LETTER OF OFFER
(Private and Confidential)
(For Equity Shareholders of the Company only)

BHAGWATI AUTOCAST LIMITED

(Incorporated on 20th October 1981 under the Companies Act, 1956 as Public Limited Company and received Certificate of Commencement of Business on 19th July 1982)

Registered office: Survey No. 816, Village Rajoda Near Bavla. Dist. Ahmedabad-382 220.
(Previously 1, Krishna Society, Ellisbridge Ahmedabad)
Tel No: (02714) 232283 Fax: (02714) 232383 Email: autocast@bhagwati.com website: www.bhagwati.com
Contact Person: Mr. D. K. Sheth

LETTER OF OFFER

Issue of 12,80,304 Equity Shares of Rs. 10 each for cash at a premium of Rs. 10/- (Issue Price Rs. 20/-) per Equity Share on rights basis to the existing Equity Shareholders of the Company in the ratio of 4 (Four) Equity Shares for every 5 (Five) Equity Shares held on Record Date i.e. January 16, 2006 aggregating to Rs 2,56,06,080.

The face value of the Equity Shares is Rs. 10 per share and the Issue Price is 2 times the face value.

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India (ìSEBIî) nor does SEBI guarantee the accuracy or adequacy of this document. Investors are advised to refer to ìRisk Factorsî on page 6 to 13 of this Letter of Offer before making an investment in this issue.

ISSUERíS ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in the context of this Issue, that the information contained in this Letter of Offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
VIVRO FINANCIAL SERVICES PRIVATE LIMITED SEBI Regn. No.: INM000010122 ìVIVRO HOUSEî 11, Shashi Colony, Opp. Suvidha Shopping Center, Paldi, **Ahmedabad-380 007** Tel.: (079) 26575666, Fax: (079) 26575441 Email: bhagwati@vivro.net Website: www.vivro.net Contact Person: Mr. Jayesh Vithlani	**MCS Limited** Sri Padmavati Bhavan. Plot No.93, Road No.16, MIDC Area, Andheri (East), **Mumbai ñ 400 093** Tel.: (022) 28201785, Fax: (022) 28201783 **Contact Person: Mr. Shashi Kadam** Email: mcsmum@vsnl.com Website: www.mcsind.com

ISSUE SCHEDULE

ISSUE OPENS ON	LAST DATE FOR RECEIVING REQUESTS FOR SPLIT APPLICATION FORMS	ISSUE CLOSES ON
Tuesday 31st January, 2006	**Tuesday 14th February, 2006**	**Thursday 2nd March, 2006**

LISTING

The existing Equity Shares of the Company are listed on the Ahmedabad Stock Exchange Ltd (ìASEî) and The Bombay Stock Exchange Limited (ìBSEî) (Designated Stock Exchange). Accordingly, the Company proposes to list the Equity Shares on ASE and BSE. The Company has received in-principle approvals from ASE and BSE vide letters **dated October 27, 2005 and October 26**, **2005** respectively.

TABLE OF CONTENTS

A. DEFINITIONS AND ABBREVIATIONS

I. CONVENTIONAL / GENERAL TERMS/ DEFINITIONS

Act	The Companies Act, 1956 and subsequent amendments thereto
Articles	Articles of Association of the Company
ASE	The Stock Exchange, Ahmedabad
Board or Board of Directors	Board of Directors of Bhagwati Autocast Limited
BSE	Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
Depositories	NSDL and CDSL
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations there under and amendments thereto
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws
FIPB	Foreign Investment Promotion Board, Department of Economic Affairs, Ministry of Finance, Government of India
IT Act	The Income Tax Act, 1961 and amendments thereto
Memorandum (MOA) & Articles (AOA)	Memorandum & Articles of Association of Bhagwati Autocast Limited
NRI (s)	Non Resident Indians
NSDL	National Securities Depository Limited
RBI	The Reserve Bank of India
SEBI	Securities and Exchange Board of India
SEBI Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000 read with amendments thereto
Security/ ies	Equity Share/s

II. ISSUE RELATED TERMS

CAF /CAFs	Composite Application Form(s)
Designated Stock Exchange/BSE	The Stock Exchange, Mumbai
Equity Shareholders	Equity Shareholders of the Company whose name appear as; ➢ Beneficial owner as per the list furnished by the Depositories in respect of the Equity Share held in electronic form and ➢ On the register of members of the Company in respect of the Equity Share held in physical form as on record date i.e. January 16,2006.
Equity Shares	Equity share of the Company of Rs. 10/-
Issue / Rights Issue	Right issue of 12,80,304 Equity Shares of Rs.10/- each for cash at a premium of Rs. 10/- (Issue Price Rs. 20/-) per Equity Share on Rights basis to existing Equity shareholders of the Company in the ratio 4 (Four) Equity Shares for every 5 (Five) Equity Shares held on the Record Date i.e. January 16,2006. aggregating Rs. 2,56,06,080/- as per this Letter of Offer.
Issue Closing Date	The date on which the Issue closes for subscription.
Issue Period	The period between the Issue opening date and issue closing date and includes both these dates.
Issue Price	Rs.20/- per Equity Share
Issuer/Company/ BAL, We, Us, Our Company	Bhagwati Autocast Limited
Lead Manager	Vivro Financial Services Private Limited
Letter of Offer/ LOF/ Offer Document	This Letter of Offer circulated to the Equity Shareholders.

Record Date	January 16, 2006
Registrar	Registrar to the Issue, MCS Limited.
Renouncee	Shall mean the persons who have acquired Rights Entitlements from Equity Shareholders.
Rights Entitlement	The number of Equity Shares that an Equity Shareholder is entitled to under this Letter of Offer in proportion to his/ her/ its existing shareholding in the Company as on the Record Date
Stock Exchange(s)	Shall refer to the ASE and BSE where the shares of the company are presently listed.

III. COMPANY/ INDUSTRY- RELATED TERMS

Board	Board of Directors of Bhagwati Autocast Limited
CI	Cast Iron
Committee of Directors	Committee of the Board of Directors of Bhagwati Autocast Limited takes decisions on matters related to/incidental to this Issue.
Directors	Directors on the Board of Bhagwati Autocast Ltd.
Equity Shareholders	Equity shareholders of the Company whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and On the Register of Members of the Company in respect of the Equity Shares held in physical form
Equity Shares	The Equity Shares of the Company of Rs10 each
Memorandum (MOA) & Articles (AOA)	Memorandum & Articles of Association of Bhagwati Autocast Limited
NRI	Non Resident Indian
Promoter(s)	Promoters shall have the same meaning as ascribed to it under the SEBI Guidelines and which has been more particularly detailed in the disclosure in this Letter of Offer
Security Certificates	Equity Share certificates
SGI	Spheroidal Graphite Iron

ABBREVIATIONS

AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BIFR	Board for Industrial and Financial Reconstruction
BM	Meeting of Board of Directors
BOB	Bank of Baroda
BSE	The Stock Exchange, Mumbai
BSPL	Bhagwati Spherocast Pvt. Ltd.
CY	Calendar Year ending on December 31
Depositories Act	The Depositories Act, 1996 as amended from time to time.
DP	Depository Participant
EOU	Export oriented Unit
EPS	Earning per share
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FI	Financial Institution
FY	Financial Year ending on March 31
GATT	General Agreement of Tariff & Trade
GIIC	Gujarat Industrial & Investment Corporation Ltd.
GSFC	Gujarat State Financial Corporation Ltd.

GDP	Gross Domestic Product
GIR Number	General Index Registry Number
GOI	Government of India
HUF	Hindu Undivided Family
MOU	Memorandum of Understanding
NA	Not applicable
NAV	Net Asset Value
NR	Non Resident
NRE Account	Non Resident External Account and amendments thereto
NRO Account	Non Resident Ordinary Account
P/E Ratio	Price/Earnings Ratio
P.A.	Per Annum
PAN	Permanent Account Number
PAT	Profit After Tax
PBDT	Profit before Depreciation and Tax
PBIDT	Profit before Interest Depreciation and Tax
PBT	Profit before Tax
ROI	Return on Investment
RONW	Return of Net Worth
SCRR	Securities Contracts (Regulations) Rules, 1957 as amended from time to time.
SE/Stock Exchanges	ASE and BSE
SEBI (SAST) Regulations.	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.
Security/ies	Equity Share/s
Supreme Court	Honíble Supreme Court of India

B. RISK FACTORS

The investors should consider the following Risk Factors together with all other information included in this Letter of Offer carefully, in evaluating the Company and its business before making any investment decision. Any projections, forecasts and estimates contained herein are forward looking statements that involve risks and uncertainties. Such statements use forward looking terminology like ìmayî, ìbelievesî, ìwillî, ìexpectî, ìanticipateî, ìestimateî, ìplanî or other similar words. The Companyís actual results could differ from those anticipated in these forward-looking statements as a result of certain factors including those, which are set forth in the Risk Factors below.

The Letter of Offer also includes statistical data regarding the Casting and Foundry industry. This data has been obtained from industry publications, reports and other sources that the Company and the Lead Manager believe to be reliable. Neither the Company nor the Lead Manager has independently verified such data.

Materiality:

The Risk factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality.

(a) Some events may not be material individually but may be found materially collectively.

(b) Some events may have material impact qualitatively instead of quantitatively.

(c) Some events may not be material at present but may be having material impacts in future.

The risk factors are as envisaged by the management along with the proposals to address the risks if any. Wherever possible, the financial impacts of the risk factors have been quantified.

RISK FACTORS ENVISAGED BY MANAGEMENT AND MANAGEMENTíS PROPOSAL TO ADDRESS THE RISK:

A. SPECIFIC TO THE PROJECT AND INTERNAL TO THE COMPANY

1. The Company potentially a sick company in the year 2003

The Company had incurred losses in past and became potentially sick industry in the financial year 2002-03. However, the Company did not make the reference with BIFR u/s 23(1)(a) of the Sick Industrial Companies (Special Provisions) Act, 1985

Management Perception:

The Company made a loss of Rs. 236.07 lacs for FY 2003 on account of reduced demand for castings from the automobile and tractor industry. The Company had become a potential sick Company under the Sick Industrial Companies (Special Provisions) Act, 1985 w.e.f. March 31, 2003. Subsequently, the Company has started making profits from FY 2004-05 and is expecting to come out from the potential sickness in view of increased demand of the products being manufactured by the Company.

2. Losses Incurred by the Company during FY 2000-01 to 2003-04

The Company made loss of Rs. 71.00 lakhs, 236.07 lakhs and 88.59 lakhs for FY 2003-2004, 2002-2003 and 2000-2001

Management Perception:

The main reasons for losses incurred by the Company during aforesaid period are recession in the economy in general and in the automobile and tractor industry in particular who were the main customers of the Company. However, Company is of the view that the Company was not the only company to incur losses during the aforesaid period but many companies engaged in manufacturing of CI & SGI castings had also incurred losses during the aforesaid period. Company has already taken corrective measures for reducing the dependency on the particular user/product segment by diversifying into hand moulded castings, leading to improvement in the capacity utilisation, production and sales and thereby resulting into net profit of Rs. 62.74 lakhs and Rs. 54.00 Lakhs during the year ended 31st March 2005 and for the half year ended 30th September, 2005 respectively.

3. Under utilisation of the installed capacity

The Companyís actual production has been less than its installed capacity in past few years. The details are as follows

FY	Installed capacity (MTA)	Actual Production (MTA)
2004-05	10000	8065
2003-04	10000	5974
2002-03	10000	3320
2001-02	10000	5823
2000-01	10000	5864

Management Perception

The utilisation of capacity depends upon various factors such as recession in the industrial sector, demand for the products of particular industry segment, quality of the products, competitiveness, etc. Though the Companyís products are of good quality and price-wise competitive, the Company due to recession in the economy and particularly in auto and tractor segment during FY 2000-01 to 2003-04 was unable to utilise its installed capacity to optimum level. Therefore, Company initiated corrective measures for reducing the dependency on the particular user/product segment by increasing and improving the operation in hand moulded castings, leading to improvement in the capacity utilisation to the extent of around 81% during FY 2004-05 as compared to around 60% during FY 2003-04. Further, with a view to achieve the optimum utilisation of its installed capacity, Company has proposed to acquire certain equipment so as to reduce the process time in manufacturing hand moulded castings as also machine moulded castings by raising resources through the proposed rights issue of equity shares.

4. Project not appraised by any Bank

The total cost of the project is estimated to Rs. 256.06 lacs. The project is not appraised by any Bank or Financial Institution. The funds received from the issue will be deployed at the sole discretion of the management. Further, aforesaid project cost also includes Rs. 57.00 lacs for long-term working capital requirement, which is as per the estimates of the Company and has not been appraised by the Bank.

Managementís perception:

The Board of Directors of the company consists of well-experienced technocrats who will be closely monitoring the end uses of the funds. The management will deploy the funds as per the Objects of the Issue. Progress in the use of proceeds from the Rights Issue shall be reported periodically as is statutorily required by SEBI.

5. Status of order for Plant & Machinery

The Company is yet to place orders for 21.93% of plant and machineries envisaged in the Cost of Project.

Management Perception

The Company has already received quotations from the suppliers for the balance plant & machineries. The orders for the said plant and machineries shall be placed at appropriate time. Most of the machineries are easily available.

6. Dependency mostly on tractor manufacturing industry

The Company is largely dependent on demand from the Tractor Industry. Any recession in the Tractor industry may affect the performance of the Company.

Management Perception

The Company since 2003 has diversified in hand moulded casting used in general engineering industry, which would eventually reduce the dependency on the Tractor Industry.

7. High Cost of Production

The project of the Company being located in Gujarat, having high cost of production due to higher electricity tariff and to that extent the Company is less competitive as compared to other casting manufacturers.

Management Perception

Although the Company pays higher electricity tariff compared to its competitors in other states, it has taken steps to reduce its other inputs cost, obtained consistent production and thereby have become competitive in the casting industry. Further, the Company has edge over competitors in respect of quality of its casting and there by remain competitive in the industry.

8. Contingent liabilities of the Company

The contingent liabilities of the Company not provided for in the books of account comprising of the following:

Contingent Liabilities	**As on September 30th 2005**	**As on March 31st 2005**
Bills/cheques purchased (Receivables)	1,37,98,498	11,686,514
Claims against the company not acknowledged as debts	3,43,000	3,48,000

Management Perception:

Bill/Cheques purchased (Receivables) represents the discounting of Bills/Cheques with the Bank, which are drawn and accepted by the Customers. The said discounting of bills/cheques are carried out in the normal course of business and therefore the same has not been provided in the books of accounts of the company as per the practice being adopted by the company.

The claims against the company and not acknowledged as debts represent various claims made under labour disputes/cases. The said disputes/cases are pending in the labour court at various stages.

9. Availability of raw material and utilities

The company may face shortfall or non-availability of raw material supplies, power and water requirements.

Management perception:

The raw materials required for manufacture of CI and SGI castings are easily available in plenty from Gujarat and neighboring state viz. Maharashtra. Company does not envisage any difficulty in meeting its raw material requirement in future. As regards requirement of adequate power, Company gets adequate power supply from Uttar Gujarat Vij Company Limited and does not expect any difficulty in this regard. However, Company proposes to acquire one DG set of 400 KVA capacity as standby facility to operate its important process machinery in the case of power failure. As regards water, company has its own bore well having adequate capacity to meet its requirement.

10. **Promise Vs. Performance**

The Company had come out with their previous Rights Issue in the year 1992. The Company had made certain projections on the operating and financial performances in relation to last rights issue based on then prevailing situation. However, due to various reasons, the projections could not be achieved.

Promise v/s Performance (Rs. in lacs)

Particulars	1992-93		1993-94		1994-95		1995-96		1996-97	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual
Sales & Other income	1350	1011	1710	1124	1735	1293	1735	1469	1735	1839
PBDIT	191	108	254	99	263	106	268	127	268	138
PBT	94	30	154	46	158	30	163	21	163	19
PAT	68	24	91	24	110	30	102	21	94	16

11. Unsecured loans are repayable on demand basis

As on 31/03/2005, the Company has outstanding unsecured loans aggregating Rs.120.84 Lacs repayable on demand. Unscheduled demand of these loans and payments thereof, may impact companyís liquidity positions.

Management Perception

The unsecured loans represent largely the funds brought in by the promoters from time to time towards working capital requirements. The promoters do not intend to demand these loans in near future.

12. Dependence on Key managerial personnel

The Companyís future prospects depend to a significant extent upon the continued contributions from its key technical and managerial personnel. The loss of one or more members of the senior management team may have adverse effect on the business, financial condition and operations of the Company. For details of the senior management and key managerial personnel, refer to ëManagement of the Companyí section D on page 55 **of** the LOF.

13. Relationship with Labour

Any labour unrest at our Plant could adversely affect our operations and profitability.

Management Perception.

The company has cordial and amicable relationship with labour, which is proved by the fact that the Company has not experienced any labour unrest, strike, lock out, etc. in the last 8 years. Therefore, the Company does not envisage any difficulty in this regard.

14. Force Majeure

Any mishap or accident in the factory could result eventually in damages, which may result into loss to the Company. Company could suffer loss of production; receive adverse publicity and experience diversion of management attention and resources in defending such damages. Any such significant event could have an adverse effect on our business, financial condition and results of operations.

Management Perception

The Company has its policy to have comprehensive insurance against any such risks like damage/loss from fire, flood, earthquake, riots, malicious damage, loss of production, etc. in respect of its fixed assets and inventory with ìRe Instatement of Valueî (RIV) clause in its insurance policy. The Company has taken adequate insurance cover in respect of its fixed assets and current assets.

15. Litigation against the Directors, the Promoters and Promoter Group Companies.

The details of litigation etc against the Directors, the Promoters and Promoter Group Companies are given in the chapter titled ìOutstanding Litigation, and Material Developmentsî. Kindly refer to page 76 of the Letter of Offer.

16. Restrictions on payment of dividends.

The Company cannot declare dividends without the permission of its lenders unless the Company has paid all the dues to the lenders up to the date on which the dividend is proposed to be declared or has made satisfactory provisions for the same. If there are unpaid dues or if the approval of financial institutions has not been obtained, dividend cannot be paid to the Equity Shareholders of the Company. However, Company has been making payments to their lenders regularly and there is no default.

17. Dividend

Attention of the investors is drawn towards the fact that the Company has not declared dividend for the last 5 financial years due to non-availability of distributable profits.

18. Risk of Default to the Lenders

The company has been regular in honoring its commitment towards payment of interest and principal amount of the loan facility availed from its lenders. There is no default as on 31st October 2005 with any of the lenders. The companyís account has been classified as ìStandard and Performingî by its lenders.

19. Title of the Factory Land

The Company has purchased land admeasuring 6981 sq. mtrs. at Bavla. However, the title of the said land has not been passed in the name of the Company due to agricultural nature of the land.

Management Perception

The management is hopeful that it will be able to get it converted in to non agricultural nature .

20. Dependence on few Customers

Out of the total production, almost 75% of the casting production of the Company is normally sold to 2 companies viz. Escorts Limited and Punjab Tractors Limited engaged in manufacturing of tractors and the balance is sold to general engineering industry such as air compressor manufacturers, electric motor manufacturers, gear manufacturers etc.

Management Perception

These two Companies are leading reputed players in the Tractor industry. Their requirements for the quality casting generally increase every year. Since our Company is preferred supplier for both these Companies and supplying the products since last 20 years. Hence we do not foresee any reduction in demand in future.

21. Expansion Program

The Company will implement expansion program on its own. There is no agreement entered by the company for the proposed expansion project with any outside consultants, parties etc. for any kind of work

Management Perception

The proposed expansion program envisages increasing the volume of hand moulding castings and modernizing machine moulding casting facilities. This requires additional building and certain balancing equipments as described in the Objects of the Issue. The Company is able to implement the same on its own without any assistance.

22. Outstanding Litigations & Disputes

[A] Outstanding litigation against the Company

I. Under the Income Tax Act.

The Assessing Officer of Income Tax Department has made addition of income by way of disallowing expenses of Processing Charges to the tune of Rs. 29.77 Lacs for the Assessment Year 1992-93. The Company has got relief from CIT(A) in the year 1995 against the said addition. The Assessing Officer has filed appeal with ITAT. The final hearing was done on 19.01.2005 and the order is pending.

II. Under the Labour Laws

Sr. No	Case No./ Date	Adjudicating Authority	Filed by	Brief Description of the matter	Amount Rs.	Status
1.	REF – 122/95	Labour Court	Mr. Ambalal B Thakore	Regarding Re-instatement of the employee	1,20,000/-	At the Evidence stage
2.	REF – IT/162-96	Labour Court	Mr. Sobhnath Ravat	Regarding Re-instatement of the employee	1,00,000/-	At cross examination stage.
3.	WC/APPL/ 15/97	Labour Court	Mr. Sobhnath Ravat	Regarding workman's compensation	49,000/-	At cross examination stage
4.	COMP/27-97	Labour Court	Mr. Sobhnath Ravat	Regarding Compliant filed	-- (Related to 2 & 3 above)	At cross examination stage
5.	REF/265-97	Labour Court	Mr. Sobhnath Ravat	Regarding Re-instatement of the employee	-- (Related to 2 & 3 above)	On submission stage
6.	REC.APP. 1782/96	Labour Court	Mr. K M Thankanchan	Regarding Recovery of Demand –93	5,000/-	At evidence stage
7.	REC.APP. 1784/96	Labour Court	Mr. Rajiv K	Regarding Recovery of Demand –93	5,000/-	At evidence stage
8.	REF. 266/97	Labour Court	Mr. Indrajit Bhuneshwar	Regarding Re-instatement of the employee.	20,000/-	On submission stage
9.	REC.APP. 2604/01	High Court	Mr. Krishna Bihar Tiwari	Regarding payment of wages	32,000/-	On submission stage
10.	REF.1096/ 95	High Court	Mr. Manoj C Rajsirke	Regarding Re-instatement of the employee	12,000/-	On submission stage
11.	REF.164/ 98	Labour Court	Mr. Pankaj Jashubhai Dave	Regarding Re-instatement of the employee	5,000/- (settled at Rs.4,500)	Disposed on 22/10/05

[B] Pending Litigation filed by the Company

I. Under the Central Excise Act.

The Excise Commissioner had passed an Order against the Company vide Order dated 29/6/05 for demanding Rs. 22.15 Lacs for wrongful availing of CENVAT credit. The Company had filed an appeal for stay of demand and reversal of order before CESTAT, Mumbai. The said authority has granted stay on demand vide its order dated 8/11/2005 till the final hearing of appeal.

II. Under the Sales Tax Act.

The Company has appealed before Sales Tax Authority for refund of set-off amount u/s 42G on purchase of metal scrap in past several years [1998 to 2003]. The Company is quite hopeful of getting refund. The said amount shall be accounted in the year of actual receipt. At present the Company can not ascertain the amount of refund.

[C] Outstanding Litigations involving subsidiaries.

Not applicable as the Company has no subsidiaries.

[D] Outstanding Litigations Involving Group Companies

There are no outstanding litigation involving group companies namely Bhagwati Filters Private Limited, Bhagwati Pyrotech Pvt. Ltd., Aurina Education Systems Pvt. Ltd.

[E] OUTSTANDING LITIGATIONS INVOLVING PROMOTER / DIRECTOR

[i] Pending litigation against the Promoter Company ñ Bhagwati Spherocast Pvt. Ltd.

Under the Labour Laws

Sr. No	Case No./ Date	Adjudicating Authority	Filed by	Brief Description of the matter	Amount Rs.	Status
1.	REC.APP. – 1021/00	Labour Court	Mr. Ramubhai Chhediram. S.K.Kazi	Recovery of Wages	10,000/-	At the Evidence stage
2.	REF-1777/01	Labour Court	Kamlesh Jyanti C.R.Choudhary	Reinstatement of employment amounting to Rs. 15,000/-	15,000/-	At the Evidence stage.
3.	REC.APP.2591 /01	Labour Court	Mr. Ramu Chhediram	Recovery of wages	Refer Appl. No. 1021/00 (No. 1 above)	At the Evidence stage
4.	REC.APP.0908 /02	Labour Court	Mr. Rajendrakumar G. Patel	Recovery of Wages	35,000/-	At the Evidence stage
5.	REC.APP 2198/03	Labour Court	Mr. Rajubhai Amarsingh	Recovery of Wages	5,000/-	Settled 28/10/05 for Rs. 10,000/-
6.	REF.0127/04	Labour Court	Mr. Rajubhai Amarsingh	Reinstatement of employment	7,000/-	
7.	REF 0368/04	Labour Court	Mr. Kishorebhai Bhagwanbhai	Reinstatement of employment	10,000/-	At the Evidence stage
8.	REF 0950/04	Labour Court	Mr. Karshanbhai Gordhan Prajapati	Reinstatement of employment	10,000/-	At the Evidence stage
9.	REF 0968/91	Labour Court	Mr. Ratilal & others	Reinstatement of employment	25,000/-	At the Evidence stage
10	REF.0022/94	Labour Court	Mr. Kanjibhai Solanki & S.B. Chaudhary	Reinstatement of employment	12,000/-	At the Evidence stage
11	PWA 0470/96	Labour Court	Mr. Hareshbhai Dahyabhai L.N. Medipalli	Recovery of wages	8,000/-	At the Evidence stage
12	REF 1704/96	Labour Court	Mr. Rajendra Patel & Mr. Azad Shih Parihar	Reinstatement of employment	50,000/-	At the Evidence stage
13	REF 0365/97	Labour Court	Mr. Dhanabhai Revabhai & Dipak Chettarji	Reinstatement of employment	12,000/-	At the Evidence stage
14	REF 0640/97	Labour Court	Mr. Kantibhai Parmar	Reinstatement of employment	14,000/-	At the Evidence stage
15	REF 0914/98	Labour Court	Mr. Jitendrashih Chauhan	Reinstatement of employment	15,000/-	At the Evidence stage
16	REF 1159/98	Labour Court	Mr. Rameshbhai S. Parmar & D. S. Gohel	Reinstatement of employment	8,000/-	At the Evidence stage
17	REF 1160/98	Labour Court	Mr. Om Jaishankar & R. G. Tiwari	Reinstatement of employment	30,000/-	At the Evidence stage
18	REC . APP 1167/98	Labour Court	Mr. Anand motiram & S. B. Chaudhary	Recovery of wages	5,000/-	Settled on 7/8/05 for Rs.5,000/-
19	PWA 0352/99	Labour Court	Mr. Ramu Chhediram & Mr. S. K. Kazi	Recovery of wages	5,000/-	At the Evidence stage

[ii] Outstanding litigation involving individual promoters/directors:

There are no outstanding litigation involving individual promoters namely Dr. P. N. Bhagwati, Mrs. M. P. Bhagwati and Miss R. P. Bhagwati, and directors namely Mr. Mahendra N. Shah and Mr. Bhagwandas L. Dalal

B. EXTERNAL AND BEYOND THE CONTROL OF THE COMPANY

1. Cyclical nature of the Industry

The Companyís fortunes are linked to those of automobile and tractor industry, which is cyclical in nature. The demand for automobiles and tractors have significant impact on the prices of products manufactured by the Company. A fall in the prices would adversely impact the margins and hence the financial performance of the Company

2. Price volatility in pig iron and mild steel scrap

The main raw materials for the Company are pig iron and mild steel scrap, apart from ferro alloy, sand and coating materials. Any upward movement in the prices of these materials would adversely affect the business, financial condition and operations of the Company if any such increases were not passed on to the customers.

3. Political, economic and social developments in India and acts of violence or war

Any change in the economic policies and laws affecting companies in the foundry business, pace of deregulation, foreign investment, currency exchange rates and other matters could adversely affect the business, financial condition and the operations of the Company. Acts of violence, terrorist activity or war could affect the industrial and commercial operations in the country, which could have an adverse effect on the demand and supply of castings.

4. Natural disasters and technical failures

The operations of the plant can be affected by natural disasters and technical failures including malfunctioning or breakdown of equipment, which could adversely affect the business, financial condition and the operations of the Company.

5. Change in technology

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

6. Pollution control measures and emission regulation

Failure to comply with environmental laws, rules and regulations may adversely affect the Companyís business or operations. Government of India and State Government have enforced specific pollution and emission requirements for foundry and castings industry. Though the Company is compliant with the same, any further restrictions or amendments may have cost implications for the Company and may have an impact on the operations and profitability of the Company.

7. Competition

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

NOTES TO RISK FACTORS

1. Investors are advised to refer to ìBasis for Issue Priceî section on page 29 before investing in the Issue.
2. Net worth (excluding revaluation reserves) of the Company as on September 30, 2005 was Rs. 169.07 Lacs.
3. This issue of 12,80,304 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 10/- per Equity Share on rights basis to the existing Equity Shareholders of the Company in the ratio of 4 equity shares for every 5 equity shares held on the Record Date i.e. January 16,2006 aggregating to Rs. 2,56,06,080/- .
4. The book value per share as on September 30, 2005 is Rs. 10.56 for face value of Rs. 10 per share as per the restated financial statements..
5. The average cost per Equity share for the Promoters of the Company is Rs. 25.03/-.
6. In the event of the issue being over subscribed, the allocation shall be on a proportionate basis.
7. Investors are free to contact the Lead Manager for any clarification or information pertaining to the issue.
8. All information shall be made available by the Lead Manager and the Company to the public and the investors at large and no selective or additional information would be available for a section of the investor in any manner whatsoever.
9. **Related Party Transactions**: In respect of transactions with related parties which have taken place during the period ended 30th September, 2005 as per the restated financial statements are given below:

Sr. No.	Nature of transaction	Associates	Key management personnel	Enterprises/ relatives of key management personnel
1	Managerial remuneration	Nil	782252	Nil
2	Purchase of material	Nil	Nil	260039
3	Sale of Material	Nil	Nil	45970
3	Interest paid on fixed deposit	Nil	142200	531250
4	Legal fees paid	Nil	Nil	37500
5	Fixed deposit received	Nil	2,370,000	7250000
6	Discounting Charges paid	Nil	Nil	482521

Key Management Personnel:

1. Dr. P N Bhagwati - Managing Director
2. Miss Reena P. Bhagwati ñ Joint Managing Director

Enterprises having common key management personnel and/or their relatives

1. Bhagwati Spherocast Pvt. Ltd.
2. Bhagwati Filters Pvt. Ltd.
3. Bhagwati Pyrotech Private Ltd.
4. Aurina Education Systems Pvt. Ltd.
5. Mahendra Shah & Associates
6. Harish N.Shah & Co.
7. Mahendra N. Shah & Co.
8. M/s R. Trading Corporation

Relatives of key management personnel:

1. Mrs. M P Bhagwati, wife of Dr. P N Bhagwati

C. INTRODUCTION

I. SUMMARY

THE INDUSTRY

Casting is required by almost all the entire manufacturing industry, be it the aircraft industry, oil industry, textile industry, ship industry, automobiles, construction industry or agricultural equipments industry. Casting have been, and will continue to be, the most economical form of metal forming techniques. It is only by foundry technology that the most intricate shapes can be formed, unlike the forging industry and the sheet metal industry, which have limitation.

BUSINESS

The company was incorporated on 20th October 1981, with an object to set up manufacturing and selling of specialized and sophisticated Cast Iron (CI) and Spheroidal Graphite Iron (SGI) castings. Main promoters of the company are Dr.Pravin Natavarlal Bhagwati and Bhagwati Spherocast Pvt. Ltd. Dr. Bhagwati is a qualified technocrat and proven entrepreneur having doctorate qualification in Foundry Engineering from West Germany and has experience of 40 years. The company is presently engaged in the manufacturing of CI and SGI castings with an installed melting capacity of 13,500 MTA and installed casting capacity of 10,000 MTA.

II. OFFERING DETAILS:

Equity Shares Offered	Issue of 12,80,304 Equity Shares of Rs. 10/- each for cash at a price of Rs. 20/- per Share aggregating Rs. 2,56,06,080 on rights basis to the existing Equity Shareholders of the Company in the ratio of 4 (Four) Equity Share for 5 (Five) Equity Shares held on the Record Date i.e. January 16,2006.
Equity shares outstanding prior to the issue	16,00,380 Equity shares of Rs. 10 each
Equity shares outstanding after the issue	28,80,684 Equity shares of Rs. 10 each(Assuming Equity Shareholders Subscribe to all the Equity Shares Offered.)
Utilisation of Proceeds	The Company intends to deploy the net proceeds from the issue of shares for the following: 1. To part finance a) Construction of additional factory building b) Creation of additional facility in the existing Hand Moulding division & modernizing machine moulding casting facilities. c) Long-term requirement of working capital 2. To meet the expenses of the rights issue of equity shares.For Details see the section entitled ìObject of this Issueî on Page 34 of this offer document.

III. SUMMARY OF FINANCIAL, OPERATING AND OTHER DATA

The following summary of the financial data has been prepared in accordance with the provisions of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the ìGuidelinesî) issued by the Securities and Exchange Board of India (ìSEBIî) in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 except as indicated otherwise described in Auditors Report of M/s K. D. Parekh & Co. Chartered Accountants in section entitled ìFinancial Informationî.

STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNTS

Financial Year	6 Months Ended 30.09.2005	12 months Ended 31.03.2005	12 months Ended 31.03.2004	12 months Ended 31.03.2003	12 months Ended 31.03.2002	12 months Ended 31.03.2001
Sales :						
Of Products Manufactured	143848539	322336529	196529856	102974430	166088766	171425942
Of Products Trades	1015000	1439544	1150000	312936	653077	715000
Sub-total	144863539	323776073	197679856	103287366	166741843	172140942
Other income	317317	818391	228182	226588	1429953	2560303
Sub-total	317317	818391	228182	226588	1429953	2560303
Total income	**144165856**	**324594464**	**197908038**	**103513954**	**168171796**	**174904864**
Increase/(Decrease) in Stock	1117728	(657016)	6374468	(6128269)	(576146)	203619
TOTAL INCOME	**146298584**	**323937448**	**204282506**	**97385685**	**167595650**	**174904864**
Administrative & other exp.						
Purchase of Material for Resale	735694	1385377	1161345	235192	708086	605911
Raw Material Consumed	67621989	154675792	89509238	35022852	54442357	52143177
Manufacturing & Administrative expenses	62689701	143295299	105060822	73416726	113287887	117572593
Interest & Finance Charges	6513556	12787992	9894674	7347995	8422502	7363904
Depreciation	2883347	5683518	5429142	4689660	4735360	4678662
TOTAL EXPENDITURE	**140444287**	**317827978**	**211055221**	**120712425**	**181596192**	**182364247**
Profit/(Loss) Before tax and Extra ordinary Items	5854297	6109470	(6772715)	(23326740)	(14000542)	(7459383)
Add/(Less) Provision. for Fringe Benefit Tax	44494	---	---	---	---	---
Add/(Less) Provision for Deferred Tax	(454391)	164477	(327450)	(280383)	(493187)	(587076)
Profit & Loss after tax	6264194	6273947	(7100165)	(23607123)	(14493729)	(8046459)
Add/(Less) Prior Year Adjustments	---	(42000)	(15588)	---	---	(688)
Net Profit/(Loss) for the year	**6264194**	**6231947**	**(7115753)**	**(23607123)**	**(14493729)**	**(8047147)**

STATEMENT OF RESTATED ASSETS AND LIABILITIES

Financial Year	6 months Ended 30.09.2005	12 months Ended 31.03.2005	12 months Ended 31.03.2004	12 months ended 31.03.2003	12 months Ended 31.03.2002	12 months Ended 31.03.2001
A) Fixed Assets						
Gross Block	110944631	112069102	110130404	98679656	89340543	86567931
Less : Depreciation	64457207	62801618	59699994	54596074	43492483	38757119
Net Block	46487424	49267484	50430410	44083582	45848060	47810812
Add: Capital work in progress	1998689	0	0	47401	47401	302868
Net Block	**48486113**	**49267484**	**50430410**	**44130983**	**45895461**	**48113680**
B) Current Loans and Advances						
Inventories	19841347	19324843	15185241	7531845	16286218	19854470
Sundry Debtors	70115953	70374465	61275574	35747722	50461013	50785338
Cash and Bank Balance	5558580	3088500	5460695	4063696	8079293	3939426
Loans and advances	8745199	6260630	4915222	3645146	13311326	30205320
Total	**104261079**	**99048438**	**86836732**	**50988409**	**88137850**	**104784554**
C) Deferred Tax Liability	**8449364**	**8903755**	**9068232**	**8740782**	**9279104**	**9604626**
D) Investment	**0**	**0**	**0**	**0**	**0**	**0**
E) Liabilities and Provisions						
Secured and Unsecured Loans	15510561	20888560	27005813	20134646	17896597	21500077
Current Liabilities and Provisions	111880189	108049154	97307452	53846297	70925193	71439758
Total	**127390750**	**128937714**	**124313265**	**73980943**	**88821790**	**92939835**
F) Net worth (A+B-C+D-E)	**16907078**	**10474453**	**3885645**	**12397667**	**35932417**	**50353773**
Represented By:						
G. Shares Capital	16003800	16003800	16003800	16003800	16003800	16003800
H. Reserves and Surplus	12172100	12172100	14277350	14277350	20000990	34494719
I. Preliminary Expenditure	902153	1070584	1427445	0	72373	144746
J. Debit Balance of Profit & Loss A/c	10366669	16630863	24968060	17883483	0	0
Net Worth [G+H-I-J]	**16907078**	**10474453**	**3885645**	**12397667**	**35932417**	**50353773**

BHAGWATI AUTOCAST LIMITED

Registered office: Survey No. 816, Village Rajoda Near Bavla. Dist. Ahmedabad-382 220.
(Previously 1, Krishna Society, Ellisbridge Ahmedabad)
Tel No: (02714) 232283 / 232983 Fax: (02714) 232383
Email: autocast@bhagwati.com website: www.bhagwati.com
Registered with Registrar of Companies Gujarat
ROC Bhavan, Opp. Rupal Park, Near Ankur Bus Stop, Naranpura,
Ahmedabad 380 061 **Company Registration No. :** 04-4718

IV. GENERAL INFORMATION

BOARD OF DIRECTORS:

Our Company is currently managed by Board of Directors comprising of 5 directors. Dr. Pravin Natwarlal Bhagwati is the Chairman & Managing Director. The day to day affairs of the Company are being managed by Ms. Reena P. Bhagwati, Joint Managing Director of the Company. Our Board of Directors comprises of the following:

Sr. No.	Name of the Director	Designation
1	Dr. Pravin Natwarlal Bhagwati	Chairman and Managing Director
2	Mrs. Mandakini Pravin Bhagwati	Director
3	Ms. Reena Pravin Bhagwati	Joint Managing Director
4	Mr. Mahendra Natwarlal Shah	Director
5.	Mr. Bhagwandas Lallubhai Dalal	Director

BRIEF DETAILS OF CHAIRMAN, MANAGING DIRECTOR AND OTHER DIRECTORS:

1. **Dr. Pravin Natwarlal Bhagwati** (69) is a qualified technocrat and proven entrepreneur having Ph. D. in Foundry Engineering from Aachen, Germany possessing experience of over 40 years in foundry and casting industry. He is chairman and Managing director of Bhagwati Autocast Ltd and Chairman of Bhagwati Spherocast Pvt. Ltd. He is Director of Bhagwati Filters Pvt. Ltd., Bhagwati Pyrotech Pvt. Ltd. and Aurina Education Systems Pvt. Ltd..

