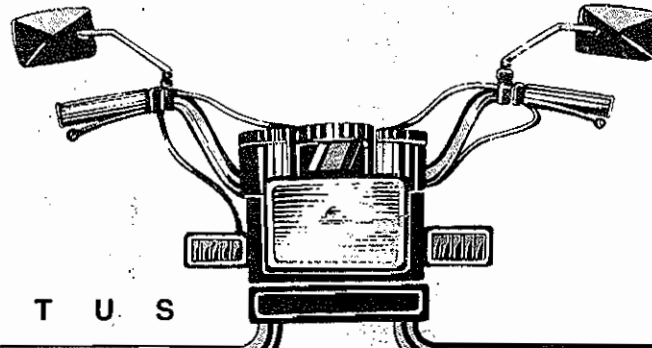


**Rs. 6/-  
ON APPLICATION**

**ISSUE OPENS ON  
11TH MAR., 1996**



P R O S P E C T U S

# **ATUL AUTO LIMITED**

Regd. Office : Survey No. 86, Plot Nos. 1 to 4, Shapar Industrial Zone,  
National Highway 8-B, Shapar-Veraval - 360 002. District - Rajkot, Gujarat.  
Phone : (028275) 2996, 2997, 2998, 2999. Fax : 2254.

**Public Issue of 24,37,500 Equity Shares of Rs. 10 each for cash at a premium  
of Rs. 12 per share aggregating to Rs. 536.25 lacs.**

### HIGHLIGHTS

- Existing, profit making company.
- The Main Promoter, Mr. Jayantilal J. Chandra, has 20 years of experience in the manufacturing of Diesel 3-wheelers, diversifying and expanding product range including diesel Two wheelers Segment.
- Diversified product mix like Load Carriers, Pick-up Vans, and 6-seater Passenger Auto Rickshaws and the "FUZI" brand 350cc self start Diesel Mobike having Four-Stroke Diesel Engines, which makes them fuel-efficient and eco-friendly. "KHUSHBU", is the established brand name for all the Three-Wheeler Vehicles.
- The project is appraised by Gujarat Venture Finance Limited and funded by GIC for Rs. 350 lacs (term loan) under the ERS and SBI for Rs. 200 lacs (working capital).
- Project being in backward area, is eligible for State Subsidy and Sales Tax Concessions and Tax Benefits u/s 80 HHC, 80 IA, 80L, 80 M of the Income Tax Act, 1961 and Wealth Tax benefits.
- Proposed listing at Rajkot, Bombay and Ahmedabad Stock Exchanges.

*"Investors are advised to refer to the paragraph on the*

*justification of premium before making an investment in this issue"*

### RISK FACTORS

#### Internal

- The Diesel Engines are supplied by M/s. Greaves Limited and M/s. P. M. Diesels Pvt. Ltd. (Field Marshall). M/s. Greaves Limited also manufactures Three Wheeler Auto Rickshaws (Three seater). The Company depends on the supply from these two companies only.
- The Company has not declared any dividend in the past.
- The Company is yet to obtain sanction from Gujarat Electricity Board for its additional power requirement.
- The Company is yet to place orders for Plant and Machinery worth Rs. 206.31 lacs required for project.
- The Company has acquired the land for the project from Khushbu Auto Pvt. Ltd., a company where the promoters are shareholders and their relatives are

directors.

- The sales and profitability of the company would depend on the company's capacity to increase its dealer network in other states outside Gujarat.
- The Company is yet to set up infrastructure for providing after sales services and supply of spares.
- The "Licensee user agreement" entered into by the company with the promoters and group firm for use of trademarks "Khushbu" and "Atul Fuzi" can be terminated by the promoter/group company at three months notice.

#### External

- Two Wheeler Diesel Mobike is a new area for which market is yet to be established.
- Diesel prices are governed by government policies and are subject to fluctuations with any change in the policy.

since inception and does not foresee any difficulties in procuring them.

#### External

- Looking to the present market of Petrol Mobikes, the Company is very hopeful for a good market of Diesel Mobikes.
- With the help of present marketing setup and image in three-wheelers, the Company will be able to compete in the market.

*NOTE : The company has entered into a licensee user agreement with M/s. Atul Auto Industries for the use of trademark "Khushbu" and has also entered into licensee user agreement with Mr. Jayantilal J. Chandra, the Managing Director, for the use of trademark "Atul Fuzi". Both the trademarks are to be used without consideration. Mr. Jayantilal Chandra, Mr. Atul Chandra, the Promoters of the Company shall be deemed to be interested as they are partners of the firm M/s. Atul Auto Industries Ltd.*

### MANAGEMENT'S PERCEPTION OF RISK FACTORS

#### Internal

- The Company is purchasing Diesel Engines from the above suppliers regularly

#### LEAD MANAGERS TO THE ISSUE

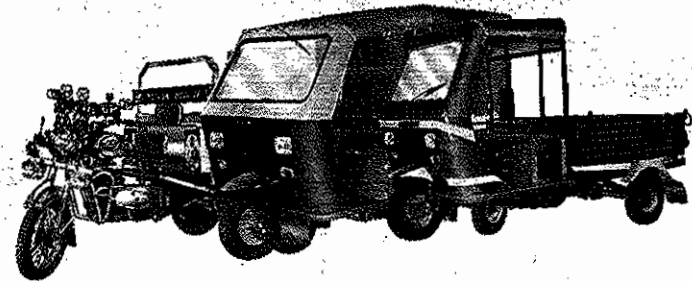


Mehta Integrated Finance Limited  
3, Law Garden Apt., Scheme - 1,  
Opp. Law Garden, Ellisbridge,  
Ahmedabad - 380 006.  
Phone : 6565566, 461422.  
Fax : (079) 6562756.

#### REGISTRAR TO THE ISSUE



Pinnacle Finance Limited  
Near Ashoka Mills,  
Naroda Road,  
Ahmedabad - 380 025.  
Phone : 378338, 378444.  
Fax : (079) 332963.



**ATUL KHUSHBU**  
DIESEL AUTO RICKSHAW

**ATUL FUZI**  
DIESEL MOTORBIKE



**ATUL AUTO LIMITED**

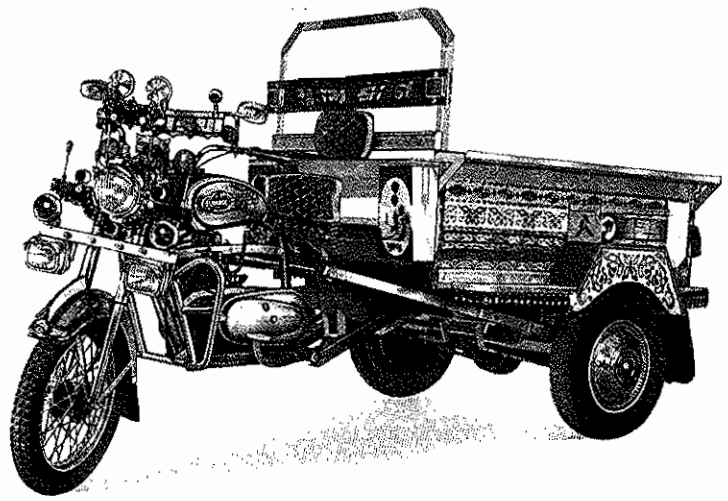
**ATUL KHUSHBU**  
DIESEL AUTO RICKSHAW

**ATUL FUZI**  
DIESEL MOTORBIKE



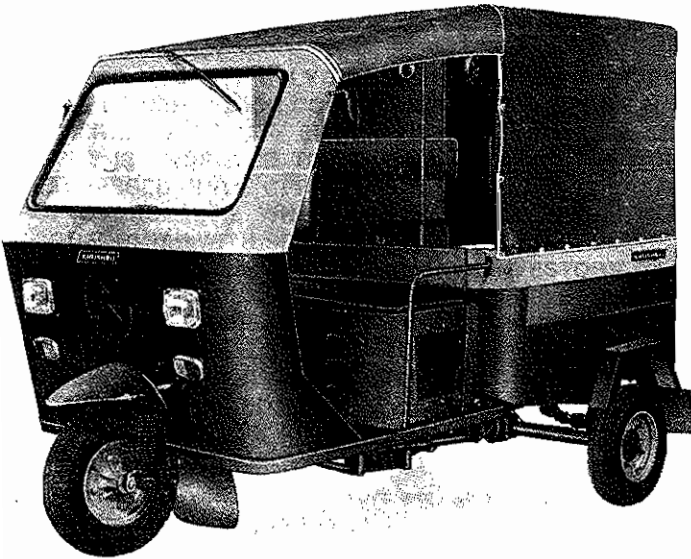
### *Khushbu Road Master (Diesel Auto Rickshaw)*

- Engine** : 4 Strokes, Single cylinder, Air-cooled diesel engine with capacity of : 6.5 H.P./ Options : 7.5 and 11 H.P. 3600 R.P.M.
- Gear Box** : 4 Speed gear and reverse gear with handle bar steering.
- Starter** : Kick start, Rope start.
- Load carrying capacity** : 0.6 tonnes.
- Speed** : Maximum speed 50 k.m. per hour.
- Fuel average** : 30 k.m. per litre diesel.



