable to be rejected.

By virtue of circular No. 14 dated September 16, 2003 issued by the RBI, OCBs have been derecognized as an eligible class of Investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, the existing Equity Shareholders who do not wish to subscribe to the Equity Shares being offered but prefer to renounce the same in favour of Renounee shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s).

An Equity Shareholder shall have the right to renounce his/her/its entitlement for the Equity Shares in full or in part in favour of one or more person(s) being Indian nationals/ limited companies incorporated under and governed by the Companies Act. Attention is drawn to the fact that we shall not allot and/or register any Equity Shares for a renunciation made in favour of:

- FIIs / NRs (unless the copy of the RBI permission / FIPB approval is enclosed along with the application);
- Residents (in cases where renunciation has been made by an NR, unless the copy of the RBI permission / FIPB approval is enclosed along with the application);
- More than three persons including joint holders;
- Partnership firm(s) or their nominee(s);
- Minors (unless it is through their legal guardian);
- Hindu Undivided Family;
- Any Trust or Society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorised under its Constitutions to hold equity shares of a company); or
- Any person situated or having jurisdiction where the offering in terms of this Draft Letter of Offer could be illegal or require compliance with securities laws.

The right of renunciation is subject to the express condition that the Board / Capital / Securities Committee shall be entitled in its absolute discretion to reject the request for Allotment to Renounee(s) without assigning any reason thereof.

Part 'A' of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the enclosed CAF to the Banker to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part 'B' of the CAF) duly filled in shall be conclusive evidence for us of the person(s) applying for Equity Shares of

the CAF to receive Allotment of such Equity Shares. The Renounees applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares. Part 'A' of the CAF must not be used by the Renounee(s) as this will render the application invalid. Renounee(s) will have no further right to renounce any Equity Shares in favour of any other person.

Procedure for renunciation

To renounce all the Equity Shares offered to a Shareholder in favour of one Renounee

Renunciation of the offer indicated in Part 'A', in whole, may be made by completing Part 'B' of the CAF. In case of joint holding, all joint holders must sign Part 'B' of the CAF. The person in whose favour renunciation has been made should complete and sign Part 'C' of the CAF. In case of joint Renounees, all joint Renounees must sign this part of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If the offer under this Issue is accepted in part or renounced in entirety, then such renunciation of the balance or the entire offer, as the case may be, can be made in favour of two or more Renounees. For this purpose, the CAF must be split into the requisite number of forms.

The requirement of split forms must be indicated in the space provided for that purpose in Part 'D' of the CAF and return the entire CAF to the Registrar of the Issue so as to reach them latest by close of business hours on the last date of receiving requests for split forms. On receipt of the required number of split forms from the Registrar of Issue, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Equity Shareholder(s), who has renounced the Equity Shares, does not agree with the specimen registered with us, the application is liable to be rejected.

Renounee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part 'C' of the CAF and submit the entire Application Form to the Bankers to the Issue on or before the Issue Closing Date along with the Application Money in full.

Change and/ or introduction of additional holders

Application for Equity Shares made jointly with another person or persons (not exceeding three) who is/are not already a joint holder(s) with the Applicant, shall amount to renunciation and the procedure as stated above shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure as stated above shall have to be followed.

However, this right of renunciation is subject to the express condition that our Board shall be entitled in its absolute discretion to reject the request for Allotment from the Renounee(s) without assigning any reason thereof.

Instructions for Options

Please note that:

1. Part A of the CAF must not be used by any person(s) other than the Equity Shareholder to whom this Letter of Offer has been addressed. If used, then it will render the application invalid.

2. Request for split form should be made for a minimum of [●] Equity Shares, or, in multiples thereof and one SAF for the balance Equity Shares, if any.
3. Request by the Applicant for SAF should reach us on or before [●].
4. Only the Equity Shareholder to whom the Letter of Offer has been addressed shall be entitled to renounce and to apply for SAFs. Forms once split cannot be split further.
5. Split form(s) will be sent to the Applicant(s) by post at the Applicant's risk.
6. While applying for or renouncing their Rights Entitlement, joint holders must sign in the same order and as per the specimen signatures registered with our Company.
7. In the case of a renunciation, the submission of the CAF to the Bankers to the Issue at the collecting branches specified on the reverse of the CAF together with Part B of the CAF duly completed shall be conclusive evidence of the right of the person applying for the Equity Shares to receive Allotment of such Equity Shares.

IX. Additional Equity Shares

Shareholders are eligible to apply for additional Equity Shares over and above the number of Equity Shares they are entitled to, provided that all Equity Shares offered have been applied for, without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and Allotment shall be made at the sole discretion of the Board, in consultation if necessary with the Designated Stock Exchange and in the manner prescribed under the heading entitled 'Basis of Allotment' on page 212 of this Draft Letter of Offer.

If a Shareholder is desirous of applying for additional Equity Shares, then such requirement should be indicated in the place provided for additional shares in Part 'A' of the CAF. The Renounee applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares.

Where the number of additional Equity Shares applied for exceeds the number available for Allotment, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

The summary of options available to the Equity Shareholder is presented below. The following options with regard to the Equity Shares offered may be exercised, using the enclosed CAF:

Option Available	Action Required
Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A (<i>All joint holders must sign</i>)
Accept entitlement in full and apply for additional Equity Shares	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (<i>All joint holders must sign</i>)
Renounce the entitlement in full to one person (<i>Joint Renounees are considered as one</i>).	Fill in and sign Part B (<i>all joint holders must sign</i>) indicating the number of Equity Shares renounced and hand it over to the Renounee. The Renounees must fill in and sign Part C (<i>All joint Renounees must sign</i>)
Accept a part of the entitlement and renounce	Fill in and sign Part D (<i>all joint holders must sign</i>)

Option Available	Action Required
<p>the balance to one or more Renounee(s)</p> <p style="text-align: center;">OR</p> <p>Renounce the entitlement to all the Equity Shares offered to more than one Renounee</p>	<p>requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Forms. Splitting will be permitted only once.</p> <p>On receipt of the Split Application Form take action as indicated below.</p> <p>For the Equity Shares you wish to accept, if any, fill in and sign Part A.</p> <p>For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the Renounees. Each of the Renounees should fill in and sign Part C for the Equity Shares accepted by them.</p>
<p>Introduce a joint holder or change the sequence of joint holders</p>	<p>This will be treated as a renunciation. Fill in and sign Part B and the Renounees must fill in and sign Part C.</p>

Applicants residing at places other than the cities where the Bank collection centres have been opened should send their completed CAF by registered post / speed post to the Registrars to the Issue, Integrated Enterprises (India) Limited along with bank drafts, net of bank charges and postal charges, payable at Chennai in favor of “**HFL - Rights Issue Account**” crossed “*A/c Payee only*”, so that the same are received on or before closure of the Issue (i.e. [●]). The Company will not be liable for any postal delays and applications received through mail after the closure of the Issue, are liable to be rejected and returned to the Applicants. Applications by mail should not be sent in any other manner except as mentioned below.

All application forms duly completed together with cheque / demand draft for the Application Money must be submitted before the close of the subscription list to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The Applicants are requested to strictly adhere to these instructions. Failure to do so could result in the application being rejected with the Lead Manager, the Registrar and us not having any liabilities to such Applicants.