   He is Currently Vice President of World Foundrymen Organisation (WFO)- and was also past president of The Institute of Indian Foundarymen. He was also past Chairman, Confederation of Indian Industry (Western Region). He is on the Board of various institutions like ñ Governing Council of Indo German Tool Room, Ahmedabad, Chairman, Academic Advisory Committee of NIRMA Institute of Diploma Studies, Ahmedabad. He is also Member, Board of Governance, Nirma University and Member, Governing Council, Nirma Institute of Management, Ahmedabad.

2. **Mrs. Mandakini Pravin Bhagwati** (66) is M. A. in Economics. She is Managing Director of Bhagwati Spherocast Pvt. Ltd., since September 1983 and also Director of Bhagwati Pyrotech Pvt. Ltd. and Aurina Education Systems Pvt. Ltd. She is an active social worker since many years and presently she is President of Gujarat Sarvar Mandal.

3. **Ms. Reena Pravin Bhagwati** (39) is MBA from Mellon University, USA. She is Joint Managing Director of Bhagwati Autocast Ltd. and Director in Bhagwati Filters Pvt. Ltd. and Aurina Education Systems Pvt. Ltd. She looks after the day to day management of our Company under the able leadership and guidance of Dr. P. N. Bhagwati. She was instrumental in initiating ISO certification, Total Quality Management (TQM) and Business Process Reengineering of our Company.

4. **Mr. Mahendra Natwarlal Shah** (71) is Chartered Accountant, senior partner of M/s. Mahendra N. Shah & Co. Chartered Accountants. He was also Concurrent Auditor on behalf of IDBI, IFCI, SBI, SBS, PNB and UCO Bank for their large-sized constituents. He was also Financial Adviser, Tax Consultants, Company Law Consultants and /Statutory auditors in Gujarat State Textiles Corporation and their units.

5. **Mr. Bhagwandas Lallubhai Dalal** (79) is a senior member on the board. He joined the board in the year 2000. He is B.Sc. (Tech) and having rich experience in assessing the investment proposals.

COMPLIANCE OFFICER

Mr. D.K. Sheth (C.A.)
Financial Controller & Compliance Officer
Bhagwati Autocast Ltd.
Survey No, 816, Village Rajoda, Near Bavla, District Ahmedabad 382 220
Tel: +91 (02714) 232283 / 232983, Fax: +91(02714) 232383
E-mail: autocast@bhagwati.com

LEGAL ADVISOR TO THE ISSUE

S. A. Khan & Associates
1st Floor, Above Honest Gen. Stores,
Opp. Govt. ìFî Colony, Shahalam Road,
Ahmedabad ñ 380028
Tel: (079)-55413562

BANKERS TO THE COMPANY

Bank of Baroda
Ashram Road, Branch, Vallabh Sadan,
Opp. Natraj Cinema, Ashram Road, Ahmedabad 380 009,
Tel: +91 (079) 26580173 / Fax No.(079)2658175
Email: ashram@bankofbaroda.com

LEAD MANAGER TO THE OFFER

Vivro Financial Services Private Limited
ìVivro Houseî, 11, Shashi Colony,
Opp. Suvidha Shopping Center,
Paldi, **Ahmedabad** 380 007
Tel: +91 (079) 26575666 Fax: +91 (079) 26575441
Contact Person: **Mr. Jayesh Vithlani**
E-mail: bhagwati@vivro.net, Website: www.vivro.net

REGISTRAR TO THE ISSUE

MCS Limited
Sri Padmavati Bhavan. Plot No.93,
Road No.16, MIDC Area, Andheri (East),
Mumbai ñ 400 093
Tel.: (022) 28201785, Fax: (022) 28201783
Contact Person: Mr. Shashi Kadam
Email: mcsmum@vsnl.com
Website: www.mcsind.com

BANKERS TO THE ISSUE

Bank of Baroda
Ashram Road, Branch, Vallabh Sadan,
Opp. Natraj Cinema, Ashram Road, Ahmedabad 380 009,
Tel: +91 (079) 26580173 / Fax No.(079)2658175
Contact Person: Mr. V.J. Sawant
Email: ashram@bankofbaroda.com

AUDITORS OF THE COMPANY

M/s K. D. Parekh & Co.
Chartered Accountants
(Membership No.12615)
1, Azad Centre, 1st Floor,
Nr. Azad Society, Ambawadi,
Ahmedabad 380 015
Tel: +91(079) 26308862

Note: Investors are advised to contact the Registrar to the Issue or the Compliance Officer of the company in case of any pre-issue/ post-issue related problems such as non- receipt of LOF/ Letter of allotment/ share certificate/ refund orders / demat credit etc.

STATEMENT OF INTERSE ALLOCATION OF RESPONSIBILITIES AMONGST LEAD MANAGERS.

Since the issue is managed by one Lead Manager, the entire responsibilities shall vest with the Lead Manager.

CREDIT RATING

This being a Rights Issue of Equity Shares, credit rating is not required.

TRUSTEES

This being a Rights Issue of Equity Shares, appointment of Trustees is not required.

MONITORING AGENCY

Not Applicable.

APPRAISING ENTITY

Not Applicable

UNDERWRITING

The present Rights Issue is not underwritten. However, the Promoters have confirmed vide their Letter of Intent dated 7th November, 2005 that they intend to subscribe to the full extent of their entitlement in the Issue. Promoters intend to apply for additional Equity Shares in the Issue such that at least 90% of the Issue size is subscribed. As a result of this subscription and consequent allotment, the Promoters may acquire Equity Shares over and above their entitlement in the Issue, which may result in their shareholding in the Company being above their current shareholding.

This 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. As such, other than meeting the requirements indicated in Objects of the Issue (refer ìParticulars of the Present Issueî), there is no other intention/purpose for this issue, including any intention to delist the Company, even if, as a result of allotments to the Promoters through this issue, the Promoter shareholding in the Company exceeds their current shareholding.

However, the Promoters have confirmed that in case the Rights Issue of the Company is completed with their subscribing to Equity Shares over and above their entitlement and as a result, if the public shareholding in the Company after the Rights Issue falls below the ìpermissible minimum levelî on the basis of which the securities of the Company continue to be listed they will either individually or jointly with other Promoters make an offer for sale of their holdings so that the public shareholding is raised to the ìpermissible minimum levelî within a period of 3 months from the date of allotment in the proposed Issue, as per the requirements of sub-clause 17.1 and 17.2 of SEBI (Delisting of Securities) Guidelines, 2003 or as per any amendment thereto or any other period as may be directed by SEBI or any appropriate authority.

In this context, the promoters of Bhagwati Autocast Limited have provided following undertaking:

ìWe hereby undertake that, in case the Rights Issue of Bhagwati Autocast Limited is completed with the promoters subscribing to equity shares over and above their entitlement and as a result, if the public shareholding in the Company after the Rights Issue falls below the ìpermissible minimum levelî as specified in the listing condition or listing agreement, we will either individually or jointly with other promoters make an offer for sale of our holdings so that the public shareholding is raised to the ìpermissible minimum levelî within a period of 3 months from the date of allotment in the proposed Issue, as per the requirements of sub-clause 17.1 and 17.2 of SEBI (Delisting of Securities) Guidelines, 2003 or as per any amendment thereto or any other period as may be directed by SEBI or any appropriate authority.î

V. CAPITAL STRUCTURE

SHARE CAPITAL		Nominal Amount (Rs.)
Authorised share capital 30,00,000 Equity shares of Rs. 10/- each	:	3,00,00,000
Issued Share Capital 16,53,333 Equity shares of Rs. 10/- each	:	1,65,33,330
Subscribed and Paid up share capital 16,00,380 Equity shares of Rs. 10/- each .	:	1,60,03,800

Present Issue being offered to the Equity Shareholders through this Letter of Offer	:	Amount in Rs.
12,80,304 Equity share of Rs. 10/- for cash premium of Rs. 10/- (i.e. Price of Rs. 20/-) per Equity Share in the ratio of 4 (Four) Equity Share for every 5 (Five) equity shares held as on the Record Date	:	2,56,06,080
Paid up capital after the Issue **(**Assuming Equity shareholders subscribe to all the Equity shares offered) 28,80,684 Equity shares of Rs. 10 each.	:	**2,88,06,840**
Share premium Account Before the Rights Issue After the Rights Issue	 : :	 **1,21,67,600** **2,49,70,640**

Details of Changes in Authorised Capital:

Date	Authorised capital (Rs.)	Face Value (Rs)	No of Shares	Particulars
At Incorporation	50,00,000	10	5,00,000	Divided into 4,00,000 Equity Shares of Rs. 10 each and 1,00,000 unclassified Shares of Rs. 10 each
25th February 1983	75,00,000	10	7,50,000	Increase. Divided into 7,50,000 Equity Shares of Rs. 10 each.
11th October 1985	1,00,00,000	10	10,00,000	Increase. Divided into 10,00,000 Equity Shares of Rs. 10 each.
25th May 1992	3,00,00,000	10	30,00,000	Increase. Divided into 30,00,000 Equity Shares of Rs. 10 each.

NOTES TO THE CAPITAL STRUCTURE

1) The company had come out with Rights issue of 6,61,333. Equity Shares of Rs 10 each in the year 1992, which was subscribed up to 6,08,380 Equity Shares and the balance 52,953 Equity Shares had remained unsubscribed. Therefore, there is a difference of 52,953 Equity shares between issued and subscribed capital of the company.

2) **BUILD UP OF EQUITY CAPITAL**

Details of Capital structure of the Company since inception are as follows:

Date of allotment/ issue	No. of shares	Cummulative No. of Shares	Face Value Rs.	Issue Price (Rs.)	% of pre-issue capital	Consideration	Nature of Allotment
20/10/1981	7	7	10	10	0.01	Cash	On Incorporation
22/10/1983	6,19,993	6,20,000	10	10	38.74	Cash	Public Issue
28/12/1985	3,72,000	9,92,000	10	10	23.24	Cash	Rights Issue
20/01/1993	6,08,380	16,00,380	10	30	38.01	Cash	Rights Issue
Total	**16,00,380**				**100**		

3) **BUILD UP OF THE PROMOTER SHAREHOLDING**

Name of Promoter / PAC	No. of shares	Face Value (Rs.)	Date/Year of Allotment / Acquisition / Sale	Date of making fully paid.	Nature of Issue
Dr. Pravin N. Bhagwati					
	1	10	20/10/1981	20/10/1981	On Incorporation
	2100	10	22/10/1983	22/10/1983	Public Issue
	1008	10	28/12/1985	28/12/1985	Rights Issue
	2050	10	-----	-----	Market Purchase on various dates
	3439	10	20/01/1993	20/01/1993	Rights Issue
	60445	10	-----	-----	Market Purchase on various dates
	69043				
Mrs. Mandakini P. Bhagwati					
	1	10	20/10/1981	20/10/1981	On Incorporation
	2100	10	22/10/1983	22/10/1983	Public Issue
	1008	10	28/12/1985	28/12/1985	Rights Issue
	1200	10	-----	-----	Market Purchase on various dates
	3700	10	20/01/1993	20/01/1993	Rights Issue
	63292	10	-----	-----	Market Purchase on various dates
Sub Total	71301				
Less: Transfer	300	10	27/03/1992	-----	
Total	**71001**				
Ms. Reena P. Bhagwati					
	2021	10	22/10/1983	22/10/1983	Public Issue
	972	10	28/12/1985	28/12/1985	Right Issue
	200	10	-----	-----	Market Purchase on various dates
	3034	10	20/01/1993	20/01/1993	Right Issue
	87813	10	-----	-----	Market Purchase on various dates
Sub Total	94040				
Less: Transfer	300				
Total	**93740**				
Bhagwati Spherocast Pvt. Ltd.					
	170000	10	22/10/1983	22/10/1983	Public Issue
	10000	10	28/12/1985	28/12/1985	Right Issue
	120000	10	20/01/1993	20/01/1993	Right Issue
	1650	10	27/07/2000		Allotted under Amalgamation with Bhagwati Hydraulic Limited
Sub Total	301650				
Less: Transfer	20000				
Total	**281650**				

4) The present Issue being a Rights Issue, as per clause 4.10.1(c) of extant SEBI guidelines, the requirement of promotersí contribution is not applicable. As a consequence none of the equity shares are locked in.

5) The Company, Promoters, Directors and Lead Manager to the Issue have not entered into any buy-back, standby or similar arrangements for purchase of any of the securities being issued through this Letter of Offer.

6) The Equity shares offered through this Rights issue shall be made fully paid up on allotment.

7) **Top Ten shareholders as on 28th December, 2005**

SR. No	Name	No. of shares	% of share capital
1.	Bhagwati Spherocast Pvt. Ltd.	281,650	17.59
2.	Reena P. Bhagwati	93,740	5.86
3.	Mrs. Mandakini P. Bhagwati	71,001	4.44
4.	Dr. Pravin N. Bhagwati	69,043	4.31
5.	Chanchalben R. Patel	20,424	1.28
6	Aanal P. Bhagwati	15,308	0.96
7.	Balchand Singhi	15,222	0.95
8.	Lata Bhanshali	14,435	0.90
9.	Seema Securities Pvt. Ltd.	13,543	0.85
10	Shashi Rani Gupta	11,172	0.70
	Total	**605,538**	**37.84**

8) **Top Ten shareholders as on 28th December, 2003**

SR. No	Name	No. of shares	% of share capital
1.	Bhagwati Spherocast Pvt. Limited	281,650	17.59
2.	Reena P. Bhagwati	70,209	4.39
3.	Mrs. Mandakini P. Bhagwati	51,797	3.24
4.	Dr. Pravin N. Bhagwati	50,643	3.16
5.	Faizulla A. Jasdanwala	34,900	2.18
6.	Aanal P Bhagwati	15,308	0.96
7.	Bharti K Ghiya	11,683	0.73
8.	Dhruti Ghiya	10,588	0.66
9.	Lata Bhansali	9,250	0.58
10.	Kishor P Ghiya	8,120	0.51
	Total	**544,148**	**34.00**

9) **Top Ten shareholders as on 18th December, 2005**

SR. No	Name	No. of shares	% of share capital
1.	Bhagwati Spherocast Pvt. Ltd.	281,650	17.59
2.	Reena P. Bhagwati	93,740	5.86
3.	Mrs. Mandakini P. Bhagwati	71,001	4.44
4.	Dr. Pravin N. Bhagwati	69,043	4.31
5.	Chanchalben R. Patel	20,424	1.28
6	Aanal P. Bhagwati	15,308	0.96
7.	Balchand Singhi	15,222	0.95
8.	Lata Bhanshali	14,435	0.90
9.	Seema Securities Pvt. Ltd.	16,882	1.05
10	Shashi Rani Gupta	10,984	0.69
	Total	**6,08,689**	**38.02**

10) **The details of the promoter group shareholding as on 28th December, 2005 are as follows:**

Name of the Person	No. of shares	Percentage shareholding
Promoters		
Bhagwati Spherocast Pvt. Ltd.	281,650	17.59
Reena P. Bhagwati	93,740	5.86
Mrs. Mandakini P. Bhagwati	71,001	4.44
Dr. Pravin N. Bhagwati	69,043	4.31
Sub Total (a)	**515,434**	**32.20**
Others		
Ms. Aanal P. Bhagwati	15,308	0.96
Bhagwati Filters Pvt. Ltd.	2,300	0.14
Mr. Prafulchandra N. Bhagwati	2,467	0.15
Sanat N.Bhagwati	9,573	0.60
Sub Total (b)	**29,648**	**1.85**
Total	**5,45,082**	**34.05**

11) **The details of the shareholding of directors of Promoter Company ñ Bhagwati Spherocast Pvt. Ltd. in Bhagwati Autocast Limited as on 28th December, 2005 are as follows:**

Bhagwati Spherocast Pvt. Ltd.(Promoter Company)

Sr. No.	Name of the Directors	No. of Shares	% of pre Issue Capital
1.	Dr. Pravin Bhagwati	69,043	4.31
2.	Mrs. Mandakini Bhagwati	71,001	4.44
3.	Mr. Mahendra L. Shah	982	0.06
4.	Mr. Bhagwandas L. Dalal	1,450	0.09
5.	Mr. I.B. Parmar	--	--

12) The transactions regarding purchase and sale since past 6 months on the stock exchanges in the shares of the company by the promoter group and directors of the promoter company are as follows:

Details of shares purchased by the promoters in March 2005 through off market trade:

Sr. No.	Name of the Seller	Date of Purchase	No.of Shares	Price in Rs.
1	Mr. Sanjay Bhatt	04/03/2005	1200	11.25
2	Mr. Jagat Parikh, Propreitor of M/s Jagat Investment Services	30/03/2005	2201	23.50

There was no other transaction regarding purchase and sale since past 6 months on the exchange by the promoter group and any director of the promoter Company except as mentioned hereinabove.

13) Till date, the company has not introduced any Employees Stock Option Scheme / Employee Stock Purchase Scheme, as required by the Guidelines or Regulations of SEBI relating to Employee Stock Option Scheme and Employee Stock Purchase Scheme.

14) The Equity shareholders do not hold any warrant, option or convertible loan or any debenture, which would entitle them to acquire further Equity share.

15) The terms of Issue to Non-Resident Equity Shareholders/ Applicants have been presented under the ìTerms of the Issueî Section of this Letter of Offer.

16) At any given time, there shall be only one denomination of the Equity Shares. The Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

17) There have been no allotments in past which are for consideration other than cash.

18) No further issue of capital by way of issue of bonus Equity Shares, preferential allotment, rights issue or public issue or in any other manner which will affect the capital of the Company, shall be made during the period commencing from the filing of the Letter of Offer with the SEBI till the Equity Shares issued under this Letter of Offer have been listed or application moneys are refunded on account of the failure of the Issue.

19) Further, presently the Company does not have any proposal, intention, negotiation or consideration to alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public Issue of Equity Shares or any other securities within a period of six months from the date of opening of the present Issue. However, if business needs of the Company so require, the Company may alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of shares or any other securities during the period of six months from the date of listing of the Equity Shares issued under this LOF or from the date the application moneys are refunded on account of failure of the Issue, after seeking and obtaining all the approvals which may be required for such alteration.

20) The company does not have any partly paid Equity Shares.

21) The promoters, directors and Lead Manager to the Issue have not paid any amount, whether direct or indirect and in cash or kind, in the nature of discount, commission, allowance or otherwise to any person.

22) All information shall be made available by the Lead Manager and the Issuer to the public and investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever including at road shows, presentations, research or sales reports etc.

23) The Promoters have confirmed vide their letter of intent dated 7th November, 2005 that they intend to subscribe to the full extent of their entitlement in the Issue. Promoters intend to apply for additional Equity Shares in the Issue such that at least 90% of the Issue Size is subscribed. As a result of this subscription and consequent allotment, the Promoters may acquire Equity Shares over and above their entitlement in the Issue, which may result in their shareholding in the Company being above their current shareholding.

24) This 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 proviso to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. As such, other than meeting the requirements indicated in Objects of the Issue (refer ìParticulars of the Issueî), there is no other intention / purpose for this Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoters through this Issue, the Promoter shareholding in the Company exceeds their current shareholding.

The Promoters have given an undertaking that in case the Rights Issue of the Company is completed with their subscribing to Equity Shares over and above their entitlement and as a result, if the public shareholding in the Company after the Rights Issue falls below the ìpermissible minimum levelî on the basis of which the securities of the Company continue to be listed they will either individually or jointly with other Promoters make an offer for sale of their holdings so that the public shareholding is raised to the ìpermissible minimum levelî within a period of 3 months from the date of allotment in the proposed Issue, as per the requirements of sub-clause 17.1 and 17.2 of SEBI (Delisting of Securities) Guidelines, 2003 or as per any amendment thereto or any other period as may be directed by SEBI or any appropriate authority.

25) The Company has proposed to avail Bridge Loan from Bank of Baroda for Rs. 55 lakhs for meeting part of the cost of the project by their letter dated 25th September, 2005, the amount of which will be repaid out of the proposed rights issue.

26) The company has 4574 Members as on 10th November, 2005 (will be updated before filling with BSE)

27) Shareholding pattern before and after the offer (as on 28.12.2005)

Sr. No		Pre issue shareholding		Post issue shareholding	
	Category	**No. of shares**	**%**	**No. of shares**	**%**
A	**Promoter's Holding**				
1.	Promoters				
	Indian Promoters	5,15,434	32.20	9,27,782	32.21
	Foreign promoters	NIL	NIL	NIL	NIL
2.	Persons acting in concert	29,648	1.85	53,366	1.85
	SUB TOTAL-A	**5,45,082**	**34.05**	**9,81,148**	**34.05**
B.	**Non promoters holding**				
3.	Institutional investors				
a.	Mutual funds and UTI	800	0.05	1,440	0.05
b.	Banks, financial Institutions, Insurance Companies (central/state Govt. Institutions/ Non Government Institutions)				
c.	Foreign Institutional investors	NIL	NIL	NIL	NIL
	SUB TOTAL – B	**800**	**0.05**	**1,440**	**0.05**
	Others:				
	Private Corporate Bodies	1,23,840	7.74	2,22,912	7.74
	Indian Public	8,41,244	52.57	15,14,239	52.57
	NRIs/ OCBs	89,414	5.59	1,60,945	5.59
	Clearing member	NIL	NIL	NIL	NIL
	Trust	NIL	NIL	NIL	NIL
	SUB TOTAL – C	**10,54,498**	**65.90**	**18,98,096**	**65.90**
	Total	**16,00,380**	**100.00**	**28,80,684**	**100.00**

Note: Post issue shareholding is based on the assumption that all shareholders will subscribe to their entire rights entitlement.

VI. OBJECTS OF THE ISSUE

The objects of the Issue are:

1 To part finance

a) Construction of additional factory building

b) Creation of additional facility in the existing Hand Moulding division and modernizing Machine Moulding Casting facilities

c) Long-term requirement of working capital

2. To meet the Issue expenses.

COST OF THE PROJECT

The company, since inception has been engaged in the ferrous casting business with a foundry with machine moulded casting facility. The installed melting capacity has progressively increased to 13,500 MTA and casting capacity to 10000 MTA, to meet the casting requirements mainly of tractor industry. However, the recession in the tractor industry during the year 2001 to 2003 forced the company to think about a change in product mix so as to reduce the dependency on this one user industry. Accordingly, during the year 2003-04, the company set up the manufacturing facility for Hand Moulded Castings to meet the requirement of general engineering industry. Although, the company has started the production of hand moulded casting and established its name in hand moulded casting segment in a short time, it is facing bottlenecks in respect of the production area of the factory building, material handling equipments, shot blasting and fettling facilities, etc. due to which it is unable to optimize its production capacity as also unable to reduce its cost of production. Therefore, the company has now planned to construct an additional building to accommodate increased volume in the hand moulding casting production and acquire certain material handling and other process equipment to improve its productivity, quality and reduce the cost of production. Further, it has also planned to modernize its existing Machine Moulding casting facility by way of modernization of certain process equipment.

Accordingly the company has finalized cost of project as under:

(Rs. In lakhs)

Particulars	Hand Moulding Casting Facility	Machine Moulding Casting Facility	Total Cost
Extension of Factory Building and misc. civil work	47.06	---	47.06
Plant & Machinery	67.00	60.00	127.00
Contingency	6.00	3.00	9.00
Long-term working capital requirement (For whole project)	-	--	57.00
Issue Expenses	--	--	16.00
TOTAL	**120.06**	**63.00**	**256.06**

MEANS OF FINANCE

Particulars	Amount (Rs. In lakhs)
Issue of Equity Shares on rights basis in the ratio of 4 equity shares for every 5 equity share held at a price of Rs. 20/- per share.	**256.06**

The entire requirement of funds of Rs. 256.06 lakhs (including issue expenses of Rs. 16 lakhs) is proposed to be met from the proceeds of the right issue of Rs. 256.06 lakhs.

The Company has made an application for Bridge Loan of Rs. 55 lakhs from Bank of Baroda, Ashram Road Branch, Ahmedabad to meet initial expenditure to be incurred on the proposed expansion plan vide their letter dated 25th September, 2005, which will be repaid out of the proceeds of this Rights issue.

Break up of the Cost of Project

a) Extension of the factory building

In hand moulding division, the existing space is not commensurate with the requirement of the process parameters and therefore company would be required to extend the existing bay by constructing 240 sq. mtr. shed. The cost of the construction is assumed at Rs.5000 per sq. mtr. Similarly company is also required to construct 2nd bay for its hand moulding division of an area of 432 sq. mtr. at the construction cost of Rs.4500 per sq. mtr. Besides above, company also proposes to carry out miscellaneous civil construction work such as repairing of existing factory building, storage facility, training room, etc.

Particulars	Cost (Rs. in lacs)
Extension of 1st Bay (240sq.mtr * Rs. 5,000 per Sq.mtr)	12.00
Construction of 2nd Bay (432 sq.mtr * Rs. 4,500 per Sq.mtr)	19.44
Misc. Civil Works	
Outside Road from gate to Despatch	4.00
Sand Godown, Roofing and water Proofing	3.00
Internal FlooringH.M.G Moulding	2.00
Training Room	1.00
Laboratory Modification	2.00
Workers Facilities	2.00
Compound wall & Fencing	1.62
Total	**47.06**

b) Plant & Machinery

In Hand Moulding process, castings as well as accessories like moulding boxes, pattern equipments are large sized and heavy in weight. Therefore, material-handling facilities require to be strengthened. The company has decided to install 2 E.O.T. cranes i.e. 10 T X 12 mtrs. and 10 T X 20 mtrs., 2 motorized transfer trolleys, DSL and rails in 2 sheds. Further, the company would also acquire sand blasting unit to meet its fettling requirement of big size/weight casting. Company would also acquire various other equipments like 525 CFM compressor, S/F grinder with jib crane, pneumatic tools, spray- painting system, other electrical and lighting equipments, quality control & laboratory equipments.

In the existing machine moulding division, company also proposes to replace/modernize certain equipments viz. drum cooler, dust collector unit, moulding boxes, and handling equipment.

The details of estimated cost of plant and machineries are as under.

(Rs. In lakhs)

Name of Machine	Name of manufacturer/ Supplier	Estimated cost	Purchase Order / Details of Quotation	% of P&M for which order is yet to be placed to Total value of P&M
Hand Moulding casting facility				
2 EOT Cranes i.e. 10 T X 12 mtrs. And 10 T X 20 mtrs. Including DSL and rails in 2 sheds	M/s Safex Equipments Pvt. Ltd.	40.95	E-38 7/10/05 & E-65 20/12/05	----
2 Motorised transfer trolleys	M/s Safex Equipments Pvt. Ltd.	4.35	Yet to order BACL/TT/05/134 26/10/05	3.43%
Sand blasting unit	Murzello Metal Finish Systems Pvt. Ltd.	12.88	E-52 16/11/05	----
525 CFM compressor	Excel Pneumatics, Ahmedabad	8.00	E-70 27/12/05	----
S/F grinder with jib crane, Pneumatic tools	M/s Crystal Chem / Micro Protect Tools & Spares	1.50	Yet to Order Open Item	1.18%
Electrical, Lightening, Quality Control & Laboratory Equipments	From various suppliers	7.50	Yet to Order	5.91%
Process Control Equipment	Magnum Opus International	1.50	Yet to Order DHT/2004/ 19/9/05	1.18%
Sub Total (A)		**76.68**		**11.70%**

Name of Machine	Name of manufacturer/ Supplier	Estimated cost	Purchase Order / Details of Quotation	% of P&M for which order is yet to be placed to Total value of P&M
Machine moulding casting facility				
Drum cooler	M/s BMM, Baroda	18.50	E-66/05-06 20/12/05	----
Dust collection unit	M/s Maxtech Engineering, Ahmedabad / M/s BMM, Baroda	7.00	Yet to Order MTE/1208/05 15/12/05	5.51%
Pattern Storage and handling unit	Ravi Rashmi Energmech Pvt. Ltd.	6.00	Yet to Order RRSS/AA/L/05-06/0123 10/08/2005	4.72%
Moulding boxes	M/s Maurya Foundry, Kolkata	18.82	E-41/I-II/05-06 27/10/05	----
Sub Total (B)		**50.32**		**10.23%**
Total (A+B)		**127.00**		**21.93%**

Note: All the Machineries are new.

The Company has received the quotations as mentioned above. No secondhand machinery has been bought or is proposed to be bought for this project.

c) Contingency

The proposed capital expenditure of Rs. 174.06 lacs is expected to be completed by June, 2006. As the prices are not firmed up so far, contingency provision of Rs. 9.00 lakhs i.e. approximately 5% of the total capital expenditure has been provided to take care of any overrun in the cost of the construction/equipments.

d) Long-term working capital requirement

In the year 2003-04, the company had set up a Hand Moulding Division at a cost of Rs. 120 lakhs. The said project was envisaged to be funded by way of internal accruals and term loan of Rs. 35 lakhs from Bank of Baroda. However due to inadequate profit, the short-term funds of the Company were partly utilised for implementation of the said project and partly for the repayment of term loans of IDBI Bank and Bank of Baroda. These had resulted in increase of current liabilities over current assets by Rs. 120 Lakhs resulting in deterioration of current ratio less than 1.0 as against ideal current ratio requirement of 1.33 by banks.

In view of the above, bankers of the company insisted for improving the current ratio by deploying Non-interest bearing funds from the promoters/ shareholders and/or other sources so as to eliminate overdrawing in the working capital account. With improvement in the working, the company was in position to reduce the Net Working Capital gap by Rs. 30 Lakhs to Rs. 90 Lakhs. Moreover, company has also planned expansion of Hand Moulding facility and modernisation of Machine Moulding facility by raising the resources through this Rights Issue and the balance funds shall be utilized to strengthen the net working capital.

The company has estimated to earn cash profit (profit after tax plus depreciation) of Rs. 150 Lakhs during the current year ending 31st March, 2006. After utilizing Rs. 40 Lakhs towards repayment of term debt facility, the surplus profit would be about Rs. 110 lakhs. In order to improve the current ratio to at least at 1.20 and increase its net working capital, company proposes to deploy the surplus profit of Rs. 110 lakhs and part of the rights issue proceeds of Rs. 57 lakhs aggregating Rs. 167 lakhs towards the net working capital.

Therefore, the company has proposed to raise Rs. 57 lakhs from the Rights Issue as long-term working capital, which will enable the company to improve its operations and receive higher working capital finance from the banks.

e) Issue Expenses

The expenses of the Issue to be borne by the Company are estimated to be around Rs. 16 lakhs (6.25 % of the issue size). These include:

Sr. No.	Particulars	Amount (Rs. in Lacs)	% of total issue expenses	% of total issue size
1	Lead Manager Fees	7.50	46.87	2.93
2	Registrar Fees	1.00	6.25	0.39
3	Printing and Statutory Advertisement Cost	6.50	40.63	2.54
4	Bank and other charges	1.00	6.25	0.39
	Total	**16.00**	**100.00**	**6.25**

All the expenses for the Issue will be borne out of the Issue proceeds.

APPRAISAL

The objects of the rights issue for which the funds are being raised have not been appraised by any bank or financial institutions.

SCHEDULE PLAN OF IMPLEMENTATION AND FUNDS DEPLOYMENT

(Rs. In Lakhs)

	Oct – Dec 2005	Jan – Mar 2006	Apr – June 2006	Total
Civil Works				
Extension of Factory Building	12.06	20.00	15.00	47.06
Installation of Plant & Machineries				
Hand Moulding Division	28.00	39.00	--	67.00
Machine Moulding Division	Nil	40.00	20.00	60.00
Others				
Long Term Working Capital	Nil	57.00	Nil	57.00
Issue Expenses	10.00	6.00	Nil	16.00
Contingency	Nil	Nil	9.00	9.00
Total	**50.06**	**162.00**	**44.00**	**256.06**

Interim use of Funds

The proceeds of the rights issue, pending utilisation for the purposes described above, would be temporarily invested in high quality interest bearing liquid instruments including deposits with banks for necessary duration and for reducing overdraft. Such investments would be in accordance with investment policies of the Company.

VII BASIC TERMS OF THE ISSUE

Face Value	Each Equity share shall have the face value of Rs. 10/- each.
Issue Price	Each Equity share is being offered at a price of Rs. 20/- (including a premium of Rs. 10/-)
Entitlement Ratio	The Equity Shares are being offered on rights basis to the existing equity share holders of the company in the ratio of 4 Equity shares for every 5 equity shares held as on the record date January 16, 2006
Market Lot	The market lot for the equity share is 1. In case of physical certificates, the company would issue one share certificate to a single shareholder.
Terms of Payment	100% of the issue price i.e. Rs. 20/- shall be payable on Application.
Ranking of the Equity Shares	The equity shares shall be subject to the Memorandum and Articles of Association of the company and shall rank pari passu in all respects including dividends with the existing equity shares of the company.

VIII BASIS FOR ISSUE PRICE

Qualitative Factors

- Specialized in manufacturing of transmission components for tractor industry.
- More than 20 years of experience as a leading foundry in India.
- Companyís products are well accepted in auto and general engineering industry.

Quantitative Factors

1. Adjusted Earning Per share

	EPS (Rs.)	Weight
(a) 2002-2003	(14.75)	1
(b) 2003-2004	(4.45)	2
(c) 2004-2005	3.89	3
(d) Weighted Average EPS	(1.99)	

2. Price/Earning Ratio (P/E) in relation to issue price of Rs. 20 per share

(a) Based on 2004-05 EPS	5.14
(b) Based on Weighted Average EPS	NA

The Price Earning Ratio based on weighted EPS cannot be computed since the weighted earnings are negative.

Industry P/E ratio:

i.	Highest	33.90
ii.	Lowest	1.80
iii.	Industry Composite	23.40
iv.	Comparable Industries (Simple Average)	8.89

Comparison of key ratios with the Company of comparable size in the same Industry Group

Sr. no.	Company Name	Turnover (Rs. in Crores)	B.V. (Rs.)	RONW	EPS	P/E
1	EL Forge Limited	80.90	20.50	32.70	6.40	11.10
2	Investment & Precision Casting Limited	42.70	192.40	30.70	51.20	9.50
3	Magna Electro Casting Limited	30.10	23.30	23.30	5.00	17.20
4	Pradeep Metals Limited	35.40	0.70	----	7.70	1.80
5	Ramkrishna Forgings Limited	74.90	21.40	33.50	5.10	12.80
6	Steelcast Limited	50.70	30.70	33.40	8.70	10.10
7	Uni Abex Alloy Products Limited	30.30	16.90	----	12.60	6.80
8	Vybra Automet Limited	45.10	(4.10)	----	8.00	9.80
	Issuer Company					
9.	**Bhagwati Autocast Ltd.**	33.90	7.30	----	3.60	5.80

Source: Capital Market Vol. XX/18, Nov 7- 20, 2005 ñ Castings & Forgings

3. Return on Net worth

	RONW (%)	Weight
(a) 2002-2003	(190)	1
(b) 2003-2004	(183)	2
(c) 2004-2005	59	3
(d) Weighted Average RONW	(63)	

4. Minimum Return on Increased Net Worth required to maintain pre-issue EPS of Rs. 3.89 is 31.06%

5. Net Asset Value

(a) As on 30th September ,2005	10.56
(b) After issue	14.02
(c) Issue Price	20.00

The last traded price on 17th November 2005 of the equity share of the Company was Rs.45.05 which is at a P/E multiple of 11.58 times (based on EPS of 31/3/2005) which is close to the average P/E multiple of the other companies in the peer group and lower than the industry composite.