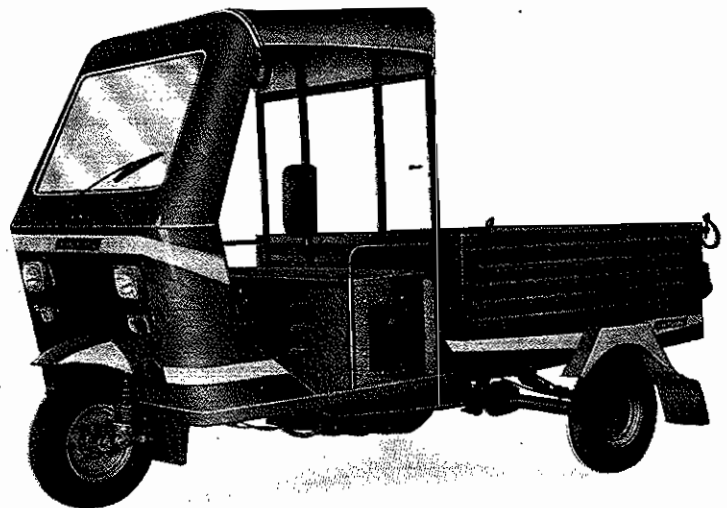
### *Khushbu Mark - II Passenger Rickshaw (6-Seater)*

- Engine** : 4 Strokes, Single cylinder, Air-cooled diesel engine with capacity of : 11 H.P. 3000 R.P.M.
- Gear Box** : Constant mesh 4 forward speed gear & a reverse gear & steering wheel drive.
- Starter** : Self start (Battery start)
- Passenger capacity** : 6 passengers + Driver.
- Speed** : Maximum speed 60 k.m. per hour.
- Fuel consumption** : 30 k.m. per litre diesel.



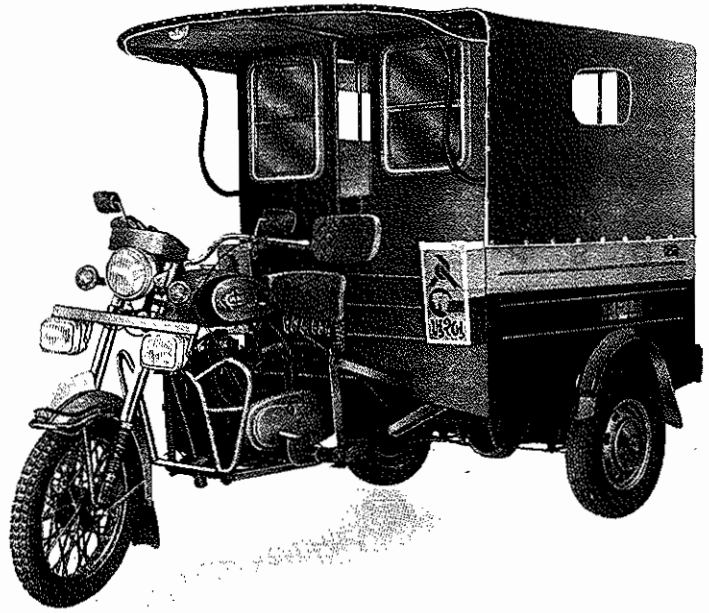
### *Khushbu Diesel Pick-up Van*

- Engine** : 4 Strokes, Single cylinder, Air-cooled diesel engine with engine capacity : 11 H.P. 3000 R.P.M.
- Gear Box** : Constant mesh 4 forward gears and a reverse gear with steering wheel drive.
- Starter** : Self start (Battery start)
- Passenger capacity** : 6 passengers + Driver.
- Speed** : Maximum speed 60 k.m. per hour.
- Fuel consumption** : 30 k.m. per litre diesel.



### *Khushbu Roadking*

- Engine** : 4 Strokes, Single cylinder, Air-cooled diesel engine with capacity : 6.5 H.P. 3600 R.P.M.
- Gear Box** : Constant mesh 4 forward speed gear and a reverse gear with handle bar steering.
- Starter** : Kick start, Rope start (with option of self start).
- Passenger capacity** : 6 passengers + Driver.
- Speed** : Maximum speed 50 k.m. per hour.
- Fuel average** : 30 k.m. per litre diesel.



### *Fuzi - Diesel Motorbike*

- |                |                                |                         |                              |
|----------------|--------------------------------|-------------------------|------------------------------|
| <b>Engine</b>  | : 350 cc - Singular 4 strokes. | <b>Suspension</b>       | : Hydraulic shock absorbers. |
| <b>Starter</b> | : Auto start & Kick start.     | <b>Maximum speed</b>    | : 80 k.m. per hour.          |
| <b>Weight</b>  | : 190 kg.                      | <b>Fuel consumption</b> | : Diesel, 60 k.m. per litre. |
| <b>Chassis</b> | : Telescopic, Steel body.      |                         |                              |





PART-I

GENERAL INFORMATION

## ATUL AUTO LIMITED

Regd. Office : Survey No. 86, Plot no. 1 to 4, Shapar Industrial Zone, National Highway 8-B,  
Shapar-Veraval - 360 002. District- Rajkot. Gujarat.

Phone : (028275) 2996, 2997, 2998, 2999. Fax : (028275) 2254.

**PUBLIC ISSUE OF 24,37,500 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PREMIUM OF RS. 12 PER SHARE  
AGGREGATING TO RS. 536.25 LACS.**

(Originally incorporated as a Private Limited Company on 18th June, 1986 under the Companies Act, 1956, in the State of Maharashtra. The Registered Office of the Company was transferred to Jamnagar in the State of Gujarat on 24-01-92. Subsequently on 20-4-94 the Registered Office was transferred to Dist. Rajkot, Gujarat. The Name of the Company was changed from Atul Auto (Jamnagar) Pvt. Ltd. to Atul Auto Pvt. Ltd. on 12-08-94. The Company was subsequently converted into Public Limited Company and fresh certificate of incorporation was obtained on 12-08-94 from the Registrar of the Companies, Gujarat).

### INDUSTRIAL LICENCE:

The Company does not require Industrial licence/Letter of Intent pursuant to new Industrial Policy of Government of India. The Company has obtained a Letter of Acknowledgement No. 2878/SIA/IM0/94 dated 1/09/94 for manufacture of Auto Rickshaw (Diesel Three Wheeler Passenger Rickshaw), Motor Cycles (Diesel) and Diesel Three Wheeler Carrier/ Chassis from Government of India, Ministry of Industry, Department of Industrial Approvals.

### DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE VETTING OF THE OFFER DOCUMENT BY SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. SEBI HAS VETTED THE OFFER DOCUMENT FILED WITH IT FOR A LIMITED PURPOSE OF OVERSEEING, WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURE AND INVESTORS PROTECTION FOR THE TIME BEING IN FORCE. 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 OFFER DOCUMENT, 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 MEHTA INTEGRATED FINANCE LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 25TH AUGUST, 1995, WHICH READS AS FOLLOWS:

1. We have examined various documents including those relating to litigation like commercial disputes,, patent disputes, disputes with collaborators etc. and other materials in connection with the finalisation of the draft prospectus/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, projected profitability, price justification and the contents of the documents mentioned in the Annexure and other papers furnished by the company,

### WE CONFIRM THAT:

- a. the Draft Prospectus/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; and
  - c. the disclosures made in the draft prospectus/letter of offer are true, fair and adequate to enable to the investors to make a well informed decision as to the investment in the proposed issue.
3. We confirm that besides ourselves, all the intermediaries named in the prospectus/letter of offer are registered with SEBI and that till date such registration is valid."

This acknowledgement does not, however, absolve the company from any liabilities under section 63 of the Companies Act, 1956 or from the requirement of obtaining such statutory or other clearances as may be required for the purpose of the proposed issue. SEBI, further reserves the right to take up, at any point of time, with the Lead Managers(s)(Merchant Bankers) any irregularities or lapses in offer document.

### FILING

A copy of this Prospectus, having attached thereto the documents required to be filed under section 60 of the Companies Act, 1956 (hereinafter referred to as the "Act") has been delivered for registration to the Registrar of Companies, Gujarat at Ahmedabad.

### LISTING

Applications have been made to the Regional Stock Exchange at Rajkot and Stock Exchanges at Ahmedabad and Bombay for permission to deal in and for an official quotation of the Equity Shares of the Company including the shares now being offered in terms of this Prospectus.

**NOTE**

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

"Any person who,

- a. makes in a fictitious name, an application to a company for acquiring, or subscribing for any shares therein, or
- b. otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years".

**MINIMUM SUBSCRIPTION**

IF THE COMPANY DOES NOT RECEIVE THE MINIMUM SUBSCRIPTION OF 90% OF THE ISSUED AMOUNT ON THE DATE OF CLOSURE OF THE ISSUE, THE COMPANY SHALL FORTHWITH REFUND THE ENTIRE SUBSCRIPTION AMOUNT RECEIVED. FOR DELAY BEYOND 78 DAYS, IF ANY, IN REFUND OF SUCH SUBSCRIPTION, THE COMPANY SHALL PAY INTEREST @ 15% P.A. AS PER SECTION 73 OF THE COMPANIES ACT, 1956.

**ALLOTMENT LETTERS/REFUND ORDERS**

Allotment Letters/Allotment Advises/Refund Orders of value over Rs.1500/- by Registered Post at the applicant's sole risk within ten weeks from the date of closure of the Subscription List. The Company will provide adequate funds to the Registrars to the Issue, for the purpose. In case of delay of more than 78 days, the company will pay interest at 15% p.a. for the delayed period as per the Act.

Letter of Allotment/ or regret letters as the case might be, together with refund cheques or pay orders to non allottees, if any will be dispatched by registered post, (however, refund orders below Rs. 1,500 will be dispatched under the certificate of posting) at the applicant's risk within ten weeks from the date of the closing of the subscription list.

**ISSUE PROGRAMME**

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON THE DAYS AS MENTIONED BELOW OR EARLIER AT THE DISCRETION OF THE BOARD OF DIRECTORS OF THE COMPANY (HEREINAFTER REFERRED TO AS "THE BOARD") BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON THE DAY MENTIONED AGAINST THE CAPTION.

