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D. H. Law Associates
Advocates & Solicitors

87, Jolly Maker Chambers II,
225, Nariman Point, Mumbai-400021.
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No. 20017
Date 24 FEB 2011

AGM(DB)

February 24, 2011

Securities and Exchange Board of India
Corporate Finance Department (CFD)
SEBI Bhavan, Plot No. C4-A,
G Block, Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051.

GM(SKB) GM(DB)

Sir,

Subject: Request for interpretative letter under SEBI (Informal Guidance) Scheme, 2003

We refer to the above mentioned subject. We are submitting the documents enclosed herein on behalf of our clients, Vulcan Engineers Limited having their registered office located at 326, Unique Industrial Estate, off Veer Savarkar Marg, Prbhadevi, Mumbai - 400 025.
We would be obliged to assist SEBI with regard to any further clarification that it may require in relation to the request submitted by our Client.

Yours truly,

D. H. Law Associates

Encl: A/a.

VULCAN ENGINEERS LTD

TERRUZZI FERCALX GROUP

www.terruzzifercalxgroup.com

Registered Office

326 Unique Industrial Estate,
Off Veer Savarkar Marg.,
Prabhadevi
Mumbai 400 025
INDIA

e-mail:
info.vel@terruzzifercalxgroup.com
Tel. +91 22 2438 1678
Fax +91 22 2422 5814

Headquarters

T-182, M.I.D.C.,
Bhosari Industrial Area,
Pune-Nashik Highway,
Pune – 411 026
Maharashtra
INDIA

e-mail:
info.vel@terruzzifercalxgroup.com
Tel. +91 20 6635 0800
Fax +91 20 2711 0566

VUL/DH-Law/RGGD
February 23, 2011

D.H. Law Associates,
Advocates & Solicitors
87, Jolly Maker Chambers II,
225, Nariman Point,
Mumbai 400 021

Kind attn: Mr. Nusrat Hassan / Ms Aishwariya

Dear Sir,

Sub : Documents to be submitted to SEBI

Attached please find our letter dated 22.2.2011 addressed to Security and Exchange Board of India, Bandra, Mumbai alongwith the following attachments :

a) Copy of the certified English translation of the proposed Agreement between SIMEST and Terruzzi Fercalx SpA

b) SIMEST Brochure

c) SIMEST List of Share holders

d) Demand draft no. .067773 dt 21st February, 2011 for Rs. 25,000 drawn on Union Bank of India

Kindly acknowledge receipt of having received the same and do the needful urgently.

Thanking you,

Yours sincerely,

For **VULCAN ENGINEERS LTD**

R.G.G. DESAI
GM – FINANCE & CORPORATE AFFAIRS

Encl: a) Our letter dated 22.2.2011 addressed to SEBI.
b) Copy of the certified English translation of the proposed Agreement between SIMEST and Terruzzi Fercalx SpA
b) SIMEST Brochure
c) SIMEST List of Share holders
d) Demand draft no. .067773 dt 21st February, 2011 for Rs. 25,000 drawn on Union Bank of India,

9

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Fax +91 22 2422 5814

VUL/SEBI/RK

February 22, 2011

Securities and Exchange Board of India,
Corporate Finance Department (CFD)
SEBI Bhavan, Plot No. C4-A,
G Block, Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051.

Dear Sir,

Sub : Request for interpretative letter under SEBI (Informal Guidance) Scheme, 2003, in relation to 'person acting in concert' under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997

1. This is with reference to the abovementioned subject. We, Vulcan Engineers Limited is a company listed on the Bombay Stock Exchange ("**BSE**") and have our registered office at 326, Unique Industrial Estate, off Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025 ("**VEL**"). VEL is engaged in the business of erection, commissioning and engineering turnkey projects, manufacturing of items such as seal parts, components and furnaces.

Headquarters

T-182, M.I.D.C.,
Bhosari Industrial Area,
Pune-Nashik Highway,
Pune – 411 026
Maharashtra
INDIA

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2. Terruzzi Fercalx SPA ("**TERRUZZI**") is a foreign company incorporated in Italy having its registered office at Piazzale Principessa Clotilde, 8, 20121 Milano, Italy and holds 54.80 lakh shares of VEL constituting 66.91% of the shareholding of VEL.