The issue price of Rs. 20/- per share is 2 times the face value of Rs. 10/- per share of the equity shares being issued. The minimum return on networth required to maintain pre-issue EPS of Rs. 3.89 is 31.06% whereas the company has already earned RONW of 59% for the period ended 31/3/2005. The offer price of Rs. 20/- is 5.14 times the pre-issue EPS which is lower than the simple average P/E multiple 8.90 for the comparable companies in the industry in which company operates. The offer price is at 52.38 % discount to the present market price of the shares of the company.(considering the market price of equity share as at the close of the market as on 11th November, 2005)

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

The face value of the equity share is Rs. 10/- per equity share and the Issue Price of Rs. 20/- per Share is 2 times of the face value.

IX TAX BENEFITS

The Company has been advised by M/s K D PAREKH & CO., Chartered Accountants Ahmedabad vide their letter dated 28th December, 2005, that under the Direct Tax laws, the following tax benefits, inter alia, will be available to the Company and shareholders of the Company. Every shareholder is advised to consider in his own case, the tax implication of an investment in the shares.

The tax benefits vested below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the company or its shareholders to derive of the tax benefits is dependent upon fulfilling such conditions which based on business imperatives it faces in the future, it may not choose to fulfill.

ANNEXURE TO STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO BHAGWATI AUTOCAST LIMITED (ëTHE COMPANYí) AND ITS SHAREHOLDERS

(A) Benefits to the Company under Income-tax Act, 1961 (ëthe Actí)

1. Deduction under section 35D of the Act :

The Company is eligible under section 35D of the Act to claim amortization of preliminary expenses, subject to limits specified in sub section (3) of the said section

2. Dividends exempt under section 10(34) & 10(35) of the Act:

Dividend (whether interim or final) received by the Company from its investment in shares of another domestic company would be exempted as per the provisions of section 10(34) read with section 115O of the Act. Further, income received from units of a Mutual Fund specified under section 10(23D) of the Act would also be exempt as per the provisions of section 10(35) of the Act.

3. Computation of capital gains :

Capital assets are to be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of Unit Trust of India (ëUTIí) or Mutual Fund units or Zero Coupon Bonds) are considered to be long-term capital assets if they are held for a period exceeding thirty-six months. Shares held in a Company, any other listed securities, units of UTI, units of Mutual Fund and Zero Coupon Bonds are considered as long term capital assets if these are held for a period exceeding twelve months. Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains.

However, in respect of long term capital gains for resident shareholders, a benefit is permitted to substitute the cost of acquisition /improvement with the indexed cost of acquisition/improvement. The indexed cost of acquisition/ improvement, adjusts the cost of acquisition/improvement by a cost inflation index, as prescribed from time to time. As per the provisions of section 112 of the Act, long-term capital gains are subject to tax at a rate of 20 % (plus applicable surcharge and cess). However, proviso to section 112(1) specifies that if the long term capital gains arising on transfer of listed securities or units, calculated at the rate of 20% with indexation benefit exceeds the capital gains computed at the rate of 10% without indexation benefit, then such capital gains are chargeable to tax at the rate of 10% without indexation benefit (plus applicable surcharge).

Effective October 1, 2004, long-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined under section 10(23D)) are exempt from tax under section 10(38) of the Act subject to Securities Transaction Tax being levied under Chapter VII of the Finance (No. 2) Act, 2004.

Effective October 1, 2004, as per the provisions of section 111A of the Act, short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined under section 10(23D)] are subject to tax at the rate of 10% (plus applicable surcharge and cess), provided the transaction is subject to Securities Transaction Tax being levied under Chapter VII of the Finance (No. 2) Act, 2004.

4. Exemption of capital gain from income-tax :

As per section 54EC of the Act and subject to the conditions specified therein capital gains arising to the Company on transfer of a long-term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the Company transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable in such year.

The bonds specified for this section are bonds issued by National Bank for Agriculture and Rural Development (ëNABARDí), the National Highways Authority of India (ëNHAIí), the National Housing Bank (ëNHBí), the Rural Electrification Corporation Ltd. (ëRECí) and Small Industries Development Bank of India (ëSIDBIí).

As per section 54ED of the Act and subject to the conditions specified therein, long-term capital gains arising on listed securities or units shall not be chargeable to tax to the extent such capital gains are invested in acquiring equity shares forming part of an eligible issue of share capital. The investment is required to be made within six months from the relevant date of transfer.

ëEligible issue of capitalí means an issue of equity shares which satisfies the following conditions:

a. The issue is made by a public company formed and registered in India; and

b. The shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty as to whether the benefits under this section can be extended to shares forming part of the offer for sale by the existing shareholders. It may be relevant to note that the Central Board of Direct Taxes (ëCBDTí) has clarified vide its Circular no.7/2003 dated September 5, 2003, that the term ëpublic issueí in the context of section 10(36) of the Act shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

(B) Benefits to the Resident Shareholders

1. Dividends exempt under section 10(34) of the Act :

Dividend (whether interim or final) received by a shareholder from investment in shares of a domestic company would be exempt in the hands of the shareholder as per the provisions of section 10(34) read with section 115O of the Act.

2. Computation of capital gains :

Capital assets are to be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except for shares held in a Company or any other listed securities or units of UTI or units of Mutual Fund or Zero Coupon Bonds) are considered to be long-term capital assets if they are held for a period exceeding thirty-six months. Shares held in a Company, any other listed securities, units of UTI, units of Mutual Fund and Zero Coupon Bonds are considered as long term capital assets if these are held for a period exceeding twelve months. Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains.

However, in respect of long term capital gains for resident shareholders, a benefit is permitted to substitute the cost of acquisition/improvement with the indexed cost of acquisition/improvement. The indexed cost of acquisition/ improvement, adjusts the cost of acquisition/improvement by a cost inflation index, as prescribed from time to time.

As per the provisions of section 112 of the Act, long-term capital gains are subject to tax at a rate of 20 % percent (plus applicable surcharge and cess). However, proviso to section 112(1) specifies that if the long term capital gains arising on transfer of listed securities or units, calculated at the rate of 20% with indexation benefit exceeds the capital gains computed at the rate of 10% without indexation benefit, then such capital gains are chargeable to tax at the rate of 10% without indexation benefit plus applicable surcharge.

Effective October 1, 2004, long-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined under section 10(23D)) are exempt from tax under section 10(38) of the Act subject to Securities Transaction Tax being levied under Chapter VII of the Finance (No. 2) Act, 2004.

Effective October 1, 2004, as per the provisions of section 111A of the Act, short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined under section 10(23D)) are subject to tax at the rate of 10% (plus applicable surcharge and cess), provided the transaction is subject to Securities Transaction Tax being levied under Chapter VII of the Finance (No. 2) Act, 2004.

3. Exemption of capital gains arising from income tax :

As per section 54EC of the Act and subject to the conditions specified therein capital gains arising on transfer of a long-term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the shareholder transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable in such year.

The bonds specified for this section are bonds issued by NABARD, NHAI, NHB, REC and SIDBI. As per section 54ED of the Act and subject to the conditions specified therein, long-term capital gains arising on listed securities or units shall not be chargeable to tax to the extent such capital gains are invested in acquiring equity shares forming part of an ëeligible issue of share capitalí. The investment needs to be made within six months from the relevant date of transfer.

ëEligible issue of capitalí means an issue of equity shares which satisfies the following conditions:

a. The issue is made by a public company formed and registered in India; and

b. The shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty as to whether the benefits under this section can be extended to shares forming part of the offer for sale by the existing shareholders. At this stage, it may be relevant to note that the CBDT has clarified vide Circular no.7/2003 dated September 5, 2003, that ëpublic issueí in the context of section 10(36) of the Act shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

Further, as per the provisions of section 54F of the Act and subject to conditions specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (ëHUFí) on transfer of shares of the Company will be exempted from capital gains tax, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer, provided that the individual/ HUF should not own more than one residential house other than the new residential house on the date of transfer. If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house, then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

4. As per the provisions of section 88E, where the business income of a resident includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.

(C) Benefits to the Non-Resident Shareholders

1. Dividends exempt under section 10(34) of the Act :

Dividend (whether interim or final) received by a non-resident shareholder from its investment in shares of a domestic company would be exempt in the hands of the shareholder as per the provisions of section 10(34) read with section 115O of the Act.

2. Computation of capital gains :

Capital assets are to be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except for shares held in a Company or any other listed securities or units of UTI or units of Mutual Fund or Zero Coupon Bonds) are considered to be long-term capital assets if they are held for a period exceeding thirty-six months. Shares held in a Company, any other listed securities, units of UTI, units of Mutual Fund and Zero Coupon Bonds are considered as long term capital assets if these are held for a period exceeding twelve months.

Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. Under first proviso to section 48 of the Act, the taxable capital gains arising on transfer of capital assets being shares or debentures of an Indian Company need to 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 in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be done at the prescribed rates prevailing on dates stipulated.

Hence, in computing such gains, the benefit of indexation is not available to non-resident shareholders. As per the provisions of section 112 of the Act, long-term gains are subject to tax at a rate of 20 % percent (plus applicable surcharge and cess).

Effective October 1, 2004, long-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined under section 10(23D)) are exempt from tax under section 10(38) of the Act subject to Securities Transaction Tax being levied under Chapter VII of the Finance (No. 2) Act of 2004.

Effective October 1, 2004, as per the provisions of section 111A of the Act, short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined under section 10(23D)) are subject to tax at the rate of 10 per cent (plus applicable surcharge and cess), provided the transaction is chargeable to Securities Transaction Tax being levied under Chapter VII of the Finance (No. 2) Act of 2004.

3. Exemption of capital gain from income-tax :

As per section 54EC of the Act and subject to the conditions specified therein, capital gains arising to the non-resident individual on transfer of a long-term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable in such year.

The bonds specified for this section are bonds issued by NABARD, NHAI, NHB, REC and SIDBI. As per section 54ED of the Act and subject to the conditions specified therein, long-term capital gains arising on listed securities or units shall not be chargeable to tax to the extent such capital gains are invested in acquiring equity shares forming part of an ëeligible issue of share capitalí. The investment needs to be made within six months from the relevant date of transfer.

ëEligible issue of capitalí means an issue of equity shares which satisfies the following conditions:

a. The issue is made by a public company formed and registered in India; and

b. The shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty as to whether the benefits under this section can be extended to shares forming part of the offer for sale by the existing shareholders. At this stage, it may be relevant to note that the CBDT has clarified vide Circular no.7/2003 dated 5 September 2003, that ëpublic issueí in the context of section 10(36) of the Act shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

Further, as per the provisions of section 54F of the Act and subject to conditions specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or HUF on transfer of shares of the Company will be exempted from capital gains tax, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer, provided that the individual/ HUF should not own more than one residential house other than the new residential house on the date of transfer. If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house, then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

4. Tax Treaty Benefits

As per 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 non-resident. Thus, a non-resident can opt to be governed by the beneficial provisions of an applicable tax treaty.

(D) Benefits to the Non-Resident Indian Shareholders

1. Dividends exempt under section 10(34) of the Act:

Dividend (whether interim or final) received by a non-resident shareholder from its investment in shares of a domestic company would be exempt in the hands of the non-resident shareholder Company as per the provisions of section 10(34) read with section 115O of the Act.

2. Computation of capital gains:

As per the provisions of section 115I of the Act, a Non-resident Indian (ëNRIí) as defined therein has the option to be governed by the normal provisions of the Act or the provisions of Chapter XIIA of the Act through appropriate declaration in the return of income. The said Chapter inter alia entitles an NRI to the benefits stated hereunder in respect of income from shares of an Indian company acquired, purchased or subscribed in convertible foreign exchange. As per the provisions of section 115D read with section 115E of the Act and subject to the conditions specified therein, taxable long-term capital gains arising on transfer of an Indian companyís shares, will be subject to tax at the rate of 10% (plus applicable surcharge and cess) As per the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long-term capital asset being shares in an Indian Company would not be chargeable to tax. To avail this benefit the entire net consideration received on such transfer needs to be invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If whole or part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. The specified asset or savings certificates in which the investment has been made are restricted from being transferred within a period of three years from the date of investment. In the event of such a transfer the amount of capital gains tax exempted earlier would become chargeable to tax as long-term capital gains in the year in which such specified asset or savings certificates are transferred.

As per the provisions of section 115G of the Act, NRIs are not obliged to file a return of income under section 139(1) of the Act, if:

ï Their only source of income is income from investments or long term capital gains earned on transfer of such investments or both; and ï The tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

As per the provision of section 115H of the Act, when a NRI becomes assessable as a resident in India, the provisions of the Chapter XII-A can continue to apply in relation to investment made when he was a NRI. Towards this, the NRI needs to furnish a declaration in writing to the Assessing Officer along with his return of income.

3. Tax Treaty Benefits

As per 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 non-resident. Thus, a non-resident (including NRIís) can opt to be governed by provisions of the Act or the applicable tax treaty whichever is more beneficial.

(E) Benefits to the Foreign Institutional Investor (ëFIIí)

1. Dividends exempt under section 10(34) of the Act:

Dividend income: Dividend (whether interim or final) received by the FII from its investment in shares of a domestic company would be exempt in the hands of the FII as per the provisions of section 10(34) read with section 115O of the Act.

2. Capital gains:

As per the provisions of section 115AD of the Act, FIIs are taxed on the capital gains income at the following rates:

Nature of Income Rate of tax (%) *

Long term capital gains 10

Short term capital gains 30

* Plus applicable surcharge and cess

The benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not available to a FII.

From October 1, 2004 long-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined under section 10(23D)) are exempt from tax under section 10(38) of the Act on being subject to Securities Transaction Tax as levied under Chapter VII of the Finance (No. 2) Act of 2004.

From October 1, 2004 Short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined under section 10(23D) of the Act) exchange to Corporate FIIs are subject to tax at the rate of 10 per cent (plus applicable surcharge and cess) on being subject to Securities Transaction Tax levied under Chapter VII of the Finance (No. 2) Act of 2004).

3. Tax Treaty Benefits

As per 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. Thus, an FII can opt to be governed by provisions of the Act or the applicable tax treaty whichever is more beneficial.

(F) Benefits to the Mutual Funds

1. Dividends exempt under section 10(34) of the Act:

Dividend (whether interim or final) received by the Mutual Funds from its investment in shares of a domestic company would be exempt in the hands of the Mutual Fund as per the provisions of section 10(34) read with section 115O of the Act.

2. Income exempt under section 10(23D) of the Act:

As per the provisions of section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India, would be exempt from income tax, subject to the prescribed conditions.

(G) Benefits to the Venture Capital Companies / Funds

1. Dividends exempt under section 10(34) of the Act:

Dividend (whether interim or final) received from investment in shares of another domestic company would be exempt in the hands of the Venture Capital Company/ Fund as per the provisions of section 10 (34) read with section 115O of the Act.

2. Income exempt under section 10(23FB) of the Act:

As per the provisions of section 10(23FB) of the Act, any income of Venture Capital Companies/Funds registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified.

(H) Benefits available under the Wealth-tax Act, 1957 (Common to all)

Asset as defined under section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

(I) Benefits available under the Gift-tax Act (Common to all)

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.

NOTES:

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

This is a summary only and not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of convertible debentures or ordinary shares. The statements made above are based on the laws in force and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their tax advisors with respect to the tax consequences of their holdings based on their residential status and the relevant double taxation conventions.

However, all shareholders are advised to consult their own tax advisors as to the tax implications on investments in their individual cases.

D. ABOUT THE ISSUER COMPANY

I. OVERVIEW OF THE INDIAN CASTING AND FOUNDRY INDUSTRY:

INDUSTRY OVERVIEW

The information presented in this section has been extracted from publicly available documents, which have not been prepared or independently verified by the Company, the Lead Manager or any of their respective affiliates or advisors or the sources referred to herein. In this Section, we have relied on and referred to information regarding the industry and competitors from market research reports, and other publicly available sources. Although we believe that this information is reliable, we have not independently verified the accuracy and completeness of the information.

Casting can be used in a variety of industries including components used in automobile and tractors.

GLOBAL CASTING INDUSTRY

The data sourced were taken from the 38th Census of World Casting Production ñ 2003 as available in the website namely www.thewfo.com and Institute of Indian Foundrymen. However, no further official data are available for the year 2004 and 2005, the total casting production globally for CY 2003 was 73.55 million tonnes of which India contributed 4.04 million tonnes. The details of the production for CY 2002 and CY 2003 are as follows:

(Metric tonnes)

Type of Casting	India			World		
	2002	2003	%Increase/ (Decrease)	2002	2003	%Increase/ (Decrease)
Gray Iron	2,370,000	2,840,000	19.80	37,998,498	40,032,328	5.40
Ductile Iron	300,000	363,000	21.00	14,053,236	15,593,017	11.00
Malleable Iron	30,000	39,000	30.00	941,938	940,679	(0.10)
Steel	325,000	465,000	43.10	6,327,807	5,220,560	(17.50)
Copper base	--	--	--	1,076,495	1,141,565	6.00
Aluminum	242,000	331,000	36.80	8,635,414	9,340,398	8.20
Magnesium	--	--	--	136,325	135,252	(0.80)
Zinc	--	--	--	844,419	903,391	7.00
Other- Non ferrous	--	--	--	195,343	247,436	26.70
TOTAL	**3,267,000**	**4,038,000**	**23.60**	**70,209,475**	**73,554,626**	**4.80**

Source: www.thewfo.com

It is observed from above that while world production of castings increased by 4.8% during the CY 2003 over the CY 2002, Indiaís production increased by whopping 23.60 % during CY 2003 over the CY 2002. Further, gray iron castings constituted 70.3% of the total volume of castings produced in India for the same period. However, worldwide, gray iron constituted around 54.4% for the same period, which indicates that India is more in the low value castings compared to rest of the world. However, due to abolishing of the GATT and high cost of production in some of the developed countries, the sourcing of high value casting mainly non-ferrous casting from developing economies like India, Mexico are increasing.

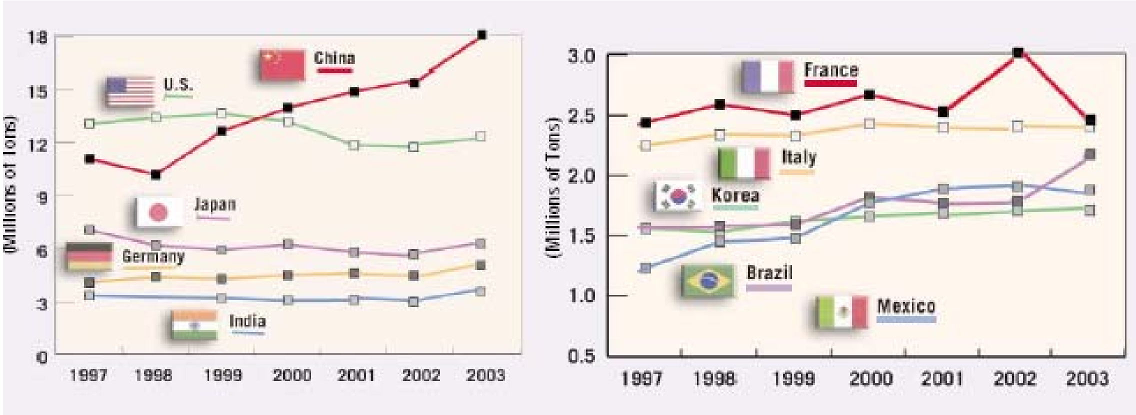
India ranked 6th in the production of castings, globally, for CY 2003. China continues to remain as the leading producer of castings, ahead of developed countries like United States of America, Russia, Japan and Germany due to the lower cost advantage. The details of production for the top 10 countries are as follows:

(million tonnes)

Country	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	CAGR
China	12.647	10.955	14.888	16.261	18.146	9.45%
USA	13.710	13.129	11.871	11.811	12.069	-3.14%
Russia	4.500	6.200	6.200	6.200	6.200	8.34%
Japan	5.972	6.276	5.841	5.751	6.111	0.58%
Germany	4.333	4.542	4.643	4.595	4.723	2.18%
India	3.215	3.120	3.155	3.509	4.038	5.86%
France	2.490	2.665	2.527	3.018	2.485	-0.05%
Italy	2.325	2.425	2.393	2.440	2.441	1.22%
Mexico	1.474	1.761	1.880	2.030	1.823	5.46%
Brazil	1.574	1.810	1.760	2.030	2.249	9.33%

Source: *The Institute of Indian Foundrymen and www.thewfo.com*

As mentioned earlier, the above table substantiate that the production has been either decreasing or a very marginal growth has been achieved in developed countries like USA, France and Japan where the cost of production is on the higher side. Whereas the production has been increasing rapidly in the countries like China, Russia, Brazil, Mexico, India, etc. The shifting trend of production is seen in the following graph:



Source: www.thewfo.com

The cost per tonne of production for different countries for CY2002 is as given below:

Country	Brazil	Mexico	Taiwan	Japan	Italy	USA
Labour Cost US$*	2.60	2.60	5.80	19.00	15.10	21.40

** Hourly compensation cost in US$ for production workers in manufacturing*

Source: Global Invest; US Department of Labor ñ Bureau of labor statistics, May 2004

INDIAN CASTING INDUSTRY

The data sourced were taken as available in the website of Institute of Indian Foundrymen. The said data are available upto FY 2004. However, no further official data are available for the recent last one year.

There are more than 5,000 foundry units in India, having an installed capacity of approximately 7.5 million tonnes per annum. The majority (nearly 95%) of the foundry units in India falls under the category of small-scale industry. The foundry industry is an important employment provider and provides direct employment to about half a million people.

A peculiarity of the foundry industry in India is its geographical clustering. Some of the major foundry clusters in the country are shown in the map.

Foundry Clusters in India

Typically, each foundry cluster is known for catering to some specific end-use markets. For example, the Coimbatore cluster is famous for pump-sets castings, the Kolhapur and the Belgium clusters for automotive castings and the Rajkot cluster for diesel engine castings

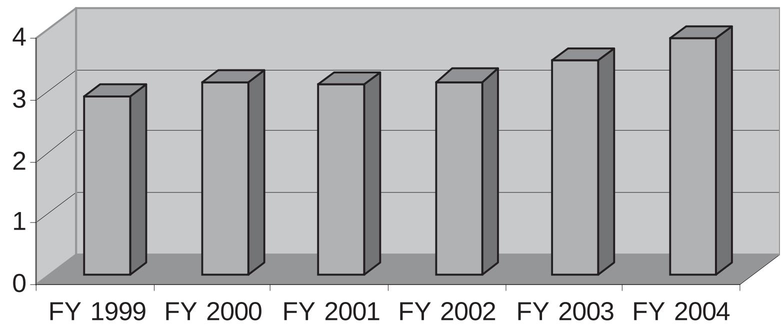
As per the Institute of Indian Foundrymen, the Indian foundry industry production was estimated at 3.5 million tones in FY 2003, which was increased to 3.86 million tones in FY 2004. The exports of both industrial castings and sanitary castings stood at Rs. 1647 crores in FY 2003 was increased to Rs. 1926 crores in FY 2004 indicating a growth of 16.93 % over previous year. The break up of the production of Indian foundry industry for various types of castings is as given below:

(In million tones)

Type of Castings	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Gray Iron	2.1	2.4	2.3	2.3	2.47	2.72
SG Iron	0.255	0.235	0.250	0.285	0.316	0.350
Malleable Iron	0.06	0.05	0.04	0.03	0.039	0.042
Steel	0.3	0.31	0.32	0.31	0.388	0.426
Non-ferrous	0.21	0.22	0.21	0.23	0.296	0.325
TOTAL	2.925	3.125	3.12	3.155	3.509	3.863

Source: The Institute of Indian Foundrymen

PRODUCTION OF CASTINGS (Million Tonnes)



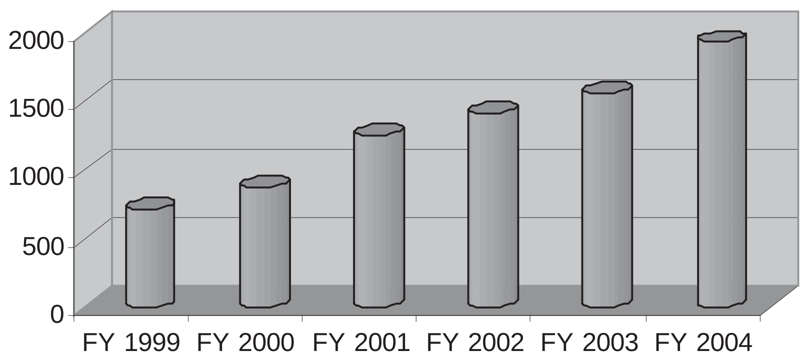
The exports of castings from India have increased at a compounded annual growth rate of approximately 22.36 % over the period FY1999 to FY2004.

(Rs. crores)

Year	Sanitary	Industrial	Total
FY 1999	275.02	427.24	702.26
FY 2000	341.93	532.08	874.01
FY 2001	430.95	812.66	1243.61
FY 2002	523.33	879.45	1402.78
FY 2003	572.70	976.16	1548.86
FY 2004	1058.00	868.00	1926.00

Source: The Institute of Indian Foundrymen

EXPORTS OF CASTINGS (Rs. Crores)



The key strengths of the Indian Foundry industry are:

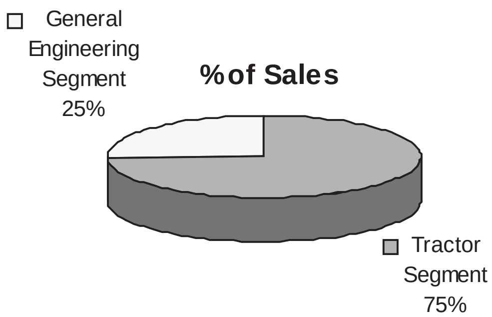
- Large Base spread across the country.
- Huge availability of skilled manpower at low cost.
- Access to latest technology and support by government bodies
- Availability of vast natural resources
- Good transport infrastructure
- Cheaper conversion costs in India

The key weaknesses of the Indian Foundry Industry are:

- Shortage of working capital
- Steep and frequent increase of material prices
- Fixed price long-term contracts without escalation clause with customers
- Old equipment and technology ñ predominantly in the Small Scale Industry sector
- Poor maintenance of equipment
- High power costs
- Cyclical demand from customers

POSITION OF THE COMPANY IN INDIAN CASTING INDUSTRY

The company is one of the medium sized iron casting company with a fairly modernized manufacturing plant with need-based automation and is in the business for more than 20 years. The company has already established its name in the industry on account of good quality, timely delivery, after sale service and above all fair trade practice. The company mainly caters to Farm Equipment Industry viz. tractor segment. Almost 75 % of its casting production is normally sold to 2 companies engaged in manufacturing of tractors and balance is sold to general engineering industry such as air compressor manufacturers, windmill manufacturers, electric motors manufacturers, gear box manufacturers, etc.



The companyís performance directly depends on the performance of the tractor industry as it sells about 75 % of its total production. The tractor industry has witnessed considerable growth in the FY 2003-04 and 2004-05 when production of tractors increased by 21 % and 30 % to 191633 and 248976 no. of tractors respectively as against 157880 no. of tractors in FY 2002-03.

The demand for tractors expected to be higher by almost 20% during FY 2005-06 on account of normal monsoon, availability of easy finance, lower interest rate and encouragement by Government of India to provide higher credit to the farming community. Further, there is an over all up trend in the economy from FY 2004-05 and the same is expected to be continued for at least 2-3 years and hence the demand for capital assets, which is a basic part of general engineering industry, is likely to grow in the future. Therefore, the company has planned to add hand moulding castings to its present product mix of machine moulded castings so that it would be in position to manufacture single casting to the extent of 5000 kgs. and thereby would like to utilize its capacity to the optimum level and remain competitive in the industry.

II. BUSINESS OVERVIEW

1. DETAILS OF THE BUSINESS OF THE COMPANY

The company was incorporated on 20th October 1981, with an object to set up manufacturing and selling of specialized and sophisticated Cast Iron (CI) and Spheroidal Graphite Iron (SGI) castings. The main promoters of the company are Dr. Pravin Natavarlal Bhagwati and Bhagwati Spherocast Pvt. Ltd. Dr. Bhagwati is a qualified technocrat and proven entrepreneur having doctorate qualification in Foundry Engineering from West Germany and have experience of 40 years. The company is presently engaged in the manufacturing of CI and SGI castings with an installed melting capacity of 13,500 MTA and casting capacity of 10,000 MTA.

a. LOCATION OF THE PROJECT

Companyís registered office and plant is located at Survey No. 816,Vill. Rajoda, near village Bavla, Dist. Ahmedabad. The extension in the factory building and installation of equipment proposed to be acquired will be installed at its existing plant.

b. PLANT, MACHINERY, TECHNOLOGY & PROCESS

Manufacturing of CI and SGI castings is made through induction furnace of 3.2 MT capacity. Further, the Plant is equipped with ARPA 900 moulding lines, core shooters, mechanised sand plants, shot blasting machines, grinders, etc. Also the plant has the facility to manufacture hand-moulding casting, which can produce single castings from 300 KG to 5000 KG and is equipped with OMEGA continuous mixer, sand reclamation plant and 20 tonne capacity EOT crane. Apart from above, plant is equipped with various material handling systems at every stage of production.

The details of Plant & Machinery and other equipment required to be bought for the project are given in the Section ìObject of the Issueî on page No. 26.

c. COLLABORATIONS, ANY PERFORMANCE GUARANTEES OR ASSISTANCE IN MARKETING BY THE COLLABORATORS

The Company has not entered into any collaboration agreement such as performance guarantee or marketing assistance for existing business or proposed project.

d. INFRASTRUCTURE FACILITIES

1. Raw Material

For manufacturing of CI and SGI castings the main raw materials are MS Scrap, Pig Iron and Ferro Alloys, which is easily available in plenty from Gujarat and Maharashtra. Company does not envisage any difficulty in meeting its raw material requirement in future.

2. Utilities

Power

The Company has sanctioned power of 2200 KVA from Uttar Gujarat Vij Company Limited. Companyís present requirement of power is 1900 KVA and after completion of the proposed project its requirement is estimated at 2100 KVA, which will be well within the sanctioned power. Therefore, Company does not expect any difficulty in this regard.

Water

Companyís present requirement of water 20,000 liters per day which is required for the induction furnace operations and human consumption and the same is met from water bore-well having capacity of 3000 liters per hour.

3. Man power

Company has total manpower of 188 comprising 5 senior executives, 8 middle level executives, 24 junior level executives, 27 clerical/assistants and 124 permanent (Skilled workers). The casual and contractual workers are 180. Company, after implementation of the proposed project would not require any additional workforce.

e. PRODUCTS

The product range manufactured by the company can be categorized in three types on the basis of end use industry viz. :

Tractor Industry : Under this category the company manufactures the following:

- Front and rear axle housing
- Differential and clutch housing
- Hydraulic lift housing
- Single and multiple cylinder blocks and all transmission blocks.

Compressor Industry : Under this category the company manufactures the following:

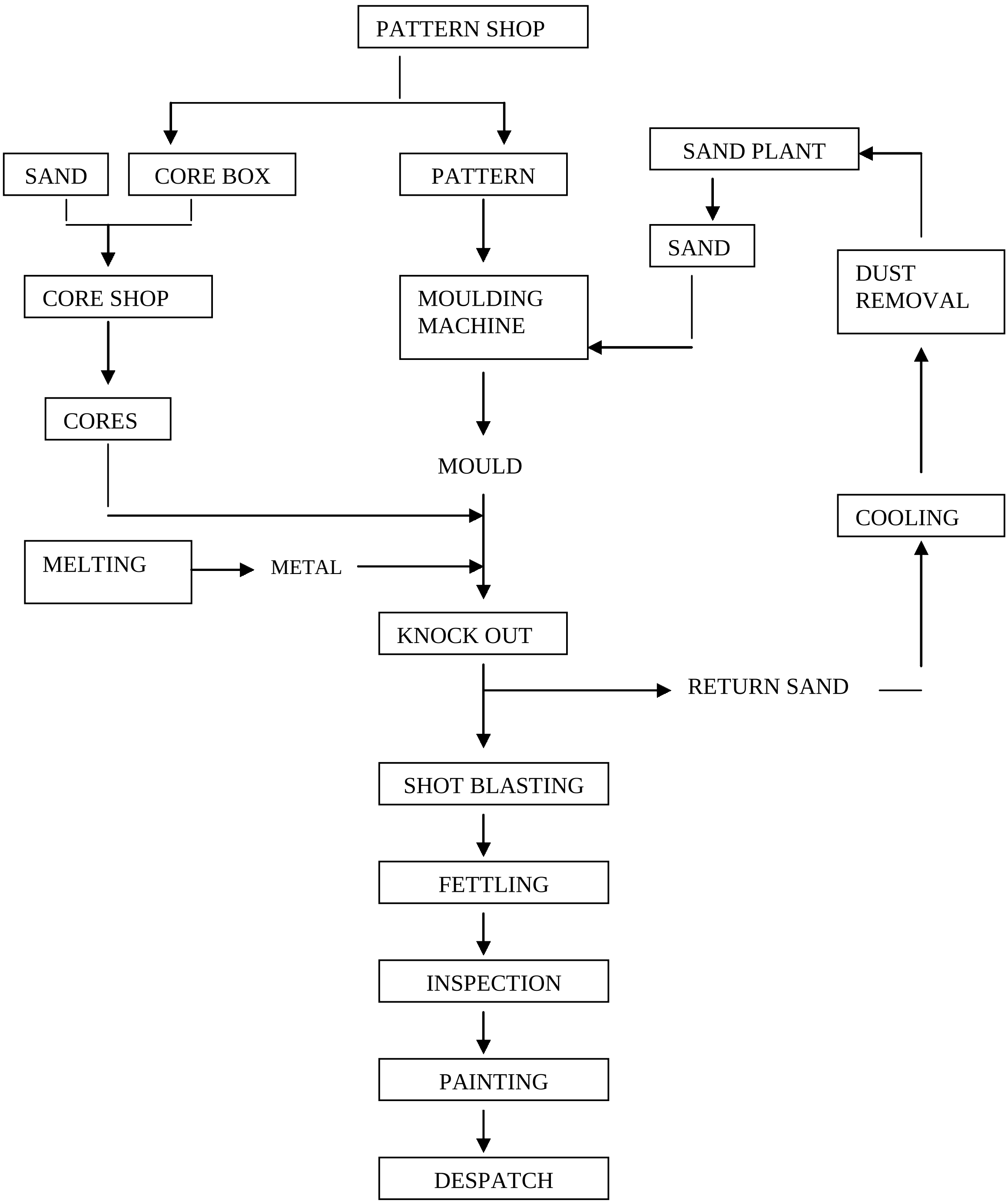
- Frame head
- Two throw and from throw frames
- Fly wheels, etc.

Other Industry : Under this category the company manufactures the following:

- Gear case for windmill
- Exhaust casting, etc.

PROCESS CHART

Production process chart is given below:



CUSTOMER PROFILE

Company supplies its CI and SGI castings to some of the well-known manufacturers in auto and general engineering industry viz.

- Escorts Ltd.
- Swaraj Engine Ltd.
- Swaraj Combine Ltd.
- Punjab Tractors Ltd.
- Harig India [P] Ltd.
- Bajaj Tempo Ltd.
- Ingersoll Rand India Ltd.
- Carraro India Ltd.
- Elecon Engineering Ltd.
- Dresser Rand (I) Ltd.
- Siemens India Ltd.

Companyís growth is linked to the growth of its customers, since demand for castings is a derived demand.

QUALITY CONTROL

Company has well-established Quality Control laboratory for testing the raw materials, in process materials and finished goods. Company has initiated process for obtaining ISO 9000 certification for its system. Extensive quality control facilities available including:

- Microstructure estimation using microscope
- Compactability shatter index tester
- Sand testing equipments
- Hardness testing equipments
- Chemical testing equipments

TECHNOLOGY UPGRADATION/MODERNISATION

Company undertakes technological upgradation from time to time to meet the growing demands of quality and need for reduction in process cost.

PROCESS CONTROL

Established, well-defined processes are laid down at various stages of manufacturing of CI and SGI casting so as to optimize the yield percentage and reduce the wastage percentage.

CUSTOMER SERVICES

A team of qualified and experienced technical staff is available to interact with the customers on a continuous basis for new product development, after sales service etc.

MARKET AND COMPETITION:

There are more than 5000 foundry units in India with an installed capacity of approximately 7.5 million tones per annum of which 95% of the units falls under the category of small scale industry. The company is one of the medium sized iron casting company with a fairly modernized manufacturing plant. Company faces competition from units like Ennore Foundries Limited, Kirloskar Ferrous Industries Limited, DCM Foundries Ltd., Ashok Iron & Steels Ltd., etc. However, the company has developed expertise in manufacturing castings for Farm equipment industry namely tractor segment and command prime position in the segment. The company strives hard to eliminate the extent of competition by lowering its cost of production, increasing output and improving the quality.

MARKETING SET UP:

The company manufactures industrial products in the form of castings mainly for tractor manufacturing companies and other manufacturing companies. Due to its technical expertise and superior quality, company over the years have earned reputation in the industrial castings business which is amply proved by the fact that 75% of its production is supplied to two-three major tractor manufacturing companies. Further companyís Chairman and Managing Director Dr. P.N. Bhagwati is a qualified technocrat and proven entrepreneur having doctorate to his credit in foundry engineering and has experience of more than 40 years in foundry and casting industry. Therefore, the company does not require a very large marketing set-up as required in case of other consumer products.

The overall marketing function is looked after by Ms. Reena P. Bhagwati, Joint Managing Director under the overall guidance of Dr. P. N. Bhagwati, Chairman and Managing Director. Keeping in view the fact that there are limited industrial customers and moreover, Promoter Company namely Bhagwati Spherocast Pvt. Ltd. (BSPL) is also engaged in the manufacturing of castings, the company also utilizes the services of marketing executives of BSPL.