"EARLIEST CLOSING".

<b>ISSUE OPENS ON</b>	<b>: MONDAY,</b>	<b>11TH</b>	<b>MARCH, 1996</b>
<b>ISSUE CLOSING NOT LATER THAN</b>	<b>: THURSDAY,</b>	<b>21ST</b>	<b>MARCH, 1996</b>
<b>EARLIEST CLOSING</b>	<b>: FRIDAY,</b>	<b>15TH</b>	<b>MARCH, 1996</b>

**LEAD MANAGERS TO THE ISSUE**  
**MEHTA INTEGRATED FINANCE LTD.**  
3, Law Garden Apt., Scheme - 1,  
Opp. Law Garden, Ellisbridge  
Ahmedabad - 380006.  
Phone : 461422, 6565566  
Fax : (079) 6562756.

**REGISTRARS TO THE ISSUE**  
**PINNACLE FINANCE LIMITED.**  
Near Asoka Mills,  
Naroda Road,  
Ahmedabad - 380 025.  
Phone : 378338, 378444.  
Fax : (079) 332963.

**CO-MANAGERS TO THE ISSUE**  
**MANGAL FINANCE LIMITED**  
101, Magnum House-1,  
Karampura Commercial Complex,  
Opp. Milan Cinema,  
New Delhi - 110 015  
Phone: 541 5797/546 8655  
Fax : 91-11-544 8487

**ADVISORS TO THE ISSUE**  
**DHRUVA & DHRUVA**  
220, Amrut,  
Sardar Nagar Main Road,  
Rajkot - 360 001.  
Phone: (0281) 84099 Fax: (0281) 44742

**AUDITORS**  
**PUROHIT & CO.**  
Chartered Accountants  
4th Floor, Anjaria Apt., Kashi Vishwanath Road,  
Jamnagar - 361 001.  
Phone : (0283) 62231, 62182

**TRUSTEES UNDER DEBENTURE TRUST DEED**

As the present issue is for Equity Shares only, appointment of Trustees is not required.

**RATING**

The present issue being issue of Equity Shares, no rating is required.

**UNDERWRITERS TO THE ISSUE**

In view of the Guidelines No. PR 123/94 dated October 10, 1994 issued by SEBI, the present issue of Equity Shares is not being underwritten.

## II. CAPITAL STRUCTURE

SHARE CAPITAL	Nominal value (Rupees)	Issue Value (Rupees)
<b>A. AUTHORISED</b>		
80,00,000 Equity Shares of Rs.10/- each	8,00,00,000	—
<b>B. ISSUED SUBSCRIBED AND PAID - UP</b>		
18,00,000 Equity Shares of Rs.10/- each	1,80,00,000	1,80,00,000
<b>C. PRESENT ISSUE FOR CASH</b>		
32,50,000 Equity Shares of Rs.10/- each at a premium of Rs.12/- per share	3,25,00,000	7,15,00,000
<b>D. OUT OF THE TOTAL ISSUE</b>		
8,12,500 Equity Shares of Rs.10/- each at a premium of Rs.12/- per Share are reserved for firm allotment to Indian Promoters, Directors, their friends and relatives	81,25,000	1,78,75,000
<b>E. NOW OFFERED TO THE PUBLIC FOR SUBSCRIPTION IN TERMS OF THIS PROSPECTUS.</b>		
24,37,500 Equity Shares of RS.10/- each at a premium of Rs.12/- per shares	2,43,75,000	5,36,25,000
<b>OUT OF WHICH</b>		
I. 5,85,000 Equity Share of Rs.10/- each for cash at a premium of Rs.12/- per share are reserved for preferential allotment to Non-Resident Indians(NRIs)/ OCBs/ FIIs and Persons of Indian Origin Residing Abroad on repatriation basis on competitive basis.	58,50,000	1,28,70,000
II. 4,87,500 Equity Share of Rs.10/- each for cash at a premium of Rs.12/- per share reserved for preferential allotment to Indian Mutual Funds on competitive basis.	48,75,000	1,07,25,000
<b>F. NET OFFER TO THE INDIAN PUBLIC</b>		
13,65,000 Equity Share of Rs.10/- each at a premium of Rs.12/- per share	1,36,50,000	3,00,30,000
<b>G. PAID UP CAPITAL AFTER THE PRESENT ISSUE</b>		
50,50,000 Equity Shares of Rs.10/- each	5,05,00,000	
<b>H. SHARE PREMIUM ACCOUNT</b>		
	3,90,00,000	

**NOTES :**

1. The issue subscribed and paid up capital (B above) includes 4,00,000 equity shares which were allotted as fully paid-up bonus shares by capitalising the free reserves on 6-12-1994. The free reserves before the bonus issue were Rs. 57.88 and after the bonus issue were 17.88 lacs.
2. The present promoters holding of 4,50,000 Equity Shares (8.91% of the post issue capital) out of B above, shall be locked in for a period of 5 years from the date of allotment i.e. 30-12-94, subject to a minimum period of 2 years from the date of allotment in the public issue or commencement of the commercial production, which ever is later. The Promoters holding of 8,12,500 shares as in category D above, constituting 16.09% of the post issue Paid Up Capital, will not be sold/ hypothecated/transferred for a period of 5 years from the date of allotment in the Public Issue or commencement of commercial production, whichever is later. The details of lock-in period of Promoters holding are as follows:

No. of Shares of Rs. 10	Date of Allotment	Issue Price Rs.	% to Total	Nature of payment	No. of Shares Locked in	% to Total	Lock-in Period
6,350	27/06/86	10	0.13	Cash	-	-	-
2,43,650	07/12/91	10	4.82	Cash	-	-	-
1,50,000	15/06/92	10	2.97	Cash	-	-	-
1,00,000	31/03/94	10	1.98	Cash	-	-	-
4,00,000	06/12/94	-	7.92	Bonus	-	-	-
9,00,000	30/12/94	10	17.82	Cash	4,50,000	8.91	5 years*
8,12,500	To be allotted	22	16.09	Cash (Right)	8,12,500	16.09	5 years
<b>26,12,500</b>			<b>51.73</b>		<b>12,62,500</b>	<b>25.00</b>	

5 years from the date of allotment(30-12-94), subject to a minimum period of two years from the date of allotment in the public issue or commencement of the commercial production, which ever is later.

**3. Shareholding Pattern :**

	Existing (Rs.in lacs)		After the Proposed Issue (Rs. in lacs)	
	Amount	%	Amount	%
Promoters & Associates	180.00	100.00	261.25	51.73
Public	-	-	243.75	48.27
<b>Total</b>	<b>180.00</b>	<b>100.00</b>	<b>505.00</b>	<b>100.00</b>

4. The promoters contribution under D above shall be brought in full before the opening of the public issue and each application shall be for Rs.25,000 and above in case of individuals and Rs. 1,00,000 in case of corporate bodies/firms.
5. In view of the basis of allotment procedure prescribed in SEBI clarification No. VIII, dated October 11, 1993 effective from December 1, 1993, in the event of oversubscription, the Public Issue size may increase by a maximum of 10 % of the present issue i.e. during the process of allotment an additional 1,36,500 Equity Shares may be allotted on the same terms and conditions to enable the allotment to each allottee to be rounded off to the nearest multiple of 100.
6. The Equity Share remaining unsubscribed out of the preferential offer as mentioned E(I) to E(II) above, shall be added back to the offer made to the general public shown in F above.
7. The reservations for preferential allotment made under the categories E(I) to E(II) will be on a competitive basis and not subject to any lock-in-period.
8. The company has already received the 'in principle' approval of the Reserve Bank of India vide their letter No. EC. CO. FID(II) 1614/ 10.02.40 (5626) /94-95 dated 22-2-95 to offer 8.00 lacs equity shares of Rs. 10 each at a premium of Rs. 20 per share on preferential basis to NRIs/OCBs/Persons of Indian Origin with repatriation benefits. The RBI has issued a modification letter and approved an issue of shares at a premium of Rs. 12 per share vide its letter dated 27-11-95 bearing ref. no. CO.FID(II)/ 7660/10.02.40 (5626)/95/96.
9. The Authorised Capital of the Company was increased from Rs. 50 lacs to Rs. 800 Lacs in EGM held on 30-7-94 and that a Special Resolution to the effect was duly passed by the shareholders and the same is filed with ROC.



### III. TERMS OF THE ISSUE

#### TERMS OF THE PRESENT ISSUE :

The Equity Shares now being issued are subject to the terms of this Prospectus, the Application Form, the Memorandum & Articles of Association of the Company and the provisions of the Act. The Equity Shares now being issued shall rank pari-passu with the existing shares of the Company in all respects except that the holder(s) of the Equity Shares now being issued will be entitled to dividend, if any, only from the date of allotment and pro-rata for the period of which such capital is paid up.

"Where an application is for allotment of securities for a total value of Rs. 50,000/- or more, i.e. the total number of securities applied for multiplied by the issue price, is Rs. 50,000/- or more the applicant or in the case of applications in joint names, not more than three 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 No. and the Income 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 application forms. Application forms without this information will be considered incomplete and will be liable to be rejected."

#### TERMS OF PAYMENT

Applications should be for a minimum of 300 Equity Shares or in multiples of 100 thereafter and the amount payable per Equity Share will be as follows:

##### From the Indian Public :

	Capital Rs.	Premium Rs.	Total Rs.
On Application	2.00	4.00	6.00
On Allotment	8.00	8.00	16.00
Total	10.00	12.00	22.00

##### From NRIs/OCBs/FIIs/Persons of Indian Origin/Indian Mutual Funds :

	Capital Rs.	Premium Rs.	Total Rs.
On Application	10.00	12.00	22.00

The sum received in respect of the issue will be kept in a separate bank account, and the Company will not appropriate funds unless the approval of the Regional stock exchange Rajkot is obtained for allotment, and where the listing has been sought from more than one stock exchanges no allotment shall be done unless the permission and approval is obtained for listing from each of the Stock Exchanges concerned.