NR Shareholders, who are not excluded U. S. Persons as defined in Regulation S under the U.S. Securities Act, as amended, applying on a repatriation basis should send their completed CAF by registered post/speed post to the Registrar to the Issue, Integrated Enterprises (India) Limited along with demand drafts for the full application amount, payable at Chennai, crossed account payee only and marked in favour of “**HFL - Rights Issue Non Resident**” crossed “*A/c Payee only*” so that the same are received on or before closure of the Issue i.e. [●].

Applications received from the NR Equity Shareholders for the Allotment of Equity Shares shall, inter alia, be subject to the conditions as may be imposed from time to time by the RBI, in the matter of refund of Application Moneys, Allotment of Equity Shares, issue of letters of Allotment / certificates / payment of dividends etc.

NR Equity Shareholders will be required to represent, inter alia, that they are not excluded U.S. Persons as such term is defined in Regulation S under the U.S. Securities Act, as amended.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the Applicant, the Registrar to the Issue will issue duplicate CAF on the request of the Applicant upon furnishing the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue within 7 days from the Issue Opening Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the Applicant violates any of these requirements, he / she shall face the risk of rejection of both the applications.

X. Application on Plain Paper

A resident Equity Shareholder or an NR Equity Shareholder, who is not an excluded U.S. Person as defined in Regulation S under the U.S. Securities Act, as amended, applying on a non-repatriation basis, who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with demand draft, net of bank and postal charges payable at Chennai which should be drawn in favour of ***“HFL Rights Issue Account”*** or ***“HFL Rights Issue Non-Resident Account”***, as the case may be, and the Equity Shareholders should send the same by registered post directly to the Registrar to the Issue.

The envelope should be superscribed ***“HFL Rights Issue”*** and should be post-marked in India. The application on plain paper, duly signed by the Applicants including joint holders, in the same order as per specimen recorded with us, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

1. Name of Issuer, being Hinduja Foundries Limited;
2. Name and address of the Equity Shareholder including joint holders;
3. Registered Folio Number/ DP and Client ID number;
4. Number of Equity Shares held as on Record Date;
5. Number of rights Equity Shares entitled;
6. Number of rights Equity Shares applied for;
7. Number of additional Equity Shares applied for, if any;
8. Total number of Equity Shares applied for;
9. Total amount paid at the rate of ₹ 75 per Equity Share;
10. Separate cheque/demand drafts/pay orders are to be attached for amounts to be paid for Equity Shares;
11. Particulars of cheque/demand draft/pay order;
12. Savings/current account number and name and address of the bank where the Equity Shareholder will be depositing the refund order;
13. PAN of the Applicant and for each Applicant in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to the Issue;
14. A representation that the Equity Shareholder is not a “U.S. Person” (as defined in Regulation S of the U.S. Securities Act);
15. Signature of Equity Shareholders to appear in the same sequence and order as they appear in our records; and

16. Payments in such cases, should be through a cheque / demand draft payable at Chennai be drawn in favour of “**HFL - Rights Issue Account**” and marked “A/c payee only” in case of Resident Shareholders and NR Shareholders applying on non-repatriable basis and in favour of “**HFL - Rights Issue Non Resident Account**” in case of NR Shareholders applying on repatriable basis and marked “A/c payee only”.
17. Additionally, NR Applicants shall include the following:

“I/We understand that the Rights and the Equity Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the ‘US Securities Act’) or any United States state securities laws and may not be offered, sold, resold or otherwise transferred within the United States, except in a transaction exempt from, or in a transaction not subject to, the registration requirements of the US Securities Act. The offering to which this CAF relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights for sale in the United States or the territories or possessions thereof, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights. Accordingly, this CAF should not be forwarded to or transmitted in or into the United States, except to persons that are both an institutional investor and an ‘accredited investor’ within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the US Securities Act (an ‘Institutional Accredited Investor’). Neither the Company, the Registrar nor the Lead Manager will accept subscriptions from any person, or his agent, who appears to be, or who the Company, the Registrar or the Lead Manager have reason to believe is, a resident of the United States and is not an Institutional Accredited Investor. There is no objection to a US shareholder selling its Rights in India.

I/We are an Institutional Accredited Investor and we have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Equity Shares, and we are, and any accounts for which we are acting are each, able to bear the economic risk of our or its investment.

I/We will not offer, sell or otherwise transfer any of the Rights or Equity Shares which may be acquired by us in any jurisdiction or any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.

I/We understand and agree that the Equity Shares and Rights may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.”

Please note that Shareholders making the application otherwise than on original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the Applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications. Separate cheques/demand drafts are to be attached for amounts to be paid for Equity Shares. We shall refund such application amount to the Applicant without any interest thereon.

The Equity Shareholders are requested to strictly adhere to these instructions. Failure to do so could result in the application being rejected. We, along with the Lead Manager and the Registrar will not be liable to such Equity Shareholders.

Application under Power of Attorney

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

Quoting of Permanent Account Number in the application forms In terms of circular no. SEBI/CFD/DIL/DIP/28/2007/29/11 dated November 29, 2007, every applicant shall disclose the Permanent Account Number (PAN), allotted under the Income Tax Act, 1961, in the application form, irrespective of the amount for which application is made. Application forms without this information will be considered incomplete and are liable to be rejected.

The copy of the PAN card or PAN allotment letter is not required to be submitted with the CAF. Applicant should not submit the GIR number instead of the PAN as the application will get rejected on this ground. In terms of SEBI Circulars bearing nos. MRD/DoP/Cir-20/2008 dated June 30, 2008 and July 20, 2006, certain categories of Investors (namely the Central Government, State Government, residents of Sikkim and the officials appointed by the courts e.g. Official Liquidator, court receiver etc. (under the category of Government)) shall be exempted from submitting their PAN, only if such organizations submit sufficient documentary evidence to support the veracity of their claim for such exemption.

Incomplete Application

CAFs, which are not complete or are not accompanied with the Application Money amount payable, are liable to be rejected.

XI. Mode of payment for Resident Equity Shareholders/ Applicants

1. All cheques /drafts accompanying the CAF should be drawn in favour of the Bankers to the Issue, crossed account payee only and marked
2. Applicants residing at places other than places where the bank collection centres have been designated are requested to send their applications directly to the Registrar to the Issue by registered post/speed post together with their cheque /demand draft (net of Bank and postal charges) drawn in favour of the Bankers to the Issue, crossed account payee only and marked "HFL - Rights Issue Resident Account" payable at Chennai directly to the Registrar to the Issue by registered post so as to reach them on or before the closure of the Issue. We or the Registrar to the Issue or the Bankers to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

XII. Mode of payment for NR Equity Shareholders/ Applicants

As regards the application by NR equity shareholders, the following further conditions shall apply:

Application with repatriation benefits

NR shareholders applying on repatriable basis, can either send their applications directly to the Registrar to the Issue together with cheque / demand draft (net of Bank and postal charges) payable at Chennai drawn in

favour of the Bankers to the Issue, crossed account payee only and marked "**HFL - Rights Issue Non Resident**" or can submit their application along with requisite cheque / demand draft at aforesaid specified branches where the cheque /demand draft will be payable at Chennai on or before the closure of the Issue. Payment by NRIs/ FIIs/ foreign investors must be made by demand draft/cheque payable at Chennai or funds remitted from abroad in any of the following ways:

1. By Indian Rupee drafts purchased from abroad and payable at Chennai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
2. By cheque / draft on a NRE Account or FCNR Account maintained in Chennai; or
3. By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable in Chennai.

FIIs registered with SEBI must remit funds from special NR Rupee deposit account.

All cheques/drafts submitted by NRs applying on repatriable basis should be payable at Chennai drawn in favour of the Bankers to the Issue, crossed account payee only and marked "HFL - Rights Issue Non Resident Account".