MARKETING STRATEGY:

With the proposed creation of additional facility in Hand Moulding Division and modernizing machine moulding casting facility, the company proposes to utilize its installed capacity to the optimum level by having the following marketing strategy.

1. Reducing the dependency on the existing 2-3 major customers belong to the tractor industry.
2. Reduced dependency on machine moulded casting for tractor industry and increase more production of hand moulded castings having application in general industry by broad basing the product mix to cater various Original Equipment Manufacturers in the general engineering industry.
3. Emphasis on exports of its castings so as to increase the sales realization and to make its presence in the International market, which would be beneficial in future during the time of recession in domestic market.
4. Continuous efforts for reducing cost of production by lowering the input cost and overheads and thereby becoming more competitive in domestic as well as export market.
5. Identifying new customers in the general engineering industry by offering the products at competitive pricing with superior quality. For the purpose, the company has set up Hand Moulding facility.

2. BUSINESS STRATEGY

a) Brief Statement about Business Strategy:

The company is a focused player in castings and intends to become a leading foundry in the Western India. The company is in the manufacturing of the CI and SGI casting for more than 20 years and has grown to the present level by establishing its quality of products. The company wants to leverage this strength to its benefit in future so as to become an effective player in the casting industry, not only in domestic market but also in export market. However, before taking quantum jump, the company would like to utilize its capacity to the optimum level with international standard quality and thereafter would like to expand its capacity of international standard so as to produce best possible castings.

(i) Brief Statement about Future Prospects:

The company is one of the medium sized iron casting company with a fairly modernized manufacturing plant with need-based automation and is in the business for more than 20 years. The company has already established its name in the industry on account of good quality, timely delivery, after sale service and above all fair trade practice. The company mainly caters to Farm Equipment Industry viz. tractor segment.

The companyís performance directly depends on the performance of the tractor industry as it sells about 75 % of its total production. The tractor industry has witnessed considerable growth in the FY 2003-04 and 2004-05 when production of tractors increased by 21 % and 30 % to 191633 and 248976 number of tractors respectively as against 157880 numbers of tractors in FY 2002-03.

The demand for tractors expected to be higher by almost 20% during FY 2005-06 on account of normal monsoon, availability of easy finance, lower interest rate and encouragement by Government of India to provide higher credit to the farming community. Further, there is an overall uptrend in the economy from FY 2004-05 and the same is expected to be continued for at least 2-3 years and hence the demand for capital assets, which is a basic part of general engineering industry, is likely to grow in the future. Therefore, the company has planned to add hand moulding castings to its present product mix of machine moulded castings so that it would be in position to manufacture single casting to the extent of 5000 kgs. and thereby would like to utilize its capacity to the optimum level and remain competitive in the industry.

(a) Capacity:

The present installed capacity, past three years capacity utilization and proposed capacity utilization (including existing and proposed) is given as under:

Existing Installed Capacity	Capacity Utilisation in TPA and % of Installed Capacity			Proposed Capacity (Existing + Proposed)	Capacity Utilisation		
	2002-03	2003-04	2004-05		2005- 06	2006-07	2007-08
10000 TPA of Iron Castings	3220 TPA, 32.20%	5974 TPA, 59.74%	8065 TPA, 80.65%	10000 TPA	8500 TPA, 85%	9600 TPA, 96%	9600 TPA, 96%

(b) Capacity Utilisation

The main assumptions for increase in capacity utilization over the next three years is mainly that the company has proposed to create additional facility for its hand moulding division thereby increasing the production of Hand moulded castings which in turn improve the overall capacity utilization of its installed capacity of 10000 TPA of iron castings. Since company has already achieved 80.65% of capacity utilization during the year 2004-05 and keeping in view business prospects as mentioned above, company is confident to achieve capacity utilization of 85% in the current year 2005-06 and 96% for the year 2006-07 and 2007-08.

The projected capacity utilization during the three years commencing from 2005-06 and ending on 2007-08 is an average 9400 TPA which is more than 25% of the actual average capacity utilization of 5753 TPA during the previous three years ended 2004-05. Due to the recession in tractor industry during the year 2001 to 2003, the company had received less order for machine moulded castings and therefore companyís capacity utilization was lower than its installed capacity. Therefore, company thought of changing the product mix so as to reduce the dependency on one user industry. Accordingly, during the year 2003-04, the company set up the manufacturing facilities for hand moulded castings to meet the requirement of general engineering industry. The companyís this strategy resulted into success as its capacity utilization increased substantially in the next two years. In view of the improvement in the Indian economy, higher production reported in the Tractor industry and companyís strategy to increase production of hand moulded castings, company is confident of achieving the projected capacity utilization of its installed capacity.

Keeping in view the above, the business strategy of the company is as under:

1) Optimum utilization of the capacity

The companyís melting capacity of its induction furnace is 13,500 MTA. The company hitherto was engaged only in machine moulded castings and has to depend on 2-3 major customers who are engaged in the manufacturing of tractors. During the course of recession experienced by its customers, the company has observed that the orders from major customers starts reducing, resulting into under utilization of its capacity and thereby reducing the production and consequently the profits. Therefore, the company has set up hand moulded casting facility so as to produce casting requirement of general engineering industry. This strategy has helped company in improving its capacity utilization and encouraged by this it has now planned to acquire certain material handling equipments and construction of shed to reduce the over all manufacturing time and thereby improving productivity and profitability.

2) Broad basing of product mix

As mentioned earlier the company wants to reduce dependency on machine moulded castings manufactured for tractor industry. With this view in mind company has set up hand moulded castings facility so as to manufacture castings of various sizes from 300 kgs. to 5000 kgs. having application in various general engineering industry. The company is successful and has started receiving repeat orders from its newly created customer base and inquiries from new potential customers. This strategy would help company in having broad based product mix to cater various Original Equipment Manufacturers (OEM) in the general engineering industry.

3) Reducing the dependency on 2-3 major customers

The company till 2003-04 was mainly catering to the 2-3 customers engaged in manufacturing of tractors. The company in the past suffered due to recession in the tractor industry on account of drought, non-availability of finance and down trend in the economy of the country. The company to reduce the dependency on one user industry has diversified into production of hand moulded castings by setting up necessary facility so that about 20-25 % of its capacity could be utilized for hand moulded castings. The company is successful in receiving orders from customers of general engineering industry and encouraged by the response the company wants to install certain material handling equipments so as to reduce the manufacturing time, increase the productivity and profitability and reduce the dependability only on 2-3 major customers in respect of product mix of machine moulded castings.

4) Exploring the expansion with emphasis on Exports

Companyís vision is to expand its present capacity to the level of international standard with a view to becoming a leader in the Indian casting industry and emphasis on export of its castings. The proposed capital expenditure on various equipment and facilities would enable company to optimize its production capacity and thereafter company would consider expansion of its capacity, if the investment scenario in the country is conducive. Further, with the opening up of the economy and abolition of GATT, there is likely to be competition from other countries. Therefore, to remain competitive in the casting business, the company may consider expansion of the capacity to achieve the economies of scale and may also put emphasis on exports of its casting products.

6. SWOT ANALYSIS

STRENGTHS

1. The company is specialized in manufacturing of axel transmission components for tractor industry.

2. The company has more than 20 years of experience as a leading foundry in India.
3. One of the promoters is highly educated particularly in foundry engineering.
4. Companyís products are well accepted in the engineering industry.
5. Company has low overheads compared to other organized manufacturers in the industry
6. Company has skilled manpower relatively at low cost.
7. Company is located in one of the main center of cast iron industry, which facilitates easy availability of manpower, raw material, etc.

WEAKNESS

1. Dependency on 2-3 customers and there is a risk attached to the work performance of such customers.

OPPORTUNITIES

1. Increasing demand for castings both in domestic and export market especially heavy castings for the capital goods and windmill industry.
2. Automobile sector in general and tractor sector in particular is booming in India.

THREATS

1. In case of fall of demand, there is a risk to the company for under utilization of its capacity.
2. Due to upward trend in the economy and consequent growth in demand for casting, there is a possibility of further increase in the capacity by competitors of the company.

3 PROPERTY

As per the audited balance sheet dated 31st March, 2005, the Company has the following immovable properties:

Sr. No.	Description	Net Block (In Rs.)
1	Land at village Rajoda, near Bavla	21,43,343/-
2	Office Building at Village Rajoda, Near Bavla	29,85,524/-
3	Factory Building at village Rajoda, Near Bavla	82,32,230/-

4. PURCHASE OF PROPERTY

There is no property which the company has purchased or acquired or proposes to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present issue or the purchase or acquisition of which has been contemplated in the present issue.

III Key Industry Regulations:

INDUSTRIES (DEVELOPMENT AND REGULATION) ACT, 1951, (IDRA)

Industries (Development and Regulation) Act, 1951, has been enacted to implement the industrial policy. It provides for the development and regulation of major industries. IDR Act envisages balanced industrial growth all over India and optimum use of resources and infrastructure. The Act is applicable to whole of India. The Act is applicable to scheduled industries as given in the First Schedule to the Act. Section 29B(1) authorizes Central Government to exempt any industry or class of industries from any provision of the Act. Presently, Central Government has exempted most of the industries from the provisions of licensing. There are only few industries, which require license. License is not required for any other industry. Those industries, which are not required to obtain license have to get themselves registered with SIA for Industrial Entrepreneurial Memorandum.

ENVIRONMENT CONTROL LEGISLATION

Rapid Industrialization and uncontrolled increase in population with little control over its adverse aspects is degrading environment at an alarming rate. This is becoming a big health hazard. If the pollution is un-checked, quality of life will deteriorate. Hence Environment (Protection) Act, 1986. Some projects require clearance from Central Government while other projects require clearance from State Government. Various areas have been declared as ëgreen belt` or ëno industry zonesí by State Governments. Air Pollution Act and Water Pollution Act deal with specific aspects of Environment.

FACTORIES ACT, 1948

Factories Act is enacted primarily with object to protect workers employed in factories against industrial and occupational hazards. The Act requires that workers should work in healthy and sanitary conditions and for that purpose it provides that precautions should be taken for safety of workers and prevention of accidents.

IV. HISTORY AND CORPORATE STRUCTURE OF THE COMPANY

1 History & Background of The Company:

Incorporation & Initial Progress

Incorporation

The Company was incorporated on October 20, 1981 under the Companies Act, 1956 as Public Limited Company and received the certificate for commencement of business on 19th July 1982. The Companyís Registered Office is situated at Survey No. 816, Village Rajoda Near Bavla. Dist. Ahmedabad-382 220.

In the year 1982 the Company had a fully mechanized Foundry with Sophisticated equipments to manufacture specialized castings in heavy duty cast iron and S.G. Iron Castings for automobiles, tractors, compressors and Hydraulic industries at a total cost of Rs. 215 lacs.

Public Issue:

In the year 1983 to meet this project cost, the company came out with a public issue of Rs. 62 lacs and the balance amount was arranged from financial institutions namely GIIC, GSFC and BOB.

Rights Issue:

To enhance its capital base the company came out with Rights Issue of Rs. 37.2 lacs in the year 1985.

The company started its commercial production from April 1st, 1984 The year 1986 was a significant landmark in the history of the Bhagwati group when BAL, a mechanized foundry was started to manufacture heavier range of machine moulded casting to meet the requirement of the groupís O.E.M. customers in the Tractor & Automobile industries.

Change in the Accounting Year:

In the year 1987-88 the Company changed its accounting year from December to March and accounts were prepared for 15 months ending on 31st March 1988. The Company also made net profits of Rs. 3.75 lacs for the first time.

Effective Capacity utilization:

In the year 1988-89 the Company achieved 90% of the capacity utilization and made a profit of Rs. 11.65 lacs even though steep increase in the prices of raw material/ production and other cost of inputs.

Full Capacity Utilization:

In the year 1989-90 the Company achieved full utilization of their capacity by which production/sales in volume went up and company was able to clear off past losses.

Declaration of Dividend:

During the year 1990-91 the Company continued to show better results and earned profit of Rs. 53.22 lacs and provided for investment allowance of Rs. 23.52 lacs and in the year 1991-92 the Company declared dividend @12% for the first time.

Expansion cum modernization plan and Rights Issue:

In the year 1992-93 due to increased demand, it was felt necessary to expand capacity and therefore Management decided to go for expansion-cum-modernization plan at a cost of Rs. 130 lacs. To meet with the cost of expansion plan, company decided to go for right issue in the middle of the year. In the same year company came out with the second Rights Issue of 60,83,800 equity shares.

Companyís share capital stands increased to Rs. 160.03 lacs due to Rights Issue. During 1993-94, company has completed its expansion plan and repaid its term loan fully. It benefited by way of saving an interest cost and earned a profit of Rs. 45.70 lacs. Company declared dividend @ 15%.

Achievement of Highest Volume of Sales and highest profits:

The Financial year 1999-2000 was a golden year for the companyís total years of operations. The Company produced highest volume and earned highest profit i.e. Rs. 103.40 lacs after tax provision of Rs. 6.17 lacs.

During late in the year company undertook expansion plan, which includes sophisticated sand plant to improve the surface finish of the castings. To meet the cost of expansion, company availed a loan from IDBI to the tune of Rs. 150 lacs.

Hand Moulding Project:

In the financial year ended 2003-04, to reduce dependency on tractor industry, Company set up a new project within the premises to produce castings under Hand moulding project at a cost of Rs. 120.00 lacs partly financed by Bank of Baroda. However, during the year this project could not pick-up and the company made a loss of Rs. 67.72 lacs.

Current Year

In the current year the company has performed well in terms of capacity utilization and sales revenue. The Company has reported profit of Rs. 62.74 Lacs on the Gross Turnover of Rs.3920. 20 Lacs. Thus increased volume and stable material prices yielded reasonable profits to the Company.

2 Major Events In The History Of The Company Is Given Below:

Year	Events
1981	Incorporated on 20th October, 1981
1981- 1982	Set up of a sophisticated foundry equipment
1983	Made a public issue of Rs. 62 lacs
1984	Commencement of Commercial production
1985	The company came out with a Rights Issue of Rs. 37.2 lacs
1987 ñ1988	Change in the accounting year from December to March
1988-89	Achievement of 90% of the capacity utilization
1989-1990	Achievement of full Capacity utilization
1990-91	Company continued to show better results
1991-92	Declaration of dividend @12%.
1992-93	Suffered losses and became potential sick Company
1993-94	Expansion-cum-modernization plan and Second Rights Issue of Equity Shares of Rs. 60,83,800. The Company declared dividend @15%
1995-96 1996-97	Undertaken major expansion plan to enhance mouding capacity and melting capacity
1999-00	Modernization of sand plant and produced highest volume and earned highest profit after tax Rs. 103 Lacs
2002-03	Company had suffered loss due to recessionary trend in the industry
2003-04	Company set up a new project to produce castings under Hand moulding project
2004-05	Strengthen the hand moulding plant and booked net profits of Rs. 61 Lacs by better capacity utilization.

3 Main Object of The Company:

The Object Clause of the Memorandum of Association (MOA) of the Company enables it to undertake the activities for which the funds are being raised in the present Issue. Furthermore, the activities of the Company has been carrying out until now is in accordance with the objects of the MOA. The main objects of the Company inter-alia are:

1. To establish, carry on, extend or develop the business of manufacturing, fabricating, buying, selling, distributing, importing, exporting, processing, converting or otherwise handling or dealing in Ni-hard and high duty casting, S.G. casting, alloy iron castings and generally casting of all kinds and description in collaboration with any other person, firm or company or without any collaboration.
2. To carry on the business of manufacturers, fabricators, exporters and importers of dealers in wrought iron, pig iron, steel casting, copper, brass, aluminum and other metals, metal alloys and scrap metal, skull scrap and metallic residue and mineral substance or compounds or products of any kind or description whatever.
3. To carry on the business of iron makers and steels makers, iron and steels converters, colliery proprietors, coke and charcoal manufacturers, miners, smelters, engineers, tinplates makers, iron steel and other metal founders in all their respective branches.

CHANGES IN THE MEMORANDUM OF ASSOCIATION:

Change in Share Capital

1 At the time of Incorporation i.e. on 20th October 1981, the authorized share capital was Rs. 50,00,000/- consisting of 4,00,000 Equity Shares of Rs. 10/- each and 1,00,000 unclassified shares of Rs. 10/- each.

2 By an ordinary resolution passed at the General meeting of the company held on 25th February 1983, the authorized share capital was increased with effect from the same date to Rs 75,00,000/- by creating 2,50,000 Equity Shares of Rs. 10/- each.

3 By an ordinary resolution passed at the General meeting of the company held on 11th October 1985, the authorized share capital was increased with effect from the same date to Rs 1,00,00,000/- by creating 2,50,000 Equity Shares of Rs. 10/- each.

4 By an ordinary resolution passed at the General meeting of the company held on 25th May 1992, the authorized share capital was increased with effect from the same date to Rs 3,00,00,000/- by creating 20,00,000 Equity Shares of Rs. 10/- each.

Change in Object Clause of Memorandum of Association

There is no change in the Object Clause of Memorandum of Association of the Company since the date of incorporation.

4 Subsidiary of the Company, if any and their business

The Company does not have any subsidiary as on the date of the filing of this letter of Offer.

5 Shareholders Agreements:

The Company does not have any Shareholders Agreement as on the date of the filing of this Letter of Offer.

6 Other Agreements:

The company does not have any technical assistance agreement / other agreement.

7 Strategic Partner & Financial Partner:

The Company does not have any strategic or financial partners as on the date of filing of this Letter of Offer.

V. MANAGEMENT OF THE COMPANY

1 Board Of Directors

The details of the directors of the company are given below:

Name Address & Occupation	Date of Birth and age	Designation	Qualification	Experience	Directorship in other companies
Dr. Pravin R Bhagwati 1, Krishna Society, Ellis bridge, Ahmedabad 380 006 Business	11.2.1936 69 years	Chairman & Managing Director	B.E. (Mech.) Ph. D. in Foundry Engineering from Aachen, Germany	40 years	Bhagwati Spherocast Pvt. Ltd Bhagwati Filters Private Limited Bhagwati Pyrotech Ltd Aurina Education System Private Limited
Mrs. Mandakini P Bhagwati 1, Krishna Society, Ellisbridge, Ahmedabad 380 006 Business	20.12.1939 66 years	Director	M.A.	30 years	Bhagwati Spherocast Pvt. Ltd Bhagwati Pyrotech Ltd Aurina Education System Private Limited
Miss. Reena Bhagwati 1, Krishna Society, Ellis bridge, Ahmedabad 380 006 Business	26.8.1966 39 years	Joint Managing Director	M.B.A.	15 years.	Bhagwati Filters Private Limited Aurina Education System Private Limited
Mr. Mahendra N Shah 2, Walkeshwar Society, Ambawadi, Ahmedabad 380 015 Profession	2.2.1934 71 years	Director	B. Com, BA (SPL), FCA	40 years	Bhagwati Spherocast Pvt. Ltd. Bhagwati Filters Private Limited Sayaji Industries Limited Kruhad Airogas Private Limited
Mr. Bhagwandas L. Dalal 3-A, Chamanlal Park, Panchwati, Ellis bridge, Ahmedabad 380 006 Business	13.10.1926 79 years	Director	B. Sc. (Tech.)	45 years	Bhagwati Spherocast Pvt. Ltd.

Details of the borrowing powers:

The Board of Directors of the company has power to borrow up to Rs. 3,50,00,000/-(Rupees Three Crores and Fifty Lacs only) as per the Resolution passed u/s 293(1)(d) in the Eleventh Annual General Meeting of the Company held on 28th September 1993.

2 Compensation To Managing Director & Other Whole Time Directors

Remuneration of the directors:

Compensation and benefits in kind granted to the Directors:

The terms and conditions governing the appointment of Dr. Pravin N. Bhagwati are contained in an Agreement dated 30th September 2003 and Supplementary Agreement dated 30th September 2005 entered into by the Company with Dr. Pravin N. Bhagwati. The principal terms and conditions set out in the drafts of the aforesaid Agreement are as follows:

Dr. Pravin N. Bhagwati

1. **Period of Appointment**: 3 years
2. **Salary**: Mr. Pravin N Bhagwati shall be entitled to a salary of Rs 1,20,000 per month and commission as determined by the board from time to time.
3. **Perquisites**: Perquisites shall be as classified in categories A B & C.

CATEGORY ëAí

i) HOUSING:

a) The expenditure by the company on hiring furnished accommodation will be subject to ceiling of 50% of the Salary over and above 10% payable by the Managing Director.

b) In case the accommodation is owned by the Company, 10% of the Salary of the Managing Director shall be deducted by the Company.

c) In case no accommodation is provided by the Company, the Managing Director shall be entitled to house rent allowance @ 50% of the Salary.

d) The expenditure incurred by the Company on Gas, Electricity, water etc. will be valued as per Rule N. 3(d) (ii) of the Income Tax Rules, 1962.

e) The perquisites for Furnishings shall be worked out at the rate of ten percent of the actual cost of the furnishings.

ii) MEDICAL REIMBURSEMENT:

Expenses incurred for self and his family subject to a ceiling of one monthís salary in a year or three months Salary over a period of three years. He shall also be entitled to the benefit of Medical Treatment referred to in Proviso to Section 17(2) of the Income Tax Act, 1961 or to such modifications as may be made therein from time to time.

iii) LEAVE TRAVEL CONCESSION:

For self and family once in a year incurred in accordance with any rules specified by the Company.

iv) CLUB FEES:

Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

v) PERSONAL ACCIDENT INSURANCE :

Premium not to exceed Rs. 10,000/- per annum.

vi) MEDICLAIM INSURANCE :

Premium not to exceed Rs. 10,000/- per annum.

CATEGORY ëBí

vii) CONTRIBUTION TO PROVIDENT FUND & OTHER FUNDS:

Contribution to the Provident Fund, Superannuation or Annuity Fund shall not be included in computation of the ceiling on perquisites and shall be payable to the extent these either singly or put together are not taxable under the Income tax Act.

viii) GRATUITY:

As per the rules not exceeding half a monthís salary for each completed year of service and shall not be included in the computation of ceiling on perquisites as specified above.

ix) LEAVE ENCASHMENT:

The Managing Director shall be entitled to fully paid leave as per the Companyís Rules. Encashment of leave at the end of the tenure is permitted and shall not be included in the computation of the ceiling on perquisites specified above.

CATEGORY ëCí

x) The Company shall provide a car for use on Companyís business and also for personal purposes and telephone at the residence of the Managing Director. The Managing Director shall be billed by the Company for personal long distance calls on telephone and perks for the use of car for personal purposes shall be evaluated as per IT Rules.

xi) The Managing Director shall be entitled to such other benefits or amounts as may be approved by the Board and permissible under Schedule XIII of the Companies Act. 1956.

In the event of loss or inadequacy of profits, the Managing Director shall be entitled to receive the same remuneration, perquisites and benefits referred to hereinabove.,

Proposal to change the Remuneration Structure

The Board has proposed to change the existing Remuneration structure of Dr. P. N. Bhagwati for the remaining tenure in the ensuing Annual General Meeting.

All the other Directors are paid only sitting fees for attending the meeting of the board or committee thereof.

Corporate Governance.

The provisions of the existing Clause 49 of the listing agreement is governed as under:

a) For entities seeking listing for the first time, at the time of seeking in principle approval for such listing.

b) For existing listed entities which were required to comply with clause 49 i.e. those having a paid up share capital of Rs. 3 crores and above or Net worth of Rs 25 crores or more at any time in the history of the company by April 1, 2005.

As the paid up capital of the Company post Rights Issue shall not exceed Rs. 3 Crores, the provisions of Clause 49 of the listing agreement are not applicable to our Company.

4 Shareholding of Directors

The details of shareholding of directors of the Company are as under:

Sr. No.	Name of the Director	No. of shares held	% of total holding
1	Dr. Pravin N. Bhagwati	69043	4.31
2	Mrs. Mandakini P. Bhagwati	71001	4.43
3	Miss Reena P. Bhagwati	93740	5.85
4	Mr. Mahendra N. Shah	982	Insignificant
5	Mr. Bhagwandas L. Dalal	1450	Insignificant

Qualification shares required to be held by the directors

As per the Clause 91 of the Articles of Association of the Company, no share qualification is required for being appointed as or holding the office as a Director of the Company.

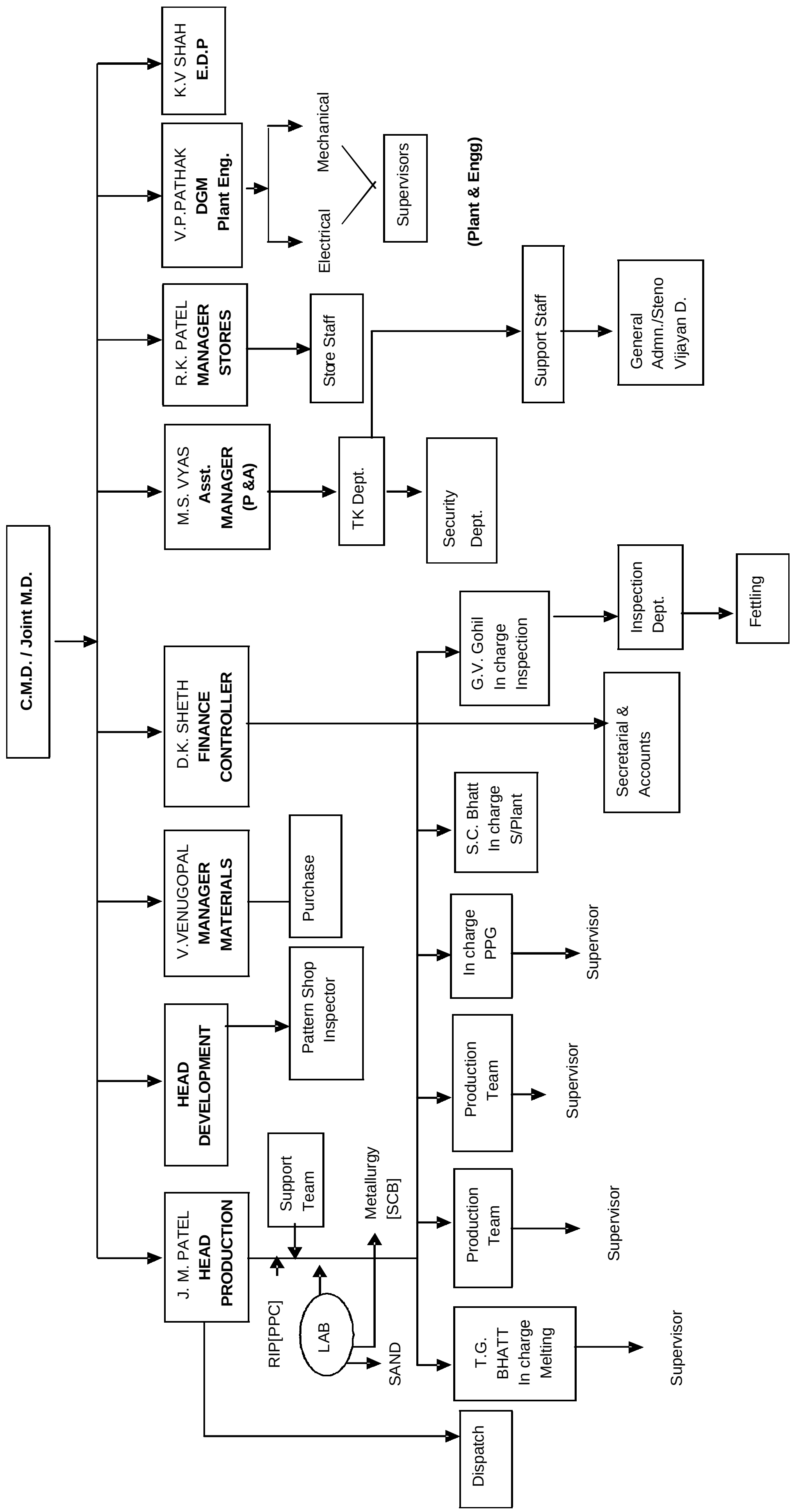
5 Interest of Directors:

The directors of the Company have no interest in the Company except to the extent of remuneration (received by them in their respective capacities) and reimbursement of expenses and to the extent any equity shares of the Company held by them. There are no interests of Promoters /Directors or payment or benefit to Promoters/ Directors except as mentioned on page 51 under the heading ìCompensation to Managing Director and other Whole Time Directorsî in the letter of offer.

6 Changes in the Directors during the last three years:

Name of Director	Date of Appointment	Date of ceasing	Reason
Ms. Reena P. Bhagwati	29/01/2005	--	Appointed

7 MANAGEMENT ORGANIZATION CHART



8 KEY MANAGERIAL PERSONNEL:

The day-to-day management of the Company is looked after by a group of senior executives who report to the Chairman. Profile of the key managerial personnel is given below:

Name & Qualification	Age (years)	Name of Duties/Designation	Previous Experience (Aggregate)	No of years in the present Employment (years)	Date of Commencement of employment	Last Employment held/organization
Jagdish M. Patel B.E (Metallurgy)	52	General manager (Operations) Prod. Planning, Quality, Foundry operations, Customer Complaints	28 years	½ year	20-01-2005	Gujarat Metal Cast Industries Limited, Baroda
Vishwesh P Pathak B.E. (Production) D.E.E Graduate Diploma in Management	52	DGM (Plant & Engg.) Maintenance of Plant Project Work	30 years	6 years	26-12-1999	Nagpur Engineering Co., Nagpur
V.Venugopal B.Sc. (Special)	53	Manager (Materials) Purchase Planning of Materials Vendor Selection for Capital Items	32 years	21 years	15-02-1985	Pioneer Electric Co., V.V. Nagar
D.K.Sheth B. Com. A.C.A	49	Financial Controller, Finance, Legal and all Commercial Functions	25 years	20 years	03-06-1986	Bhagwati Spherocast Pvt. Ltd., Ahmedabad

The persons whose names appear as key management personnel are on the rolls of the Company as permanent employees.

Brief profile of Key Managerial Personnel:

Mr. Jagdish M. Patel (52): He is General Manager (Operation) in the company. He is Bachelor of Engineering (Metallurgy). He has 28 years of experience in the field of Production Planning, Quality Control, Foundry Operations and Customer Complaints.

Mr. Vishvesh P. Pathak (52): He is Deputy General Manager (Planning & Engineering) in the organization. He is Bachelor of Engineering (Production), DEE, Diploma in Management. He has more than 30 years of experience in the field of Maintenance of Plant and Project Work.

Mr. V. Venugopal (53): He is Manager (Materials) in the company. He is Bachelor of Science (Special). He has vast experience of 32 years in the field of Purchase & Planning of Materials as well as Plants & Machinery.

Mr. D. K. Sheth (49): He is Financial Controller in the organization. He is Bachelor of Commerce and Fellow Chartered Accountant. He has more than 25 years of good experience in the field of Finance, legal, and all other commercial matters.

Technical & Other Employees:

Total number of employees employed by the Company are as under:

Permanent Employees (Staff)	-	64
Permanent Employees (Skill Workers)	-	124
Casual & Contractual workers	-	180

SHAREHOLDING OF KEY MANAGERIAL PERSONNEL AS ON 1/11/2005

Name of the Key managerial person	No. of Shares held
Mr. D. K. Sheth	700

BONUS OR PROFIT SHARING PLANS FOR THE KEY MANAGERIAL PERSONNEL

There are no Bonus or Profit Sharing Plans For The Key Managerial Personnel of the company.

LOANS TO KEY MANAGERIAL PERSONNEL

There are no loans outstanding against key managerial person as on 30th September 2005.

CHANGES IN THE KEY MANAGERIAL PERSONNEL

Name	Appointed/Resigned	Date of Change	Reason
Jagdish M. Patel	Appointed	20/01/2005	Better prospects
V. K. Purohit	Resigned	25/8/2004	Shifted to native

10 ESOS / ESPS Scheme to Employees of the Company

The Company has so far not allotted any shares to any of its employees under ESOS / ESPS scheme. The company does not intend to allot any shares to its employees under ESOS / ESPS scheme from the proposed issues.

11 Payment or Benefit to Officers of the Company

The officers of the company do not have any interest in the company other than to the extent of the remuneration or benefit as per the terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. The Company does not intend to pay or give any consideration for payment of giving of the benefits.

VI. PROMOTERS:

Background of Promoters:

Dr. Pravin N. Bhagwati.

Dr. Pravin Natwarlal Bhagwati (69) is a qualified technocrat and proven entrepreneur having Ph. D. in Foundry Engineering from Aachen, Germany possessing experience of over 40 years in foundry and casting industry. He is chairman and Managing director of Bhagwati Autocast Ltd and Chairman of Bhagwati Spherocast Pvt. Ltd. He is Director of Bhagwati Filters Pvt. Ltd., Bhagwati Pyrotech Pvt. Ltd. and Aurina Education Systems Pvt. Ltd. He is Currently Vice President of World Foundrymen Organisation (WFO)- and was also past president of The Institute of Indian Foundarymen. He was also past Chairman, Confederation of Indian Industry (Western Region). He is on the Board of various institutions like ñ Governing Council of Indo German Tool Room, Ahmedabad, Chairman, Academic Advisory Committee of NIRMA Institute of Diploma Studies, Ahmedabad. He is also Member, Board of Governance, Nirma University and Member, Governing Council, Nirma Institute of Management, Ahmedabad.

Driving License No.	:	443956/AR
Voter ID No.	:	DDV3368933
Passport No.	:	Z116000
PAN	:	ABBPB4474H

Mrs. Mandakini P. Bhagwati

Mrs. Mandakini Pravin Bhagwati (66) is M. A. in Economics. She is Managing Director of Bhagwati Spherocast Pvt. Ltd., since September 1983 and also Director of Bhagwati Autocast Ltd., Bhagwati Pyrotech Pvt. Ltd. and Aurina Education Systems Pvt. Ltd. She is an active social worker since many years and presently she is President of Gujarat Sarvar Mandal.

Driving License No.	:	GJ01/07961303
Voter ID No.	:	DDV3368925
Passport No.	:	E4147895
PAN	:	ABBPB4472B

Ms. Reena P. Bhagwati.

Ms. Reena Pravin Bhagwati (39) is MBA from Mellon University, USA. She is a Joint Managing Director of Bhagwati Autocast Ltd. and Director in Bhagwati Filters Pvt. Ltd. and Aurina Education Systems Pvt. Ltd. She looks after the day to day management of our Company under the able leadership and guidance of Dr. Bhagwati. She was instrumental in initiating ISO certification, Total Quality Management (TQM) and Business Process Reengineering of our Company.

Driving License No.	:	GJ017028625/03
Voter ID No.	:	NA
Passport No.	:	Z108406
PAN	:	ABAPB7617B

Corporate Promoters:

Bhagwati Spherocast Private Limited (BSPL):

History of BSPL

Bhagwati Spherocast Pvt. Ltd. (referred hereto as ìBSPLî) was incorporated on 20th August, 1976 having its registered office at 1, Krishna Society, Ellisbridge, Ahmedabad- 380 006. In the year1980 the company was converted in to a deemed Public Company u/s 43(2) of the Companies Act, 1956 .The Company was again converted in to a Private Limited Company on 11th October, 2005 vide amendment carried out in the original Certificate of Incorporation.

In the initial years of its development, the company set up a Foundry and started the production with the installed capacity of 100 Tons/month. With the passage of time, the Foundry grew rapidly in terms of volume and quality standards of the products and specialized in production of SG Iron of High quality. On the strength of the manufacturing facilities available with the unit, it obtained the certificate of ISO 9001-2000 and continued to progress at rapid pace.

Promoters of BSPL

The Company was originally promoted by Dr. P.N. Bhagwati and Mrs. M.P. Bhagwati as a medium scale unit. They have established four other companies under the same group of Companies and have a wide experience in this line of business. They are making efforts to achieve the optimum utilization of the capacity as well as to add newer products to the existing range of the Company. There is no change in the management of BSPL in last three years.

Shareholding Pattern:

Name of the shareholder	No. of shares	% of paid up Capital
Dr. Pravin Bhagwati	6446	19.55
Mandakini Bhagwati	11158	33.84
Reena Bhagwati	6666	20.22
Aanal Bhagwati	3480	10.55
Others	5222	15.84
Total	**32972**	**100.00**

Board of Directors of BSPL:

Board Member	Position Held
Dr. Pravin N. Bhagwati	Chairman
Mrs. Mandakini P. Bhagwati	Managing Director
Mr. Mahendra N. Shah	Director
Mr. Bhagwandas .L. Dalal	Director
Mr. I.B. Parmar	Nominee of IREDA

Existing Business of BSPL:

Presently BSPL is producing about 10,000 Tons per year of sophisticated castings, out of which about 7,000 Tons are SG iron in all grades. Bhagwati Spherocast Pvt. Ltd. is also producing alloyed castings in SG iron up to a weight of 2500 KGS for the Gas Compressor industry basically meant for exports and is now starting heavy castings for the wind mill sector. The turnover of the year 2004-05 is around Rs. 40 Crores.

Manufacturing Facility:

The Company has Dual Trak Medium Frequency Induction Furnace of 1.5 MT and Mains frequency Induction Furnace of 1.3 MT capacity. It has Mechanized Molding line using ARPA 450 simultaneous jolt squeeze molding machines, hand molding equipped to produce casting up to 2500 kgs. in weight.