#### ALLOTMENT MONEY

Where an applicant is allotted lesser number of Equity Shares than he/she has applied for, the excess amount paid on application would be adjusted towards the allotment money payable on the Equity Shares allotted to him/her and any excess thereafter, will be refunded to the applicant.

Failure to pay the amount on Equity Shares on allotment on or before due date fixed for the purpose will render the allottee liable to pay interest @ 21% p.a. from the date so fixed appointed for payment to the date of actual payment and non payment of allotment money alongwith interest will also render the Equity Shares including the amount already paid thereon liable for forfeiture in accordance with the Articles of Association of the Company.

#### RIGHTS OF INSTRUMENT HOLDERS

The Equity Shares now being issued are subject to the terms of this Prospectus, the Application Form, the act and the Articles of Association the Company. The Equity Shares now being issued shall rank pari passu with the existing Equity shares in the Company in all

respects except that the holders of the Equity Shares now offered will be entitled to dividend, if any, which may be declared or paid on the Equity Shares on a pro-rata basis for the period during which such capital is paid up. The instrument holders shall also be entitled to the rights as provided under Section 206A of the Companies Act, 1956.

#### AVAILABILITY OF THE PROSPECTUS AND APPLICATION FORMS

Application forms-cum-Memorandum containing salient features of the Prospectus ("abridged Prospectus") and copies of this Prospectus may be obtained from the Registered Office of the Company, the Lead managers to the Issue, Brokers to the Issue and the Bankers to the Issue as stated in the Application Form.

#### APPLICATION BY INDIAN PUBLIC

- (a) Applications must be made only:
  - i. On the prescribed application form (White Coloured) accompanying the Memorandum containing the salient features of the prospectus.
  - ii. In single name or in joint names (not more than three)
  - iii. In full name in BLOCK LETTERS in English.
  - iv. In the name of individuals, limited companies or statutory corporation/institutions and NOT in the names of foreign nationals or trusts (unless the trust is registered under Societies Registration Act, 1860, or any other applicable trust laws and is authorised under its constitution to hold shares in the Company), minors, partnership firms or their nominees. Applications made otherwise are liable to be rejected.
- (b) Application forms completed as per the instructions contained herein and in the application form together with Cash/Cheque/ Bank Drafts/ Stockinvest for the amount payable on application at the prescribed rate, should be lodged before the close of subscription list with the Bankers to the Issue or at any of their branches mentioned on the reverse of the application form and not to the Company or to the Lead Managers or to the Registrars to the Issue.
- (c) The application should be for a minimum of 300 equity shares or in multiples 100 shares thereafter.
- (d) Payment should be made in cash or by Stockinvest/cheque/Bank Draft drawn on any Bank which is situated at and is a member or sub-member of the Bankers' clearing house located in the center where the application is submitted. Outstation cheques/ Bank Drafts will not be accepted and applications accompanied by such cheques/ drafts drawn on outstation Banks are liable to be rejected.
- (e) All cheques/Stockinvests/Bank Drafts accompanying the application must be:
  - i. made payable at any of the Bankers to the Issue or to any of their branches mentioned in the application form.
  - ii. marked "A/C AAL Public Issue". (For eg. Bank of Baroda - A/C AAL Public Issue".)
  - iii. crossed "A/C Payee Only".
- (f) A separate cheque/Bank Draft/Stockinvest must accompany each application form.
- (g) No receipt will be issued for the Application Money. However the Bankers to the Issue and/or their branches receiving the application will acknowledge receipt by stamping and returning the acknowledgement slip at the bottom of each form.

For further instructions, please read the application form carefully.

#### APPLICATION BY NON-RESIDENT INDIANS(NRIs)/ OVERSEAS CORPORATE BODIES (OCBs)/ PERSONS OF INDIAN ORIGIN RESIDING ABROAD

- a. Applications by Non-Resident Indians must be made only,
  1. on the prescribed application (BLUE COLOUR) completed in full in BLOCK LETTERS in ENGLISH in accordance with instructions contained herein and in the application form and are liable to be rejected if not so made.

2. for a minimum of 500 Equity shares and in multiple of 100 Equity shares thereafter.
  3. in single or joint names (not more than three)
  4. in the name of individuals, Limited companies and other corporate bodies owned predominantly (atleast to the extent of 60%) by non-resident individuals of Indian nationality origin and not in the names of minors or their nominees, firms,partnership concerns or their nominees, Hindu undivided families, foreign nationals and trusts.
- b. Application forms from Non-resident investors properly completed together with cheques or bank drafts for the full amount payable on applications at the rate of Rs. 22/- per shares or its equivalent thereof remitted through normal banking channels or out of funds held in Non-Residents External (NRE) accounts or foreign currency Non Resident (FCNR) Account, maintained with the banks authorised to deal in foreign exchange in India along with documentary evidence with support of remittance must be delivered before the closure of the Subscription List to such branches of the Bankers to the issue at places mentioned against their names in the application forms.
- c. All Cheques of Bank Draft must be
1. made payable to any of the Bankers to the issue with whom the application forms are lodged.
  2. marked " A/C- AAL Public Issue-Non -Resident " e.g. State Bank of Saurashtra A/C. AAL Public Issue -Non Resident". A separate cheque/ bank draft/stock invest must be accompanied each application form.
  3. crossed A/c. Payee Only".
  4. a Separate cheque/bank draft/stock invest (on NRE/FCNR Account maintained with banks authorised to deal in foreign exchange in India or and Indian Rupees Drafts on any scheduled Commercial Bank) must accompany each Application Form. Payment will not be accepted out of NRO A/C. of a Non-Resident subscriber. No receipt will be issued for the Application money. However the Bankers to the issue receiving the application form will acknowledge receipt by stamping and returning to the applicant the acknowledgement slip at the bottom of each application.
- d. The company has already received the 'in principle' approval of the Reserve Bank of India vide their letter No. EC. CO. FID(II) 1614/ 10.02.40 (5626) /94-95 dated 22-2-95 to offer 8.00 lacs equity shares of Rs. 10 each at a premium of Rs. 20 per share on preferential basis to NRIs/OCBs/Persons of Indian Origin with repatriation benefits. The RBI has issued a modification letter and approved an issue of shares at a premium of Rs. 12 per share vide its letter dated 27-11-95 bearing ref. no. CO.FID(II)/ 7660/10.02.40 (5626)/95/96. Applicant are not required to take separate approval of RBI for making investment in the shares of the Company.
- e. Under the existing exchange control regulations such investment in Equity Shares by Non-Resident Indian investors will be allowed to be repatriated alongwith the income earned thereon subject to deduction of Indian taxes provided investment is made by inward remittance from abroad through normal banking channel or out of funds held in Non-Resident External (NRE) or FCNR Accounts.
- For application which are deposited with the branches as indicated in the application form and monies is paid in the currency of respective countries refund will be payable in the same currency. in case of applicants who remit application amount from funds held in NRE Accounts or FCNR Accounts, such payments shall be credited to their NRE/FCNR Account details of which should be furnished in the space provided for this purpose in the Application Form. In case of applicants who remit their money through Indian Rupees Draft from abroad such payment in Indian Rupees will be converted into US \$ or any other convertible currency as may be permitted by RBI at the rate of exchange prevailing at the time applicant's sole risk or at the request of the applicants will be credited to their NRE or FCNR A/C. details of which should be furnished in the space provided for this purpose in the Application Form for further instructions, please refer the application form.
- f. Application form for Non Resident Indian/Persons of Indian Origin Resident Abroad will be available at the Registered Office of the Company at Survey No. 86. Plot no. 1 & 4, Shapar Industrial Zone, National Highway 8-B, District - Rajkot, and from the office of the Lead Managers to the issue.
  - g. Application from Non Resident investors accompanied by cheques drawn on NRO accounts will be rejected. Non Residents who proposed to apply alongwith cheques drawn on NRO accounts should use the Application Forms (WHITE) meant for Indian Public only.
  - h. Allotment of Shares to Non Resident Investors shall be subject to the company obtaining such permission from Reserve Bank of India or any other requisite authority as may be necessary.
- (For further instruction please read the application form carefully.)

#### APPLICATION BY INDIAN MUTUAL FUNDS.

Application by Indian Mutual Funds must be made only.

1. On the prescribed Application Form (YELLOW COLOUR) appended to the Memorandum containing the salient features accompanying this Prospectus and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained in the Application Forms and are liable to be rejected if not so made.
2. For a minimum of 10,000 Equity Shares or in multiple of 1,000 thereafter.
3. cheques/Drafts must be:
  - (a) made payable to "Bank of Baroda A/C- AAL-Public Issue - MF-(as the case may be)".
  - (b) Crossed "A/C. Payee Only."

The Stockinvest instrument should be crossed "Account Payee" and should be made payable to the company and NOT to any of the bankers to the issue.
4. Application Form duly completed together with Cash/Cheque/ Draft/Stockinvest for the amount payable on application must be delivered before the close of the subscription list to any of the Bankers to the Issue named herein or to any of their branches mentioned in the Application Form and not to the company or the Lead Managers or the Registrars to the Issue.
5. Only Indian Mutual Funds and the other authorised agencies as permitted by the Securities & Exchange Board of India to invest in the Public Issue under this category can apply.
6. Other terms and conditions as mentioned under "Application by Indian Public" shall apply mutatis mutandis.
7. For further instructions, please read the application form care fully.