Acquisition of VEL Shares by TERRUZZI:

3. Terruzzi acquired 33.50 lakh shares (representing 40.90% of the shareholding) by way of a preferential allotment issued by VEL on November 20, 2009 and acquired the remaining 21.30 lakh shares (representing 25.86% of the shareholding) from the original promoters of VEL. The acquisition of the 25.86% shares from the original promoters was executed under a Share Purchase Agreement dated October 12, 2009 ("**SPA**"). Pursuant to both transactions, Terruzzi had made open offer under SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 ("**Takeover Regulations**"). The shares acquired through SPA were transferred in the name of TERRUZZI after closure of the open offer to public during the period from January 2010 to March 2010 with an acquisition of 0.15% of the share capital. Therefore, TERRUZZI acquired control of VEL on and from February 16, 2010.

Proposed Acquisition of VEL Shares by SIMEST

4. In accordance with the SEBI (Informal Guidance) Scheme, 2003, Para 5(ii), we hereby seek the guidance of SEBI by way of an interpretative letter in the context of the proposed transaction described herein in paragraph (5) to be undertaken by the Company and its promoters alongwith SIMEST, as to whether SIMEST and TERRUZZI would be considered as Person Acting in Concert (PAC) within the meaning of Takeover Regulations.

5. SIMEST SpA, an Italian financial institution ("**SIMEST**") controlled by the Italian Ministry of Economic Development, having its registered office at Corso Vittorio Emanuele II 323, 00186, Roma, Italy, is now desirous of subscribing to 13.789% (1,310,000 lakh shares) of the shareholding of VEL through a preferential allotment, which will in turn dilute TERUZZI's shareholding in VEL.

6. SIMEST has been established with the principle aim of promoting Italian businesses across the globe and actively participates in the growth of Italian ventures in other jurisdictions. The majority of the shares of SIMEST is held by the Italian Ministry of Economic Development. Other shareholders of SIMEST consist of some of the major financial institutions and banks and a copy of the shareholding pattern is annexed herein as **Annexure I**. In the course of its business, SIMEST acquires shareholdings in companies promoted by or in which Italian firms hold equity interests in order to promote financial, technical and economic goals and to offer organizational support for investments, and industrial cooperation abroad for Italian companies.

7. On November 3, 2010, the board of directors of SIMEST has approved the acquisition up to a maximum of 14% of VEL's share capital. After the proposed preferential allotment the share capital of VEL will be split as follows:

- TERRUZZI	:	58%
- MARKET	:	28%
- SIMEST	:	14%

8. The investment method of SIMEST places a unique requirement on SIMEST to compulsorily exit the investment within a maximum duration of seven (7) years from any equity investment that SIMEST undertakes in a non-European Union company, within which a pre-agreed buy-back of SIMEST shares with partner firms is to be established.

9. The above investment by SIMEST would qualify to be exempt under Regulation 3(1)(f)(v) of the Takeover Regulations as SIMEST is an international financial institution and its acquisition of equity shares of VEL is in its ordinary course of business.

10. VEL is undertaking certain capital expenditure / strategic investment in order to achieve its growth objectives. In order to meet the growth objectives, it would be retaining any internal accrual for its capital commitments. Also there are carried forward losses in VEL. Therefore, in the near future VEL may not be in a position to declare any dividend on its equity shares, upto the date of accomplishment of these objectives.

11. Therefore, SIMEST and TERRUZZI are desirous of executing an agreement in Italy relating to the acquisition of the participation of SIMEST with the preferential allotment that, among the others, rules the following conditions:

- TERRUZZI will supply VEL with its own know-how and its technical, commercial and management knowledge, in order to allow VEL to achieve the targets indicated in the development plan submitted to SIMEST by TERRUZZI and approved by SIMEST;

- TERRUZZI ensures a qualified and responsible management of VEL and will be responsible for the abovementioned activities;

- SIMEST shall have the right to acquire, and TERRUZZI obliges itself to provide periodically to SIMEST any data and information about the management of VEL, and, in particular, the financial statements of VEL, within 30 days from its approval;

- TERRUZZI will pay to SIMEST, during the whole period of its membership in VEL, an annual fee to be mutually agreed between SIMEST and TERRUZZI from which the amount of dividend, if any, received by SIMEST from VEL would be deducted:

- SIMEST can exercise its option to sell to TERRUZZI all VEL shares owned by SIMEST by a Put / Call option starting from 30th June 2015 and TERRUZZI is obliged to purchase the shares offered by SIMEST after complying with all applicable laws in India prevailing at that time.