Financial Performance:

(Rs. in lacs)

For the year ended March 31st	2003	2004	2005
Net Sales	2151.96	2700.90	4055.71
Profit After Tax	19.03	28.32	112.08
Equity Share Capital	32.97	32.97	32.97
Reserves	334.67	355.54	456.34
Earning Per Share (Rs.)	57.73	85.90	339.93
Book Value per share (Rs.)	1114.92	1178.26	1484.03

The Permanent Account Number, Bank Account Number and Passport Number of the Individual Promoters and Permanent Account Numbers, Bank Account Numbers, the Company Registration Numbers and the Addresses of the Registrars of Companies where the company is registered of the Corporate Promoter have been submitted to the stock exchanges on which securities are proposed to be listed at the time of filing the Letter of Offer with them.

RELATIONSHIP BETWEEN THE PROMOTERS, DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. P. N. Bhagwati is father of Ms. Reena Bhagwati and Husband of Mrs. M. P. Bhagwati and related to each other. Except as stated above, there is no relation between any promoter, director and key managerial personnel of the Company.

COMMON PURSUIT

There is no Common Pursuit in the business of the Company and other Companies promoted by the promoters.

RELATED PARTY TRANSACTIONS:

The details of related party transactions are mentioned in Annexure VIII to the Auditorís Report of this Letter of Offer.

VII. CURRENCY OF PRESENTATION:

All references to ìRupeesî and ìRs.î in this Letter of Offer are to the Legal currency of India.

VIII. DIVIDEND POLICY:

The Company had paid Dividend @ 12% in the F.Y. 1991-92 and 15% in the F.Y.1993-94.

Dividend, if any, will be declared at the Annual General meeting of the Shareholders of the company based on a recommendation by the Board of Directors. The Board of Directors may recommend dividend, at its discretion, to be paid to our members. Generally, the factors that may be considered by the Board of Directors, but not limited to, before making any recommendation for the divided include future expansion plans and capital requirement, profits earned during the financial year, cost of raising funds from alternate sources, liquidity, applicable taxes including tax on dividend, as well as exemption under tax laws available to various categories of investors from time to time and money market conditions.

E. FINANCIAL DETAILS

I. FINANCIAL INFORMATION OF THE ISSUER COMPANY

AUDITORSí REPORT AS REQUIRED BY PART II OF SCHEDULE II OF THE COMPANIES ACT, 1956

To

The Board of Directors

Bhagwati Autocast Limited.,

Surevy No.816,Village Rajoda,

Near Bavla, Ahmedabad ñ 382220

Dear Sirs,

We have examined the financial information annexed to this report which have been prepared in accordance with the requirements of:

a) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (ëthe Actí);

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (ëthe Guidelinesí) and the related clarifications issued by the Securities and Exchange Board of India (ëSEBIí) on January 19, 2000 as amended by circular no SEBI/CFD/DIL/DIP/14/2005/25/1dated January 25, 2005, in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992;

c) The instructions dated 1st August 2005 and 20th December 2005 received from Bhagwati Autocast Ltd requesting us to issue a report as Statutory Auditor of the company relating to the Offer Document being issued by the Company in connection with the Rights Issue offer of Equity shares of Bhagwati Autocast Ltd.

d) The Guidance Note on Audit Reports/ Certificate on Financial Information in Offer Documents issued by the Institute of Chartered Accountants of India (ICAI)

Financial information as per audited financial statements

1. We have examined the attached restated summary statement of assets and liabilities of the Company as at 31st March , 2001, 2002, 2003, 2004, 2005 and 30th September 2005 and the attached restated summary statement of profits and losses for the years / Period ended on those dates (ëSummary Statementsí) (See Annexure I and II) as prepared by the Company and approved by the Board of Directors. Preparation of these Statements are the responsibility of Companyís Management. These profits/ losses have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes on adjustments appearing in Annexure III to this report.

   Based on our examination of these summary statements, we confirm that:

- ï The impact arising on account of changes in accounting policies and estimates adopted by the Company as at year ended and for the Half Year ended September 30, 2005 have been adjusted with retrospective effect in the attached summary statements;
- The prior period items have been adjusted in the summary statements in the years to which they relate;
- There are no extraordinary items which need to be disclosed separately in the summary statements; and
- There are no qualifications in the auditorsí reports, which require any adjustments to the summary statements.
- The Company has not declared any dividend during these 5 years.
- The Company has not made any investments during these 5 years.

2. The summary of Significant Accounting Policies adopted by the Company pertaining to the audited financial statements for the Half year ended September 30, 2005 along with Notes on Accounts thereon are enclosed as Annexure III to this report.

Other Financial Information

3. At your request, we have also examined the following other financial information of the Company proposed to be included in the Offer Document as approved by you and annexed to this report:

Details of other financial information examined	Annexure
Capitalisation statement as at September 30, 2005	IV
Statement of Tax Shelter (Last 5 years)	V
Statement of Accounting Ratios	VI
Details of Secured Loans	VIIA
Details of Unsecured Loans	VII B
Details of Related Party Transactions	VIII
Statement of Cash Flow(as Restated)	IX
Details of Sundry Debtors & Loans & Advances	X

4. We have examined the ìCapitalisation Statementî enclosed as Annexure IV to this report and report that it correctly records the matters stated therein.

5. We have examined the Statement of Tax Shelters for the years / Period ended 31st March 2001, 2002, 2003, 2004, 2005 enclosed as Annexure V of this report, which in our opinion correctly reflects the ìTax Shelterî for each of those years.

6. We have examined the ìStatement of Accounting Ratiosî of the Company for the years ended 31st March, 2001, 2002, 2003, 2004, 2005 & Half year ended 30th September 2005 enclosed as Annexure VI to this report and confirm that they have been correctly computed from the figures as stated in the ìStatements of Restated Profits and Lossesî and ìStatement of Restated Assets and Liabilitiesî of the Company referred to in paragraph 1 above and read with the notes appended in Annexure III .

7. We have examined the ìStatement of Secured Loanî enclosed vide Annexure VIIA, Statement of ìUnsecured Loanî vide Annexure VIIB, Statement of ìSundry Debtors & Loans and Advancesî vide Annexure X as on 30th September 2005.

8. We have examined the accompanying ìStatement of Related Party Transactionsî for the Half year ended 30th September, 2005 enclosed as Annexure VIII to this report and confirm that the relationships and transactions between the Company and its related parties have been appropriately reported in accordance with Accounting Standard 18 (Related Party Disclosures) issued by The Institute of Chartered Accountants of India.

9. We have examined the ìCash Flow Statementî for the year ended 31st March 2001, 2002, 2003 ,2004, 2005 & Half year ended 30th September 2005 of Bhagwati Autocast Limited enclosed as Annexure IX to this report and confirm that, these statements have been prepared by the Company in accordance with the requirement of Accounting Standard 3 (Cash Flow Statements) issued by the Institute of Chartered Accountants of India.

10. In our view, the financial information as per audited financial statements and other financial information mentioned above have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.

11. The sufficiency of the procedures performed, as set forth in the above paragraphs of this report, is the sole responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purposes for which this report has been requested or for any other purpose.

12. This report should not be in any way construed as a reissuance or redating of any of the previous audit reports issued by us or by other firm of chartered accountants nor should this report be construed as a new opinion on any of the financial statements referred to herein.

13. This report may not be used or relied upon by or disclosed, referred to or communicated by you (in whole or in part) to any third party for any purpose other than the stated use, except with our written consent in each instance and which consent may be given only after full consideration of the circumstances at that time.

For K D PAREKH & CO
Chartered Accountants

Place: Ahmedabad
Date: 28/12/2005

K D Parekh
Proprietor
Membership No. 12615

ANNEXURE - I

STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNTS

Financial Year	6 Months Ended 30.09.2005	12 months Ended 31.03.2005	12 months Ended 31.03.2004	12 months Ended 31.03.2003	12 months Ended 31.03.2002	12 months Ended 31.03.2001
Sales :						
Of Products Manufactured	143848539	322336529	196529856	102974430	166088766	171425942
Of Products Trades	1015000	1439544	1150000	312936	653077	715000
Sub-total	144863539	323776073	197679856	103287366	166741843	172140942
Other income	317317	818391	228182	226588	1429953	2560303
Sub-total	317317	818391	228182	226588	1429953	2560303
Total income	**144165856**	**324594464**	**197908038**	**103513954**	**168171796**	**174904864**
Increase/(Decrease) in Stock	1117728	(657016)	6374468	(6128269)	(576146)	203619
TOTAL INCOME	**146298584**	**323937448**	**204282506**	**97385685**	**167595650**	**174904864**
Administrative & other exp.						
Purchase of Material for Resale	735694	1385377	1161345	235192	708086	605911
Raw Material Consumed	67621989	154675792	89509238	35022852	54442357	52143177
Manufacturing & Administrative expenses	62689701	143295299	105060822	73416726	113287887	117572593
Interest & Finance Charges	6513556	12787992	9894674	7347995	8422502	7363904
Depreciation	2883347	5683518	5429142	4689660	4735360	4678662
TOTAL EXPENDITURE	**140444287**	**317827978**	**211055221**	**120712425**	**181596192**	**182364247**
Profit/(Loss) Before tax and Extra ordinary Items	5854297	6109470	(6772715)	(23326740)	(14000542)	(7459383)
Less/(Add) : Provision. for Fringe Benefit Tax	44494	---	---	---	---	---
Less/(Add) : Provision for Deferred Tax	(454391)	(164477)	327450	280383	493187	587076
Profit & Loss after tax	6264194	6273947	(7100165)	(23607123)	(14493729)	(8046459)
Add/(Less) Prior Year Adjustments	---	(42000)	(15588)	---	---	(688)
Net Profit/(Loss) for the year	**6264194**	**6231947**	**(7115753)**	**(23607123)**	**(14493729)**	**(8047147)**

ANNEXURE - II

STATEMENT OF RESTATED ASSETS AND LIABILITIES

Financial Year	6 months Ended 30.09.2005	12 months Ended 31.03.2005	12 months Ended 31.03.2004	12 months ended 31.03.2003	12 months Ended 31.03.2002	12 months Ended 31.03.2001
A) Fixed Assets						
Gross Block	110944631	112069102	110130404	98679656	89340543	86567931
Less : Depreciation	64457207	62801618	59699994	54596074	43492483	38757119
Net Block	46487424	49267484	50430410	44083582	45848060	47810812
Add: Capital work in progress	1998689	0	0	47401	47401	302868
Net Block	**48486113**	**49267484**	**50430410**	**44130983**	**45895461**	**48113680**
B) Current Loans and Advances						
Inventories	19841347	19324843	15185241	7531845	16286218	19854470
Sundry Debtors	70115953	70374465	61275574	35747722	50461013	50785338
Cash and Bank Balance	5558580	3088500	5460695	4063696	8079293	3939426
Loans and advances	8745199	6260630	4915222	3645146	13311326	30205320
Total	**104261079**	**99048438**	**86836732**	**50988409**	**88137850**	**104784554**
C) Deferred Tax Liability	**8449364**	**8903755**	**9068232**	**8740782**	**9279104**	**9604626**
D) Investment	**0**	**0**	**0**	**0**	**0**	**0**
E) Liabilities and Provisions						
Secured and Unsecured Loans	15510561	20888560	27005813	20134646	17896597	21500077
Current Liabilities and Provisions	111880189	108049154	97307452	53846297	70925193	71439758
Total	**127390750**	**128937714**	**124313265**	**73980943**	**88821790**	**92939835**
F) Net worth (A+B-C+D-E)	**16907078**	**10474453**	**3885645**	**12397667**	**35932417**	**50353773**
Represented By:						
G. Shares Capital	16003800	16003800	16003800	16003800	16003800	16003800
H. Reserves and Surplus	12172100	12172100	14277350	14277350	20000990	34494719
I. Preliminary Expenditure	902153	1070584	1427445	0	72373	144746
J. Debit Balance of Profit & Loss A/c	10366669	16630863	24968060	17883483	0	0
Net Worth [G+H-I-J]	**16907078**	**10474453**	**3885645**	**12397667**	**35932417**	**50353773**

ANNEXURE - III

A. Accounting Policies for the years/ period covered by our report

01. Basis of accounting:

The financial statements have been prepared on historical cost convention in accordance with the generally accepted accounting Principles, the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent they are applicable to the Company and the provisions of the Companies Act, 1956.

02. Use of estimates:

The presentation of financial statements in conformity with the generally accepted accounting principles requires, the management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets & liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/materiialised.

03. Fixed assets:

All fixed assets are stated at cost net of CENVAT less accumulated depreciation. Direct costs related to acquisition of fixed assets are capitalised when the assets are put to use. These costs include freight, installation cost, duties & taxes and other allocated expenses, including finance cost relating to specific borrowing incurred during the construction period. Moulding boxes, patterns / pattern plates & dies are considered as fixed assets.

04. Depreciation:

Depreciation on all the fixed assets installed and/or acquired up to 31st December, 1986 is provided on straight line method in accordance with Section-205 (2)(b) of the Companies Act, 1956, read with circular No.1/86 CL.V.No.15 (50)-84 CL.VI dated 21/05/86 issued by the department of Company affairs.

Depreciation on all the fixed assets, installed and/or acquired, after 31st December, 1986 but up to 15th December, 1993 are provided on straight line method, at the rates prescribed in the schedule-XIV to the Companies (Amendment) Act, 1988, and those installed and/or acquired after 15th December, 1993 are provided on straight line method at revised rates amended by Notification No. 756 E Dated 16th December, 1993 to the Schedule-XIV of the Companyís Act, 1956. Depreciation is charged on a pro-rata basis for assets put to use\sold during the year. Individual assets costing less than Rs. 5000/- are depreciated in full in the year in which it is acquired. The management has estimated useful lives of following items of fixed assets and rates of depreciation are arrived at accordingly as follows which are more than prescribed rates.

Category of assets	**Rate of depreciation**
Moulding boxes, patterns/pattern plates & dies (treated as Current Assets up to 31.03.2002)	15 %

05. Inventories:

[a]	Stores & spares	:	At cost [on FIFO method]
[b]	Raw materials	:	At cost or net realisable value, whichever is lower
[c]	Work in process	:	At cost
[d]	Finished goods	:	At average cost or average net realisable value, whichever is lower
[e]	Stock in transit	:	At cost
[f]	Sales returns & Runners / Risers	:	At estimated cost as raw materials

06. Retirement benefit:

[A] The Company has retirement benefits schemes, such as provident fund, superannuation fund and gratuity fund. Gratuity fund and superannuation funds are recognised by the Income tax authorities and are administered under trusts. The liability in respect of Companyís contribution to these funds are charged to profit and loss account every year. The contribution of the gratuity is made, based on the actuarial valuation determined each year.

[B] The Companyís liability in respect of accumulated leave salary is provided for in the profit & loss account, based on actuarial valuation.

07. Borrowing cost:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

08. Revenue recognition:

Items of income and expenditure are recognised on accrual basis except insurance & other claims which are being accounted for on cash basis, as per the consistent practice since many times as it is not possible to ascertain the exact quantum with reasonable accuracy.

09. Research and development:

Revenue expenditure on research and development is charged to Profit and loss account in the year in which it is incurred. Capital expenditure on assets acquired for research and development is added to the fixed assets.

10. Accounting of CENVAT:

CENVAT credit of Excise Duty is accounted on the basis of materials including capital goods purchased. CENVAT credit on capital goods, spares etc is accounted on the basis of their date of purchase.

CENVAT Credit of service tax is accounted on the basis of services obtained.

11. Excise duty:

Excise duty payable on finished goods is being accounted for on basis of clearance of goods.

12. Earning per share:

The earnings considered in ascertaining the Companyís EPS comprises the net profit after tax (and includes the post tax effect of extra ordinary items.) The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the year.

13. Taxation:

Tax expense for the year, comprising current tax and deferred tax is included in determining the net profit for the year.

A Provision is made for the current tax based on tax liability computed in accordance with relevant tax rates and tax laws. A provision is made for deferred tax for all timing differences arising between taxable income and accounting income at currently enacted tax rates.

Deferred tax assets are recognised only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

14. Segment reporting:

The Company deals in only one product segment i.e. ìManufacturing of castingsî and hence requirements of AS-17 ì Segment reporting ì issued by ICAI are not applicable.

15. Contingent liabilities:

Contingent liabilities are generally not provided for in the accounts and are shown separately by way of notes on accounts.

16. Foreign currency transactions:

[1] Transactions in foreign currency are recorded at the exchange rate prevailing at the time of transaction.

[2] Any gain or loss on account of exchange difference either on settlement or on transaction is recognised in the profit and loss account except in case where they relate to acquisition of fixed assets in which they are adjusted to the cost of such assets.

17. V.R.S. Expenditure :

VRS Expenditure is written off over a period of Five years.

B. Notes forming part of accounts and summary statement as on 30.09.2005

01. Previous yearís figures have been regrouped/rearranged/recast wherever necessary so as to make them comparable with current periodís figures.

02. Contingent liabilities not provided for :

	30.09.2005	31.03.2005
- Bills / cheques purchased	**13,798,498**	11,686,514
- Claims against the Company not acknowledged as Debts	**343,000**	348,000

03. The Company has not deposited contribution of gratuity till date of Rs. 20.78 Lacs (Previous year Rs. 19.78 Lacs) and also of superannuation till date Rs. 5.65 lacs (Previous year Rs. 5.65 Lacs).

04. In the opinion of the Board, the current assets, loans and advances are approximately of the value stated in the balance sheet, if realised in the ordinary course of the business. Provision for depreciation and all known liabilities have been made in accounts.

05. Estimated amount of contracts remaining to be executed on capital account not provided for RS. 127.60 lacs [previous year RS. 0.41 lacs].

06. In respect of disputed additions of Rs. 29.77 lacs for Asst. year 1991-92 & 1992-93 the Company has got relief from ITAT. In respect of pending assessments for Income Tax & Sales Tax if any, the Company does not expect any liability.

07. In respect of show cause notice from Excise department for alleging wrongful availing of CENVAT Credit of Rs. 22.15 Lacs, the Excise Commissioner has decided the matter against the Company. The Company has preferred appeal as well as filed stay application before CESTAT (Excise Tribunal).

08. The Company has purchased land admeasuring 6981 square meters at Bavla. However, title has not been passed in the name of the Company due to Agriculture nature of the land. The Company is in the process of converting it in to Non Agriculture Nature.

09. The Company has preferred appeal before Sales tax Authorities for claim of set-off on purchase of metal scrap in past several years, and it will account for the same in the year of actual receipt or on certainty of actionable claim.

10. Sundry creditors include RS 11,022,573/- [previous year Rs. 15,306,547/-] due to small scale and ancillary industrial undertakings. This disclosure is based on the information available with the Company regarding the status of the suppliers as defined under the ìInterest on delayed payments to small scale and ancillary industrial undertakings Act, 1993î.

Name of the supplier	Name of the supplier	Name of the supplier
M/s. Associated engineering corporation	M/s. Parmac Corporation	M/s. Gargi huttens albertus Ltd
M/s. Bhartiya pulverisers	M/s. Shell sand industries	M/s.Gargi huttens albertus P. Ltd
M/s. Kutch Clays	M/s. Shakti Pattern Industries	M/s. Venus industries

11. Transit insurance are shown net after recovery of Rs. 55,223/- (Previous year Rs. 130,121).

12. While preparing the Balance sheet and profit & loss account for the Half year ended on 30-09-2005, following Accounting treatment has been given: **(a)** Provision for Gratuity contribution and leave salary have been provided on prorata basis on last years actuarial valuation. **(b)** Provision for superannuation has not been provided as the same scheme is discontinued by the Company. **(c)** Provision for certain expenses like VRS Compensation, bonus, ex-gratia to contractors, legal fees, legal & professional fees, rates & taxes, internal & statutory Audit fees, electrical installation fee etc are provided on prorata basis on last years actual payment made. **(d)** Certain prepaid expenses like Insurance, Rates & Taxes etc are considered on prorata basis on actual payment made.

13. There has been no change in the name of the Company since inception.

14. The Financial year is adopted as the accounting year of the Company.

15. There is no amalgamation and hence no effect in general reserve.

16. There are no investment made by the Company.

17. The details of ì other incomeî disclosed in profit & loss A/c is after the effect of restatement. The effect of adjustments have been separately listed under the head ì Adjustmentî therein.

Details of Adjustment:

1. In respect of GEB refund of Electricity duty amounting to Rs. 15479927/- out of which Rs. 14080719/- related to the period from 5-12-96 to 31-03-2000 and Rs. 1399208/- related to 01-04-2000 to 10-10-2000 received and credited in the year 2001-02 has been reduced from the profit and effect was given effect for 14080719/- in the opening balance of profit & loss A/c as on 31-3-2000 and to that extent profit & loss A/c has been restated and Rs. 1399208/- has been added to other income resulting in increase in profit & loss A/c for the year 2000-01.

2. AS-22 related to Deferred Tax liability was made applicable w.e.f. 01-4-2002 and as per the requirement of the said standard the Deferred Tax Liability of Rs. 7967212/- computed for the period prior to 31-3-2001 was to be adjusted to opening balance of general reserve and accordingly accounting treatment was given in books. However at the time of preparation of profit & loss A/c Deferred Tax liability for the year 2000-01 Rs. 587076/- has been separated out and charged to profit & loss A/c in the said year and Deferred Tax liability Rs. 7380136/- for the period up to 31-3-2000 has been computed separately & charged to opening balance of general reserve on 01-4-2000.

3. Prior period items (1) Short payment of taxes and interest thereon amounting to Rs. 955906/- have been appropriately adjusted in restated profit & loss A/c (2) Write back of excess provision of leave salary amounting to Rs. 97910/- has been adjusted in restated profit & loss A/c.

ANNEXURE - IV

CAPITALIZATION STATEMENT

Table showing debt equity ratio: Pre Issue and Post Issue [Rs. in Lakhs]

Details	Pre Issue [As on 30.09.05]	Post Issue [Immediately after the issue]
Debt		
Short Term Debt	103.30	103.30
Long Term Debt	51.80	51.80
Total Debt	155.10	155.10
Shareholders' Fund		
Share Capital	160.03	288.05
Reserves	268.10	396.12
Less: Revaluation Reserve	---	---
Less: Profit and Loss Debit Balance	250.04	250.04
Total Shareholders' Fund	178.09	434.13
Long Term Debt/Equity Ratio	0.29 : 1.00	0.12 : 1.00

Note : As informed by the Management, proceeds of the issue shall be utilized to meet with the cost of capital expansion and long term working capital requirement in the form of payment of statutory dues and pressing current liability & shall have no impact on debt equity ratio.

ANNEXURE - V

STATEMENT OF TAX SHELTER

[Rs. In Lakhs]

Particulars	30-09-2005 AY-2006-07	FY 2004-05 AY-2005-06	FY 2003-04 AY-2004-05	FY 2002-03 AY-2003-04	FY 2001-02 AY-2002-03	FY 2000-01 AY-2001-02
Tax Rate	33.66	36.5925	35.875	36.75	35.70	39.55
A. Profit/(Loss) Before Tax		61.09	(67.72)	(233.26)	13.81	(88.59)
Add/Back items :						
Add /Less : Temporary Timing Differences						
B. Add :Book Depreciation		56.83	54.29	46.90	54.83	53.15
C. Less :Depreciation as per IT	Please	52.34	45.77	46.95	59.25	65.54
Add/{Less} Net Difference	Refer	4.49	8.52	(0.05)	(4.42)	(12.38)
Allowable sum under section 43B of I.T. Act.	Note No. 3					
Other	As	(1.84)				
D. Gratuity	Mentioned	2.01	12.56	5.21	--	--
E. Superannuation	Below	1.85	1.92	1.88	--	--
Taxable Profit/(Loss) [A+B-C-D-E]		67.60	(73.68)	(240.40)	9.39	(100.97)
Carried Forward Business Loss		141.86	209.47	26.12	35.51	--
Unabsorbed Depreciation		145.75	107.19	60.25	60.25	--
Less : MAT Credit		--	--	--	--	--
Tax Liability under MAT		--	--	--	--	--

Notes :

1. The aforesaid statement of Tax Shelter has been prepared as per the standard Audited Accounts of the Company and is not based on the profits as per ì Summary of restated statements or Profit & Loss Accountî
2. The permanent / temporary Timing Differences have been computed considering the acknowledged copies of the income tax returns filed by the Company for each of the respective years stated above.
3. The tax provision for the quarter ended on 30-09-05 is not considered since it will be provided at the end of the year.

ANNEXURE - VI

KEY ACCOUNTING RATIOS

Particulars	Half year ended 30.09.2005	Year ended 31.03.2005	Year ended 31.03.2004	Year ended 31.03.2003	Year ended 31.03.2002	Year ended 31.03.2001
Earning Per Share (EPS) - Rs.	3.66	3.89	(4.45)	(14.75)	(9.06)	(5.03)
Net Assets Value per share (NAV)	10.56	6.54	2.43	7.75	22.45	31.46
Return on Net Worth (RoNW) (%)	* 69.26	59	-183	-190	-40	-6
Equity Shares (No. of Shares)	1600380	1600380	1600380	1600380	1600380	1600380
Equity Capital Rs.	16003800	16003800	16003800	16003800	16003800	16003800
Reserves & Surplus (Net of Profit & Loss Account Debit Balance)	903278	(5529347)	(12118155)	(3606133)	19928617	34349973
Net Worth	16907078	10474453	3885645	12397667	35932417	50353773
Net Profit	5854297	6231947	(7115753)	(23607123)	(14493729)	(8047147)

* Annualised

(1) Earning Per Share = $\frac{\text{Net Profit for the year/period}}{\text{No. of Equity Shares}}$

(2) Return on Net Worth = Net Profit before extraordinary items but after Tax

Net Worth as at the end of the year/period

(3) Net Asset Value per Share (NAV) = NAV

No. of Equity Share

ANNEXURE ñ VII A

DETAILS OF SECURED LOANS AS AT 30th SEPTEMBER 2005

Source	Amount Rs.	Interest Rate Repayment Terms
A Term Loans		
i) From IDBI Bank Ltd	900000	Monthly EMI
ii) From Bank of Baroda	936186	Monthly EMI
B Cash Credit / Working Capital Demand Loan		
i) From Bank of Baroda	3344000	Monthly EMI
ii) Bank of Baroda C C A/c	0	Clearance of Cheques
Total	**5180186**	

ANNEXURE ñ VII B

DETAILS OF UNSECURED LOANS AS AT 30th SEPTEMBER 2005

Source	Amount Rs.	Interest Rate Repayment Terms
A Fixed Deposits		
i) From Directors	3070000	12% 1 Year
ii) From Company in which directors are interested	6450000	15% 1 Year
Iii) From others	135000	11% 1 Year
B Interest accrued & due on Deposits	675375	
Total	**10330375**	

ANNEXURE - VIII

RELATED PARTIES TRANSACTION

Disclosures in respect of transaction with related parties, as defined in Accounting Standard 18 issued by the Institute of Chartered Accountants of India, which have taken place during the year under review are given below:

A List of related parties:

I) Parties where control Exists — Nil

II) Other parties with whom Company entered in to transaction during the year

- i) Joint ventures — Nil
- ii) Associate — Nil

III) Key management personnel and enterprises having common key management personnel or their relative

Key management personnel

1) Dr. P N Bhagwati — Managing Director

2) Ms. Reena P Bhagwati — Jt. Managing Director

Enterprises having common key management personnel and / or their relatives

1) Bhagwati Spherocast Limited

2) Bhagwati Filters Private Limited

3) Bhagwati Pyrotech Private Limited

4) Aurina Education Systems Private Limited

5) Mahendra Shah & Associates

6) Harish N. Shah & Co.

7) Mahendra N. Shah & Co.

8) R Trading Corporation

Relatives of key management personnel :

1) Mrs. M P Bhagwati, wife of Dr. P N Bhagwati

B. During the year following transaction were carried out with related parties in the ordinary course of business and at arms length.

Sr. No.	Nature of transaction	Associates	Key management personnel	Enterprises/ relatives of key management personnel
1	Managerial remuneration	**0**	**782252**	**0**
2	Purchase of material	**0**	**0**	**260039**
3	Sale of Material	**0**	**0**	**45970**
3	Interest paid on fixed deposit	**0**	**142200**	**531250**
4	Legal fees paid	**0**	**0**	**37500**
5	Fixed deposit received	**0**	**2370000**	**7250000**
6	Discounting Charges paid	**0**	**0**	**482521**
Note :	No Amount has been provided as doubtful debt or advance/written off or written back in the period in respect of debts due from/to above related parties			

Note : No Amount has been provided as doubtful debt or advance/written off or written back in the period in respect of debts due from/to above related parties

ANNEXURE ñ IX

RESTATED CASH FLOW STATEMENTS

	Particulars	30-09-2005	2004-05	2003-04	2002-03	2001-02	2000-01
		[RS]	[RS]	[RS]	[RS]	[RS]	[RS]
[A]	NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS	5854297	6109470	(6772715)	(23326740)	(14000542)	(7459383)
	ADJUSTMENTS FOR :						
	Depreciation	2883347	5683518	5429142	4689660	4735360	4678662
	Profit on Sale of Fixed Assets	-	-	-	-	-	-
	Loss on Theft of Cash	-	-	-	-	-	163617
	Depreciation Reserve written back	(1227762)	(2581894)	(325222)	-	-	-
	Loss on Sale of Fixed Assets	-	-	-	-	-	759220
	Loss on Discarded Fixed Assets	-	-	-	-	-	23079
	Interest / Dividend (Net)	6510762	12777419	9819106	7336538	8249304	7347047
		8166347	15879043	14923026	12026198	12984664	12971625
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	14020644	21988513	8150311	(11300542)	(1015878)	5512242
	ADJUSTMENTS FOR :						
	Trade And Other Receivables	(2231995)	(10442211)	(26781718)	17584989	14570542	3991986
	Inventories	(516504)	(4139602)	(7653396)	8754374	3568251	(3142510)
	Preliminary Deferred Expenses W/Off	168431	356861	(1427445)	72373	72373	72374
	Trade Payables	3831034	10771988	43495697	(10235330)	2289765	4858564
		1250966	(3452964)	7633138	16176406	20500931	5780414
	CASH GENERATED FROM OPERATIONS	15271610	18535549	15783449	4875864	19485054	11292656
	Interest Paid	(6513556)	(12787992)	(9894674)	(7347995)	(8422502)	(7363904)
	Direct Taxes Paid	(38556)	(2088)	(16210)	(11797)	(123694)	(2267144)
	CASH FLOW BEFORE EXTRAORDINARY ITEMS	8719498	5745469	5872565	(2483928)	10938857	1661608
	EXTRAORDINARY ITEMS						
	Prior Period Adjustments	-	(42000)	15588	-	-	688
	Loss on Theft of Cash	-	-	-	-	-	(163617)
	NET CASH FROM OPERATING ACTIVITIES	8719498	5703469	5888153	(2483928)	10938857	1498679
[B]	CASH FLOW FROM INVESTING ACTIVITIES :						
	Purchase Of Fixed Assets	(874217)	(1938698)	(11403347)	(9282513)	(2517145)	(4181349)
	Purchase of Investments	-	-	-	-	-	-
	Sale of Investments	-	-	-	-	-	-
	Sale of Fixed Assets	-	-	-	-	-	225588
	Interest Received	2794	10573	75568	11457	173198	16857
	NET CASH USED IN INVESTING ACTIVITIES	(871423)	(1928125)	(11327779)	(9271056)	(2343947)	(3938904)
[C]	CASH FLOW FROM FINANCING ACTIVITIES :						
	Proceeds From Issue of Share Capital	-	-	-	-	-	-
	Proceeds From Long Term/Short Term Borrowings	-	-	8071164	10807131	315293	5469441
	Repayment Of Long Term/Short Term Borrowings	(5377995)	(6117253)	(1199997)	(3030656)	(4,737481)	(2119146)
	Dividend Paid	-	(30286)	(34542)	(37288)	(32856)	(3045808)
	NET CASH USED IN FINANCING ACTIVITIES	(5377995)	(6147539)	6836625	7739187	(4455044)	304487
	NET CASH INCREASE IN CASH AND CASH EQUIVALENTS	2470080	(2372195)	1396999	(4015596)	4139866	(2135738)
	CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE YEAR	3088500	5460695	4063696	8079292	3939426	6075163
	CASH AND CASH EQUIVALENTS AT THE CLOSE OF THE YEAR	5558580	3088500	5460695	4063696	8079292	3939426

ANNEXURE ñ X

AGE WISE ANALYSIS OF DEBTORS AND LOANS AND ADVANCES

Category	As at 30.09.2005	
	Sundry Debtors	Loans and Advances
[Considered Good]		
Less than 6 months	19870887	4048924
6 months – 1 year	49620641	6400
1 year - 2 year	46195	0
2 year - 3 year	209955	868215
More than 3 years	368275	3821660
TOTAL :-	**70115953**	**8745199**

II. FINANCIAL INFORMATION OF THE GROUP COMPANY

A. DETAILS OF LISTED COMPANIES WITHIN THE PROMOTER GROUP COMPANIES.

There is no listed Company within the Promoter Group Company.

B. DETAILS OF UNLISTED COMPANIES WITHIN THE PROMOTER GROUP COMPANIES.

1. Bhagwati Pyrotech Private Limited: (BPPL)

Profile:

Bhagwati Pyrotech Pvt. Ltd. (BPPL) formerly known as Lucky Blades Private Limited was incorporated on 1st March, 1973. The company started its operation in the financial year 2001-02. The company is engaged in the business of manufacturing of Bio Medical Incinerator machines.

The Board of Directors of the company comprises of Dr. P. N. Bhgwati, Mrs. M. P. Bhagwati and Dr. S.N. Bhagwati.

The Authorised Share Capital is Rs.2,00,000/- divided into 2000 Equity shares of Rs 100/- each. The Issued Subscribed and Paid Up capital is Rs.1,90,000/- divided into 1900 Equity shares of Rs.100/- each.

Shareholding Pattern:

Name of the shareholder	No. of shares	% of holding
Dr. Pravin Bhagwati	322	16.95
Mandakini Bhagwati	336	17.68
Reena Bhagwati	1000	52.63
Aanal Bhagwati	121	6.37
Pravin N Bhagwati (HUF)	121	6.37
Total	**1900**	**100.00**

Financial Performance:

The brief financials of BPPL for the last five years are as under:

(Rs. in lacs)

Particulars	For the year / period ended / As at March 31				
	2001	2002	2003	2004	2005
Total Income	0.42	0.24	9.77	35.10	46.54
Net Profit / (Loss)	0.36	0.22	(9.01)	2.04	8.96
Share Capital	0.60	1.00	1.90	1.90	1.90
Reserves & Surplus	2.45	2.49	(6.52)	(4.48)	2.32
Net Worth	3.06	(0.80)	(4.64)	(2.59)	4.20
Earning per share (EPS) (Rs.	58.91	21.60	(474.29)	107.48	471.58
Net asset Value	510	(80)	(244.21)	(136.32)	221.05

2. Bhagwati Filters Private Limited: (BFPL)

Profile:

Bhagwati Filters Pvt. Ltd. (BFPL) was incorporated on 3rd September, 1986. The company is engaged in the business of manufacturing filters & filter parts.

The Board of Directors of the company comprises of Ms. R.P. Bhagwati, Dr. P.N. Bhagwati and Mr. M.N. Shah.

The Authorised Share Capital is Rs. 10,00,000/- divided into 10,000 Equity shares of Rs 100/- each and Rs. 5,00,000/- divided into 5000 unclassified shares of Rs. 100/- each. The Issued Subscribed and Paid Up capital is Rs. 4,05,000/- divided into 4050 Equity shares of Rs. 100/- each.

Shareholding Pattern:

Name of the shareholder	No. of shares	% of holding
Dr. Pravin Bhagwati	902	22.27
Mandakini Bhagwati	603	14.89
Reena Bhagwati	2195	54.20
Aanal Bhagwati	350	8.64
Total	**4050**	**100.00**

Financial Performance:

The brief financials of BFPL for the last five years are as under:

(Rs. in lacs)

Particulars	For the year / period ended / As at March 31				
	2001	2002	2003	2004	2005
Total Income	182.16	177.40	190.61	227.38	295.04
Profit after Taxation	17.85	21.41	19.32	20.42	30.38
Share Capital	4.00	4.00	4.05	4.05	4.05
Reserves & Surplus	108.92	127.52	89.13	110.84	131.88
Net Worth	112.92	131.52	93.18	114.89	135.93
Earning per share (EPS) (Rs.	446.17	535.17	477.19	504.30	750.12
Net Asset Value	2823	3288	2300.74	2836.79	3356.30

3. Aurina Education Systems Private Limited (AESPL)

Profile:

Aurina Education Systems Pvt. Ltd. (AESPL) formerly known as Marp Finance and Leasing Company Pvt. Ltd. was incorporated on 15th April, 1996 .The company is currently engaged in the business of developing the educational software useful for the educational institutions.

The Board of Directors of the company comprises of Ms. R. P. Bhagwati, Dr. P.N. Bhagwati and Mrs. M. P. Bhagwati.

The Authorised Share Capital is Rs. 20,00,000/- divided into 2,00,000 Equity shares of Rs 10/- each. The Issued Subscribed and Paid Up capital is Rs. 5,00,000/- divided into 50,000 Equity shares of Rs. 10/- each.