A separate cheque or bank draft must accompany each application form. Applicants may note that where payment is made by drafts purchased from NRE/FCNR Accounts as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR Account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected.

In the case of NRs who remit their Application Money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any, shall be credited to such account details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their Application Money through Indian Rupee drafts from abroad, refunds and other disbursements, if any will be made in US Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. We will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into US Dollars or for collection charges charged by the Applicant's Bankers.

Payment through NRO Accounts (defined later) shall not be permitted.

Neither we nor the Registrar to the Issue shall be responsible for postal delays or loss, if any, of the application in transit.

Application without repatriation benefits

NRs holding shares on non-repatriation basis shall, in addition to the modes specified above, make payment by way of cheque drawn on NR (Ordinary) Account (**NRO Account**) maintained in Chennai or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Chennai. In such cases, the Allotment of Equity Shares will be on non-repatriation basis.

NR shareholders applying on non-repatriable basis, can either send their applications directly to the Registrar to the Issue together with cheque / demand draft (net of Bank and postal charges) drawn in favour of the Bankers to the Issue, crossed account payee only and marked "**HFL Rights Issue Non-Resident Account**" or can submit their application along with requisite cheque / demand draft at aforesaid specified branches where the cheque / demand draft will be payable at Chennai on or before the closure of the Issue. The CAF duly completed together with the amount payable on application must be deposited with the

Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

If the payment is made by a draft purchased from an NRE/ FCNR/ NRO Account as the case maybe, an account debit certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO Account, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

New demat account shall be opened for holders who have had a change in status from Resident Indian to NRI.

Note:

1. In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to IT Act.
2. In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
3. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
4. In case of an application received from NRs, Allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such Allotment, remittance and subject to necessary approvals.

We will not be responsible for any postal delay/loss in transit on this account and applications received through mail after closure of the Issue are liable to be rejected. Applications through mail should not be sent in any other manner except as mentioned above. The CAF along with the Application Money must not be sent to us or the Lead Manager or the Registrar except stated otherwise. Applicants are requested to strictly adhere to these instructions.

Renounees who are NRI/FII/NR should submit application either by hand delivery or by registered post with acknowledgement due to Registrar to the Issue only at the below mentioned address along with cheque/demand draft payable at Chennai so that the same are received on or before the closure of the Issue.

XIII. Last date of Application

The last date for submission of the duly filled in CAF is [●]. The Issue will be kept open for 15 days and the Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

If the CAF together with the amount payable is not received by the Banker to the Issue/ Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Capital/ Securities Committee, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board/ Capital/Securities Committee shall be at liberty to dispose of the Equity Shares hereby offered, as set out under the heading '*Basis of Allotment*' on page 212 of this Draft Letter of Offer.

INVESTORS MAY PLEASE NOTE THAT OUR EQUITY SHARES CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

XIV. Printing of Bank Particulars on Refund Orders

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

XV. Basis of Allotment

Subject to the provisions contained in this Draft Letter of Offer and CAF, our Articles of Association and the approval of the Designated Stock Exchange, the Board will proceed to allot the Equity Shares in the following order of priority:

1. Full Allotment to those Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the Renouncee(s) who has/ have applied for Equity Shares renounced in their favour, in full or in part.
2. If the shareholding of any of the Equity Shareholders is less than 50 or is not in multiples of 50, then the fractional entitlement of such holders for Equity Shares shall be ignored. Equity Shareholders whose fractional entitlements are being ignored would be given preferential allotment of one additional Equity Share each if they apply for additional shares. Allotment under this head shall be considered if there are any unsubscribed Equity Shares after Allotment under (1) above. If the number of Equity Shares required for Allotment under this head is more than the number of shares available after Allotment under (1) above, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange. For further details, please see the sub-heading entitled '*Fractional Entitlements*' on page 196 of this Letter of Offer.
3. Allotment to the Equity Shareholders who having applied for all the Equity Shares offered to them as part of the Issue and have also applied for additional Equity Shares. The Allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an undersubscribed portion after making full Allotment in (1) and (2) above. The Allotment of such Equity Shares will be at the sole discretion of the Board/ Capital / Securities Committee in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential allotment.
4. Allotment to the Renouncees who having applied for the Equity Shares renounced in their favour have also applied for additional Equity Shares, provided there is an under-subscribed portion after making full Allotment in (1), (2) and (3) above. The Allotment of such additional Equity Shares will be made on a proportionate basis at the sole discretion of the Board/ Rights Issue Committee but in consultation with the Designated Stock Exchange, as a part of the Issue and not as a preferential allotment.
5. Allotment to any other person as the Board may in its absolute discretion deems fit provided there is surplus available after making full Allotment under 1, 2, 3 and 4 above.

After taking into account Allotment to be made under (1) and (2) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed' for the purpose of regulation 3(1)(b)(ii) of the Takeover Code which would be available for allocation under (3), (4) and (5) above. After considering the above Allotment, any additional Equity Shares shall be disposed off by the Board or Capital / Securities

Committee authorised in this behalf by our Board of Directors, in such manner as they think most beneficial to us and the decision of our Board or Rights Issue Committee in this regard shall be final and binding. In the event of oversubscription, Allotment will be made within the overall size of the Issue.

We expect to complete the Allotment of Equity Shares within a period of 10 days from the date of closure of the Issue in accordance with the Listing Agreement with the Stock Exchanges. We shall retain no oversubscription.

XVI. Allotment and Refund

We will issue and dispatch letters of allotment/ share certificates/ demat credit and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of 15 days from the Issue Closing Date. If such money is not repaid within 8 days from the day we become liable to pay it, we shall pay that money with interest as stipulated under section 73 of the Act.

Applicants residing at 68 centers where clearing houses are managed by the RBI, will get refund through ECS / NECS only except where Applicants are otherwise disclosed as applicable/eligible to get refunds through direct credit and RTGS.

In case of those Applicants who have opted to receive their Right Entitlement in dematerialized form by using electronic credit under the depository system, an advice regarding the credit of the Equity Shares shall be given separately. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit refund within a period of 15 working days from the Issue Closing Date.

In case of those Applicants who have opted to receive their Rights Entitlement in physical form, we will issue the corresponding share certificates under applicable provisions of the Companies Act or other applicable provisions, if any.

All refund orders will be dispatched by registered post/ speed post to the sole/ first Applicant's registered address. Such cheques or pay orders will be payable at par at all place where the applications were originally accepted and will be marked 'Account Payee only' and would be drawn in the name of the sole/ first Applicant. Adequate funds would be made available to the Registrar to the Issue for this purpose.

XVII. Payment of Refund

The payment of refund, if any, would be done through any of the following modes:

1. Electronic Clearing Service (ECS) / National Electronic Clearing Service (NECS) – Payment of refund would be done through ECS / NECS for Applicants having an account at any of the following 68 centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna, Thiruvananthapuram (managed by RBI); Baroda, Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-MICR), Pondicherry, Hubli, Shimla (Non-MICR), Tirupur, Burdwan (Non-MICR), Durgapur (Non-MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non-MICR), Nellore (Non-MICR) and Kakinada (Non-MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakhpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by Union Bank of India); Visakhapatnam (managed by Andhra Bank); Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United Bank of India);

Vijayawada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and Jaipur). This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for Applicants having a bank account at any of the abovementioned 68 centers, except where the Applicant, being eligible, opts to receive refund through direct credit or RTGS.