#### PAYMENT BY STOCKINVEST

Applicant may use the instrument termed "Stockinvest" for payment of application money. Applicants utilising Stockinvests should submit them with the application form to any of the Collection Centers/Bankers to the Issue mentioned in the application form. Stockinvests should be payable at par at all branches of the issuing bank and, as such, outstation Stockinvests can be attached to the application forms.

- (i) The prospective investor, at the time of request for issue of Stockinvest to the issuing bank may have to,
- indicate that he agrees to abide by the terms of the Issue and encashment of Stockinvest;
  - give irrevocable authority to his bank to mark a lien for the value of Stockinvest against the balance in his savings/current/ other deposit account;
  - agree for lifting of bankers lien on expiry of currency of the Stockinvest or in case of intimation of partial non allotment of Equity Shares; and
  - agree that the issuing bank will not be liable for any damage or consequences arising from the loss of these instruments.
- (ii) Any person ("the investor") may approach the issuing bank with whom he maintains an account, for the issue of a stockinvest of required denomination for payment of application and/or allotment money wherever applicable while making an application for the Issue of Equity Shares etc., The Stockinvest should be marked A/c Payee and made payable only to the Issuer Company.
- (iii) **The Stockinvest should be used by the purchaser(s) within 10 days of issue and for this purpose the last day for the use of the Stockinvest for submitting the Share applicant to the Bank is indicate on the face of the Stockinvest with a notation to be used before...."**
- (iv) Application in the names of joint account holders will be accepted.
- (v) Stockinvests should be utilised by the purchaser(s) and the purchaser's name should be invariably indicated as the first applicant on the application form. Thus, if the signature of the purchaser on the Stockinvests and the signature of the first applicant on the application form do not tally, the application will be treated as having been accompanied by third party stockinvest.

Applicants have to fill in the following particulars :

- Title of the Account as mentioned in this Prospectus, i.e., "Atul Auto Limited" should be mentioned;
- Number of Equity shares applied for; and
- The amount payable on the Equity shares applied for.

The instrument should thereafter be signed by the applicant. It should also bear the stamp of the Bank issuing the instruments and should be crossed A/C Payee. Service charges for issuing the Stockinvests must be borne by the applicant. The applicant should not fill in the portion to be filled up by the Registrars to the Issue (right hand portion of the instrument). The Registrars to the issue will enter the particulars of the Equity shares allotted to the applicant and also the amount calculated in the right hand portion of the Stockinvest.

- In the case of full allotment, the number of Equity Shares on the right hand side will be the same as the left hand portion of the Stockinvest.
- In case of partial allotment, the number shown by the Registrars to the Issue on the right hand portion will be less than the number entered by the applicant on the left hand portion of the Stockinvest.
- In case there is no allotment, the number of entered by the Registrars to the Issue on the right hand portion of the Stockinvest will be nil. No Refund Orders will be issued to those applicants using Stockinvests for payment of application money.

Canceled Stockinvests would be directly sent back by the Registrars to the Issue to the investors by Registered Post, at the applicant's sole risk, within 10 weeks of the date of closure of the Issue.

#### NOTE :

Application by stockinvest should be made only by **INDIVIDUALS** and **MUTUAL FUNDS**. No Company, firm, body corporate can apply through stockinvests and such applications are liable for rejection.

#### IMPORTANT :

All cheques, bank drafts, or stockinvest accompanying the application form should contain the application form number on its reverse. To prevent fraudulent encashment of refund orders, the details of applicant's bank account should be filled in the space provided in the application form.

The Registrars to the Issue have been authorised by the Company vide a board resolution passed on 20-1-96 to sign on behalf of the Company for realising the proceeds of the stockinvest of the successful allottees or to affix non-allotment advice on the instrument or to cancel the stockinvest of the non allottees or partially successful allottees with more than one stockinvest. The canceled instrument shall be sent back by Registrars to the investors directly within 70 days of the close of the subscription list.

#### GENERAL INSTRUCTIONS

##### JOINT APPLICATION

In case of joint applications, not more than three, refund/ pay orders/Stockinvest (if any), dividend warrants etc., will be made out in the name of the first applicant and all communications will be addressed to the person whose name appears first at his / her address stated in the application form.

##### MULTIPLE APPLICATIONS

An applicant should submit only one application (and not more than one) for the total number of Equity Shares required. Applications may be made in single or joint names will be deemed to be multiple applications, if the sole and / or the first applicant is one and the same. In case of firm allotment made, no further application from that person(s)/institution(s) shall be entertained and in case of reservations to specific category(ies), no further application from that category(ies)/ person(s) shall be entertained (excepting persons from employee/ shareholder category). The Board reserves the right to reject at its absolute discretion, all or any multiple applications.

##### APPLICATIONS UNDER POWER OF ATTORNEY

In case of applications under Power of Attorney or by Limited Companies or Corporate Bodies or Registered Societies, the certified copy of the Power of Attorney or the relevant authority, as the case may be, must not be attached to the application form but must be lodged separately at the office of the Registrars to the Issue, simultaneously with the submission of the application form, mentioning the serial number of the application form and the bank branch where the application form has been submitted.

In case of Firm allotments made, no further application from that person(s)/ institution(s) shall be entertained and in case of Reservation to specific category(ies)/Person(s) shall be entertained (excepting persons from employees/shareholder category).

Applications made by different schemes of a Mutual Fund managed by the same asset management company shall not be treated as multiple application.

##### TAX BENEFITS

The Directors of the Company are advised by their auditors M/s. Purohit & Co., Chartered Accountants, vide their certificate dated 02-08-95 that according to Current Provisions of the Income Tax Act, 1961 and other applicable tax laws for the time being in force the following tax benefits are available to the Company and its members:

##### A) TO THE COMPANY

- Under section 35(1) (iv) of the Income Tax Act, the company will be entitled to deduction in respect of capital expenditure

incurred on scientific research related to its business carried on by the company in the year in which such expenditure is incurred, except for acquisition of land, subject to terms and conditions laid down under the said section.

2. Under section 35 AB (1) of the Income Tax Act, Company will be eligible to deduction of expenditure on acquisition of technical knowhow for use for the purpose of business as defined, can be amortized in six equal installments commencing from the year in which such expenses are incurred.
3. In accordance with and subject to the provisions specified in section 35D, the company will be allowed deduction of certain preliminary expenses incurred in connection with extension of its industrial undertaking or in connection with the setting up of a new industrial undertaking in ten equal installments, beginning with the previous year in which the extension is completed/the new unit commences production or operation.
4. In accordance with and subject to the conditions specified in section 80 HHC of Income Tax Act, the company will be entitled to deduction of profits derived from the export of goods.
5. Under section 80 IA of the Income Tax Act, at present the company has been enjoying the benefits of deduction under section 80 IA @ 30 % of profits and gains derived from the new industrial undertaking at shapar, Veraval Rajkot. The company is eligible and entitled for this deduction for the existing unit.
6. Under section 80 M of the Income Tax Act, the company will be entitled to the following deductions :
  - a) In respect of dividend received from it from another domestic company (Other than dividends on units of UTI), to the extent of dividends distributed to its shareholders on or before the due date of filing of return of income following the end of respective previous year.

#### **B) RESIDENT MEMBERS OF THE COMPANY**

1. Resident individual members or members who are Hindu undivided family or belonging to such association of persons are referred to in the section, of the company will be entitled to a deduction under section 80 L of the Income Tax Act from their total income to the extent of Rs. 10,000/- in the aggregate per year in respect of specified items which would include dividend received from the company.
2. In accordance with the Wealth Tax Act, 1957, shares held by members of the company will be totally excluded from the levy of Wealth Tax.
3. In accordance with and subject to conditions specified in section 48, long term capital gains arising on transfer of shares will be computed after deduction. The long term capital gain so arising shall be subject to tax @ 20 % in case of individuals and @ 30 % in the case of companies.
- 4.a) Members who are scheduled banks or public financial institution or state financial corporations or SIIC or companies registered under section 25 of the Companies Act, 1956 would be entitled to a deduction under section 80 M of 60 % of the income by way of dividends received by them from the company and included in their gross total income.
- b) Members who are Domestic companies other than those referred to in (a) above would be entitled to deduction under section 80 M of an amount equal to so much of the income by way of dividends received from the company as does not exceed the amount of dividend distributed by such domestic companies on or before the due date of filing the return of income.
5. All mutual funds set up by public sector banks or Financial institutions and mutual funds authorised by SEBI or the RBI will be exempt from tax on all their income including income

from investment in shares of the company, under section 10 23 (D) of the Income Tax Act, subject to conditions prescribed by the government.

6. No Income Tax at source will be deducted from, in the case of a member being an individual who is a resident in India, from dividend received from a company in which the public are substantially interested :
  - a) If the aggregate amount of such dividend distributed or paid during the financial year by the company to the share holders does not exceed Rs. 2,500/-  
OR
  - b) If the member furnishes to the company a declaration in writing in duplicate, in the prescribed form and duly verified in prescribed manner, to the company to that effect that his estimated total income of the previous year in which dividend income is to be included in computing his total income will be less than the minimum amount liable to Income Tax as computed under the provisions of Income Tax Act, 1961.