Shareholding Pattern:

Name of the shareholder	No. of shares	% of holding
Dr. Pravin Bhagwati	15000	30.00
Mandakini Bhagwati	15000	30.00
Reena Bhagwati	20000	40.00
Total	**50000**	**100.00**

Financial Performance:

The brief financials of AESPL for the last five years are as under:

(Rs. in lacs)

Particulars	For the year / period ended / As at March 31				
	2001	2002	2003	2004	2005
Total Income	1.97	0.79	1.82	1.14	0.55
Profit after Taxation	0.27	0.08	(0.57)	0.21	(0.48)
Share Capital	5.00	5.00	5.00	5.00	5.00
Reserves & Surplus	1.28	1.13	0.57	0.78	0.38
Net Worth	6.14	5.75	5.48	5.73	5.35
Earning per share (EPS) (Rs.	0.53	0.15	(1.14)	0.43	(0.96)
Net Asset Value	12.28	11.50	10.96	11.46	10.70

Note: The promoters have not dissociated themselves from any of the above companies /firms during preceding three years.

C. CHANGE IN ACCOUNTING POLICIES IN THE LAST THREE YEARS

There is no change in the Accounting Policies in the last three years by the Company.

III. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION AS REFLECTED IN FINANCIAL STATEMENTS.

1. Overview of the business of the Company:

We are a company engaged in the business of manufacturing Cast Iron and S.G. Iron Castings for Automobiles, Tractors, Compressors and Hydraulic industries and other general engineering industry for the last 20 years. The company has already established its name in the industry on account of good quality, timely delivery, after sale service and above all fair trade practice. The company mainly caters to Farm Equipment Industry viz. tractor segment. Almost 75 % of its casting production is normally sold to 2 companies engaged in manufacturing of tractors and balance is sold to general engineering industry such as air compressor manufacturers, windmill manufacturers, electric motors manufacturers, gear box manufacturers, etc. In the Past, particularly between FY 2001 to FY 2004, Companyís working suffered due to recession in the automobile and tractor industry in general and casting industry in particular. However, thereafter the company initiated steps to manufacture hand moulded castings by setting up facilities in its existing plant so as to reduce dependency on automobile and tractor industry. The steps taken by the company in this regard has proved beneficial to company in as much as it earned net profit during the FY 2005. Further the outlook for the automobile, tractor and general engineering industry is quite bright as the demand for the automobiles, farm equipments, tractors and other Capital goods industry is growing substantially. The Company , therefore has proposed to add certain equipments in the hand moulded casting section as also modernization of machine moulded casting section so as to optimize its productivity, reduce the cost and thereby improving the profitability.

2. Significant Developments subsequent to the last financial year

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

3. Comparison of significant items of income and expenditure of the company for the past three years :

[Amt. in Rs.]

Financial Year	12 months Ended 31.03.2005	12 months Ended 31.03.2004	12 months Ended 31.03.2003
Sales:			
Of Products Manufactured	322336529	196529856	102974430
Of Products Trades	1439544	1150000	312936
Sub-total	323776073	197679856	103287366
Other income	818391	228182	226588
Sub-total	818391	228182	226588
Total income	**324594464**	**197908038**	**103513954**
Increase/(Decrease) in Stock	(657016)	6374468	(6128269)
TOTAL INCOME	**323937448**	**204282506**	**97385685**
Administrative & other exp.			
Purchase of Material for Resale	1385377	1161345	235192
Raw Material Consumed	154675792	89509238	35022852
Manufacturing & Administrative expenses	143295299	105060822	73416726
Interest & Finance Charges	12787992	9894674	7347995
Depreciation	5683518	5429142	4689660
TOTAL EXPENDITURE	**317827978**	**211055221**	**120712425**
Profit/(Loss) Before tax and Extra ordinary Items	6109470	(6772715)	(23326740)
Add/(Less) Provision for Current Tax	---	---	---
Add/(Less) Provision for Deferred Tax	(164477)	327450	280383
Profit & Loss after tax	6273947	(7100165)	(23607123)
Add/(Less) Prior Year Adjustments	(42000)	(15588)	---
Net Profit/(Loss) for the year	**6231947**	**(7115753)**	**(23607123)**

FY 2002-03

During the FY 2003, the net turnover of the company recorded a decrease of 38.05% from Rs. 1667.42 lacs in the FY 2001-02 to Rs. 1032.87 lacs. The decline in the sales was due to prolonged recession in the casting industry resulting in lower utilization of its capacity. As a result, the company incurred the loss of Rs. 236.07 lacs in the FY 2003 as against the profit of Rs. 13.81 in the FY 2002.

FY 2003-04

During the year, despite the Net Sales was increased by 91.39% to Rs. 1976.80 lacs from Rs. 1032.87 lacs during FY 2003 on account of higher capacity utilization, the company incurred the loss of Rs. 71.00 lacs due to steep increase in the prices of basic raw materials.

FY 2004-05

During the year FY 2004-05 the net sales of the company again increased by 63.79% to Rs. 3237.76 lacs from Rs. 1976.80 lacs in FY 2003-04. Also during the year the raw material prices remained stable. Thus increased volume and stable material prices yielded reasonable profit of Rs. 62.74 lacs as against the loss of Rs. 71.00 lacs in the previous year.

4. Information Required as per Clause 6.10.5.5 of SEBI DIP Guidelines

a) Unusual or infrequent events or transactions

There are no unusual or infrequent events or transactions.

b) Significant Economic changes that materially affected or are likely to affect income from continuing operations:

There are no significant economic changes that have effected or will affect the industry except the cost of the basic raw material, which tends to fluctuate as per the market conditions.

c) Known Trends or uncertainties:

The demand for the products of the company has shown the increasing trend in the past two years and likely to remain increasing in near future due to booming conditions in Automobile, Tractor and General Engineering Industry.

d) Future changes in relationship between costs and revenues:

Due to increase in the demand for the companyís product, there is scope for increase in the revenues of the company. The future increase in the revenue will offset any increase in cost price of the raw material and labour cost.

e) The extent to which material increases in net sales or revenue are due to increase sales volume, introduction of new products or services or increased sale prices.

The Companyís Hand Moulding division is working well and new products and customers are added during the year. The company is focusing more on production of the said new products and trying to reach to the satisfactory level of production.

f) Seasonality of business:

The Companyís business is not seasonal.

g) Dependence on single or few suppliers/customers

The company sells 75% of its products to 2 major customers. However the Company has developed new customers in general engineering segment in last two years. On completion of the envisaged expansion plan, the Company shall be able to add new customers and will not be dependent on the few customers.

h) Competitive Conditions:

The company has specialized in manufacturing products that suit the customerís requirement. It enjoys good reputation among its customers and has commenced the manufacturing of the new improved products to suit the requirements of its customers. Therefore the competitive conditions will not affect the turnover of the company.

i) Material developments after the date of the last balance sheet:

There are no material developments after the date of last audited balance sheet, which will have any adverse impact on the company.

j) Adverse events:

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

5. Directorís Statement:

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

6. Statement of Assets and Liabilities after deducting Revaluation Reserve and Net Worth arrived at after such deduction as per clarification XIII:

The Company has not revalued any of its fixed assets on the basis of its current value. There is no amount standing to the credit of the Revaluation Reserve. Therefore, the net worth of the Company as shown on the page 63 is not affected by any amount of Revaluation reserve.

F. LEGAL AND OTHER INFORMATION

I. OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS.

In the opinion of the Company there have no material development after the date of latest Balance Sheet, which would have an impact on the performance and the prospects of the Company other than what have been set out in this letter of offer.

Contingent liabilities of the Company

The contingent liabilities of the Company not provided for in the books of account comprising of the following:

Contingent Liabilities	As on September 30th 2005	As on March 31st 2005
Bills/cheques purchased (Receivables)	1,37,98,498	11,686,514
Claims against the company not acknowledged as debts	3,43,000	3,48,000

[A] Outstanding litigation against the Company

I. Under the Income Tax Act.

The Assessing Officer of Income Tax Department has made addition of income by way of disallowing expenses of Processing Charges to the tune of Rs. 29.77 Lacs for the Assessment Year 1992-93. The Company has got relief from CIT(A) in the year 1995 against the said addition. The Assessing Officer has filed appeal with ITAT. The final hearing was done on 19.01.2005 and the order is pending.

II. Under the Labour Laws

Sr. No	Case No./ Date	Adjudicating Authority	Filed by	Brief Description of the matter	Amount Rs.	Status
1	REF –122/95	Labour Court	Mr. Ambalal B Thakore	Regarding Re-instatement of the employee	1,20,000/-	At the Evidence stage
2	REF –IT/162-96	Labour Court	Mr. Sobhnath Ravat	Regarding Re-instatement of the employee	1,00,000/-	At cross examination stage.
3	WC/APPL/15/97	Labour Court	Mr. Sobhnath Ravat	Regarding workman's compensation	49,000/-	At cross examination stage
4	COMP/27-97	Labour Court	Mr. Sobhnath Ravat	Regarding Compliant filed	-- (Related to 2 & 3 above)	At cross examination stage
5	REF/265-97	Labour Court	Mr. Sobhnath Ravat	Regarding Re-instatement of the employee	-- (Related to 2 & 3 above)	On submission stage
6	REC.APP.1782/96	Labour Court	Mr. K M Thankanchan	Regarding Recovery of Demand –93	5,000/-	At evidence stage
7	REC.APP.1784/96	Labour Court	Mr. Rajiv K	Regarding Recovery of Demand –93	5,000/-	At evidence stage
8	REF .266/97	Labour Court	Mr. Indrajit Bhuneshwar	Regarding Re-instatement of the employee.	20,000/-	On submission stage
9	REC.APP.2604/01	High Court	Mr. Krishna Bihar Tiwari	Regarding payment of wages	32,000/-	On submission stage
10	REF.1096/95	High Court	Mr. Manoj C Rajsirke	Regarding Re-instatement of the employee	12,000/-	On submission stage
11	REF.1642/98	Labour Court	Mr. Pankaj Jashubhai Dave	Regarding Re-instatement of the employee	5,000/- (settled at Rs.4,500)	Disposed on 22/10/05

[B] Pending Litigation filed by the Company

I. Under the Central Excise Act.

The Excise Commissioner had passed an Order against the Company vide Order dated 29/6/05 for demanding Rs. 22.15 Lacs for wrongful availing of CENVAT credit. The Company had filed an appeal for stay of demand and reversal of order before CESTAT, Mumbai. The said authority has granted stay on demand vide its order dated 8/11/2005 till the final hearing of appeal.

II. Under the Sales Tax Act.

The Company has appealed before Sales Tax Authority for refund of set-off amount u/s 42G on purchase of metal scrap in past several years [1998 to 2003]. The Company is quite hopeful of getting refund. The said amount shall be accounted in the year of actual receipt. At present the Company cannot ascertain the amount of refund.

There are no other outstanding litigation, dispute, non-payment of statutory dues, overdue to banks / financial institutions, defaults against banks / financial institutions, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) and past cases in which penalties were imposed by the concerned authorities against the Company except mentioned hereinabove.

(C) Amounts Owed To Small Scale Undertakings

Sundry creditors include RS 1,10,22,573 /- due to small scale and ancillary industrial undertakings as on 30th September, 2005.

Name of the SSI Supplier	Amount Outstanding
1. M/s. Associated engineering corporation	3863839.94
2. M/s. Bhartiya pulverisers	156159.00
3. M/s. Kutch Clays	121800.00
4. M/s. Parmac Corporation	641550.00
5. M/s. Shell sand industries	746877.45
6. M/s. Shakti Pattern Industries	73554.00
7. M/s. Venus industries	933614.00
8.. M/s. Gargi huttens albertus P.Ltd.	4485179.00
Total	11022572.79

[2] OUTSTANDING LITIGATIONS INVOLVING SUBSIDIARIES

Not applicable as the Company has no subsidiaries.

[3] OUTSTANDING LITIGATIONS INVOLVING GROUP COMPANIES

There are no outstanding litigations involving the Group Companies namely Bhagwati Filters Pvt. Ltd, Bhagwati Pyrotech Pvt. Ltd. and Aurina Education Systems Pvt. Ltd.

[4] OUTSTANDING LITIGATIONS INVOLVING PROMOTER / DIRECTOR

There are no outstanding litigation, dispute, non-payment of statutory dues, overdue to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, violation of statutory regulations or alleging criminal offence, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the individual Promoters, Corporate Promoters as well as directors of Promoter Company except as mentioned hereunder:

[i] Pending litigation against the Promoter Company ñ Bhagwati Spherocast Pvt. Ltd.

Under the Labour Laws

Sr. No	Case No./ Date	Adjudicating Authority	Filed by	Brief Description of the matter	Amount Rs.
1.	REC.APP. – 1021/00	Labour Court	Mr. Ramubhai Chhediram. S.K.Kazi	Recovery of Wages	10,000/-
2.	REF-1777/01	Labour Court	Kamlesh Jyanti C.R.Choudhary	Reinstatement of employment amounting to Rs. 15,000/-	15,000/-
3.	REC.APP.2591/01	Labour Court	Mr. Ramu Chhediram	Recovery of wages	Refer Appl. No. 1021/00 (No. 1 above)
4	REC.APP.0908/02	Labour Court	Mr. Rajendrakumar G. Patel	Recovery of Wages	35,000/-
5	REC.APP 2198/03	Labour Court	Mr. Rajubhai Amarsingh	Recovery of Wages	5,000/-
6	REF.0127/04	Labour Court	Mr. Rajubhai Amarsingh	Reinstatement of employment	7,000/-
7	REF 0368/04	Labour Court	Mr. Kishorebhai Bhagwanbhai	Reinstatement of employment	10,000/-
8	REF 0950/04	Labour Court	Mr. Karshanbhai Gordhan Prajapati	Reinstatement of employment	10,000/-
9	REF 0968/91	Labour Court	Mr. Ratilal & others	Reinstatement of employment	25,000/-
10	REF.0022/94	Labour Court	Mr. Kanjibhai Solanki & S.B. Chaudhary	Reinstatement of employment	12,000/-
11	PWA 0470/96	Labour Court	Mr. Hareshbhai Dahyabhai L.N. Medipalli	Recovery of wages	8,000/-
12	REF 1704/96	Labour Court	Mr. Rajendra Patel & Mr. Azad Shih Parihar	Reinstatement of employment	50,000/-
13	REF 0365/97	Labour Court	Mr. Dhanabhai Revabhai & Dipak Chettarji	Reinstatement of employment	12,000/-
14	REF 0640/97	Labour Court	Mr. Kantibhai Parmar	Reinstatement of employment	14,000/-
15	REF 0914/98	Labour Court	Mr. Jitendrashih Chauhan	Reinstatement of employment	15,000/-
16	REF 1159/98	Labour Court	Mr. Rameshbhai S. Parmar & D. S. Gohel	Reinstatement of employment	8,000/-
17	REF 1160/98	Labour Court	Mr. Om Jaishankar & R. G. Tiwari	Reinstatement of employment	30,000/-
18	REC . APP 1167/98	Labour Court	Mr. Anand motiram & S. B. Chaudhary	Recovery of wages	5,000/-
19	PWA 0352/99	Labour Court	Mr. Ramu Chhediram & Mr. S. K. Kazi	Recovery of wages	5,000/-

[5] Litigations Post Filing of The Offer Document

In addition to the above, Lead Manager and Issuer Company are obliged to update the Letter of Offer and keep the public informed of any material changes till the listing and trading commencement.

STATUTORY DUES

The Company has no statutory dues outstanding as on 31.3.2005.

MATERIAL DEVELOPMET SINCE THE LAST BALANCE SHEET DATE

There is no material development since last balance sheet date.

II. GOVERNMENT AND OTHER STATUTOTORY APPROVALS

GOVERNMENT APPROVALS/LICENSING ARRANGEMENTS

The Company has obtained following licenses, permissions and approvals from the Central and State Government and Other Agencies required for carrying out the business:

1. Certificate of Incorporation issued by Registrar of Companies, Gujarat No. 04-4718 dated 20th October, 1981.
2. Certificate of Commencement of Business issued by Registrar of Companies, Gujarat dated 19th July 1982
3. Factory License No. 33 (331-1) 2694/A vide letter dated 24th December, 2004.
4. Central Excise Registration No. AAACB4699KXM001 vide their Certificate dated 23rd May, 2003 under the Central Excise Act, 1944.
5. Central Sales Tax Registration Certificate No. GUJ10AM5513 vide their letter dated 11th December, 1981 under the Central Sales Tax Act, 1956 and Local Sales Tax Registration Certificate No. 0747000140 vide their letter dated 1st July, 2002 under the Gujarat Sales Tax Act, 1969.
6. Letter issuing Permanent Account No AAACB4699K by Income Tax Authority under the Income Tax Act, 1961.
7. Tax Deduction Account No. AHMB00776G by Income Tax Authority under the Income Tax Act, 1961.
8. Electricity Sanction for 2200 KVA dated 27th January, 1984
9. Environment Clearance issued by Gujarat Pollution Control Board dated 23rd April, 1991vide their letter no.PC/ ABD-GEN-NOC-85/7280.

The Company can undertake all the present and proposed activities in view of the present approvals. No further approvals from any government authorities/RBI are required by the Company. The Company may undertake the present and proposed activities except those that may be required to be taken in the normal course of business from time to time.

It must be understood that in giving the above approvals, the concerned authority does not take any responsibility for the financial soundness or correctness of the statements made by the company.

MAJOR AGREEMENTS ENTERED IN TO BY THE COMPANY

There is no major agreement entered in to by the Company.

G. OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Present issue:

The Issue is being made pursuant to the provisions of section of 81(1) of Companies Act, 1956 and resolution passed by the Board of Directors of the Company at its meeting held on Saturday 9th July, 2005.

Prohibition by SEBI

The Company, its directors, its promoters, any of the Company Associates or Group Companies with which the directors of issuer are associated, as directors or promoters have not been prohibited from accessing the capital market under any order passed by SEBI .

Eligibility of the Issue:

The Company is an existing Listed Company and it is eligible to offer this right issue in terms of Clause 2.4.1 (iv) of the SEBI (Disclosure and Investor Protection) Guidelines 2000 as amended from time to time**.**

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THIS LETTER OF OFFER HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI).

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF 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 RESPOSIBILITY 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 LETTER OF OFFER. THE LEAD MANAGER VIVRO FINANCIAL SERVICES PRIVATE LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURE AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER VIVRO FINANCIAL SERVICES PRIVATE LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 18TH NOVEMBER 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE THERETO IN CONNECTION WITH THE FINALISATION OF THE LETTER OF OFFER PERTAINING TO THE SAID ISSUE;

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

WE CONFIRM THAT:

a. THE LETTER OF OFFER FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

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

c. THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE;

d. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID; AND

e. IF UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCE 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, VIVRO FINANCIAL SERVICES PRIVATE LIMITED ANY IRREGULARITIES OR LAPSES IN THE LETTER OF OFFER.

DISCLAIMER

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

Caution

The Company accepts no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or other material issued by the Company or by any other persons at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of the Letter of Offer with SEBI. The Lead Manager and the Company shall update the Letter of Offer and keep the public informed of any material changes till the listing and trading commences.

Disclaimer with respect to Jurisdiction

This Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations hereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Ahmedabad, India only.

The distribution of the Letter of offer and the offering of securities on a right basis to persons in certain jurisdictions outside India may be restricted by the legal requirements prevailing in those jurisdictions. Persons into whose possession the LOF may come are required to inform themselves about and observe such restrictions. Any disputes arising out of such issue will be subject to the jurisdiction of appropriate courts in Ahmedabad, India only.

No action, has been, or will be taken, to permit offering of these securities in any jurisdiction where action would be required for that purpose, except that the LOF has been filed with SEBI and SEBI has given its observations and that the Letter of Offer would be filed with the relevant Stock Exchanges in India. Accordingly, the equity shares may not be offered or sold directly or indirectly, and the LOF may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the LOF, nor any sale hereunder, shall under any circumstances create any implication that the affairs of the company have remained unchanged since the date hereof or that the information herein is correct as of any time subsequent to this date.

Disclaimer Clause of the BSE (the Designated Stock Exchange)

Bombay Stock Exchange Limited (ìthe Exchangeî) has given vide its letter dated October 26, 2005 permission to the Company to use the Exchangeís name in this Letter of Offer as one of the stock exchanges on which this Companyís securities are proposed to be listed. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

The Exchange does not in any manner:

(i) warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or

(ii) warrant that this Companyís securities will be listed or will continue to be listed on the Exchange; or

(iii) take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of this Company;

And it should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by the Exchange. ìEvery person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.î

Disclaimer Clause of the ASE

The Stock Exchange- Ahmedabad (ASE) has given vide its letter dated October 27, 2005 permission to the Company to use the Exchangeís name in this Letter of Offer as one of the stock exchanges on which this Companyís securities are proposed to be listed. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

The Exchange does not in any manner:

(i) warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or

(ii) warrant that this Companyís securities will be listed or will continue to be listed on the Exchange; or

(iii) take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by the Exchange. ìEvery person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.î

FILING

The Letter of Offer was filed with SEBI, Mittal Court, A Wing, Nariman Point, Mumbai 400 021. The final Letter of Offer has been filed with the Stock Exchanges and SEBI. All the legal requirements applicable till the date of filing the Letter of Offer with the stock exchanges and SEBI have been complied with.

DESIGNATED STOCK EXCHANGE

The designated stock exchange for the purpose of the issue is BSE.

LISTING

The existing Equity Shares are listed on BSE (Designated Stock Exchange) and Ahmedabad Stock Exchange (ASE). The Company has made applications to BSE and ASE for permission to deal in and for an official quotation in respect of the securities being offered in terms of this Letter of Offer vide letters dated 10th August, 2005. The Company has received in-principle approval from BSE and ASE vide letters dated 26th October, 2005 and 27th October, 2005 respectively.

If the permission to deal in and for an official quotation of the securities is not granted by the Designated Stock Exchange mentioned above, within six weeks from the Issue Closing Date, the Company shall forthwith repay, without interest, all monies received from applicants in pursuance of this Letter of Offer. If such money is not paid within eight days after the Company becomes liable to repay it, then the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under the Section 73 of the Act.

Consents

The written consents of Promoters, Directors, Auditors, Lead Managers to the Issue, Registrars to the Issue, Legal Advisor, Bankers to the Company and Bankers to the Issue to act in their respective capacities, have been obtained and such consents have not been withdrawn up to the time of delivery of the Letter of Offer with the Stock Exchanges.

Expert Opinion

The Company has not obtained any expert opinion apart from whatever is already mentioned in this Letter of Offer.

Expenses of the Issue

The expenses of the Issue payable by the Company inclusive of brokerage, fees payable to the Lead Manager to the Issue, Registrar to the Issue, Stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses will not exceed Rs. 16 Lakhs and will be met out of the proceeds of the present Issue.

Details of Fees payable

The expenses for the issue include among others, issue lead management fees, advertising costs, printing and distribution expenses, legal, statutory fees payable to the Stock Exchanges. The estimate of the issue expenses is as follows which is 6.25% of the total issue size.

Sr. No.	Particulars	Amount (Rs. in Lacs)	% of total issue expenses	% of total issue size
1	Lead Manager Fees	7.50	46.87	2.93
2	Registrar Fees	1.00	6.25	0.39
3	Printing, Statutory Advertisement &Postage Cost	6.50	40.63	2.54
4	Bank and other charges	1.00	6.25	0.39
	Total	**16.00**	**100.00**	**6.25**

Underwriting Commission, Brokerage and Selling commission

The Issue has not been underwritten. No fees under this head is payable.

Previous Public or Rights Issues

There was no public/rights issue done by the Company in the last 5 years.

Previous issues of shares otherwise than for cash.

There is no issue of shares in past for a consideration otherwise than cash.

Commission or Brokerage on previous Issues

The Company has not made any public issue in last five years.

Particulars in regard to the Company and other listed companies under the same management within the meaning of Section 370(1)(B) of the Companies Act, 1956 which made any public issue during the last three years

The Company as well as the other Companies under the same management have not done any public issue / Rights Issue in last three years. The company has not paid any dividend during last five years.

PROMISES VS PERFORMANCE

Bhagwati Autocast Limited:

1. **Initial Public Offer**

   The Company came out with its Initial Public offer in the year 1983. In this offer the company issued 6,19,993 equity shares of the face value of Rs.10/-each at Rs.10/- fully paid up. The Company has received the proceeds amounting to Rs. 61,99,930/-. This offer was made to the public at large and the consideration was received by the company in cash. The Company has confirmed that the proceeds of the issue were utilized as stated in the offer document. The Prospectus did not contain the promised future performance of the company.

2. **First Rights Issue**

   The Company made a right offer of 3,72,000 Equity Shares of Rs. 10/- each at par to the existing Equity Shareholders in the year 1984. The Company has received the proceeds amounting to Rs. 37,20,000/-. This offer was made to the existing shareholders and the consideration was received by the company in cash. The Company has confirmed that the proceeds of the rights issue were utilized as stated in the offer document. The Letter of Offer did not contain the promised future performance of the company.

3. **Second Rights Issue**

   In the year 1992 the company made another rights offer of 6,08,380 Equity Shares of Rs.10/- each at a premium of Rs. 20/- for cash for the purpose of financing the expansion programme of the existing installed capacity from 6,500 tonnes to 10,000 tonnes per annum by installing additional Plant and Machinery. Also a few of the plants and processes were proposed to be modernized for achieving better quality output in bulk and to meet the additional requirement of working capital. The Company has confirmed that the proceeds of the issue were utilized as stated in the offer document.

   The promise-v/s. performance (Rs. in lakhs) in respect of the rights issue are as under:

Particulars	1992-93		1993-94		1994-95		1995-96		1996-97	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual
Sales & Other income	1350	1011	1710	1124	1735	1293	1735	1469	1735	1839
PBDIT	191	108	254	99	263	106	268	127	268	138
PBT	94	30	154	46	158	30	163	21	163	19
PAT	68	24	91	24	110	30	102	21	94	16

Listed Venture of Promoters

There is no listed venture promoted by the Promoters

Outstanding Bonds/Debentures

There are no outstanding debentures or bonds or redeemable preference shares or any other instruments issued by the issuer company outstanding as on the date of Letter of Offer.

STOCK MARKET DATA

The Companyís shares are listed on BSE and ASE. As the shares are actively traded on Stock Exchange, Mumbai, the Companyís stock market data has been given for BSE. The high and low closing prices recorded on BSE for the preceding **three years** and the number of shares traded on the days the high and low prices were recorded are stated below:

BSE

Year ending	High (Face Value of Rs. 10)	Date of High	Volume of Date High (No.of Shares)	Low (Face value of Rs. 10)	Date of Low	Vol. On date of Low (No.of Shares)	Avg. price for the year (Face value of Rs. 10)
2004	36.00	31st Dec 2004	18058	8.29	20th July 2004	400	22.13
2003	20.00	29th Dec 2003	50	11.61	23rd July 2003	100	15.81
2002	15.50	18th July 2002	300	8.00	9th July 2002	100	11.75

(Source: www.bseindia.com, Official Website of Bombay Stock Exchange Limited, Mumbai)

Monthly high & low prices for the preceding **six months** and volume of transactions on the respective dates of High & low

Month	High (Face Value of Rs. 10/-)	Date of High	Volume of Date High(No.of Shares)	Low (Face Value of Rs. 10/-)	Date of Low	Vol. On date of Low (No.of Shares)	Total volume for the month (No.of Shares)
May 2005	42.15	16th May	10929	27.20	3rd May	2767	128823
June 2005	46.70	15th June	16073	36.85	2nd June	5286	125177
July 2005	60.00	25th July	16024	38.55	6th July	4216	218854
Aug 2005	56.95	31st Aug	14593	47.75	1st August	7077	268437
Sept 2005	63.90	15th Sept	12106	48.10	23rd Sept	15260	358867
Oct 2005	52.50	5th Oct	392	35.35	31st Oct	1640	75119

(Source: www.bseindia.com, Official Website of Bombay Stock Exchange Limited, Mumbai)

Market price as on 11th July, 2005, immediately after the date of passing the Board Resolution for approving the issue:

Rs. 44.30 Per Share

Disclosure on Investor Grievances and Redressal System

The company has adequate arrangements for redressal of investor complaints. The company has developed well arranged correspondence system for letters of routine nature. The share transfer and dematerialization for the company is being handled by MCS Limited, Share Transfer Agents. Letters are filed category wise after having attended to. Redressal norm for response time for all correspondence including shareholders complaints is ten days. However, the company ensures to redress all the investor grievances well within the said ten days from the date of receipt of the complaint.

The Compliance Officer Mr. D.K. Sheth takes care for redressal of complaints on a regular basis.

Status of Complaints

No. of shareholders complaints as of 31st March, 2005:	Nil
Total number of complaints received during last financial year (2004-05):	46
Total number of complaints received during 1st April 2005 to 31st October 2005:	24
Status of Complaints:	All complaints received during last financial year have been resolved.
Time normally taken by it for disposal of various types of investor grievances:	10 days

Investor Grievances arising out of this issue

The companyís investor grievances arising out of this issue will be handled by MCS Limited, Registrars to the Issue. The Registrars will have a separate team of personnel handling only our post issue correspondence. Investor grievances are settled expeditiously and satisfactorily by us. The agreement between Registrar and us will provide for retention of records with the Registrars for a period of at least one year from the last date of dispatch of Letter of Allotment/Share Certificate/Warrant/refund order to enable the Registrars to redress grievances of Investors.

All grievances related to the issue may be addressed to the Registrars to the issue giving full details such as folio no., name and address of the first applicant, number and type of shares applied for, Application Form 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 renounce should be furnished.

Investor may contact the Compliance Officer incase of any pre-issue/post-issue related problems such as non-receipt of letter of allotment/share certificates/demat credit/refund orders etc.

Changes in the Auditors in the last three years

There has been no change in Auditors in the last three years.

Capitalization of Reserves or profits (during last Five Years)

There is no capitalization of reserves/profits during the last five years.

Revaluation of assets, if any (during last five years)

There is no revaluation of assets carried out during the last five years.

H. OFFERING INFORMATION

TERMS OF THE PRESENT ISSUE

The Equity Shares, now being offered are subject to the provisions of the Act and terms and conditions of this Letter of Offer, CAF, the Memorandum & Articles of Association of the Company, approvals under the Foreign Direct Investment Scheme of Government of India, FEMA, if applicable, provisions of the Companies Act, 1956, guidelines issued by SEBI, the guidelines, notifications and regulations for the issue of capital and for listing of securities issued by Government of India and/ or other statutory authorities and bodies from time to time, such terms and conditions may be incorporated in the Letter of Allotment /Share Certificate or any deed or document executed by the Company regarding the Rights Issue.

Authority to the Issue

The Issue is being made pursuant to the provisions of section of 81(1) of Companies Act,1956 and resolution passed by the Board of Directors of the Company at its meeting held on Saturday 9th July, 2005.

Basis of the Issue

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date i.e. January 16 2006 fixed in consultation with the Designated Stock Exchange.

The Equity shares are being offered for subscription in the ratio of [4] equity shares for every [5] equity shares held by the Equity Shareholders.

Ranking of Equity Shares.

The Equity shares being offered shall be subject to the Provisions of the Companies Act, the Memorandum and Articles of Association and shall rank pari passu in all respect with the other existing Equity shares of the Company including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by the Company after the date of allotment.

Mode of payment of dividend

The dividend will be paid to all the eligible shareholders in terms of the provisions of the Companies Act, 1956 and Articles of Association with regard to payment of dividend. The unclaimed dividend will be transferred to Investor Protection Fund as prescribed under Companies Act, 1956.

Face Value

The face value of the equity shares of the company is Rs.10.

Issue Price

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

Rights of the Equity Shareholders

Subject to applicable laws, the Equity shareholders shall have the following rights:

ï Right to receive dividend, if declared.

ï Right to attend general meetings and exercise voting powers, unless prohibited by law

ï Right to vote on a poll either in person or by proxy

ï Right to receive offers for rights shares and be allotted bonus shares, if announced

ï Right to receive surplus on liquidation

ï Right of free transferability and

ï Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of the Companyís Articles of Association relating to voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see ìDescription of Equity Shares and Terms of Articles of Associationî on page 99 in this Letter of Offer.

Market Lot

The market lot for the Equity shares in dematerialised mode is one. In case of physical certificates, the Company would issue one certificate for the Equity Shares allotted to one folio (ìConsolidated Certificateî)

Nomination facility to the Investor

Nomination facility

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

The sole Equity Shareholder or first Equity Shareholder, along with other joint Equity Shareholders (being individual(s) may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. Person(s), being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same rights to which he would be entitled if he/she were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale/disposal of the Equity Share by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. When two or more persons hold the Equity Share(s), the nominee shall become entitled to receive the shares only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at the Registered Office of the Company located at Survey No. 816, Village Rajoda Near Bavla, Dist. Ahmedabad, Gujarat, India or such other place at such addresses as may be notified by the Company. The applicant can make the nomination by filling in the relevant portion in the CAF.

Only one nomination would be applicable for one folio. Hence, In case the Equity shareholder has already registered the nomination with the company, no further information needs to be made for equity shares to be allotted in the issue under the same folio.

In case the allotment of equity shares is in dematerialized form, there is no need to make a separate nomination for the equity shares to be allotted in this issue. Nominations registered with respective depository Participant of the applicant would prevail. If the applicants wish to change the nomination, they are requested to inform their respective depository participants.

Minimum subscription

If the Company does not receive the minimum subscription of 90% of the Issue, the entire subscription shall be refunded to the applicants within forty-two days from the date of closure of the Issue. If there is a delay in the refund of subscription by more than 8 days after the Company becomes liable to repay the subscription amount, (i.e. forty two days after closure of the Issue), the Company will pay interest for the delayed period, at prescribed rates in sub-section (2) and (2A) of Section 73 of the Act.

This Rights Issue will become undersubscribed after considering the number of Equity Shares applied as per entitlement plus additional Equity Shares.

The above is subject to the terms mentioned under the ìBasis of Allotmentî.

The Issue will become under subscribed after considering the number of Equity Shares applied as per entitlement plus additional Equity Shares. The Promoters shall subscribe to such under subscribed portion as per the relevant provisions of the law. If any person presently in control of the Company desires to subscribe to such under subscribed portion and if disclosure is made pursuant to SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, such allotment of the under subscribed portion will be governed by the provisions of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. Allotment to promoters of any unsubscribed portion, over and above their entitlement shall be done in compliance with Clause 40A of the Listing Agreement.

Non-underwritten Rights Issue

i. **If the company does not receive the minimum subscription of 90% of the issue, the entire subscription shall be refunded to the applicants within forty two days from the date of closure of the issue.**

ii. **If there is delay in the refund of subscription by more than 8 days after the company becomes liable to pay the subscription amount (i.e. forty two days after closure of the issue), the company will pay interest for the delayed period, at the rates prescribed under sub-section (2) and (2A) of section 73 of the Companies Act,1956.**

If the Company does not receive the minimum subscription of 90% of the Issue (excluding the amounts on the rights entitlement on the Equity Shares held in abeyance as explained in the notes to the ìCapital Structureî), the entire subscription shall be refunded to the applicants within forty-two days from the date of closure of the Issue.

If there is a delay in the refund of subscription by more than 8 days after the Company becomes liable to repay the subscription amount, (i.e. forty two days after closure of the Issue), the Company will pay interest for the delayed period, at prescribed rates in sub-section (2) and (2A) of Section 73 of the Companies Act, 1956.

The above is subject to the terms mentioned under the ìBasis of Allotmentî.

Arrangements for disposal of Odd Lots

The market lot is one share. Therefore there is no possibility of odd lot.

Restriction on Transfer and Transmission of Shares

Nothing contained in the Articles of Association of the Company shall prejudice any power of the Company to refuse to register the transfer of share.

No fee shall be charged for sub-division and consolidation of share certificates (physical form), debenture certificates and detachable warrants and for sub-division of letters of allotment and split, consideration, renewal and pucca transfer receipts into denomination corresponding to the market units of trading.

Rights Entitlement

As your name appears in the Register of Members as an equity shareholder/Beneficial Owner (as per the list provided by the Depositories) of the Company on the Record Date i.e. January 16,2006 you are entitled to the number of equity shares by way of Rights as shown in Part A of the enclosed CAF on the basis mentioned above.

Fractional entitlement

ìif the Shareholding of any of the equity shareholders is less than 10 or is not in multiple of 10, then in respect of the holding not in exact multiple of 10 equity shares, the fractional entitlement of such holder shall be rounded off to the next integer. The number of equity shares offered is shown in block 2 of part A of the enclosed CAF(s) . the additional equity shares required to accommodate such rounding off, will be adjusted from the promoters entitlement.

ISSUE PROCEDURE

Principal Terms and Conditions of the Issue

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date i.e.January 16, 2006 fixed in consultation with the Designated Stock Exchange.

The Equity Shares are being offered for subscription in the ratio of 4(Four) Equity Shares for every 5 (Five) Equity Shares held by the Equity Shareholders.

Entitlement Ratio

The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of 4 (Four) Equity Shares for every 5 (Five) Equity Shares held as on the Record Date.

Terms of payment

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

Ranking of the Equity Shares

The Equity Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects including dividends with the existing Equity Shares of the Company.

Option available to the Equity Shareholders

The Composite Application Form clearly indicates the number of Equity Shares that the Equity Shareholder is entitled to.

The Equity Shareholders will be having the following options:

Apply for his entitlement in part

Apply for his entitlement in part and renounce the other part

Apply for his entitlement in full

Apply for his entitlement in full and also apply for additional Equity Shares

Renounce his entilement in full

Renounces for Equity Shares can apply for the Equity Shares renounced to them and also apply for additional Equity Shares.

Applicants to the equity shares of the company issued through this rights issue shall have an option either to receive security certificates or to hold the securities in dematerialized form with a depository.