2. National Electronic Fund Transfer (**NEFT**) – Payment of refund shall be undertaken through NEFT wherever the Applicants’ bank has been assigned the Indian Financial System Code (**IFSC**), which can be linked to a MICR, if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC of that particular bank branch and the payment of refund will be made to the Applicants through this method.
3. Direct Credit – Applicants having bank accounts with the existing Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by us.
4. Real Time Gross Settlement (**RTGS**) – Applicants having a bank account at any of the centres where such facility has been made available and whose refund amount exceeds ₹ 0.1 million, have the option to receive refund through RTGS. Such eligible Applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS / NECS. Charges, if any, levied by the refund bank(s) for the same would be borne by us. Charges, if any, levied by the Applicant’s bank receiving the credit would be borne by the Applicant.
5. For all other Applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched through speed post/ registered post. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first Applicant and payable at par.

As regards allotment/ refund to NRs, persons who remit their application monies from funds held in NRE/ FCNR Accounts, refunds and/ or payment of interest/ dividend and other disbursement, if any, shall be credited to such accounts, details of which should be furnished in the CAF. Subject to the approval of the RBI, in case of NRs, who remit their application monies through Indian Rupee draft purchased from abroad, refund and/ or payment of dividend/ interest and any other disbursement, shall be credited to such accounts (details of which should be furnished in the CAF) and will be made net of bank charges/ commission in US Dollars, at the rate of exchange prevailing at such time. We will not be responsible for any loss on account of exchange fluctuations for converting the Indian Rupee amount into US Dollars. The share certificate(s) will be sent by registered post at the Indian address of the NR Applicant.

XVIII. Allotment advice / Share Certificates/ Demat Credit

Allotment advice/ share certificates/ demat credit or letters of regret will be dispatched to the registered address of the first named Applicant or respective beneficiary accounts will be credited within 15 days, from the date of closure of the subscription list. In case we issue Allotment advice, the relative share certificates will be dispatched within three months from the Date of Allotment. Allottees are requested to preserve such allotment advice (if any) to be exchanged later for share certificates. Export of letters of allotment (if any)/ share certificates/ demat credit to NR Allottees will be subject to the approval of RBI.

XIX. Option to receive Equity Shares in Dematerialized Form

Applicants to the Equity Shares issued through this Issue shall be allotted the securities in dematerialised (electronic) form at the option of the Applicant. We signed a tripartite agreement with CDSL and NSDL and the Registrar, which enables the Investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates.

In this Issue, the Allottees who have opted for Equity Shares in dematerialised form will receive their Equity Shares in the form of an electronic credit to their beneficiary account with a DP. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Applications, which do not accurately contain this information, will be given the securities in physical form. No separate applications for securities in physical and/or dematerialized form should be made. If such applications are made, the application for physical securities will be treated as multiple applications and is liable to be rejected. In case of partial allotment, Allotment will be done in demat option for the shares sought in demat and balance, if any, may be allotted in physical shares.

Our Equity Shares will be listed on the BSE, the NSE and the MSE.

Procedure for availing the facility for Allotment of Equity Shares in this Issue in the electronic form is as under:

1. A beneficiary account should be opened with any DP (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is exhibited in our records. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as it is with us (**Beneficiary Account**). In case of Shareholders having various folios in us with different joint holders, the Shareholders will have to open separate accounts for such holdings. Those Equity Shareholders who have already opened such Beneficiary Account (s) need not adhere to this step.
2. For Equity Shareholders already holding our Equity Shares in dematerialized form as on the Record Date, the Beneficiary Account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares pursuant to this Issue by way of credit to such account, the necessary details of their Beneficiary Account should be filled in the space provided in the CAF. It may be noted that the Allotment of Equity Shares arising out of this Issue may be made in dematerialized form even if the original Equity Shares are not dematerialized. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records maintained with us.
3. Responsibility for correctness of information (including Applicant's age and other details) filled in the CAF vis-a-vis such information with the Applicant's DP, would rest with the Applicant. Applicants should ensure that the names of the Applicants and the order in which they appear in CAF should be the same as registered with the Applicant's DP.
4. Applicants must necessarily fill in the details (including the beneficiary account number or client ID number) appearing in the CAF under the heading '*Request for Shares in Electronic Form*'.
5. Equity Share allotted to an Applicant in the electronic account form will be credited directly to the Applicant's respective beneficiary account(s) with the DP.
6. Applicants should ensure that the names of the Applicants and the order in which they appear in the CAF should be the same as registered with the Applicant's DP.
7. Non-transferable allotment advice/refund orders will be directly sent to the Applicant by the Registrar to the Issue.

8. If incomplete/incorrect details are given under the heading '*Request for Shares in Electronic Form*' in the CAF, the Applicant will get Equity Shares in physical form.
9. Renounees can also exercise the option to receive Equity Shares in the demat form by indicating in the relevant asset and providing the necessary details about their beneficiary account.
10. It may be noted that Equity Share arising out of this Issue can be received in demat form even if the existing Equity Shares are held in physical form. Nonetheless, it should be ensured that the DP account is in the name of the Applicant(s) in the same order as per specimen signatures appearing in our records or those with the DP.
11. It may be noted that Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL.
12. Dividend or other benefits with respect to the Equity Shares held in dematerialised form would be paid to those Equity Shareholders whose names appear in the list of beneficial owners given by the DP to us as on the date of the book closure.
13. If incomplete / incorrect beneficiary account details are given in the CAF the Applicant will get Equity Shares in physical form.
14. The Equity Shares pursuant to this Issue allotted to Investors opting for dematerialized form would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the Applicant by the Registrar to the Issue but the Applicant's DP will provide to him the confirmation of the credit of such Equity Shares to the Applicant's depository account.
15. Renounees will also have to provide the necessary details about their Beneficiary Account for Allotment in this Issue. In case these details are incomplete or incorrect, the Renounees will get Equity Shares in physical form.

XX. Utilisation of Proceeds

The funds received in the Issue will be kept in a separate bank account and we will not have any access to such funds unless the basis of Allotment is finalized.

XXI. General instructions for Applicants

1. Please read the instructions printed on the enclosed CAF carefully.
2. Application should be made on the printed CAF, provided by us except as mentioned under the heading entitled '*Application on Plain Paper*' and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the Applicants, details of occupation, address, father's / husband's name must be filled in block letters.
3. The CAF together with cheque /demand draft should be sent to the Bankers to the Issue /Collecting Bank or to the Registrar to the Issue and not to us or Lead Manager to the Issue. Applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorised by us for

collecting applications, will have to make payment by demand draft payable at Chennai of amount net of bank and postal charges, and send their application forms to the Registrar to the Issue by REGISTERED POST. If any portion of the CAF is / are detached or separated, such application will be liable to be rejected.

4. Applications for any value made by the Applicant or in the case of application in joint names, each of the Applicants, should mention his/ her PAN allotted under the IT Act. CAF without PAN will be considered incomplete and are liable to be rejected.
5. Applicants are advised that it is mandatory to provide information as to their savings/current account number and the name of the Bank with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.
6. Payment made in cash will not be accepted. Payment should be made by cheque/demand draft only. In case payment is made in contravention of this arrangement, the application may be deemed invalid and the Application Money will be refunded and no interest will be paid thereon.
7. Signatures should be either in English or Hindi or in any other language specified in the Eight Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with us or depositories.
8. In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and a copy of the Memorandum and Articles of Association and / or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case the above referred documents are already registered with us, the same need not be a furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected. In no case should these papers be attached to the application submitted to the Bankers to the Issue.
9. In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with us. Further, in case of joint Applicants who are Renounees, the number of Applicants should not exceed three. In case of joint Applicants, reference, if any, will be made in the first Applicant's name and all communication will be addressed to the first Applicant.
10. Application(s) received from NRs/NRIs or persons of Indian origin residing abroad for Allotment of Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of Application Money, Allotment of Equity Shares, subsequent issue and Allotment of Equity Shares, interest, export of share certificates, etc. In case a NR or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
11. All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the Date of Allotment in this Issue quoting the name of the first / sole Applicant Equity Shareholder, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the Date of Allotment, should be sent to the Registrar.