#### **C) TO NON RESIDENT MEMBERS OF THE COMPANY**

- I. A non resident Indian has an OPTION to be governed by the provision of Chapter XIIA of the Income Tax Act according to which:
  - (a) Under Section 115 E of the Act, the investment income and long term capital gain of a non-resident Indian shall be chargeable to Income Tax @ 20% subject to the other provisions of the Act.
  - (b) The long term capital gain as referred to above shall be exempted from income tax entirely/proportionately, if the invests all or a portion of the net consideration in specified assets within six months of date of transfer in accordance with section 115 F. The amount so exempted shall be chargeable to the new assets are transferred or converted into money within three years from the date of acquisition of specified assets.
  - (c) Under section 115 G a non-resident Indian is not obliged to file his return of income under section 139 (1) where his total income consists only of investment income and or long term capital gains, and tax deductible at source is deducted therefrom.
- II. Under section 115 I, a non-resident if he elects to be governed by the above mentioned capital provisions of chapter XX A then he will be entitled to tax benefits as mentioned in para B1, B2, B3 and B6.
- III. Under Section 115 H of the Income Tax act where a non-resident Indian in any previous year becomes assessable as resident in India in respect of the total income of any subsequent year he may furnish to the income Tax officer a declaration in writing alongwith his return of Income under section 139 for the assessment year for which he is so assessable to the effect that the provisions of Chapter XII-A of the Income Tax act 1961 shall continue to apply to him in relation to the investment income derived from any foreign exchange assets being an asset of the nature referred to in clause (ii) to clause (v) of sub section (f) of section 115 C and if he does so the provisions of the said chapter shall continue to apply to him in relation to such income for that assessment year and every subsequent assessment year until the transfer of conversion (otherwise than by transfer) into money of such assets.
- IV. Any member of the company being citizens of Indian or a person of Indian origin who is not resident in India, will be entitled to exemptions from Gift Tax, in respect of gift made by relatives in India in the form of shares, Debentures acquired by him out of his convertible foreign exchange (Section 5 (i) (ii) (d) of the Gift Tax Act, 1958.)

#### IV. PARTICULARS OF THE ISSUE

##### OBJECTS OF THE ISSUE:

- To part finance the cost of setting up additional capacity for expansion of the existing capacities to manufacture Diesel Three Wheeler Auto Rickshaws, Pick Up Vans and Chassis of Passenger Vehicles.
- To part finance the cost of setting up a project to manufacture two wheeler mobike under brand name of FUZI.
- To meet long term working capital requirements.
- To meet the expenses of the issue and,
- To get the equity shares of the Company listed with the Stock Exchanges, mentioned elsewhere in the prospectus.

Due to expansion programme Installed Capacity and Net Revenue of the Company shall be increased from 1080 nos. vehicles to 7180 nos. vehicles and from Rs. 35.70 lacs (for 10 months ended 30-6-95) to Rs. 155.00 lacs (1997) respectively.

##### THE PROJECT

Atul Auto Ltd. is presently engaged in the manufacturing of Diesel Three Wheelers like 6-seater Auto Rickshaws, Pick Up Vans and Chassis of Passenger Vehicles. The Company markets its vehicles (three-wheelers) under the brand name of "KHUSHBU". The Company has recently introduced four stroke, 350 cc Diesel Mobike under the brand name of "FUZI".

The Company now proposes to create additional facilities for the expansion of its existing capacity of three wheelers from 1080 to 3680 vehicles per annum and also to establish manufacturing facilities for Diesel operated Motorcycle with the Capacity of 3500 Vehicles per annum at its existing plant at Rajkot.

##### COST OF THE PROJECT

The proposed expansion project for three wheeler Auto Rickshaws, Pick Up Vans, Chassis and Diesel Mobikes have been appraised by Gujarat Venture Finance Limited. The Project is financially assisted by a term loan of Rs 350 lacs by Gujarat Industrial Investment Corporation Limited (GIIC) under the Equipment Refinance Scheme (ERS). The Cost of the Project and Means of Finance, as appraised by Gujarat Venture Finance Limited (GVFL) in July, 1995 for the purpose of Public Issue are as under :

COST OF THE PROJECT	(Rs. in lacs)
Land & Site Development	20.00
Building	227.00
Plant & Machinery	499.00
Misc. Fixed Assets	45.00
Pre Operative Exp.	123.00
Contingencies	75.00
Working Capital Margin	102.00
<b>Total</b>	<b>1091.00</b>

##### MEANS OF FINANCE

The means of finance proposed for funding the above requirements is as follows:

	(Rs. in lacs)
<b>Issue of Equity Shares:</b>	
Promoters' Contribution	178.75
Public Issue	536.25
Term Loan from GIIC	350.00
Internal Cash Accruals	26.00
<b>Total</b>	<b>1091.00</b>

##### TERM LOAN

The term loan has been sanctioned by the GIIC under the ERS vide its letter ref. no. GIIC/SEC/909 dated May 6, 1995. The terms and condition of the sanction are set out elsewhere in the prospectus.

##### WORKING CAPITAL LOAN

The Company has been sanctioned working capital loan, Rs. 200.00

lacs Cash Credit (Hypothecation of Stocks & Receivables) and Rs. 10.00 lacs Ordinary Guarantees limit, by the State Bank of India, Rajkot vide its letter ref. no. C & Adv/48 dated 8th August, 1995.

##### INTERNAL ACCRUALS

Audited Balance Sheet as at 30-6-95 shows reserves of Rs. 53.58 lacs and capital work in progress of Rs. 45.29 lacs, as against internal accruals of Rs. 26.00 lacs shown as part of Means of Finance.

##### V. COMPANY, MANAGEMENT AND PROJECT

##### HISTORY, PRESENT BUSINESS & MAIN OBJECTS OF THE COMPANY

The Company was originally incorporated as a Private Limited Company on 18th June, 1986 under the Companies Act, 1956, in the State of Maharashtra. The Registered Office of the Company was transferred to Jamnagar in the State of Gujarat on 24-01-92. Subsequently on 20-4-94 the Registered Office was transferred to Dist. Rajkot, Gujarat. The Name of the Company was changed from Atul Auto (Jamnagar) Pvt. Ltd. to Atul Auto Pvt. Ltd. on 12-08-94. The Company was subsequently converted into Public Limited Company and fresh certificate of incorporation was obtained on 12-08-94 from the Registrar of the Companies, Gujarat.

The Company has set up its present plant at village Shapar, Dist. Rajkot with a financial assistance from GSFC in the year 1992. The project was successfully implemented and commercial production was started in July, 1992.

The Company is presently engaged in the manufacture of Diesel Three Wheelers like 6-seater Auto Rickshaws, Pick-Up Vans and Chassis of Passenger Vehicles. These vehicles are marketed under the brand name of "KHUSHBU", which is well established and very popular.

6-seater Diesel Auto Rickshaw with steering wheel is used for local passenger traffic while Pick-Up Vans for local transportation of goods/groceries etc. in the urban/semi urban centers. Passenger vehicles popularly known as "CHHAKDAS" are useful for the movement of passengers from one urban/rural center to another for distances upto 100 kms. or so. The Company manufactures chassis of "CHHAKDA", while the Body Building and fitting of other Accessories are mainly done at the Associate Units.

The Company has recently introduced Diesel Mobike in the market under the brand name of "FUZI" vide the envisaged expansion cum diversification programme. The prototypes of the proposed Diesel Two Wheelers developed by the Company has 4 stroke, Diesel Air Cooled 350 c.c., C.I. Engine, having maximum Horse Power of 6.4 H.P. The Gross Vehicle Weight (GVW) is 330 kgs. The Company has already obtained Certificate for compliance to the Central Motor Vehicles (Amendment) Rules (CMVR) and Roadworthiness Certificate from the Automotive Research Association of India (ARAI), Pune - a Research Institution of the Automotive Industry with the Ministry of Industries, Government of India.

The Company had also obtained CMVR and Roadworthiness Certificates as above for the existing range of products viz. Chassis for goods carriage/ 6-passenger Auto Rickshaw with steering wheel and Pick Up Vans. As per the notifications No. R & D Registration/ 813 dated 15.2.93 of Road Transport Commission's Office, Ahmedabad, Government of India, Regional R.T.Os. are authorised to grant clearance certificates on the basis of ARAI's certificates of Roadworthiness and CMVR. Thus, the Company may be in a position to sell its vehicles on All India Bases after obtaining the clearances from R.T.Os. The Company has already obtained Road Transport Offices (RTO) Clearance from the States of Gujarat, Maharashtra, Kerala and Andhra Pradesh.

##### MAIN OBJECTS OF THE COMPANY

To design, develop, manufacture, assemble, buy, sell, distribute, import, export, alter, remodel, hire, exchange repair, service and otherwise deal in all classes of Automotive including Two-wheelers and Three-wheelers of every kind and description, motor cars, jeeps, trucks, motor-lorries, station wagons, tractors, commercial vehicles and carriages, whether propelled mechanically or by steam, oil, gas, petrol, diesel, spirit, electricity or any other power or energy or otherwise and by whatever name called.