Offer to Non-Resident Equity Shareholders/Applicants

Applications received from NRIs and other NRI shareholders for allotment of Equity Shares shall be, inter alia, subject to the conditions imposed from time to time by RBI under the Foreign Exchange Management Act, 1999 (FEMA) in the matter of refund of application moneys, allotment of Equity Shares, issue of Letter of Allotment / share certificates, payment of interest, dividends, etc. General permission has been granted to any person resident outside India to apply shares offered on rights basis by an Indian Company in terms of FEMA and the rules and regulations thereunder.

The Equity Shares issued under the Rights Issue and purchased by NRI shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the previously held Equity Shares against which Equity Shares under the Rights Issue are issued.

As per the Provisions of AP DIR Circular No. 14 dated September 16, 2003 (Issued by RBI), such Equity Shareholders who have been allotted equity shares as OCBs would not be permitted to participate in the issue. Accordingly the shareholders/applicants who are OCBs and wishing to participate in the issue would be required to submit the approval in relation thereto from FIPB and RBI.

The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares, payment of dividend etc. to the Equity Shareholders who are NRI.

How to Apply

	Option Available	**Action Required**
1.	Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares to be left blank or Nil to be mentioned (All joint holders must sign)
2	Accept your 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 (All joint holders must sign)
3	Renounce your entitlement in full to one person (joint renouncees are considered as one)	Fill in and sign Part B *(All joint holders must sign)*indicating the number of shares renounced and hand it over to the renouncee. The Renouncee must fill in and sign Part C (All joint holders Renouncee must sign)
4.	Accept a part of your entitlement and renounce the balance to one or more renouncees Or Renounce your entitlement to all the equity shares offered to you to more than one renouncee	Fill in and sign Part D (all joint holders must sign) requesting for split Application Form 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. On receipt of the Split Form take action as indicated below. ?For the Equity Shares you wish to accept, if any, fill in and sign Part A. 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 authorized person. Each of the renouncees should fill in and sign Part C for the Equity Shares accepted by them.
5	Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the renouncees must fill in and sign Part C.

Availability of Application forms

Resident Equity Shareholders

Application should be made only on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Manager or by the Registrar to the Issue or by the Company at any offices except in the case of postal applications as per instructions given in the Letter of Offer.

Non-resident Equity Shareholders

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares shall, interalia, be subject to the conditions as may be imposed from time to time by the Reserve Bank of India, in the matter of Refund of application moneys, allotment of Equity Shares, issue of Letters of Allotment/ certificates/ payment of dividends etc.

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 Renouncee.

Part D: Form for request for Split Application Forms

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID no. and his / her full name and address to the Registrar to the Issue. Please note that those who are making the application in the duplicate form should not renounce the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the applicant violates any of these requirements, he/ she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Rights Issue on plain paper, along with an Account Payee Cheque drawn on a local bank at Ahmedabad/ Demand Draft payable at Ahmedabad (net of demand draft charges and postal charges) which should be drawn in favour of the Company and send the same by registered post directly to the Registrar to the Issue.

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

Name of Issuer

ï Name and address of the Equity Shareholder including joint holders

ï Registered Folio Number/ DP and Client ID no.

ï Number of Equity Shares held as on Record Date

ï Number of Rights Equity Shares entitled

ï Number of Rights Equity Shares applied for

ï Number of additional Equity Shares applied for, if any

ï Total number of Equity Shares applied for

ï Total amount paid per Equity Share

ï Particulars of Cheque/ Draft

ï Savings/Current Account Number and name and address of the bank where the Equity Shareholder will be depositing the refund order

ï PAN/GIR number and Income Tax Circle/Ward/District where the application is for Equity Shares of a total value of Rs 50,000 or more for the applicant and for each applicant in case of joint names, and

ï Signature of Equity Shares holder to appear in the same sequence and order as they appear in records of Company.

Please note that those who are 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.

Mode of payment

Payments in such cases, should be through a cheque/ demand draft payable at Ahmedabad to be drawn in favour of the Bankers to the Issue marked ìA/c Payeeî and marked **ìBhagwati Autocast Limited- Rights Issueî**

Acceptance of the Rights Issue

You may accept the Offer and apply for Equity Shares offered, either in full or in part by filling Block III of Part ìAî of the enclosed CAF and submit the same along with the application money payable to the ìBankers to the Issueî or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board thereof in this regard. Applicants at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn on a local bank at Ahmedabad /demand draft payable at Ahmedabad (net of demand draft charges and postal charges) to the Registrar to the Issue at MCS Limited, 101, Shatdal Complex, Opp. Bata Showroom, Ashram Road, Ahmedabad 380 009 by registered post.

Renunciation

As an Equity Shareholder, you have the right to renounce your entitlement for the Equity Shares in full or in part in favour of one or more person(s). Your attention is drawn to the fact that the Company shall not allot and/or register any Equity Shares in favour of:

More than three persons including joint holders

- ï Partnership firm(s) or their nominee(s)
- ï Minors
- ï Hindu Undivided Family
- ï Any Trust or Society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorized under its Constitutions to hold Equity Shares of a Company)

The right of renunciation is subject to the express condition that the Board/ Committee of Directors shall be entitled in its absolute discretion to reject the request for allotment to renouncee(s) without assigning any reason thereof.

ìany renunciation from Non-Resident Indian shareholder(s) to Resident Indian(s) is subject to the renouncer(s)/ renouncee(s)obtaining the approval of the FIBP and /or necessary permission of RBI under the Foreign Exchange Management Act,1999 (FEMA) and other applicable laws and such permissions should be attached to the CAF .Application not accompanied by the aforesaid approval are liable to be rejected.

Any renunciation from Resident Indian Shareholder(s) to NonñResident Indian or from Non-Resident Indian Shareholder(s) to other Non-Resident Indians(s) is subject to Prevailing RBI Guidelines.

By virtue of circular No 14 dated September 16,2003 issued by RBI ,Overseas Corporate bodies (ëOCBsî) have been derecognized as an eligible class of investors and RBI has subsequently issued the Foreign Exchange Management (withdrawal of General Permission to overseas Corporate bodies (OCB) Regulation ,2003. Accordingly the existing Shareholders of the company who do not wish to subscribe to the equity shares being offered but wish to renounce the same in favour of renouncees shall not renounce the same(whether for consideration or otherwise) in favour of OCBsî.

Procedure for renunciation

To renounce the whole offer in favour of one renouncee

If you wish to renounce the offer indicated in Part A in whole, please complete 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 renouncees, all joint renouncees must sign this part of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer in favour of two or more renouncees, the CAF must be first split into requisite number of forms.

Please indicate your requirement of split forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split forms. On receipt of the required number of split forms from the Registrar, 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 the Company, the application is liable to be rejected.

Renouncee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part C of the Application Form and submit the entire Application Form to the Bankers to the Issue on or before the Issue Closing Date along with the application money.

Change and/ or introduction of additional holders

If you wish to apply for Equity Shares jointly with any other person or persons, not more than three, who is/are not already joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation 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 the Board of Directors of the Company shall be entitled in its absolute discretion to reject the request for allotment from the renouncee(s) without assigning any reason thereof.

Please note that:

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

b) Only the person to whom this Letter of Offer has been addressed to and not the renouncee(s) shall be entitled to renounce and to apply for Split Application Forms. Forms once split cannot be split again.

c) Split form(s) will be sent to the applicant(s) by post at the applicantís risk.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares you are entitled to, provided that you have 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 in the manner prescribed in the Letter of Offer under the section ìBasis of Allotmentî. The renouncees person applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares.

In case of application for additional Equity Shares by non-resident Equity Shareholders, the allotment of additional securities will be subject to the permission of the Reserve Bank of India.

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

	Option Available	Action Required
1.	Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares to be left blank or Nil to be mentioned (All joint holders must sign)
2	Accept your 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 (All joint holders must sign)
3	Renounce your entitlement in full to one person (joint renouncees are considered as one)	Fill in and sign Part B *(All joint holders must sign)*indicating the number of shares renounced and hand it over to the renounce(s). The renouncee must fill in and sign Part C (All joint holders must sign)
4.	Accept a part of your entitlement and renounce the balance to one or more renouncees Or Renounce your entitlement to all the equity shares offered to you to more than one renouncee	Fill in and sign Part D (all joint holders must sign) requesting for split Application Form 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. On receipt of the Split Form take action as indicated below. For the Equity Shares you wish to accept, if any, fill in and sign Part A. (All joint holders must sign) For the Equity Shares you wish to renounce, fill in and sign Part B (All joint holders must sign) indicating the number of Equity Shares renounced and hand it over to the renonuncees. Each of the renouncee(s) should fill in and sign Part C for the Equity Shares accepted by them.
5	Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the renouncees must fill in and sign Part C.

Last date of Application

The last date for submission of CAF is March 02,2006 The Board/Committee of Directors will have the right to extend the said date for such period as it may determine from time to time but not exceeding sixty days from the date the Issue opens.

If the CAF together with the amount payable is not received by the Bankers to the Issue/ Registrar on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board/ Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under the heading ìBasis of Allotmentî.

Arrangement for odd lot Equity Shares

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

Equity Shares in Dematerialised Form

Applicants to the Equity Shares of the Company issued through this Rights Issue shall be allotted the securities in authorized (electronic) form at the option of the applicant. The Company and MCS Limited, the Registrar to the Company, have signed a tripartite agreement with CDSL on 14th November, 2003 and with NSDL on 16th July 2003, which enables the investors to hold and trade in securities in a dematerialized form, instead of holding the securities in the form of physical certificates.

In this Rights Issue, the allottees who have opted for Equity Shares in Dematerialized form will receive their Equity Shares in the form of an electronic credit to their beneficiary account with a depository participant.

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 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, will be allotted in physical shares.

Procedure for availing this 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 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 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 Rights Equity Shares 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 securities 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 applicantís age and other details given in the CAF vis a vis those with the applicantís 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 same as registered with the applicantís Depository Participant.
4. If incomplete / incorrect Beneficiary Account details are given in the CAF the applicant will get Equity Shares in physical form.
5. The Rights Equity Shares allotted to investors opting for Dematerialized form, would be 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 applicantís Depository Participant will provide to him the confirmation of the credit of the Rights Equity Shares to the applicantís Depository Account.
6. Renouncees 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 allotment of shares will be made in physical form.

Utilisation of Proceeds

Subscription received against this Issue will be kept in a separate bank account(s) and the Company would not have access to such funds unless it has received minimum subscription of 90%, of the Issue and the necessary approvals of the Designated Stock Exchange, to use the amount of subscription.

General instructions for applicants

Doís & Donítís

(a) Please read the instructions printed on the enclosed CAF carefully.

(b) Application should be made on the printed CAF, provided by the Company 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 within stipulated time period 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, contact no., fatherís / husbandís name must be filled in block letters.

(c) The CAF together with cheque / demand draft should be sent to the Bankers to the Issue / Collecting Bank or to the Registrar and not to the Company or Lead Managers to the Issue. Applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorized by the Company for collecting applications, will have to make payment by Demand Draft payable at Ahmedabad (net of demand draft charges 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 is liable to be rejected.

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

(e) Applicants are advised 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 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.

(f) The payment against the application should not be effected in cash if the amount to be paid is Rs. 20,000/- or more. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded within the stipulated time period and no interest will be paid thereon. Payment against the application if made in cash, subject to conditions as mentioned above, should be made only to the Bankers to the Issue.

(g) Signatures should be either in English or Hindi or in any other language specified in the 8th Schedule of 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 the Company.

(h) 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 make investment and sign the application along with a copy of the Memorandum & Articles of Association and / or bye laws must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closure Date, then the application is liable to be rejected.

(i) 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 the Company. Further, in case of joint applicants who are renouncees, the number of applicants should not exceed three. In case of joint applicants, reference, if any, will be made in the first applicantís name and all communication will be addressed to the first applicant.

(j) Application(s) received from Non-Residents / NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares shall, interalia, 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 Equity Share certificates, et c. In case a Non-Resident 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.

(k) 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 and Transfer Agents of the Company (i.e. MCS Ltd.) in the case of equity shares held in physical form and to the respective DP, in case of equity shares held in Dematerialized form.

(l) Split forms cannot be re-split.

(m) Only the person or persons to whom Equity Shares have been offered and not renouncee(s) shall be entitled to obtain split forms.

(n) Applicants must write their CAF number at the back of the cheque / demand draft.

(o) Only one mode of payment per application should be used. The payment must be either in cash or by cheque / 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.

(p) A separate cheque / 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 (f) above)

(q) 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 acknowledgement slip at the bottom of the CAF.

(r) An applicant which is a mutual fund can make a separate application in respect of each scheme of the fund and such applications shall not be treated as multiple applications. The application made by the asset management company or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.

Payment instructions

Resident Shareholders

All cheques / drafts accompanying the CAF should be drawn in favour of the Collecting Bank (specified on the reverse of the CAF), crossed ìA/c Payee onlyî and marked **ìBhagwati Autocast Limited ñ Rights Issueî**. Applicants residing at places other than places where the bank collection centers have been opened by the Company for collecting applications, are requested to send their applications together with Demand Draft for the full application amount (Net of demand draft and postal charges) favaouring the Bankers to the Issue, crossed ìA/c Payee onlyî and marked **ìBhagwati Autocast Limited -Rights Issueî** payable at Ahmedabad directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The Company or the Registrar will not be responsible for postal delays or loss of applications in transit, if any.

Non-Resident Equity Shareholders/ Applicants

As regards the application by non-resident Equity Shareholders, the following further conditions shall apply:

Payment by Non-Residents must be made by demand draft / cheque payable at Mumbai (net of demand draft charges and postal charges) or funds remitted from abroad in any of the following ways:

1. Application with repatriation benefits.

a) By Indian Rupee drafts purchased from abroad and payable at Mumbai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or

b) By cheque / draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Mumbai; or

c) By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable at Mumbai; or

d) FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.

2. Application without repatriation benefits

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Mumbai or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

All cheques/drafts submitted by non-residents should be drawn in favour of the Bankers to the Issue and marked **ìBhagwati Autocast Limited -Rights Issue ñ NRî** payable at Mumbai and must be crossed ìA/c Payee onlyî for the amount payable. 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 the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

Applicants may note that where payment is made by drafts purchased from NRE/ FCNR/ NRO 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/ NRO account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.

Note:

- 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 Income Tax Act, 1961.
- In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- 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 the aforesaid Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case application received from Non-Residents, 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.

Disposal of application and application money

No acknowledgment will be issued for the application moneys received by the Company. 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.

In case an application is rejected in full, the whole of the application money received will be refunded within six weeks from the close of the Issue . 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 six weeks from the close of the Issue.

Fictitious Applications

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

ìAny 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.î*

Basis of Allotment

i. Subject to provisions contained in this Letter of Offer, the Articles of Association and approval of the Designated Stock Exchange, the Board will proceed to allot the Equity Shares in the following order of priority:

a) 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.

b) Allotment to the Equity Shareholders who having applied for all the Equity Shares offered to them as rights 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 under-subscribed portion after making full allotment in (a) above. The allotment of such Equity Shares will be at the sole discretion of the Board/Committee of Directors in consultation with the Designated Stock Exchange, as a part of the rights Issue and not preferential allotment.

c) Allotment to the renouncee 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 (a) and (b) above. The allotment of such additional Equity Shares will be made on a proportionate basis at the sole discretion of the Board/ Committee of Directors but in consultation with the Designated Stock Exchange, as a part of the rights Issue and not preferential allotment.

d) The Issue will become under subscribed after considering the number of Equity Shares applied as per entitlement plus additional Equity Shares. The promoters or any other person shall subscribe to such under subscribed portion as per the relevant provisions of the law. If any person presently in control of the Company desires to subscribe to such under subscribed portion and if disclosure is made pursuant to SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, such allotment of the under subscribed portion will be governed by the provisions of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

e) After taking into account the allotments made under 1(a), 1(b) and 1(c) above, if there is still any under subscription, the unsubscribed portion shall be disposed off by the Board or Committee of Directors authorized in this behalf by the Board upon such terms and conditions, through such securities (Equity Shares) and to such person/persons and in such manner as the Board / Committee of Directors may in its absolute discretion deem fit, as part of the rights issue and not preferential allotment.

Allotment to the Promoters of any unsubscribed portion, over and above their entitlement shall be done in compliance with Clause 40A of the Listing Agreement.

Allotment / Refund

The Company will issue and dispatch letters of allotment/ securities certificates 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 six weeks from the Date of Closure of the Issue. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under Section 73 of the Act.

Letters of allotment/ securities certificates/ refund orders above the value of Rs1,500 will be dispatched by Registered Post/ Speed Post to the sole/ first applicantís registered address. However, refund orders for value not exceeding Rs1,500 shall be sent to the applicants under Postal Certificate. Such cheques or pay orders will be payable at par at all the centers where the applications were originally accepted and will be marked ìA/c Payeeî 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 the dispatch of Letters of allotment/ securities certificates and refund orders.

In case the Company issues Letters of Allotment, the corresponding Security Certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Company Law Board under Section 113 of the Companies Act, 1956 or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment, which would be exchanged later for the Security Certificates.

As regards allotment/ refund to Non-Residents, the following further conditions shall apply

In case of Non-Residents, 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 nonresidents, 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. The Company will not be responsible for any loss on account of exchange fluctuations for converting the Indian Rupee amount into US Dollars. The Equity Share certificate(s) will be sent by registered post at the Indian address of the non-resident applicant.

Letters of Allotment / Equity Share certificates

Letter(s) of Allotment/ Equity Share certificates or Letters of Regret will be dispatched to the registered address of the first named applicant or respective beneficiary accounts will be credited within six weeks, from the date of closure of the subscription list. In case the Company issues Letters of Allotment, the relative Equity Share certificates will be dispatched within three months from the date of allotment. Allottees are requested to preserve such Letters of allotment (if any) to be exchanged later for Equity Share certificates.

Export of Letters of Allotment (if any)/ Equity Share certificates to non-resident allottees will be subject to the approval of RBI.

Undertaking by the Company

The Company undertakes as follows:

That the complaints received in respect of this issue shall be attended to expeditiously and satisfactorily;

That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;

That the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the issue;

That the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within the specified time; and

That no further issue of Equity Shares shall be made till the Equity shares issued through this Letter of Offer are listed or until the application monies are refunded on account of non-listing, under-subscription etc.

Utilisation of issue proceeds

The Board of Directors of the Company certify that:

All monies received out of the fresh issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

Details of all monies utilised out of fresh issue referred to above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised; and

Details of all unutilised monies out of the fresh issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised monies have been invested.

The Company shall not have recourse to the Issue proceeds until approval for trading of Equity shares from all the stock exchanges where listing is sought is received.

Pending utilisation of net proceeds of the fresh issue as specified under the section ìObjects of the Issueî, the net proceeds will be invested by the Company in high quality interest bearing liquid instruments including but not limited to deposits with banks for the necessary duration.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the industrial policy of Govt. of India or the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to

which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Govt. of India (FIPB) and the RBI. Under the present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public issue without prior RBI approval, so long as the price of Equity shares to be issued is not less than the price at which Equity shares are issued to residents.

The transfer of Equity shares of NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the Government of India or RBI while granting such approvals.

I. DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION OF THE ISSUER COMPANY

CAPITAL

3. The Authorised Share Capital of the Company is Rs. 3,00,00,000/- (Rupees three Crores only) divided into 30,00,000 (thirty lacs) Equity Shares of Rs.10/- each.

4. Part of the existing capital shall be subject to provisions herein contained with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

6. **Alteration of Capital**

The Company may by ordinary resolution in General Meeting from time to time, alter the conditions of its memorandum as follows, that is to say, it may

(a) Increase its share capital by such amount as it thinks expedient by issuing new shares of such amount as may be deemed expedient and new shares shall be issued on such terms and conditions and with such rights and privileges annexed thereto at the General Meeting resolving upon the creation thereof shall direct and if no direction be given as the Directors shall determine and in particular such shares may be issued with preferential or qualified rights as to dividend and in the distribution of assets of the Company.

(b) Consolidate and divide all or any of its shares into shares of larger amount than its existing shares.

(c) Convert all or any of its fully paid up shares into stock and reconvert that stock into fully paid up shares of any denomination.

(d) Sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum so however that in the sub-division proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of share from which the reduced share is derived.

(e) Cancel the shares, which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person and diminish the amount of the share capital by the amount of shares so cancelled. A cancellation of the shares in pursuance of this clause shall not be deemed to be reduction of share capital within the meaning of the Act.

(f) Increase the Authorised Share Capital.

7. Reduction of Capital

The Company may, from time to time, by special resolution, subject to confirmation by the Court and subject to the provisions of Section 100 to 104 of the Act, reduce its share capital in any way and in particular, without prejudice to the generality of the power:

(a) By extinguishing or reducing the liability on any of the shares in respect of the share capital not paid up.

(b) Either with or without extinguishing or reducing the liability on any of its shares canceling any paid up share capital, which is lost or un-represented by available assets.

(c) Either with or without extinguishing or reducing the liability on any of its shares paying off any paid up share capital which is in excess of the wants of the Company and capital may be paid off or upon the footing that it may be called up again or otherwise and paid up capital may be cancelled as aforesaid without reducing the nominal amount of the shares by a like amount to the extent that unpaid and unrecalled capital shall be increased by like amount. This article is not to derogate from any power the Company would have had it were omitted.

8. Modification of Rights

Wherever the capital by reasons of the issue of Preference Shares or otherwise is divided into different classes of shares, all or any of the rights and privileges, attached to each class may subject to the provisions of Section 106 and 107 of the Act, be modified, commuted effected or abrogated or dealt with by agreement between the company and any person purporting to contract on behalf of that class provided such agreement is ratified in writing by holders of at least three-fourths of the nominal value of the issued shares of the class or is confirmed by a special resolution passed at a separate meeting of the holders of the issued shares of that class and all the provisions hereinafter contained as to General Meetings shall, *mutatis mutandis* apply to every such meeting. This article is not to derogate from any power the company would have had if this Article were omitted.

SHARES AND CERTIFICATES

9. Shares to be numbered progressively and no share to be sub-divided

The Shares in the Capital shall be numbered progressively according to their several denominations and except in the manner hereinbefore mentioned no share shall be sub-divided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.

10. Restriction on allotment

The board shall observe the restriction as to allotment of shares to the public contained to Section 69 and 70 of the Act and shall cause to be made the return as to allotment provided for in Section 75 of the Act.

11. Further issue of capital

(1) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation (whichever is earlier) the Board decides to increase the capital of the Company by the issue of new shares, then subject to any directions, to the contrary which may be given by the Company in General Meeting and subject only to those directions such further shares be offered to the persons who at the date of the offer, are holders of the equity shares of the company in proportion as nearly as circumstances permit to the capital paid upon those shares at that date and such offer shall be made by a notice being not less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined. After the expiry of the time specified in the person to whom such notice is given. if he declines to accept the shares offered, the board may dispose off them in such manner as **it** thinks most beneficial to the Company

(2) Notwithstanding anything contained in clause (1) hereof the further shares then referred to may be offered to any persons (whether or not those persons include the persons referred to in clause (1) in any manner whatever either

(a) If a special resolution to that effect is passed by the Company in general meeting or

(b) Where no such special resolution is passed, if the vote cast (whether on a show of hands or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any of the Chairman) by members who being entitled so to do, vote in person or where proxies are allowed, by proxies exceed the votes, **if** any cast against the proposal by members so entitled and voting and the Central Government is satisfied on an application made by the Board in this behalf that the proposal is most beneficial to the Company.

(3) Nothing in clauses (1) and (2) of this Article shall apply to the increase of the SOD scribed capital caused by exercise of option attached to debentures issued or loans raised by the Company to convert such debentures or loans raised by the Company or to subscribe for shares in the Company in the case permitted by sub-clause (b) of subsection (3) of section 31 of the act.

12. Shares under control of Directors

Subject to the provisions of these Articles and of the Act, the shares shall be under the control of the Directors, who may allot or otherwise dispose of the same to such persons on such terms and conditions and at such times as the directors think fit and (subject to the provisions of Section 78 and 79 of the Act) either at a premium or at par or at discount. PROVIDED that option or right to call of shares shall not be given to any person except with the sanction of the Company in General Meeting.î

13. Power also to Company in General Meeting to issue shares

In addition to and without derogating from the powers for that purpose conferred on the Board under Articles 11 and 12, the Company in General Meeting may determine that arty increased capital of the Company shall be offered to such persons (whether members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Section 78 and 79 of the Act) at a premium or at par or at a discount. such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provisions whatsoever for the issue, allotment, removal of difficulty in apportionment of shares or disposal of any shares.

14. Acceptance of shares

Any application signed by or on behalf of any applicant for shares in the Company, followed by an allotment of any share herein shall be acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the Register shall for the purpose of these Articles be a member.

15. Deposit and Calls etc. to be a debt payable immediately

(1) The money (if any) which the Board shall on the allotment of any shares being made by them require or directly to be paid by way of deposit, call or otherwise in respect of any shares allotted by them, shall immediately on the inscription of the name of the allottee in Register of Members as the name of the holder of such shares become a debt due to and recoverable by the Company from the allottee thereof and shall be paid by him accordingly.

Liability of members

(2) Every member or his heirs, executors or administrators shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being remain unpaid thereon, in such amounts, at such time or times and in such manner, as the Board shall, from time to time in accordance with the Companyís regulations require or fix for the payment thereof.

16. Trust not recognized

Except as required by law or ordered by a Court of competent jurisdiction no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) and benami, equitable, contingent, future or partial interest n any fractional part of a share (except only by these presents or by law) otherwise provided or any other rights in respect of any share, except in an absolute right to the entirety there of the registered holder

17. Funds of the Company not be applied in the purchase of its own shares

None of the funds of the Company shall be applied in the purchase of any shares of the Company and it shall not give any financial assistance for or in its holding Company save as provided by Section 77 of the Act.

17A. Buy-Back of Shares

Notwithstanding anything contained in these Articles, in the event it is permitted by law for a Company to purchase its own shares or securities, the Board of Directors may, when and if thought fit, buy back such of the Companyís own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and subject to such approvals, as may be permitted under the law.

18. Certificates

The certificate of title to shares and duplicate thereof when necessary shall be issued under the seal of the Company.

19. Membersí right to certificates

Every member shall be entitled to one certificate for all the shares registered in his name or if the Directors so approve to several certificates each for one or more of such shares, but in respect of each additional certificate there shall be paid to the Company a fee of Rs 2/- or such less sum as the Directors may determine. Every certificate of shares shall specify the number and denoting numbers of the shares in respect of which it is issued and the amount paid up thereon. The Directors may in any case or generally waive the charging of such fees.

ëPROVIDED however, all the members of the Company shall be entitled to a certificate for shares in denomination corresponding to market unit of trading on the Stock Exchange without any charge.î

20. As to issue of new certificate in place one defaced, lost or destroyed

If any certificate be old, decrepit, worn out, defaced, torn or be otherwise mutilated or tendered useless from any cause whatsoever, or if there be no space on the back thereof for endorsement of transfers, then upon surrender thereof to the Company the Directors may cause the same to be cancelled and may issue a new certificate in lieu thereof, without charging any fee in respect thereof.

22. Commission for placing shares and brokerage

Subject to the provisions of Section 76 of the Act, the Company may at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditional) for any shares or debentures in the Company or agreeing to procure subscriptions (whether absolute or conditional for any shares or debentures in the Company, but so that the commission shall not exceed in the case of shares five per cent of the price at which the shares are issued, and in the case of debentures two and a half per cent of the price at which the debentures are issued. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid shares or debentures or partly in one way and partly in the other. The Company may also pay on any issue of shares or debentures such brokerage as may be lawful and reasonable.

CALLS

23. The Directors may, from time to time, subject to the terms on which any shares may have been issued, make such calls as they think fit upon the members in respect of all moneys unpaid on the shares held by them respectively and not by the conditions of fixed times and each member shall pay the amount of every call so made on him to the person and at the time and place appointed by the Directors. A call may be made payable by installments

24. When call deemed to have been made and notice to call

A call shall be deemed to have been made at the time when the resolution of the directors authorising such call was passed. Not less than fourteen daysí notice of any call shall be given specifying the time and place of payment to whom such call shall be paid.

25. Extension of time for payment of calls

The Board may, from time to time at its discretion extend the time fixed for the payment of any call and may extend such time as to call to any of the members whose residence is at distance or for other cause, the Board may deem fairly entitled to such extension, but no member shall be entitled to such extension save as a matter of grace and favour

26. Calls to carry interest

If any member fails to pay any call, due from him on the day appointed for payment thereof. or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member and the Board shall be at liberty to waive payment of such interest wholly or in part.

27. Amount payable at fixed time or by instalments payable as calls

If by the terms of issue of any shares or otherwise any amount is made payable on allotment or at any fixed date or instalments or fixed times, whether on account of the share or by way of premium, every such amount or instalment shall be payable as if it were a call duly made by the Directors and on which due notice had been given and all provisions herein contained in respect of calls shall relate to such amount or instalments accordingly.

28. Evidence in actions by Company against shareholders

On the trial or hearing of any action or suit brought by the Company against any shareholder or his representatives to recover any debt or money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the defendant is over when the claim arose on the Register of Shareholders of the Company as a holder or one of the holders of the number of shares in respect of which such claim is made and that the amount claimed is not entered as paid in the books of the Company and it shall not be necessary to prove the appointment of the directors who made any call, nor that a quorum of directors was present at the Board at which any other matter whatsoever but the proof of matters aforesaid shall be conclusive evidence of the debt.

29. Payment of calls in advance

The Directors may, if they think fit, receive from any member willing to advance the same all or any part of the moneys due upon the shares held by him beyond the sums actually called for and upon the money so paid in advance or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made the Company may pay interest at such rate as the members paying such sum in advance and the Directors agree upon. Moneys as paid n excess of the amount of calls shall not rank for dividends or participation in profits The directors may at any time repay the amount so advanced upon giving to such member three-months notice in writing

JOINT HOLDERS

30. Joint Holders

Where two or more persons are registered as holders of any shares, they shall be deemed to hold the same as joint tenants with benefits of survivorship subject to the following and other provisions contained in these Articles:

(a) Shares may be registered in the name of any person, company or other body corporate but not more than four persons shall be registered jointly as member in respect of any shares.

To which of joint holder certificate to be issued

(b) The certificate of shares registered in the names of two or more persons shall delivered to the person first mentioned on the Register

Several liabilities of joint holders

(c) The joint holders of a share shall be jointly and severally liable to pay calls respect thereof.

The first named joint holder deemed shareholder

(d) If any share stands in the names of two or more persons, the person first named in the register shall as regards receipt of share certificates, dividends or bonus or service of notices and all or any other matter connected with the Company, except voting it meetings and the transfer of the shares, be deemed the sole holder thereof but the joint holder of a share shall be severally as well as jointly liable for the payment of all instalments and calls due in respect of such share and for all incidentals thereof according to the Companyís regulations.

Death of one or more joint holders of share

(e) In the case of the death of anyone or more of the persons named in the register of members as the joint holders of any share the survivors shall be the only persons recognised by the Company as having any title to or interest in such share but nothing herein contained shall be taken to release the estate of a deceased joint-holderî shares by him jointly with any other person

Votes of joint members

(f) If there be joint registered holders of any shares, anyone of such persons may vote at any meeting either personally or by proxy in respect of such shares as if he were solely entitled thereto provided that if more than one of such joint holders be present at any meeting either personally or by proxy, then one of the said persons so present whose name stands higher on the register of members shall alone be entitled to vote in respect of such shares, but the other or others of the joint holders shall be entitled to be present at the meeting. Several executors or administrators of a deceased member in whose name shares stand shall for the purpose of these articles be deemed joint holders thereof.

On joint holders

(g) A document or notice may be served or given by the Company on or to the joint holders of a share by serving or giving the document or notice on to the joint holder named first in the register of members in respect of the share.

FORFEITURE AND LIEN

31. If call or instalment not paid notice may be given

If any member fails to pay call or instalment on or before the day appointed for the payment of the same, the directors may at any time thereafter during such time as the call or instalment remains unpaid, serve a notice on such member requiring him to pay the same, together with an interest that may have accrued and all expenses that may have been incurred by the company by reason of such non-payment.

32. Form of Notice

The notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places on and at which such call or instalment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of nonpayment of on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is payable will be liable to be forfeited

33. If notice not complied with, shares may be forfeited

If the requisition of any such notice as aforesaid be not complied with any shares in respect of which such notice has been given may at any time thereafter before payment of all calls or instalments, interest and expenses due in respect thereof be forfeited by a resolution of the directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

34. Notice after forfeiture

When any share shall have been so forfeited notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture with the date thereof, shall forthwith made in the Register but no forfeiture shall be in any manner invalidated by any omission or neglect of such notice or to make such entry as forfeited.

35. Forfeited share to become property of the Company

Any shares so forfeited shall be deemed to be property of the Company and the directors may sell, re-allot or otherwise dispose of the same in such manner as they think fit.

36. Power to annul forfeiture

The Directors may, at any time before any share or forfeited share have been sold, reallotted or otherwise disposed off annul the forfeiture thereof on such conditions as they think fit.

37. Arrears to be paid notwithstanding forfeiture

Any member whose shares have been forfeited shall notwithstanding be liable to pay and shall forthwith pay to the company all calls, instalments, interest and expenses, owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of forfeiture until payment thereof, without any deduction or allowance for the value of the shares at the time of forfeiture but shall not be under any obligation to do so

38. Effect of forfeiture

The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.

39. Evidence of forfeiture

A duly verified declaration in writing by the declarant may be a director or secretary of the Company that certain shares in the Company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and such declaration and the receipt of the Company for the consideration, if any, given for the shares on the sale or disposal thereof shall constitute a good title to such shares and the person to whom the shares are sold shall be registered as the holder of such shares and shall not be bound to see the application of the purchase money nor shall his title to such shares be affected by any irregularity or invalidity in the proceeding in reference to such forfeiture, sale or disposal.

40. Company lien on Shares

The Company shall have first and paramount lien upon all the shares (not being fully paid up) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for moneys called or payable at a fixed time in respect of such shares solely or jointly with any other person to the Company whether the period for the payment thereof shall have actually arrived or not and no equitable interest in any share shall be created except upon the footing and condition that Article 16 hereof is to have full effect and such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Companyís lien, if any, on such shares.

41. As to enforcing lien by sale

For the purpose of enforcing such lien the directors may sell the shares subject thereto in such manner as they think fit, but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to seal shall have been served on such member, his executors or administrators or his committee curators bonis or other legal curator and default shall have been made by him or them in the payment of moneys called in respect of such shares for seven days after such notice.

42. Application of proceeds of sale

The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and residue if any shall (subject to a like lien for sums not presently payable, as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

43. Validity of sales upon forfeiture

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the directors may appoint some person to execute an instrument of transfer of the shares sold and cause the purchasers name to be entered in the register in respect of the shares sold and the purchaser shall not be bound to see to the regularity of the proceedings nor to the application of purchase money and after his name has been entered in the register in respect of such share the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

44. Cancellation of old certificates and issue of new certificates

Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative share shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member), stand cancelled and become null and void and of no effect and the directors shall be entitled to issue a new certificate or certificates in respect of the said shares to the person or persons entitled thereto distinguishing it or them in such manner as they may think fit from the old certificate or certificates.

TRANSFER AND TRANSMISSION OF SHARES

45. Transfer

(a) The instrument of transfer of any shares in the Company shall be executed both by the transferor and the transferee shall be deemed to remain holder of the shares until the name of the transferee is entered in the register of members in respect thereof

Mode of Transfer

(b) The Company shall not register a transfer of shares or debentures of the Company, unless proper instrument of transfer duly stamped and executed by or on behalf of the transferor and transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the Company along with the certificate relating to the shares or debentures or if no such certificate is in existence along with the letter of allotment of shares or debentures, provided that where on an application made in writing to the Company by the transferee and bearing the stamp required for instrument of transfer, it is proved to the satisfaction of the Board or transfer signed by or on behalf of the transferor and transferee has been lost, the Company may register the transfer on such terms as to indemnity or otherwise as the Board may think fit. All the transfer of shares shall be in the form prescribed and/or approved by the Stock Exchange with which the Companyís shares are enlisted, i.e. a common form of transfer shall be used.

(c) An application for the registration of the transfer of any share or shares may be made either by the transferor or by the transferee. Provided that where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee in accordance with section 110 of the Act.

(d) For the purpose of sub-clause (e) notice to the transferee shall be deemed to have been duly given if dispatched by prepaid registered post to transferee at the address given in the instrument of transfer and shall be deemed to have been delivered in the ordinary course of post.

(e) Nothing in sub-clause (d) shall prejudice any power of the Board of Directors to register as a shareholder any person to whom the right to any share has been transmitted by operation of law.

(f) Nothing in this Article shall prejudice the power of the Board of Directors to register the transfer of any share, to a transferee, whether a member or not.

46. Transfer books when closed

The Board shall have power on giving not less than seven days previous notice by advertisement in a newspaper circulating in the district in which the registered office of the company is situated to close the transfer books, the register of members or register of debenture holders at such time or times and for such period or periods, not exceeding thirty days at a time and exceeding not in the aggregate forty five days in each year, as it may seem expedient.

47. Directors may refuse to register transfers

Subject to the provisions of Section 111 of the Act the Directors without assigning any reason, may within one month from the date on which the instrument of transfer was delivered to the Company, refuse to register any transfer of a share upon which the Company has lien and in the case of shares not fully paid up may refuse to register a transfer to transferor to whom they do not approve provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any person or persons indebted to the Company on any account whatsoever unless the Company has a lien on the share. In case of refusal to transfer shares, the Company shall within one months from the date on which the instrument of transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal to register such transfer

47A The Directors shall not accept the application for transfer of less than 50 (fifty) Equity Shares of the Company provided however, this condition shall not apply to ó

i) The transfer of Equity Shares made in pursuance of any statutory provision or an order of the Court of Law.

ii) The transfer of entire equity shares by a shareholder holding less than 50 Equity Shares by a single transfer to a single or joint name/names.

iii) The transfer of Equity Shares of shareholder holding less than 50 Equity Shares to one or more transferees whose holding in the Company will not be less than 50 Equity Shares each after the said transfer.