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in the case of Equity Shares held in physical form and to the respective Depository Participant, in case of Equity Shares held in dematerialized form.

12. Split forms cannot be re-split.
13. Only the person or persons to whom Equity Shares have been offered and not Renouncee(s) shall be entitled to obtain split forms.
14. Applicants must write their CAF number at the back of the cheque / demand draft.
15. Only one mode of payment per application should be used. The payment must be either by cheque or demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
16. A separate cheque/demand draft must accompany each CAF. Outstation cheques/demand drafts or post-dated/cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash. (For payment against application in cash please refer point (5) above).
17. No receipt will be issued for Application Money received. The Bankers to the Issue / Collecting Bank/ Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.

XXII. Grounds for Technical Rejections

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:

1. Amount paid does not tally with the amount payable for;
2. Bank account details (for refund) are not given;
3. Age of first Applicant not given while completing Part [●] of the CAF;
4. PAN details not mentioned;
5. PAN Number provided in CAF not matching with PAN Number in the depository ID;
6. In case of application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
7. If the signature of the existing shareholder does not match with the one given on the Application Form and for Renouncees if the signature does not match with the records available with their depositories;

8. If the Applicant desires to have shares in electronic form, but the Application Form does not have the Applicant's depository account details;
9. Application Forms are not submitted by the Applicants within the time prescribed as per the Application Form and the Letter of Offer;
10. Applications not duly signed by the sole/joint Applicants;
11. Applications by OCBs unless accompanied by specific approval from the RBI permitting the OCBs to invest in the Issue;
12. Applications accompanied by Stockinvest;
13. In case no corresponding record is available with the depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (**DP ID**) and the beneficiary's identity;
14. Applications that do not include the certification set out in the CAF to the effect that the subscriber is not in the United States and is purchasing the Equity Shares in an 'offshore transaction' (as defined in Regulation S), and is authorized to acquire the Rights Entitlement and the Equity Shares in compliance with all applicable laws and regulations;
15. Applications by persons in United States of America.
16. Applications which have evidence of being executed in/dispatched from the US;
17. Applications by ineligible NRs (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided;
18. Applications where we believe that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements;
19. Multiple applications; and
20. Duplicate applications including cases where an Applicant submits CAF along with a plain paper application.

XXIII. Investment by FIIs

The Issue of Equity Shares under this Issue to a single FII should not exceed 10% of our post-issue paid up capital. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total paid-up capital or 5% of the total issued capital in case such sub-account is a foreign corporate or an individual. In accordance with foreign investment limits applicable to us, the total FII investment cannot exceed 40 % of our total paid-up capital. With the approval of the Board and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. As of September 30, 2011, the FII investment is limited to 24% of our total paid-up capital.

XXIVA. Investment by Mutual Funds

In accordance with the current regulations, Mutual Funds registered with SEBI can make separate applications in respect of each scheme and such applications will not be treated as multiple applications. Further, an application by the asset management company or the custodian, as the case may be, must state clearly the name of the scheme for which the application is being made.

XXIVB Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest scheme has been withdrawn with immediate effect. Hence, payment through Stockinvest would not be accepted in this Issue.

XXIV. Procedure for application through the Applications Supported by Blocked Amount (ASBA) Process

SEBI, by its circular dated August 20, 2009, introduced in rights issue application supported by blocked amount wherein the Application Money remains in the ASBA Account until Allotment. Mode of payment

through ASBA in Rights Issue became effective on August 20, 2009. Since this is a new mode of payment in Rights Issues, set forth below is the procedure for applying under the ASBA procedure, for the benefit of the shareholders.

This section is only to facilitate better understanding of aspects of the procedure which is specific to ASBA Investors. ASBA Investors should nonetheless read this document in entirety.

We and the Lead Manager are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Draft Letter of Offer. Equity Shareholders who are eligible to apply under the ASBA Process are advised to make their independent investigations and ensure that the number of Equity Shares applied for by such Equity Shareholders do not exceed the applicable limits under laws or regulations.

ASBA Process

An ASBA Investor can submit his application through CAF/plain paper, either in physical or electronic mode, to the SCSB with whom the bank account of the ASBA Investor or bank account utilised by the ASBA Investor is maintained. The SCSB shall block an amount equal to the application amount in the ASBA Account specified in the CAF, physical or electronic, on the basis of an authorisation to this effect given by the account holder at the time of submitting the CAF. The application data shall thereafter be uploaded by the SCSB in the web enabled interface of the Stock Exchanges as prescribed under circular issued by SEBI -SEBI/CFD/DIL/DIP/38/2009/08/20 dated August 20, 2009 or in such manner as may be decided in consultation with the Stock Exchanges. The amount payable on application shall remain blocked in the ASBA Account until finalisation of the basis of Allotment and consequent transfer of the amount against the allocated Equity Shares to the separate account opened by us for Rights Issue or until failure of the Issue or until rejection of the ASBA application, as the case may be. Once the basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the controlling branch for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful ASBA Investors to the separate account opened by us for Rights Issue. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Issue

We, including our directors, affiliates, associates and their respective directors and officers, the Lead Manager and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to applications accepted by SCSBs, applications uploaded by SCSBs, applications accepted but not uploaded by SCSBs or applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for applications uploaded by SCSBs, the amount payable on application has been blocked in the relevant ASBA Account.

Equity Shareholders who are eligible to apply under the ASBA Process

The option of applying for Equity Shares in this Issue through the ASBA Process is only available to our following Equity Shareholders on the Record Date. Equity Shareholders who:

- holds our Equity Shares in dematerialized form as on the Record Date and has applied for entitlements and / or additional Shares in dematerialized form;
- has not renounced his/her Rights Entitlement in full or in part;
- is not a Renouncee;
- is applying through a bank account maintained with SCSBs.

CAF

The Registrar will dispatch the CAF to all Equity Shareholders as per their entitlement on the Record Date for the Issue. Those Equity Shareholders who wish to apply through the ASBA payment mechanism, will have to select for this mechanism in Part A of the CAF and provide necessary details or in plain paper

application and indicate that they wish to apply through ASBA payment mechanism. Application in electronic mode will only be available with such SCSB who provides such facility. The Equity Shareholder shall submit the CAF/plain paper application to the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB.

Equity Shareholders applying under the ASBA Process are also advised to ensure that the CAF is correctly filled up, stating therein the bank account number maintained with the SCSB in which an amount equivalent to the amount payable on application as stated in the CAF will be blocked by the SCSB.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain a duplicate CAF and wanting to apply under ASBA process may make an application to subscribe for the Issue on plain paper.