12. For your reference, we are reproducing some of the relevant clauses of the proposed agreement, which is annexed herein as **Annexure 2.**

"Recitals

Terruzzi

m) The PARTNER commits itself from now on to buy from SIMEST the whole sharing to the joint stock of which this one will be holder in conformity with the provisions hereafter;

n) both criteria of price determination, and the agreed terms for the transfer of the COMPANY's holding from SIMEST to PARTNER, have been irrevocably determined by the same parties considering both the PARTNER's interest in acquiring the title of the shareholding held by SIMEST at the expiring of such a term, and SIMEST' s institutional obligation to sell the PARTNER the share to the COMPANY's joint stock, in compliance with the norms that discipline its activity, at a price not lower than the one foreseen by Law 100 / 90;

VEL

o) therefore, if the value of the COMPANY's shareholding of property of SIMEST were thought, at the moment of the transfer referred to in premises m) e n), higher or lower than the agreed price the advantage of which respectively the PARTNER or the

SIMEST would enjoy, is form now accepted and considered not influencing in order to the criteria of determination of the price itself later irrevocably stipulated, as not determining component in the context of the total and unitary operation wanted by the parties themselves ;

p) Company SIMEST, in order to strengthen the COMPANY's stability commits itself to the conditions hereafter:

1) To continue to put at PARTNER's disposal its own assistance;

2) To acknowledge to the PARTNER the corresponding amount - at the net of taxes - to the dividends distributed by the SOCIETA for the shareholding quote of property SIMEST itself;"

"Art 2

Company SIMEST according to Law 100 dated 1990 is obliged to subscribe, on the base of the procedure of Preferential Allotment that will be previously agreed between the Parties also on the basis of the indications supplied by the competent Indian Authorities, the increase of COMPANY' s joint stock referred to in premise e), for an amount in INR of approximately OMISSIS, so that Company SIMEST, according to Law 100 and to be worth on the availabilities of the Fund, successively to the titular subscription of a maximum share of 14 % of COMPANY's final joint stock.

The subscription price of the shares will be determined according to the criteria imposed by the Indian law applicable in the matter and will correspond to the higher of the following factors :..."

"Art 3

As flat – rate parameter of determination for the services and the beneficial right that SIMEST grants to PARTNER on its share in the COMPANY,s shareholding represented at premises p) no.1 and 2, the PARTNER itself commits itself irrevocably to correspond to SIMEST itself, for the whole period in which this one will be COMPANY's partner, an annual equivalent that will be paid at the expiry date of 30th April of each year starting from 30th April 2012, determined in the measure of the annual simple 6.25%(six comma twenty five percent) of the cost in Euro born by SIMEST for the liberation of the shareholding subscribed as per previous article 2 and starting from the relevant payments. In case the payments, for the liberation of the shareholding subscribed by SIMEST, are made by SIMEST itself in the thirty days previous to the expiring date of payment of the annual amount (30th April), such payments will be counted in addition to the due amount by Partner on 30th April of the next year."

"Art 8

Considering the reasons referred to the premises, for the whole period when SIMEST will be titular of a shareholding of the COMPANY, the PARTNER commits itself not to any third parties and not to transfer to any third parties and not to have availability, at

any title, completely or partially, of the shareholding to the joint stock of the COMPANY of its property and that it lowers its control sharing below OMISSIS , without previous written consent of SIMEST."

"Art 9

The PARTNER is bound irrevocably to purchase from SIMEST, which undertakes to sell the entire shareholding of the company owned by the same SIMEST, on 30 June 2017…

In the case where the PARTNER, according to Indian law, has to buy the participation of SIMEST at a stock price higher than that determined under this contract, SIMEST commit to go back, in Italy, within 15 (fifteen) days from the receipt of the positive differential payment cashed.

In the case where the PARTNER, according to Indian law, has to buy the participation of SIMEST at a stock price higher than that determined in accordance with this agreement , the PARTNER commits to pay , in Italy, the relative difference to SIMEST within 15 (fifteen) days from the date of the purchase."

SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997

13. We understand that that the any person desiring to acquire 5% or more of the voting rights of any securities is required to comply with the provisions of the Takeover Regulations in relation to such acquisition. The Takeover Regulations mandates continual disclosure norms and open offer requirements at prescribed threshold limits as prescribed under the Regulations. Therefore, the said Regulations govern any substantial acquisition of shares and voting rights of a target company and acquisition of control over a target company. The Takeover Regulation takes into account any acquisition made indirectly by the acquirer through a person acting in concert as well.

14. Regulation 2 (b) of the Takeover Regulations provides that the term "*acquirer*" means any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights in the target company, or acquires or agrees to acquire control over the target company, either by himself or with any person acting in concert with the acquirer".

15. Regulation 2 (e) of the Takeover Regulation defines the term "*person acting in concert*"[1] ("**PAC**"). PACs act together for a common objective or for a purpose of substantial acquisition of shares or voting rights or gaining control over the target company pursuant to an agreement or understanding whether formal or informal.