48. Title to shares of deceased members

The executors or administrators or holders of a succession certificate or the legal representatives of a deceased (not being one of two or more joint holders) shall be the only persons recognised by the Company as having any title to the shares registered in the name of such member and Company shall not be bound to recognise such executors or administrators unless they shall have first obtained Probate or Letter of Administration or Succession Certificate or other legal representation as the case may be, from a duly constituted court in the Union of India, provided that in any case where the Board in its absolute discretion thinks fit, the Board may dispense with production of Probate or Letters of Administration or Succession Certificate upon such terms as to indemnity or otherwise as the Board, in its absolute discretion may think necessary and under the next Article, register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member.

49. Registration of persons entitled to shares otherwise than by transfer

Subject to the provisions of the preceding two Articles, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by transfer in accordance with these Articles may. with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he purports to act under these Articles or of his title as the Board think sufficient either be registered himself as the holder of the shares or elect to have some person nominated by him and approved by the Board registered as such holder, provided nevertheless that if such person shall elect to have his nominee registered, he shall testify the election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be free from any liability in respect of the shares.

BORROWING POWERS

54. Power to borrow

Subject to the provisions of Section 292 and 293 of the Act and these Articles and also subject to the provisions of Section 58-A of the Companies Act, 1956 and the rules framed thereunder and the Directions issued by the Reserve Bank as may be applicable, the Board may from time to time at its discretion by a resolution passed at a meeting of the Board accept deposits from members, either in advance of calls or otherwise and generally raise or borrow or procure the payment of any sum or sums of money for the Company

55. The payment or repayment of moneys borrowed

The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board may think fit and in particular by a resolution passed at a meeting of the Board (and not by circular resolution) by the issue of debentures or debenture stock of the Company charged upon all or any part of the property of the Company (both present and future including its uncalled capital) for the time being and debentures, debenture stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

56. Terms of issue debenture

Any debenture, debenture-stock or other securities may be issued at a discount, premium or otherwise and subject to the provisions of the Act may be issued on condition that they shall be convertible into shares of any denomination and with any privileges or conditions as a redemption surrender, drawing, allotment of shares and attending (but not voting at General Meeting, appointment of directors and otherwise debentures with its right to conversion into or allotment of shares shall be issued only with the consent of the Company in General Meeting.

57. Assignment of uncalled capital

If any uncalled capital of the Company is included in or charged by any mortgage or other securities, the directors may subject to the provisions of the Act and these presents make calls on the members in respect of such uncalled capital in trust, for the person in whose favour such mortgage of security is expected.

58. To comply with provisions of the Act as registration of mortgage etc.

The Company shall comply with all the provisions of the Act in respect of the mortgages or charges created by the Company and the registration thereof and the transfer of the Company and the register required to be kept in respect of such mortgages, charges and debentures.

RESERVES AND DEPRECIATION FUNDS

59. Reserve Fund

The Directors may from time to time before recommending any dividend set apart any and such portion of the profits of the Company as they think fit as a Reserve Fund to meet contingencies or for the liquidation of any debentures, debts, or contingencies or for the equalisation of any debentures, debts or other liabilities of the Company for equalisation of dividends or for improving and maintaining any of the property of Company and for such other purposes of the Company as the Directors in their absolute discretion think conducive to the interest of the Company and may invest the several sums so set aside upon such investments (other than shares of the Company) as they may think fit and from time to time deal with and vary such investments and dispose of all or any part thereof for the benefit of the Company and may divide the Reserve Fund as they think fit, with full power to transfer the whole or any portion of a Reserve Fund to another Reserve Fund or a division of a Reserve Fund and also with full power to employ the Reserve Funds or any part thereof in the business of the Company and that without being bound to pay interest on the same with power, however to the Board in their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper

60. Depreciation Fund

The directors may, from time to time before recommending any dividend, set apart any and such portion of the profits of the Company, as they think fit, as a depreciation fund applicable at the discretion of the directors, for providing against any depreciation in the investments of the Company or for rebuilding, restoring, replacing or for altering any part of the buildings, work, plant, machinery or other property of the company, destroyed or damaged by fire, flood, storm, tempest, earthquake, accident, riot, wear and tear or any other means whatsoever and for repairing, altering and keeping in good condition the property of the Company or for extending and enlarging the building, machinery and property of the Company with full power to employ the assets constituting such depreciation fund in the business of the Company and that without being bound to keep the same separate from the other assets.

61. Investment of Moneys

All moneys carried to any reserve fund and depreciation fund respectively shall nevertheless remain and the profits of the Company applicable subject to due provisions being made for actual loss or depreciation, for the payment of dividend and such moneys and all the other moneys of the Company may be invested by the

Directors in or upon such investments or securities as they may select or may be used as working capital or may be kept at any Bank on deposit or otherwise as the directors may from time to time think proper.

GENERAL MEETING

62. When general meeting to be held

1) In addition to any other meetings, general meeting of the company shall be held at such interval pursuant to the provisions of Section 166(2) of the Act at such times and places as may be determined by the Board.

2) Each such general meeting shall be called Annual General Meeting. Every Annual General Meeting shall be called for a time during business hours on a day that is not a public holiday and shall be held either at the Registered Office of the Company or at some other place within the city, town or village in which the Registered Office of the Company is situated.

63. Distinction between Ordinary and Extraordinary Meeting

All other meetings of the Company other than those referred to in the preceding clause shall be called Extra-ordinary General Meetings.

64. When Extra-ordinary Meeting to be called

The Directors may, whenever think fit and they shall on the requisition of the holders of not less than one tenth of the paid up capital of the Company as at that date earns right of voting. In regard to the matter in respect of which the requisition is made forthwith proceed to convene an Extraordinary General Meeting of the Company and in the case of such requisition the provisions of Section 169 of the Act shall apply

65. Notice of meeting

Twenty one daysí notice at least for every General Meeting ó Annual or Extra-ordinary and by whomsoever called, specifying the day, place and hour of meeting and the general nature of the business to be transacted thereat shall be given in the manner hereinafter provided to such persons as are under these Articles or the Act entitled to receive notice from the Company provided that in the case of an annual general meeting with consent in writing of all ìie members entitled to vote thereat and in the case of any other meeting with consent of the members holding not less than 95 percent (95%) of such part of the paid up-capital of the Company as gives a right to vote at the meeting, a meeting may be convened by a shorter notice in the case of an Annual General Meeting. If any business other than (i) the consideration of the accounts, balance sheets and reports of the Board and Auditors, (ii) the declaration of dividend (iii) the appointment of directors in place of those retiring (iv) the appointment of and fixing of the remuneration of the Auditors is to be transacted in the case of any other meeting in any event, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each such items of business including in particular the nature and extent of the interest, if any, therein of every director and the Manager if any where any such item of business relates to or affects any other Company the extent of share holding interest in that other Company of every Director and Manager, if any, of the Company shall also be set out in the statement if the extent of such shareholding and interest is not less than twenty per cent of the paid up share capital of that other Company Where any item of business consists of the attend of approval to any documents by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

66. As to omission to give notice

The accidental omission to give any such notice to or the non-receipt of notice by any of the members or persons entitled to receive the same shall not invalidate the proceedings at any such meeting.

67. Quorum at General Meeting

Five members present in person shall be a quorum for a General Meeting. A Corporation being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India or the Governor of a State shall be deemed to be personally present if he is represented in accordance with Section 187-A of the Act.

68. If quorum not present meeting to stand dissolved or adjourned

If, at the expiration of half an hour from the time appointed for holding a meeting of the Company, a quorum shall not be present the meeting, if convened by or upon the requisition of members shall stand dissolved but in any other case the meeting shall stand adjourned to the same day in the next succeeding week which is not a public holiday at the same time and place or to such other day and at such other time and place as the Board may determine and if at such adjourned meeting also, a quorum is not present at the expiration of half an hour from the time appointed for holding meeting the members present shall be quorum and may transact the business for which the meeting was called.

69. Chairman of General Meeting

The Chairman (if any) or the directors shall be entitled to take the Chair at every General Meeting whether annual or extraordinary. If there be no such Chairman or the Directors or if at any meeting he shall not be present within ten minutes of the time appointed for holding such meeting or shall decline to take the Chair then any other Director present thereat shall be entitled to take the Chair and the members present shall elect another Director as Chairman and if no director be present or if all the directors present decline to take the Chair then the members present shall elect one of their members to be the Chairman.

70. Election of Chairman

The election of the Chairman, if necessary, shall be carried out in accordance with Section 175 of the Act.

71. Business confined to election of Chairman whilst Chair is vacant

No business shall be discussed at any General Meeting except election of a Chairman, whilst the Chair is vacant.

72. Chairman with consent may adjourn meeting

The Chairman with the consent of the meeting may and shall if so directed by the meeting adjourn any meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. Subject to the provisions of the Act, it shall not be necessary to give any notice of an adjournment or of the date, the time or the place of the adjourned meeting or of the business to be transacted thereat.

73. Questions at General Meeting how to be decided

At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands ordered by the Chairman or demanded by at least five members having the right to vote on the resolution and present in person or by proxy or by any member or members present in person or by proxy and holding shares in the Company conferring a right to vote on the resolution being shares on which an aggregate sum has been paid up which is not less than one-tenth of the total sum paid up on all the shares conferring that right and unless a poll is so demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or lost, and an entry to that effect in the minutes book of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution.

74. Chairmanís casting vote

In the case of an equality of votes the Chairman shall both on a show of hands and at a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a member.

75. Poll to be taken if demanded

If poll is demanded as aforesaid the same shall subject to Article 78 be taken at such time (not later than forty-eight hours from the time when the demand was made) and place and either by open voting or by ballot as the Chairman shall direct and either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn at any time by the person or the persons who made the demand.

76. Scrutinisers at the poll

Where a poll is to be taken the Chairman of the meeting shall appoint two scrutintsers to scrutinise the votes given on the poll and to report thereon to him. One of the scrutiniser so appointed shall always be a member (not being an officer or employee of the Company present at the meeting provided such a member is available and willing to be appointed The Chairman sha1l have power at any time before the result of the poll is declared to remove a scrutiniser from the office and fill vacancies in the office of scrutiniser arising from such removal or from any other cause.

77. Members in arrears not to vote

No member shall be entitled to vote either personally or by proxy for another member at any General Meeting or meeting of a class of shareholders either upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has any right of lien and has exercised the same.

78. Voting rights of members

a) On a show of hands, every holder of equity shares entitled to vote and present in person or by proxy shall have one vote and on a poll the voting right of every holder of equity share whether present in person or by proxy, shall be in proportion to his share of the paid up equity capital of the Company.

b) The voting rights of the holders of redeemable cumulative preference shares shall be in accordance with Section 87 of the Companies Act, 1956

79. Casting of vote by a member entitled to more than one vote

On a poll taken at a meeting of the Company, a member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes or cast in the same way all the votes he uses.

80. How members non compos mentis and minor may vote

A member of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by his committee or other legal guardian and any such committee or guardian may on a poll, vote by proxy, if any member be a minor the vote in respect of his share shall be by his guardian or anyone of his guardians, if more than one.

81. Voting in person or by proxy

1) Subject to the provisions of these Articles vote may be given either personally or by proxy. Corporation being a member may vote by representative duly authorised in accordance with Section 187 of the Act, and such representative shall be entitled to speak. demand a poll, vote, appoint a proxy and in all other respects exercise the rights of a member and shall be recognised as a member for all purposes.

Appointment of proxy

2) Every proxy (whether a member or not) shall be appointed in writing under the hand of the appointer or his attorney or if such appointer is a corporation under the common seal of such corporation, or the hand of its officer or an attorney, duly authorised by it and any committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the meetings.

3 Deposit of instrument of appointment

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority shall be deposited at the office not less than forty-eight hours before the time of holding the meeting at which the person named in the instrument proposes to vote and in default the instruments of proxy shall not be treated as valid. No instrument of proxy shall be valid after the expiration of twelve months from the date of its execution

4. Form of proxy

Every instrument of proxy whether for a specified meeting or otherwise shall, as nearly as circumstances will admit, be in either of the forms set out tn Schedule IX of the Act.

5. Validity of vote given by proxy notwithstanding death of member

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or of any power of attorney under which such proxy was signed, or the transfer of the share in respect of which the vote is given provided that no intimation in writing of the death, revocation or transfer shall have been received at the office before the meeting.

82. Time for objections, votes

1) No objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered, and every vote, whether given personally or by proxy, not disallowed at such meeting or poll shall be deemed valid for all purpose of such meeting or poll whatsoever.

2) The Chairman of any meeting be the sole judge of the validity of every vote tendered at the meeting. The Chairman present at the taking of poll shall be the sole judge of the every vote tendered at such poll.

83. Subject to the provisions of Section 193 of the Act the Company shall cause to keep minutes of all proceedings of general meetings which shall contain a fair and correct summary of the proceeding thereat and a book containing such minutes shall be kept at the Registered Office of the Company and shall be open during business hours for such periods not being less in the aggregate than two hours in each day as the directors may determine for the inspection of any member without charge. The minutes aforesaid shall be kept by making within thirty days of the conclusion of every such meetings concerned entries thereof in the said book which shall have its pages consecutively numbered. Each page of the book shall be initialled or signed and the last page of the record of the proceeding of each meeting in the book shall be dated and signed by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of the Chairman to sign as aforesaid within that period by a director duly authorised by the Board for that purpose. In no case shall the minutes be attached to any such book by pasting or otherwise.

DIRECTORS

84. Number of Directors

Until otherwise determined by a General Meeting and subject to Section 252 and 259 of the Act the number of Directors shall not be less than three or more than twelve.

85. First Directors

The following shall be the first Directors:

1. Dr. Pravin Natwarlal Bhagwati
2. Mrs. Mandakini Pravin Bhagwati
3. Mr. Mahendra Natwarlal Shah

86. Appointment of Alternate Director

The Board of Directors of the Company may appoint an alternate director to act for a director, hereinafter in this Article called ëThe original Directorí during the absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. An alternate director appointed under this Article shall not hold office as such for a period longer than the permissible to the original director in whose place he has been appointed and shall vacate office if and when the original director returns to the State of Gujarat.

87. Directors may fill up vacancies

The Directors shall have power at any time and from time to time to appoint any qualified person to be a director to fill a casual vacancy. Such casual vacancy shall be filled by the Board of Directors at a meeting of the Board.

Any person so appointed shall hold office only upto the date to which the Director in whose place he is appointed would have held office, If it had not been vacated as aforesaid he shall then be eligible for re-election.

88. Additional Directors

The directors shall also have power at any time or from time to time to appoint any other qualified person to be a director as an addition to the Board, but so that the total number of directors shall not at any time exceed maximum fixed above. Any person so appointed as an addition to the Board shall retain his office only upto the date of the next Annual General Meeting but shall be eligible for re-election at such meeting.

89. Power to the financial institutions to nominate Directors on the Board

The Company may agree with any financial institution, company or any other authority, person company, body corporate, state or institution that in consideration of any loan or financial assistance of any kind whatsoever which may be rendered by it and/or shares subscribed. It shall have power to nominate such number of directors on the Board of Directors of the Company as may be agreed and from time to time remove and re-appoint them and to fill in vacancy caused by such directors otherwise ceasing to hold office. Such nominated directors shall not be required to hold any qualification shares and shall not be liable retire by rotation. The director appointed under this Article is hereinafter referred to as nominee Directorî these presents.

91. Qualification of Directors

No share qualification will be necessary for being appointed as or holding the office of a Director of Company.

92. Remuneration of Directors

Subject to the provisions of Section 198, 309, 310 and 311 of Act the remuneration payable to the Directors of the Company may be as hereinafter provided. The remuneration of each director for attending the meeting of the Board of Committee thereof shall be such sum not exceeding Rs.1,000/- (Rupees One Thousand only) as may from time to time be fixed by the Board for each such meeting of the Board or Committee thereof attended by him. Subject toí the provisions of the Act, the director shall be paid such further remuneration (if any) as the Company in General Meeting shall from time to time determine and such additional remuneration shall be divided among the directors in such proportion and manner as the Board may from time to time determine and in default of such determination, shall be divided among the directors equally.

93. Directors not a resident of the place of the Registered Office of the Company to be **paid traveling expenses**

The directors may subject to limitation, provided by the Act allow and pay to any Director who is not a resident of the place where the Registered Office for the time being of the Company is situated or where the meeting of the Board is held and who shall come to such place for the purpose of attending a meeting of the Board or a committee thereof such sum as the directors may consider fair compensation for travelling expenses, in addition to his fees for attending such meeting above specified.

94. Special remuneration of director performing extra service

Subject to the provisions of the Act and these Articles, if any directors be called upon perform extra services or special exertions of efforts (which expression shall include war done by a director as a member of any committee formed by the directors) the Board may arrange with such director for such special remuneration for such extra services or special exertion as efforts by a fixed sum or otherwise as may be determined by Board and such remuneration may be either in substitution for the remuneration above provided.

95. Directors may act notwithstanding any vacancy

The continuing directors may act notwithstanding and vacancy in their body but so that if the number falls below the minimum number fixed, the directors shall not, except in emergencies or for the purpose of filling up vacancies or for summoning a general meeting of the Company act as long as the number is below the minimum.

96. Office of directors to be vacated

The office of a Director shall ipso-facto be vacated on the happening of any of the even provided for in Section 283 of the Act.

97. Conditions under which directors may contract with Company

Subject to the provisions of the Act, directors shall not be disqualified from contracting with the Company either as vendor, purchaser or otherwise for goods, materials or services or for underwriting the subscription of any shares in or debentures of the Company nor shall any such contract or arrangement entered into by or on behalf of the Company with a relative of such director or a firm in which such directorís relative is a partner with any other partner in such firm or with a private company of which director is a member or director be avoided nor shall director so contracting or being such member or so interested be liable to account to the Company for any profit realised by any such contract or arrangement be ceased of such director holding office or of the fiduciary relation thereby established

98. Disclosure of interest

Every director who is in any way whether directly concerned or interested in a contract or arrangement entered into or to be entered into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board as required by Section 299 of the Act. A General Notice, renewable in last month of each financial year of the company as provided for in Section 299 (2) (b) of the Act that director is a director or a ember of any specified body corporate or is a member of any specified firm and is to be regarded as concerned or interested in any subsequent contract or arrangement with that body corporate or firm shall be sufficient disclosure of the concern or interest in relation to any contract or arrangement so made and after such general notice it shall not be necessary to give special notice relating to any particular contract or arrangement with such body corporate or the firm provided that such general notice is given at a meeting of the Board of rectors or the director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given provided that this Article will not apply to any contract or arrangement entered into or to be entered into between the Cam-any and any other company where any of the directors of the Company or two or more of them together holds or hold not more than two per cent of the paid up share capital in the other company.

99. Retention of benefit from associated company

A director of a Company may be or become director of any company promoted by the company or in which he may be interested as vendor, member or otherwise and no such director may be accountable for any benefit received as director or member of such company.

100. Interested director not to participate or vote in the proceeding of the Board

Subject to the provisions of Section 300 of the Act no director shall as a director take part in the discussion of or vote at any contract or arrangement in which he is in any way whether directly or indirectly concerned or interested nor shall his presence count for the purpose of forming a quorum at the time of such discussion or vote. This prohibition shall not apply to the exceptions provided for in Section 300 of the Act.

101. Rights of Directors

Except as otherwise provided by these articles all the directors of the Company shall have in matters, equal rights and privileges and be subject to equal obligations and duties in of the affairs of the Company

107. Company may increase or reduce the number of Directors

Subject to the provisions of Section 252, 258 and 259 of the Act the Company may by ordinary resolution from time to time increase or reduce the number of directors and may alter their qualifications and the Company may (subject to the provisions of Section 248 of the Act) remove any director before the expiration of his period of office and appoint another qualified person in his place. The person so appointed shall hold office during such time as the director in whose place he is appointed would have held the same if he had not been so removed.

108. Notice of candidature for office of director except in certain cases

(a) No person, not being a retiring director, shall be eligible for election to the office of director at any General Meeting unless he or some other members intending to propose him has at least fourteen clear days before the meeting, left at the office a notice in writing under his hand signifying his candidature for the office of directors or the intention of such member to propose him as a candidate for that office.

(b) On the receipt of the notice referred to in clause (a) of this Article, the Company shall inform its members of the candidature of a person for the office of director or the intention of a member to propose such person as a candidate for that office by serving individual notice on the members not less than seven days before the meeting provided that it shall not be necessary for the company to serve individual notice upon the member if the Company advertises such candidature or intention, not less than seven days before the meeting in at least two newspapers circulating in the district in which the Registered Office of the Company is situated of which one is published in the English language and the other in the regional language.

109. Disclosure by Director of appointment to any other body corporate

a) Every director {including a person deemed to be a director by virtue of the explanation to sub-section (1) of Section 303 of the Act} Managing Director, Manager or Secretary of the Company shall, within twenty days of his appointment to or as the case may be relinquishment of any of the above office in any other body corporate disclose to the Company the particulars relating to his office in the other body corporate which are required to be specified under sub-section (i) of Section 303 of the Act.

b) Every director and every person deemed to be a director of the Company by virtue of sub-section (10) of Section 307 of the Act, and every Manager shall give notice to the Company, of such matters relating to himself as may be necessary for the purpose of enabling the Company to comply with the provisions of that Section.

PROCEEDINGS OF DIRECTORS

110. Meeting of Directors

1) Subject to the provisions of Section 285 of the Act, the Board of Directors may meet once in every three months and at least four times in a year for the despatch of business, adjourn and otherwise regulate its meeting as it thinks fit.

Quorum

2) Subject to Section 287 of the Act, the quorum for a meeting of the Board shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one), or three directors, whichever is higher provided that where at any time the number of interested directors exceeds or is equal to two-thirds of the total

strength the number of the remaining directors, that is to say, the number of directors, who are not interested, shall be quorum during such time, provided such number is not less than three

111. Adjournment of meeting for want of quorum

If a meeting of the Board could not be held for want of quorum, then the meeting shall stand adjourned to such other time, date and place as may be fixed by the directors present not being later than fifteen days from the date originally fixed for the meeting.

112. When meeting to be convened

The Chairman, if any, or the Managing Director of his own motion or the Secretary of the Company shall upon the request in writing of two directors of the Company or if directed by the Managing Director or Chairman, if any, convene a meeting of the Board by giving a notice in writing to every director for the time being in India and at his usual address in India to every other director,

113. Chairman

The directors may from time to time elect from among their number, a Chairman of the Board and determine the period for which he is to hold office. If at any meeting of the Board the Chairman is not present within five minutes after the time appointed for holding the same, the directors present may choose one of their member to be Chairman of the meeting.

114. Questions at Board meetings how decided

Questions arising at any meeting of the Board shall be decided by a majority of votes and in case of equality of votes, the Chairman shall have a second or casting vote.

115. Powers of Board meeting

A meeting of the Board for time being at which quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act or the Articles of the Company are for time being vested in or exercisable by the Board generally

116. Directors may appoint committees and delegate its powers

Subject to restrictions contained in Section 292 of the Act, the Board may delegate any of their powers to a Committee of Directors consisting of such directors or one or more directors and a member or members of the Company as it thinks fit or to the Managing Directors the Manager or any other Principal Officer of the Company or a Branch Officer or to one or more of them together and it may from time to time revoke and discharge any such committee of the Board either wholly or in part and either as to persons or purposes, but every committee of the Board so formed shall in the exercise of the powers so delegated confirm to any resolution that may from time to time be imposed on by the Board. All acts done by any committee of the Board in conformity with such regulations and in fulfillment of the purposes of their appointment but not otherwise, shall have the like force and effect as if done by the Board provided that such delegation shall not be in respect of matters enumerated in sub-clauses (a), (b), (c), (d) or (e) of clause (1) (as modified by explanation II thereof) of Section 292 save and except that the said powers may be delegated only to the extent permitted by and subject to the restrictions and limitations contained in clauses (2), (3) and (4) of Section 292 of the Act.

117. Meeting of committees how to be governed

The meetings and proceedings of any such committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meeting and proceedings of the directors so far as the same are applicable thereto and are not superseded by any regulations made by the directors under the last preceding article.

118. Resolution by Circular

A resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation if the resolution has been circulated in draft, together with the necessary papers, if any, to all the directors or to all the members of the committee then in India (not being less than in number than the quorum fixed for a meeting of the Board or Committee, as the case may be) and to all other directors or members of the committee at their usual address in India and has been approved by such of the Directors or members of the committee as are then in India or by a majority of such of them as are entitled to vote on the resolution

119. Acts of Board or Committees valid notwithstanding invalid appointment

All acts done by any meeting of the Board or by a committee of the Board or by any person acting as a director shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such director or person acting as aforesaid or that they or any of them were disqualified or had vacated office or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed was qualified to be a director and had not vacated his office or his appointment had been terminated provided that nothing in this Article shall be deemed to give validity to acts done by a director after his appointment has been shown to the Company to be invalid or to have been terminated.

120. Minutes of proceeding of Board meetings and committees to be kept

The Company shall cause minutes to be kept in a book or books provided for the purpose

i) of the names of the Directors present at such meetings of the Board. and of any committee of the Board;

ii) of all orders made by the Board and committee of the Board

iii) of all resolutions and proceedings relating to the meetings of the Board and committee of the Board, and,

iv) an the case of each resolution passed at a meeting of the Board or committee of the Board the names of those directors, if any, dissenting from or not concurring in the resolution. Every such book shall be maintained and the minutes entered therein and signed in the manner laid down by Section 193 of the Act and the minutes so entered and signed shall be received as conclusive evidence of the proceedings recorded therein.

POWERS OF THE BOARD

121. Powers of the Board

Subject to the provisions of the Act, the control of the Company shall be vested in the Board who shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorised to exercise and do, provided that the Board shall not exercise any power or do any act or thing which is directed or required whether by the Act or in other statute or by the Memorandum of the Company or by these Articles or otherwise to be exercised or done by the Company in general meeting, provided further that in-exercising any such power or doing any such act or thing the Board shall be subject to the provisions in that behalf contained in the Act or in any other Act or in the Memorandum of the Company or these Articles or any regulation not inconsistent therewith and duly made there under including regulations made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if those regulations had not been made

MANAGING DIRECTORS AND WHOLE TIME DIRECTORS

123. Powers to appoint Managing Directors, Whole Time Directors

Subject to the provisions of Sections 267, 268, 269, 316 and 317 of the Act, the Board may from time to time appoint one or more Directors to be Managing Directors/Whole Time Directors of the Company either for a fixed period to hold such office, and may from time to time subject to provisions of any contract between him or them and the Company remove or dismiss him or them from office and appoint another or others in their place or places

124. Remuneration of Managing Directors/Whole Time Directors

Subject to the provisions of Sections 309, 310, 311 of the Act a Managing Director or Whole Time Director shall in addition to any remuneration that might be payable to him as a Director of the Company under these Articles, receive such additional remuneration as may from time to time be approved by the Company.

125. Power of Managing Directors/Whole Time Directors

Subject to the provisions of the Act and in particular to the prohibitions and restrictions contained in Section 292 thereof the Board may from time to time entrust to and confer upon the Managing Directors/Whole Time Directors for the time being, such of the powers exercisable under these presents by the Directors as they may think fit and may confer such powers for such time and to be exercised for such objects and purpose and upon such terms and conditions and with such restrictions as they think fit and they may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Directors in that behalf may from time to time revoke, withdraw, alter or vary all or any of such powers.

126. Special position of Managing Director/Whole time Director

Subject to the provisions of the Act, the Managing Director or Whole Time Director shall not while he or they continue to hold that office be subject to retirement by rotation in accordance with Article 195

SEAL

127. The seal, its custody and use

The Board shall provide a common seal for the purpose of the Company and shall have powers from time to time to destroy the same and substitute a new seal in lieu thereof and the Board shall provide for the safe custody of the seal for the time being and the seal shall never be used except by the authority of the Board or a Committee of the Board previously given and in the presence of a Director of the Company or some other person appointed by the Director for the purpose.

The Company shall also be at liberty to have an official seal in accordance with Section 50 of the Act for use in any territory, district or place outside India.

128. Affixtures of common seal

Every deed or other instruments to which seal of the Company is required to be affixed shall unless the same is executed by a duly constituted Attorney be signed by one director and the secretary or some other persons appointed by the Board for the purpose provided nevertheless that certificate of shares may be sealed in accordance with the provisions of the Companies (Issue of Share Certificates) Rules, 1960 or the statutory modification or. Reenactment thereof for the time being in force.

DIVIDENDS

129. How profits shall be divisible

Subject to the rights of members entitled to shares (if any) with preferential or special rights attached thereto the profits of the Company which it shall from time to time be determined to divide in respect of any year or other period shall be applied in the payment of a dividend on the equity shares of the Company but so that partly with respect thereto to such proportion of the distribution upon a fully paid up share as the amount paid thereon bears to be nominal amount of such shares and so that whether capital is paid up in advance of calls upon the footing that the same shall carry interest, such capital shall not whilst carrying interest confer a right to participate in profits.

130. Declaration of dividends

The Company in General Meeting may declare a dividend to be paid to the members according to their rights and interests in the profits and may fix the time for payment.

131. No larger dividend shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend.

132. No dividend shall be payable except out of the profits of the Company of the year or any other undistributed profits.

133. Ascertainment of amount available for dividend

Where any assets, business or property is brought by the Company as from a past date upon the terms that the Company shall as from that date take the profits and bear the losses thereof such profits and losses as the case may be shall, at the discretion of the Directors be so credited or debited wholly or in part to the Profit and Loss Account and in that case the amounts so credited or debited shall for the purpose of ascertaining the fund available for dividend be treated as a profit or loss arising from the business of the Company and available for dividend accordingly. If any shares or securities are purchased with dividend or interest such dividend or interest when paid may at the discretion of the directors be treated as revenue and it shall not be obligatory to capitalise the same or any part thereof

134. What to be deemed net profits

The **declaration of** the directors as to the amount of the net profits of the Company shall be conclusive.

135. Interim dividends

The Directors may from time to time pay to the members such interim dividends as in their judgment the position of the Company justifies.

136. Debts may be reduced

The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

137. Dividend and call together

Any General Meeting declaring a dividend may make a call on the members of such amount as the meeting may fix, but so that the call on each member shall not exceed the dividend payable to him and that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the members be set off against the call.

138. No member to receive dividend whilst indebted to the Company and right of reimbursement thereof

No member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or otherwise howsoever either alone or jointly with any other persons and the Board may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.

139. Transfer of shares must be registered

A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

140. Dividends how remitted

a) Unless otherwise directed any dividend may be paid by cheque or warrant or by a pay slip or receipt having the force of a cheque or warrant, sent through the post to the registered address of the member or person entitled or in case of joint holder to that one of them first named in the Register of Members in respect of the joint holding. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant or pay in slip or receipt lost in transmission or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the forged signature of any pay slip or receipt or the fraudulent recovery of the dividend by any other means, If several persons are registered as joint holders any one of them can give effectual receipts for any dividends or other moneys payable in respect thereof

b) No unclaimed dividend shall be forfeited before claim thereto becomes barred by law.

140A.Mode of payment of dividend, interest, etc.

The Company may pay dividend, interest or other moneys payable to the members by a cheque or warrant sent to the Registered Address or by electronic transfer of funds to the Bank Account of the Members entitled to the dividend, interest or other moneys or according to the order of such members.

CAPITALISATION

141. **Capitalisation of reserves**

Any general meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of any reserve or re-serves or any capital redemption reserve fund in the hands of the Company and available for dividend or representing premiums received on the issue of shares and standing to the credit of the share premium account be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportion on the footing they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such shareholder in paying up n full any unissued shares, debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum provided that any such amount standing to the credit of a share premium account or a capital redemption reserve fund may, for the purpose of this Article, only be applied in the paying up unissued shares to be issued to members of the Company as fully paid bonus shares.

142. Surplus money

A general meeting may resolve that any surplus money arising from the realisation of any capital assets of the Company, investment representing the same or any other undistributed profits of the Company not subject to charge for income-tax be distributed among the members on the footing that they receive the same as capital.

143. Fractional certificates

For the purpose of giving effect to resolution under the preceding two Articles, the Board may settle any difficulty which may arise in regard to the distribution as they think expedient and in particular may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payments shall be made to any members on the footing of the value so fixed in order to adjust the rights of all parties and may vest such cash or specified asset in trustees upon such trusts for the person entitled to the dividend or capitalised funds as may seem expedient to the Board. Where requisite a proper contract shall be filed in accordance with Section 75 of the Act and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund and such appointment shall be effective.

WINDING UP

159. Liquidator may divide assets in specie

The liquidator on any winding up (whether voluntary, under supervision or compulsory) may with the sanction of a special resolution but subject to the rights attached to any preference share capital divide among the contributories in specie any part of the assets of the Company and may with the like sanction vest any part of the Company in trustee upon such trusts for the benefit of the contributories as the liquidator with the like sanction shall think fit.

J. LIST OF MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company), which are or may be deemed material have been entered or are to be entered into by the Company. Copies of these contracts and also the documents referred to hereunder, will be delivered to The Bombay Stock Exchange Limited (Designated Stock Exchange). These documents may be inspected at the Registered Office of the company at Survey No. 816, Village Rajoda, Near Bavla, Dist. Ahmedabad ñ 382 220, Gujarat, from 11:00 am to 2:00 pm on all working days, from the date of this Letter of Offer until the date of closure of the Subscription List.

Material contracts

1. Memorandum of Understanding entered into between the Company and Vivro Financial Services Private Limited, Lead Manager to the Issue, dated 10th August, 2005
2. Tripartite agreement entered between the Company, Central Depository Services (India) Limited and MCS Limited dated 14th November 2003
4. Tripartite agreement entered between the Company, National Security Depository Limited and MCS Limited dated 16th July 2003
5. Agreement between the Company and Share Transfer Agent i.e. MCS Ltd. vide dated 29th March, 2003
6. Copy of Memorandum of Understanding dated 4th August, 2005 between the Company and MCS Limited, Registrar to the Rights Issue.
7. Agreement containing the terms and conditions for appointment of Dr. Pravin N. Bhagwati as Managing Director from 1st day of September 2003 and approved by the members at the Annual General Meeting held on 30th September 2003 and Supplementary Agreement dated 30th September,2005.

Material Documents

1. Memorandum and Articles of Association of the Company
2. Listing agreements or letters in lieu thereof with BSE, and ASE
3. Resolution passed by the Board of Directors in its meeting held on 9th July, 2005 authorizing the Issue
4. Consents from Directors, Auditors, Bankers to the Issue, Lead Manager to the Issue and the Registrar to the Issue.
5. Letter No. CFD/DIL/SM/ISSUES/56078/2005dated December 20, 2005 issued by the Securities and Exchange Board of India
6. Annual reports of the Company for the last five years
7. Auditorsí Report of the Company dated 28th December 2005 giving the financial information given in the Letter of Offer.
8. Tax consultantís certificate dated 28th December 2005 regarding tax benefits
9. Consent Letter of Legal Advisor to the Issue.
10. Letter of intent for the subscription to rights entitlement and unsubscribed portion, received from the promoters.
11. Application made to the stock exchanges at time of filing of the Letter of Offer.
12. In-principle approvals dated October 26, 2005 and October 27, 2005 from BSE and ASE respectively for listing the securities offered in this issue.
13. Insurance Certificate from National Insurance Company Limited with respect to the insured assets of the company.
14. No object Certificate received from the Gujarat Pollution Control Board dated 23rd April 1991.

K. DECLARATION

This is to confirm that all the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government have been complied with and no statement made in this of Letter of Offer is contrary to the provisions of the Companies Act, 1956, and rules made thereunder. All the legal requirements connected with this said offer as also the guidelines, instructions etc., issued by SEBI, the Government and any other competent authority in this behalf have been duly complied with.

Undertaking

We the Directors of Bhagwati Autocast Ltd., declare and confirm that no information/material likely to have a bearing on the decision of the investor in respect of the equity shares offered in terms of this Letter of Offer have been suppressed/ withheld and/or incorporated in a manner that would amount to misstatement / misrepresentation and in the event of it transpiring at any point of time till allotment/refund, as the case may be, that any information / material has been suppressed/ withheld and /or amounts to misstatement/ misrepresentation, we undertake to refund the entire application moneys to all the subscribers within seven days thereafter, without prejudice to the provisions of section 63 of the Act.

Since the date of last financial statement disclosed in this Letter of Offer, there have been no circumstances that materially and adversely affects or is likely to affect the profitability of the company or the value of its assets or its ability to pay off its liabilities within a period of next twelve months.

All the Directors and Mr. D.K. Sheth , (Compliance Officer and Financial Controller) of the Company certify that all disclosures made in the Letter of Offer are true and correct.

Signed by Directors of Bhagwati Autocast Limited.

Dr. P.N. Bhagwati

Mrs. M.P. Bhagwati

Ms. R.P. Bhagwati

Mr. M.N. Shah

Mr. B.L. Dalal

Signed by Financial Controller & Compliance officer

Mr. D.K. Sheth

(Financial Controller)

Place: Ahmedabad

Date: 28/12/2005

Encl: Composite Application Form

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