The application on plain paper, duly signed by the Applicants including joint holders, in the same order as per specimen recorded with us, must be submitted at a designated branch of a SCSB on or before the Issue Closing Date and should contain the following particulars;

- Name of the Issuer, being Hinduja Foundries Limited;
- Name and address of the Equity Shareholder, including any joint holders;
- Registered folio number/DP ID number and client ID number;
- Number of Equity Shares held as on the Record Date;
- Rights Entitlement;
- Number of Equity Shares applied for;
- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;
- Savings/Current Account Number along with name and address of the SCSB and branch from which the money will be blocked ;
- The PAN of the Equity Shareholder and where relevant, for each joint holder, except in respect of Central and State Government officials and officials appointed by the court (e.g., official liquidators and court receivers) who, in terms of a SEBI circular dated June 30, 2008, may be exempt from specifying their PAN for transacting in the securities market, subject to submitting sufficient documentary evidence in support of their claim for exemption, provided that such transactions are undertaken on behalf of the Central and State Government and not in their personal capacity;
- A representation that the Equity Shareholder is not a “U.S. Person” (as defined in Regulation S under the Securities Act);
- Signature of the Equity Shareholders to appear in the same sequence and order as they appear in the our records;
- In case of NR Shareholders, NRE/FCNR/NRO account number, name and address of the SCSB and Branch
- In the application, the ASBA Investor shall, *inter alia*, give the following confirmations/declarations:
 - a. That he/she is an ASBA Investor as per the SEBI ICDR Regulations; and
 - b. That he/she has authorized the SCSBs to do all acts as are necessary to make an application in the Issue, upload his/her application data, block or unblock the funds in the ASBA Account and transfer the funds from the ASBA Account to the separate account maintained by us for Rights Issue after finalization of the basis of Allotment entitling the ASBA Investor to receive Equity Shares in the Issue etc.

The Equity Shareholder shall submit the plain paper application to the SCSB for authorizing such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB.

If an Applicant makes an application in more than one mode i.e., both in the CAF and on plain paper, then both the applications may be liable for rejection.

The list of banks who have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in/pmd/scsb.html>. For details on Designated Branches of SCSB collecting the CAF, please refer the above mentioned SEBI link.

Acceptance of the Issue

The Equity Shareholder may accept the Issue and apply for the Equity Shares offered, either in full or in part, by filling Part A of the CAF sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by our Board of Directors in this regard.

Mode of payment

The Equity Shareholder applying under the ASBA Process agrees to block the entire amount payable on application (including for additional Equity Shares, if any) with the submission of the CAF, by authorizing the SCSB to block an amount, equivalent to the amount payable on application, in a bank account maintained with the SCSB.

After verifying that sufficient funds are available in the bank account provided in the CAF, the SCSB shall block an amount equivalent to the amount payable on application mentioned in the CAF until it receives instructions from the Registrars. Upon receipt of intimation from the Registrar, the SCSBs shall transfer such amount as per Registrar's instruction allocable to the Equity Shareholders applying under the ASBA Process from bank account with the SCSB mentioned by the Equity Shareholder in the CAF. This amount will be transferred in terms of the SEBI ICDR Regulations, into the separate bank account maintained by us as per the provisions of Section 73(3) of the Companies Act. The balance amount remaining after the finalisation of the basis of Allotment shall be either unblocked by the SCSBs or refunded to the Investors by the Registrar on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Manager to the respective SCSB. The Equity Shareholders applying under the ASBA Process would be required to block the entire amount payable on their application at the time of the submission of the CAF.

The SCSB may reject the application at the time of acceptance of CAF if the bank account with the SCSB, details of which have been provided by the Equity Shareholder in the CAF, does not have sufficient funds equivalent to the amount payable on application mentioned in the CAF. Subsequent to the acceptance of the application by the SCSB, we would have a right to reject the application only on technical grounds.

Options available to the Equity Shareholders applying under the ASBA Process

The summary of options available to the Equity Shareholders is presented below. The Equity Shareholder may exercise any of the following options with regard to the Equity Shares offered, using the respective CAFs received from Registrar:

No.	Options available	Requirement
1.	Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A of the CAF (<i>All joint holders must sign</i>).
2.	Accept your entitlement in full and apply for additional Equity Shares.	Fill in and sign Part A including [●] relating to the acceptance of entitlement and [●] relating to additional Equity Shares (<i>All joint holders must sign</i>).

The Equity Shareholder(s) applying under the ASBA Process will need to select the ASBA option process in the CAF and provide required necessary details. However, in cases where this option is not selected, but the CAF is tendered to the SCSB with the relevant details required under the ASBA

process option and SCSB blocks the requisite amount, then that CAF would be treated as if the Equity Shareholder has selected to apply through the ASBA process option.

Additional Equity Shares

The Equity Shareholder is eligible to apply for additional Equity Shares over and above the number of Equity Shares that he is entitled to, provided that he has applied for all the Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and Allotment shall be made at the sole discretion of the Board, in consultation with the Designated Stock Exchange and in the manner prescribed under the heading entitled '*Basis of Allotment*' on page 212 of this Draft Letter of Offer.

The Allotment of additional Equity Shares will be made on an equitable basis with reference to number of Shares held by you on the Record Date. If a Shareholder desires to apply for additional Equity Shares, he should indicate his requirement in the place provided for additional securities in Part A of the CAF.

Renunciation under the ASBA Process

Renounees cannot participate in the ASBA Process.

Last date of Application

The last date for submission of the duly filled in CAF/plain paper application is [●]. The Issue will be kept open for a minimum of 15 days and our Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date. If the CAF/plain paper application is not received by the SCSB on or before the close of banking hours on the aforesaid last date or such date as may be extended by our Board/ Capital / Securities Committee, the offer contained in this Draft Letter of Offer shall be deemed to have been declined and the Board/ Capital/Securities Committee shall be at liberty to dispose of the Equity Shares hereby offered, as provided under the heading '*Basis of Allotment*'.

Option to receive securities in Dematerialized Form

EQUITY SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT OUR EQUITY SHARES UNDER THE ASBA PROCESS CAN ONLY BE ALLOTTED IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE BEING HELD ON RECORD DATE.

Issuance of Intimation Letters

Upon approval of the basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send the controlling SCSB branches, a list of the ASBA Investors who have been allocated Equity Shares in the Issue, along with:

- a. The number of Equity Shares to be allotted against each successful ASBA;
- b. The amount to be transferred from the ASBA Account to the separate account opened by us for Rights Issue, for each successful ASBA;
- c. The date by which the funds referred to in the paragraph above, shall be transferred to separate account opened by us for Rights Issue; and
- d. The details of rejected ASBAs, if any, along with reasons for rejection to enable SCSBs to unblock the respective ASBA Accounts.

General instructions for Equity Shareholders applying under the ASBA Process

1. Please read the instructions printed on the CAF carefully.

2. Application should be made CAF only should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of this Draft Letter of Offer is liable to be rejected. The CAF/plain paper application must be filled in English.
3. The CAF/plain paper application in the ASBA Process should be submitted at a Designated Branch of the SCSB and whose bank account details are provided in the CAF and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), or Registrar or Lead Manager to the Issue or to us.
4. All Applicants, and in the case of application in joint names, each of the joint Applicants, should mention his/her PAN number allotted under the IT Act irrespective of the amount of the application. CAFs/plain paper applications without PAN will be considered incomplete and are liable to be rejected.
5. All payments will be made by blocking the amount in the bank account maintained with the SCSB. Cash payment is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the Application Money will be refunded and no interest will be paid thereon.
6. Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Equity Shareholders must sign the CAF/plain paper application as per the specimen signature recorded with us/or Depositories.
7. In case of joint holders, all joint holders must sign the relevant part of the CAF/plain paper application in the same order and as per the specimen signature(s) recorded with us. In case of joint Applicants, reference, if any, will be made in the first Applicant's name and all communication will be addressed to the first Applicant.
8. All communication in connection with application for the securities, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the Date of Allotment in this Issue quoting the name of the first/sole Applicant Equity Shareholder, folio numbers and CAF number.
9. Only the person or persons to whom securities have been offered and not Renouncee(s) shall be eligible to participate under the ASBA process.