**FINANCIAL HIGHLIGHTS (FOR THE LAST 5 YEARS)**
**(Rs.in lacs)**

	Dec 31 1995 (Four months)	August31 1995	August31 1994 (Seventeen months)	March31 1993	March31 1992	March31 1991
Installed capacity (Annualised)						
- Chasis for goods carriage	960	960	960	960	—	—
- Six seater auto rickshaw/pick-up-van	120	120	120	120	—	—
Capacity Utilised. (Annualised)	135%	99%	58.24%	32.10%	—	—
Sales	260.34	475.68	407.77	115.75	—	0.33
Other Income	1.21	4.24	6.37	0.80	0.80	1.75
Inc/Dec. in Stock	(7.47)	12.23	6.04	7.99	—	(0.27)
Operating Expenses	223.55	431.31	333.79	107.79	0.56	1.03
PBIDT	30.53	60.84	86.36	16.75	0.24	0.78
Interest	0.01	4.43	23.12	8.53	—	—
Depreciation	4.19	10.35	10.83	4.52	—	—
Loss On Sale of Assets	—	1.15	—	—	—	—
Profit Before Tax	26.33	44.91	52.44	3.70	0.24	0.78
Tax	0.00	0.19	0.00	0.00	0.10	0.31
Profit After Tax	26.33	44.72	52.44	3.70	0.14	0.47
Share Capital	219.00	180.00	50.00	40.00	25.00	0.64
Reserves	134.52	62.59	57.88	5.62	1.91	1.77
Net Worth	353.52	242.59	107.88	45.62	26.91	2.41
Dividend(%)	—	—	—	—	—	—
EPS (Rs.)	* 3.61	* 2.98	* 7.40	0.98	0.06	7.34
Book Value	*16.14	*13.48	*21.57	11.40	10.76	37.65

\* Annualised- on weighted average.

**SIGNIFICANT NOTES TO ACCOUNTS:**

- As explained to us no provision for income tax is made in view of future projects of the company . It has been opined by the directors that liability for Income-tax arises only at the end of the previous year.
- Unsecured loans includes Rs. 27.88 lacs pertaining to sales Tax Department Liabilities under the Sales Tax Incentive Scheme of Gujarat Government.
- Reserves and Surplus includes share premium amount of Rs. 45.60 Lacs and profit & loss a/c of Rs. 88.92 lacs.
- During the period from 1st September 1995 to 31st December 1995, 6,30,000 equity shares of Rs.10/- each at premium of Rs. 12/- per share are issued. Out of this unpaid calls on shares is amounting to Rs. 24.00 Lacs and unpaid share Premium is amounting to Rs. 30.00 lacs.

**Accounting Policies:**

- Accounts are prepared on historical cost concept basis.
- Fixed assets are carried at cost of acquisition and relevant expenses allocable to respective heads less accumulated depreciation.
- Depreciation is provided on fixed assets in accordance with the rates provided in schedule XIV of the companies Act, 1956 as per straight line method on pro rata basis.
- Raw materials, stores, tools, finished goods, work in progress are taken, valued and certified by the managing director. Raw material, stores, work in progress are valued at cost or market value, if determinable, which ever is less. Finished goods are valued at lower of cost or net realizable value.
- Liabilities for excise-duty on goods manufactured are accounted for at the time of dispatch of manufactured goods from factory.

**FUNDFLOW STATEMENT**

PARTICULARS	FOR THE PERIOD ENDED			
	31.08.95 Rs.	31.08.94 Rs.	31.03.93 Rs.	31.03.92 Rs.
<b>Sources of funds:</b>				
Net profit after Tax	44,71,458	52,26,511	3,70,767	14,211
Depreciation	10,34,598	10,85,360	4,51,924	—
Preliminary Exp. wri.off	701	701	701	701
Others/Adjustments	97,515	97,515	97,515	—
Increase in Share Capital	1,30,00,000	10,00,000	15,00,000	24,36,500
Increase in Appl. Money	—	88,42,430	—	15,00,000
Increase in Secured loans	—	—	11,47,150	23,76,128
Increase in Unsec. loans	11,24,172	—	52,29,525	18,02,863
Reduction in Investment	—	—	—	2,29,809
Increase in Bank loans	—	8,06,872	—	—
<b>TOTAL</b>	<b>1,97,28,444</b>	<b>1,70,59,389</b>	<b>87,97,582</b>	<b>83,60,212</b>

**Applications of funds:**

PARTICULARS	FOR THE PERIOD ENDED			
	31.08.95 Rs.	31.08.94 Rs.	31.03.93 Rs.	31.03.92 Rs.
Increase in Fixed Assets	1,03,55,742	15,94,689	61,06,291	88,02,232
Decrease in Share App. Money	31,90,530	—	15,00,000	—
Decrease in Secured Loans	35,01,825	4,02,827	—	—
Decrease in Unsecured Loans	—	70,32,388	—	—
Increase in Def. Rev. Exp.	4,18,495	13,28,745	4,87,572	—
Capitalisation of Reserve (Issue of Bonus shares)	40,00,000	—	—	—
Increase/(Decrease) in Working Capital	(17,38,148)	67,00,730	7,03,719	(4,42,020)
<b>TOTAL</b>	<b>1,97,28,444</b>	<b>1,70,59,389</b>	<b>87,97,582</b>	<b>83,60,212</b>

**STATEMENT OF CHANGE IN WORKING CAPITAL**

PARTICULARS	FOR THE PERIOD ENDED			
	31.08.95 Rs.	31.08.94 Rs.	31.03.93 Rs.	31.03.92 Rs.
Increase/(Decrease) in:				
Inventories	1,05,09,865	32,66,125	35,36,769	6,56,531
Cash and Bank balances	5,93,647	16,93,137	6,84,210	91,264
Sundry Debtors	2,86,167	17,25,443	1,44,811	—
Loans and Advances	40,24,682	16,38,669	87,938	6,55,929
<b>Total (A)</b>	<b>1,54,14,361</b>	<b>82,23,374</b>	<b>44,53,728</b>	<b>14,03,724</b>
Current Liabilities	1,71,22,721	16,22,644	37,50,009	18,54,444
Provisions	29,788	—	—	(8,700)
<b>Total (B)</b>	<b>1,71,52,509</b>	<b>16,22,644</b>	<b>37,50,009</b>	<b>18,45,744</b>
Increase / (Decrease) in Working Capital (A-B)	(17,38,148)	67,00,730	7,03,719	(4,42,020)

### SUBSIDIARIES OF THE COMPANY

There are no subsidiaries of the Company in terms of the Companies Act, 1956.

### PROMOTERS AND THEIR BACKGROUND :

ATUL AUTO LIMITED, is promoted by well experienced technocrats and entrepreneurs with good track record in successful management of Industries.

**SHRI JAYANTIBHAI J. CHANDRA**, aged 39 years, Managing Director of the Company, has passed his pre-university exams in 1972. He is a self made entrepreneur and has to his credit more than 20 years of experience in Atul Auto Industries and 3 years in Atul Auto Ltd.

He started his career as a manufacturer of Carrier Auto Rickshaw under the brand name "KHUSHBU" under his family firm Atul Auto Industries, Jamnagar some 20 years back and acquired excellent expertise in automobile manufacturing and marketing. It is the far reaching vision and keen insight of Mr. Chandra that has helped the company to emerge as a leading manufacturer of diesel run three wheelers in Western India and has given "KHUSHBU" a name to reckon with in the field of automobiles.

**SHRI ATUL J. CHANDRA**, 30 years, has passed his S.Y. B.Com in 1984. He is with Atul Auto Industries since last 6 years and with Atul Auto Ltd. since last 3 years. He has to his credit 3 years of experience in New Chandra Motor Cycle Agency. He has also been into family business of manufacturing three wheeler cargo vehicles and has expertise at floor level and an eye for quality control and development of new designs and parts.

**SHRI MAHENDRA J. PATEL**, 31 years, has passed his S.Y. B.Com. He has to his credit 3 years of experience in Sunrise Soaps & Chemical. He is with Atul Auto Ltd. since last 3 years. He has an experience to share as a Production Director of SUNRISE SOAPS AND CHEMICALS LTD., Bamanbore. He has recently joined the Company and will assist in production and marketing.

### FINANCIAL HIGHLIGHTS OF GROUP COMPANIES

Sr. No.	NAME OF THE COMPANY	LINE OF ACTIVITY	YEAR	INCOME	PAT	NET WORTH (Rs.in lacs)
1.	Atul Auto Industries (Partnership firm)	Manufacturer of Diesel 3-wheelers	1994-95	452.75	26.93	13.43
			1993-94	417.36	21.09	10.90
			1992-93	421.01	8.02	20.53
			1991-92	207.62	9.00	2.29
2.	Chandra Auto Center (Partnership Firm)	Trading Autoparts	1994-95	7.85	0.15	4.87
			1993-94	6.41	0.15	4.79
			1992-93	1.05	0.18	4.68
			1991-92	5.89	0.30	4.74
3.	Ashokkumar Jamnadas (Partnership Firm)	General Merchant & Commission agent	1994-95	6.52	0.01	14.30
			1993-94	6.01	0.14	3.50
			1992-93	4.61	-0.24	7.38
			1991-92	4.22	0.12	10.00
4.	Maganlal Gordhandas & 12 Others	Building Construction	1993-94	1.97	1.55	7.96
			1992-93	1.97	1.38	6.40
			1991-92	1.81	1.03	5.00
5.	Atul International (Proprietorship)	Exports of Vehicles	1994-95	14.86	2.39	3.00

NOTE: Atul International - Proprietorship of Mr. J.J.Chandra is a merchant exporter and undertakes export for Atul Auto Industries as also Atul Auto Limited. Atul Auto Industries and Atul Auto Limited - both independently manufacture and independently sell "KHUSHBU" brand CHASIS- directly to their own customers. As Atul Auto Limited is also promoted by Chandra family, although Atul Auto Industries continues to undertake same business - there has been no capacity expansion since more than 6 to 8 years. All the expansion plans and also change of new products such as six-sitters, pick-up van and newly designed 350cc "FUZI" motor bike are being manufactured and sold -SOLELY by Atul Auto Limited. Furthermore the demand of the vehicles is ever increasing and practically at all times there is some waiting period for Company's vehicles. In view of the demand surpassing the supply - on the marketing front also there is no possibility of conflict of interest.

Other ventures of promoters do not have business interest/ other interest in issue of company, except as mention in this prospectus..