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[1] *"(e) —person acting in concert comprises,—*

(1) persons who, for a common objective or purpose of substantial acquisition of shares or voting rights or gaining control over the target company, pursuant to an agreement or understanding (formal or informal), directly or indirectly co-operate by acquiring or agreeing to acquire shares or voting rights in the target company or control over the target company.

(2) Without prejudice to the generality of this definition, the following persons will be deemed to be persons acting in concert with other persons in the same category, unless the contrary is established;

(i) a company, its holding company, or subsidiary or such company or company under the same management either individually or together with each other;

(ii) a company with any of its directors, or any person entrusted with the management of the funds of the company;

(iii) directors of companies referred to in sub-clause (i) of clause (2) and their associates;

(iv) mutual fund with sponsor or trustee or asset management company;

(v) foreign institutional investors with sub-account(s);

(vi) merchant bankers with their client(s) as acquirer;

(vii) portfolio managers with their client(s) as acquirer;

(viii) venture capital funds with sponsors;

(ix) banks with financial advisers, stock brokers of the acquirer, or any company which is a holding company, subsidiary or relative of the acquirer: Provided that sub-clause

(x) shall not apply to a bank whose sole relationship with the acquirer or with any company, which is a holding company or a subsidiary of the acquirer or with a relative of the acquirer, is by way of providing normal commercial banking services or such activities in connection with the offer such as confirming availability of funds, handling acceptances and other registration work;

(xi) any investment company with any person who has an interest as director, fund manager, trustee, or as a shareholder having not less than 2 per cent of the paid-up capital of that company or with any other investment company in which such person or his associate holds not less than 2 per cent of the paid-up capital of the latter company.

Note: For the purposes of this clause —associatel means,— (a) any relative of that person within the meaning of section 6 of the Companies Act, 1956 (1 of 1956); and (b) family trusts and Hindu undivided families;"

Acting in concert would imply co-operation, co-ordination for acquisition of voting rights or control, either direct or indirect. Further, the Takeover Regulations, unless the contrary is established certain entities are deemed to be persons acting in concert like companies with its holding company or subsidiary company, mutual funds with its sponsor / trustee / asset management company, etc.

Relationship between TERRUZZI and SIMEST

16. We wish to highlight the fact that SIMEST and TERRUZZI are independent legal entities and there is no direct or indirect agreement, arrangement or understanding (formal or informal) between them highlighting a common objective to acquire voting rights or control over VEL through this proposed acquisition of shares by way of preferential allotment. Further, there are no common directorships or any shareholding interest of SIMEST in TERRUZZI.

17. A mere stipulation that the maximum investment period of SIMEST in VEL is seven (7) years may not render SIMEST as a "person acting in concert" under the Takeover Regulations. It is pertinent to indicate herein that SIMEST is a financial institution with specific business promotional goals in mind for its investment. The motive behind SIMEST's investment in VEL is vastly different from that of TERRUZZI. Therefore, in the absence of a common objective to acquire shares of VEL between TERRUZZI and SIMEST it is possible to conclude that SIMEST may not fall within the definition of the term "person acting in concert" under the Takeover Regulations. Further, on February 16, 2010, the time period when TERRUZZI acquired control of VEL, SIMEST was not involved or connected with TERRUZZI.

18. The investment by SIMEST is 1,008,400 Euros equivalent to INR 6,09,15,000. VEL is poised for expansion and is generating substantial business for which the investment by SIMEST is critical. It is in the larger interest of the investors that SIMEST invests in VEL at this juncture

19. In view of the above facts, we seek your clarification on whether SIMEST and TERRUZZI may be considered as "persons acting in concert" under the Takeover Regulations and would warrant the application of the said Regulations in light of the proposed transaction described herein above.

20. We are enclosing herewith a demand draft for Rs. 25,000 bearing No.067773 dated 21st February drawn on Union Bank of India, towards fees for the interpretative letter under Regulation 5(ii) of the SEBI (Informal Guidance) Scheme, 2003.

21. We would be pleased to provide any additional information as well as would be available for a personal meeting on the above matter.

22. We would highly appreciate your immediate response on the above matter.

Thanking you,

Yours sincerely,

For **VULCAN ENGINEERS LTD**

MANAGING DIRECTOR

Encl: a) Copy of the certified English translation of the proposed Agreement between SIMEST and Terruzzi Fercalx SpA

b) SIMEST Brochure

c) SIMEST List of Share holders

d) Demand draft no. .067773 dt 21st February, 2011 for Rs. 25,000 drawn on Union Bank of India,