Do's:

1. Ensure that the ASBA Process option is selected in Part A of the CAF and necessary details are filled in. In case of non-receipt of the CAF, the Application can be made on a plain paper with all the necessary details as required under paragraph '*Application on Plain Paper*' appearing under procedure for application under ASBA.
2. Ensure that you submit your application in physical mode only. Electronic mode is only available with certain SCSBs and not all SCSBs and you should ensure that your SCSB offers such facility to you.
3. Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.
4. Ensure that the CAFs/plain paper applications are submitted at the SCSBs whose details of bank account have been provided in the CAF.
5. Ensure that you have mentioned the correct bank account number in the CAF plain paper application.

6. Ensure that there are sufficient funds (equal to {number of Equity Shares applied for} x {Issue Price of Equity Shares}) available in the bank account maintained with the SCSB mentioned in the CAF/plain paper application before submitting the CAF/ plain paper application to the respective Designated Branch of the SCSB.
7. Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the CAF/ plain paper application, in the bank account maintained with the respective SCSB, of which details are provided in the CAF/ plain paper application and have signed the same.
8. Ensure that you receive an acknowledgement from the SCSB for your submission of the CAF/ plain paper application in physical form.
9. Each Applicant should mention their PAN allotted under the IT Act.
10. Ensure that the name(s) given in the CAF/plain paper application is exactly the same as the name(s) in which the beneficiary account is held with the DP. In case the CAF/plain paper application is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF/plain paper application.
11. Ensure that the demographic details are updated, true and correct, in all respects.

Don'ts:

1. Do not apply on duplicate CAF after you have submitted a CAF to a designated branch of the SCSB.
2. Do not pay the amount payable on application in cash, by money order or by postal order.
3. Do not send your physical CAFs/ plain paper applications to the Lead Manager to Issue / Registrar / Collecting Banks (assuming that such Collecting Bank is not a SCSB) / to a branch of the SCSB which is not our Designated Branch of that of SCSB; instead submit the same to a Designated Branch of the SCSB only.
4. Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
5. Do not instruct your respective banks to release the funds blocked under the ASBA Process.

Grounds for Technical Rejection under the ASBA Process

In addition to the grounds listed under the heading '*Grounds for Technical Rejection*' on page 218 of this Draft Letter of Offer, applications under the ASBA Process are liable to be rejected on the following grounds:

1. Application for entitlements or additional shares in physical form.
2. DP ID and Client ID mentioned in CAF/plain paper application not matching with the DP ID and Client ID records available with the Registrar.
3. Sending CAF/plain paper application to a Lead Manager / Registrar / Collecting Bank (assuming that such Collecting Bank is not a SCSB) / to a branch of a SCSB which is not our Designated Branch or that of the SCSB.
4. Renouncee applying under the ASBA Process.
5. Insufficient funds are available with the SCSB for blocking the amount.

6. Funds in the bank account with the SCSB whose details are mentioned in the CAF/ plain paper application having been frozen pursuant to regulatory orders.
7. Account holder not signing the CAF/plain paper application or declaration mentioned therein.
8. PAN not stated, GIR no. stated instead.
9. Signature of sole/joint shareholder missing in the CAF.
10. CAF not submitted within the prescribed time.
11. Application on split form.

COMMUNICATIONS

All future communication in connection with ASBA applications made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first ASBA Investor, CAF number, details of DP, number of Equity Shares applied for, date of CAF, name and address of the Designated Branch where the application was submitted and bank account number of the ASBA Account, with a copy to the relevant SCSB. The Registrar to the Issue shall obtain the required information from the SCSBs for addressing any clarifications or grievances. The SCSB shall be responsible for any damage or liability resulting from any errors, fraud or willful negligence on the part of any employee of the concerned SCSB, including its Designated SCSB Branches and the branches where the ASBA Accounts are held.

ASBA Investors can contact the Compliance Officer, the Designated Branch where the application was submitted, or the Registrar to the Issue in case of any pre or post-Issue related problems such as non-receipt of credit of allotted Equity Shares in the respective beneficiary accounts, blocking of excess amount, etc.

Disposal of Investor Grievances

All grievances relating to the ASBA may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the Applicant, number of Equity Shares applied for, amount blocked on application, bank account number of the ASBA account number and the Designated Branch or the collection centre of the SCSB where the CAF was submitted by the ASBA Investors.

Depository account and bank details for Equity Shareholders applying under the ASBA Process.

IT IS MANDATORY FOR ALL THE EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL THE EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF/PLAIN PAPER APPLICATION. EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS MUST ENSURE THAT THE NAME GIVEN IN THE CAF/PLAIN PAPER APPLICATION IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE CAF/PLAIN PAPER APPLICATION.

Equity Shareholders applying under the ASBA Process should note that on the basis of name of these Equity Shareholders, Depository Participant's name and identification number and beneficiary account number provided by them in the CAF/plain paper application, the Registrar to the Issue will obtain from the Depository demographic details of these Equity Shareholders such as address, bank account details for printing on refund orders and occupation. Hence, Equity Shareholders applying under the ASBA Process should carefully fill in their Depository Account details in the CAF/Plain paper application.

These demographic details would be used for all correspondence with such Equity Shareholders including mailing of the letters intimating unblock of bank account of the respective Equity Shareholder. The demographic details given by Equity Shareholders in the CAF/plain paper application would not be used for any other purposes by the Registrar. Hence, Equity Shareholders are advised to update their demographic details as provided to their Depository Participant. By signing the CAFs/plain paper application, the Equity Shareholders applying under the ASBA Process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Letters intimating allotment and unblocking or refund (if any) would be mailed at the address of the Equity Shareholder applying under the ASBA process as per the demographic details received from the depositories. Refunds, if any, will be made directly to the bank account in the SCSB and which details are provided in the CAF/plain paper application and not the bank account linked to the DP ID. Equity Shareholders applying under the ASBA process may note that delivery of letters intimating unblocking of bank account may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Equity Shareholder in the CAF/plain paper application would be used only to ensure dispatch of letters intimating unblocking of bank account. Note that any such delay shall be at the sole risk of the Equity Shareholders applying under the ASBA Process and neither we nor the SCSBs, the Lead Manager or the Registrar to the Issue shall be liable to compensate the Equity Shareholder applying under the ASBA Process for any losses caused to such Equity Shareholder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that match three parameters, namely, names of the Equity Shareholders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such applications are liable to be rejected.

XXV. Impersonation

As a matter of abundant caution, attention of the Applicants is specifically drawn to the provisions of subsection (1) of section 68A of the Companies Act which is reproduced below:

“Any person who makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or 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.”

XXVI. Disposal of Application and Application Money

No acknowledgment will be issued for the Application Moneys received by us. However, the Bankers to the Issue / Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

The Board reserves its full, unqualified and absolute right to accept or reject any Application, in whole or in part, and in either case without assigning any reason thereto.

In case an application is rejected in full, the whole of the Application Money received will be refunded. Wherever an application is rejected in part, the balance of Application Money, if any, after adjusting any money due on Equity Shares allotted, will be refunded to the Applicant within 15 days from the close of the Issue in accordance with Section 73 of the Companies Act.

Further instructions in relation to the above have been provided in the CAF.

XXVII. Utilisation of Issue Proceeds

The Board of Directors declares that:

1. The funds received against this Issue will be kept in a separate bank account and we will not have any access to such funds unless we satisfy the Designated Stock Exchange with suitable documentary evidence that the minimum subscription of 90% of the Issue has been received by us.
2. Details of all moneys utilised out of the Issue shall be disclosed under an appropriate separate head in our balance sheet indicating the purpose for which such moneys has been utilised.
3. Details of all such unutilised moneys out of the Issue, if any, shall be disclosed under an appropriate separate head in our balance sheet indicating the form in which such unutilised moneys have been invested.

XXVIII. Our Undertakings

1. The complaints received in respect of the Issue shall be attended to by us expeditiously and satisfactorily.
2. All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the securities are to be listed will be taken within seven working days of finalization of basis of Allotment.
3. The funds required for dispatch of refund orders/ allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue.
4. Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Applicants within 15 days of Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
5. The allotment advice/letters of allotment/Consolidated Certificates/ refund orders to NRIs shall be dispatched within the specified time.
6. Except as disclosed, no further issue of securities affecting our equity capital shall be made till the securities issued/offered through the Issue are listed or till the Application Moneys are refunded on account of non-listing, under-subscription etc.
7. We shall make adequate arrangements to collect all ASBA forms and all ASBA applications shall be considered similar to other applications while finalizing the Basis of Allotment.
8. In the event that the public shareholding falls below the minimum prescribed in the Listing Agreements, we will take such steps as may be necessary to restore the minimum public shareholding in accordance with the SEBI ICDR Regulations and undertakes to comply with such directions as may be issued by the Stock Exchanges.
9. All information shall be made available by the Lead Manager and us to the Investors at large and no selective or additional information will be available for a section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports, etc.
10. In accordance with Clause 43A of the Listing Agreements, a statement shall be furnished to the Stock Exchanges on a quarterly basis indicating material deviations, if any, in the utilization of the proceeds

of the Issue. This information shall also be published in the newspapers simultaneously with the interim or annual financial results, after such information has been placed before the Audit Committee in terms of Clause 49 of the Listing Agreements.

Important

1. Please read this Draft Letter of Offer carefully before taking any action. The instructions contained in the accompanying CAF are an integral part of the conditions of this Draft Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.
2. All enquiries in connection with this Draft Letter of Offer or accompanying CAF and requests for SAFs must be addressed (quoting the registered folio number/ DP and client ID number, the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and superscribed "**HFL Rights Issue**" on the envelope) to the Registrar to the Issue at the following address:

Integrated Enterprises (India) Limited

2nd floor, Kences Towers

1, Ramakrishna Street

North Usman Road

T Nagar

Chennai 600 017

Tel: +91 44 2814 0801

Fax: (+9144) 2814 2479

Contact Person: Mr. R.Kalyanaraman

E-mail: hfl@iepindia.com

Website: www.iepindia.com

3. It is to be specifically noted that this Issue of Equity Shares is subject to the chapter entitled '*Risk Factors*' beginning on page 15 of this Draft Letter of Offer.
4. The Issue will remain open for at least 15 days. However, our Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

SECTION IX – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by us or entered into more than two years before the date of this Draft Letter of Offer) which are or may be deemed material have been entered or are to be entered in to by us. These contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company situated at Kathivakkam High Road, Ennore, Chennai 600 057, India during business hours, from the date of this Draft Letter of Offer until the date of closure of the subscription list.

A. OPTION TO SUBSCRIBE IN THE ISSUE

Please see the chapter entitled “*Terms of the Issue*” beginning on page 195 of this Draft Letter of Offer for details.

B. MATERIAL CONTRACTS

1. Issue Agreement dated September 16, 2011 between us and the Lead Manager to the Issue.
2. Memorandum of Understanding dated September 14, 2011 between us and the Registrar to the Issue.
3. Engagement Letter dated July 6, 2011 between us and the Lead Manager to the Issue.
4. Tripartite Agreement dated April 30, 2002 between us, National Securities Depository Limited (NSDL) and Integrated Enterprises (India) Limited.
5. Tripartite Agreement dated April 19, 2002 between us, Central Depository Services (India) Limited (CDSL) and Integrated Enterprises (India) Limited.

C. DOCUMENTS

1. Memorandum and Articles of Association.
2. Our certificate of incorporation dated July 13, 1959 and the fresh certificate of incorporation dated February 14, 2008.
3. Consents of the Directors, Company Secretary and Compliance Officer, Auditors, Lead Manager to the Issue, Legal Counsel to the Issue, Our Bankers and Registrar to the Issue, to include their names in this Draft Letter of Offer to act in their respective capacities.
4. Copy of the Board resolution dated May 20, 2011 authorizing this Issue, copy of the resolution of the Capital / Securities Committee dated May 27, 2011, copy of the shareholders’ resolution dated July 20, 2011 and resolution of the Capital / Securities Committee dated November 3, 2011 approving this Draft Letter of Offer.
5. Letter dated November 3, 2011, from B S R and Company, Chartered Accountants confirming the tax benefits as mentioned in this Draft Letter of Offer.
6. The Report of the Auditors, B S R and Company dated May 20, 2011, set out in this Draft Letter of Offer, in relation to our financials for Fiscal 2011.
7. Limited Review Report of the Auditors B S R and Company dated November 3, 2011 set out in this Draft Letter of Offer, in relation to our financials for quarter ended June 30, 2011.
8. Our Annual Report for the last five Fiscals.

9. Certificate from R. Suryanarayanan, chartered accountant, confirming the sanctioned and outstanding limits on our short term loans as set out in the chapter entitled “*Objects of the Issue*” at page 72 of this Draft Letter of Offer.
10. The Credit Rating Letter from issued by ICRA dated March 31, 2011.
11. In-principle listing approval dated [●], [●] and [●] from the BSE, NSE and MSE, respectively.
12. Letter No. [●] dated [●] issued by the SEBI for the Issue.
13. Due Diligence Certificate dated November 3, 2011, from HDFC Bank Limited, in its capacity as the Lead Manager.
14. Letter of Offer dated March 19, 2010 with respect to immediately preceding Rights Issue made by our Company.
15. Letter of Offer dated June 25, 2005 with respect to Rights Issue made by our Company.
16. Certificate dated November 2, 2011 from our Company as regards compliance with conditions enumerated in Para 1 of Part E under Schedule VIII of SEBI Regulations.

DECLARATION

We, the undersigned, hereby declare that no statement made in this Draft Letter of Offer contravenes any of the provisions of the Companies Act and the rules made thereunder. All the legal requirements connected with the Issue as also the guidelines, instructions etc. issued by SEBI, Government and any other competent authority in this behalf have been duly complied with. We further certify that all disclosures made in this Letter of Offer are true and correct.

Signed by our Directors

Mr. R. Seshasayee
(Chairman and Director)

Mr. D. G. Hinduja
(Co-Chairman and Director)

Mr. F. Sahami
(Director)

Mr. Narender Nagpal
(Director)

Mr. D.J. Balaji Rao
(Independent Director)

Mr. S. Ragothaman
(Independent Director)

Mr. Jean Brunol
(Independent Director)

Mr. Sridhar Venkiteswaran
(Independent Director)

Mr. Jorma Antero Halonen
(Independent Director)

Mr. B. Swaminathan
(Managing Director)

Signed by Chief Financial Officer

Signed by Compliance Officer

Mr. V. Sankar
(ED – Finance)

Mr. Govind M. Joshi
(Company Secretary)

Place: Chennai

Date: November 3, 2011