### OTHER DIRECTORS

Mr. Rajendra Kukreja, 39 years, B. Com., has 16 years experience in manufacturing and marketing of automobile and its accessories.

Mr. Shriharsh Joglekar, 48 years. B.E.(Mech.), has 28 years experience in the Industry. He was associated with Kirloskar group/ Greaves Ltd. at senior level.

Mr. Rajesh Dhruva, 40 years, F.C.A., has 13 years experience. He is a practicing Chartered Accountant. He is engaged in the business of financial services at Rajkot.

### MANAGEMENT :

The Company is managed under the overall guidance, superintendence and control of the Board of Directors.



**BOARD OF DIRECTORS**

<b>NAME, DESCRIPTION, OCCUPATION OF DIRECTORS HELD.</b>		<b>OTHER DIRECTORSHIPS</b>
<b>JAYANTIBHAI J. CHANDRA</b> S/o. Jagjivanbhai Chandra Sanjay Apt., 3rd Floor, Block No. B-32, Near Circuit House, Rajkot. Business	<b>(MANAGING DIRECTOR)</b>	Nil
<b>ATULKUMAR J. CHANDRA</b> S/o. Jagjivanbhai Chandra Sanjay Apt., 3rd Floor, Block No. B-32, Near Circuit House, Rajkot. Business	<b>(DIRECTOR)</b>	Nil
<b>MAHENDRA J. PATEL</b> S/o. Jamnadas Patel Dharmabhoomi, Near St. Zavier's School, Jamnagar. Business	<b>(DIRECTOR)</b>	Nil
<b>RAJESH H. DHRUVA</b> S/o. Shri Hasubhai Dhruva 220, "Amrut", Sardarnagar Main Rd., Rajkot - 360 001. Chartered Accountant	<b>(DIRECTOR)</b>	<ul style="list-style-type: none"> <li>- Keynote Consultancy Pvt. Ltd.</li> <li>- Keynote Investment Pvt. Ltd.</li> <li>- Speciality Petrolubes Ltd.</li> <li>- Denim Fashions Ltd.</li> <li>- Integrated Proteins Ltd.</li> <li>- Keynote Corporate Counsels Pvt. Ltd.</li> <li>- Gulf Polymers Pvt. Ltd.</li> </ul>
<b>SHRIHARSH S. JOGALEKAR</b> S/o. Sharadchandra Jogalekar "Utkarsh", Flat No. 49250, 12th Floor, J.A. Raul Marg, Prabhadevi, Bombay - 400 025. Business	<b>(DIRECTOR)</b>	<ul style="list-style-type: none"> <li>- Nichrome Metals Pvt. Ltd.</li> <li>- Indo-Irish Foods Ltd.</li> </ul>
<b>RAJENDRAKUMAR S. KUKREJA</b> S/o. Shankardas Kukreja C/O. Universal Automobile, Karol Bug, New Delhi. Business	<b>(DIRECTOR)</b>	<ul style="list-style-type: none"> <li>- U. A. Lights (India) Ltd.</li> <li>- Rajendra Automobiles Pvt. Ltd.</li> </ul>

The Board is assisted by a team of professionals and qualified personnel who form the senior management of the Company. Brief details of the management team is as follows:

The Board is assisted by a team of professionally qualified personnel in different functional areas. Background of key personnel is as below:

**SHRI PUSHKER D. JOSHI**, a Bachelor of Engineering and Chief Advisor to the Company, has long standing experience in project implementation and monitoring of automobile project. He was previously working with Scooters India Limited and was actively involved in development and commissioning of its two wheelers and three wheeler projects.

**SHRI INDUKUMAR CHANDEBHAMAR**, B.E.(Mechanical) is a Works Manager. He was associated with "ACCUMAX LTD" for 19 years. There after he was with L.M.L. Limited (Kanpur) as a Production Manager. He is working with AAL since last two years.

**SHRI PRADEEP SINGH** - M.Sc. (Mechanical) is Project Manager in the Company having seventeen years experience as Deputy Manager (Production) in Scooters India Limited - Lucknow and also two years as a Tools Officer in Department of Science and Technology.

**SHRI K. M. CHERIYAN** - Marketing Manager of AAL is Commerce Graduate with specialisation in Business Management and a Diploma in Marketing Management. He was previously working with Ojas Appliances Limited - Rajkot as a Marketing Manager and has also worked with National Industrial Machinery Company - Rajkot as an Office Administrator.

**OUTSTANDING LITIGATION**

There are no pending litigations, disputes, defaults, non payment of statutory dues, proceedings initiated for economic offenses/Civil Offenses (including the past cases) against the Company/Promoters/ Directors and their other business ventures, except five labour cases pending in the Labour Court.

**PROJECT DETAILS**

**LAND AND SITE DEVELOPMENT**

The Company has procured a plot of land admeasuring 11066.75 sq.mtrs. adjacent to its existing premises at the cost of Rs. 12.00 lacs which includes legal charges and stamp duty of Rs. 2.00 lacs. The Company has acquired this land from Khushbu Auto Pvt. Ltd., a Company where in promoters are shareholders and their relatives are directors and/or shareholders, at the prevailing market price. Site development cost estimated at Rs. 8.00 lacs, includes cost of compound wall, borewell, internal road, leveling, landscaping etc.

**BUILDINGS**

The Company proposes to construct factory having built up area of 7790 sq. mtrs. This will accommodate facilities like machine shop equipments, assembly operations, paint shop etc. The Company has also proposed to construct office (595 sq. mtrs.), store room/show room (279 sq. mtrs.), parking shed (279 sq. mtrs.) and staff quarters with an area of 1428 sq.mtrs. The total cost of construction is estimated at Rs. 227.00.lacs is as per the Architects (Meeta Solanky) detailed estimate of Rs.200.lacs and remaining is the cost of interior roads, interiors-etc.

## PLANT AND MACHINERY

For the proposed project, the company has envisaged to purchase Plant & Machineries from established suppliers like HMT, Kirloskar, Batliboi and others. The Company has already received machinery of Rs. 82.98 lacs and has also placed orders of Rs. 194.30 lacs and orders for Rs. 206.31 lacs are yet to be placed. All the machineries are to be purchased new. The details of Plant and Machineries proposed for installation along with their cost are as below :

SI. No.	PARTICULARS	COST (RS IN LACS)
A)	MACHINE SHOP EQUIPMENTS	234.24
B)	PRESS & TUBE WELDING SHOP EQUIPMENTS	60.29
C)	ASSEMBLY & PAINT SHOP EQUIPMENTS	29.83
D)	TOOLS/JIGS/FIXTURES	20.81
E)	STORAGE AND MATERIAL HANDLING EQUIPMENTS	13.90
F)	i. ANCILLARY EQUIPMENTS LIKE AIR COMPRESSOR, COOLING TOWER, FORK LIFT TRUCKS	24.71
	ii. PIPINGS/VALVES/FITTINGS	6.50
		31.21
G)	ELECTRICAL EQUIPMENT (TRANSFORMER) AND ELECTRIFICATION	45.83
H)	INSPECTION & R/D EQUIPMENTS	42.30
I)	FREIGHT/INSURANCE/ERECTION/ COMMISSIONING	20.50
	<b>TOTAL</b>	<b>498.91</b>

## TECHNOLOGY AND PROCESS

The Process adopted by the Company for manufacture of vehicles is described in brief as under :

**Fabrication of Chassis :** Chassis is fabricated as per the design worksheet from M. S. angles/bars. The Chassis is then reoxide painted/painted with black colour in the paint shop and taken to the assembly shop.

**Production / Procurement of various components :** Various components required for sub assembly like driver seat assembly, differential gear assembly, power pack assembly, front fork and lighting, mud guard, headlights, silencer etc. are either bought directly or manufactured at the Company's own machine-shop, having machineries like cutting, hobbing, bending, grinding, drilling etc.

**Assembly of components :** Various components as above are fitted on to the chassis of vehicles. Further the directly bought engine along with the gear/ differential box developed by the Company and various sub assemblies are also fitted on to the chassis in the assembly shop. The assembled vehicles are then tested for various test prescribed by ARAI, as per the CMVR.

Finally chassis without body/ other accessories is delivered to the customer with prior clearance/ number plate from local R.T.O.

## RESEARCH AND DEVELOPMENT

Through own research efforts, the Company has successfully developed the Diesel Three Wheelers viz. 6-seater Auto Rickshaw, Pick Up Vans, Load Carriers etc. which are also approved by ARAI, Pune. The Company has also developed Diesel Two-Wheeler Mobike through inhouse R & D facilities recently.

## RAW MATERIALS

Major raw materials required for manufacture of two/three wheeler vehicles are Engines, Gear Box Assembly, Axle Assembly, Chassis Forks, Differential Suspension, Electrical Harness etc. The Diesel Engines for vehicles are procured from suppliers M/s. Greaves Ltd. and M/s. P.M. Diesels, Rajkot. The Company has conveyed the envisaged increase in requirements for engines with the proposed expansion to these engine suppliers. All other raw materials of required standards and size are locally available from open market.

## POWER

The peak hour power requirement is estimated at 800 KVA. The Company has been sanctioned load of 200 KVA by Gujarat Electricity

Board, vide their letter no. OM/COM/F/PF-55/6943 dated 7-9-93. For additional power requirement of 600 KVA the Company has already approached Gujarat Electricity Board for the sanction of the same. The Company proposes to install 300 KVA D.G. Set as standby arrangement

## WATER

Water is required to the extent of 30,000 liters per day for process (coolant) as well as "potable" use. The Company is already having two borewells for the supply of water.

## MANPOWER REQUIREMENTS

The existing manpower and future requirements are as follows:

	Managerial	Skilled	Unskilled	Others
Existing	6	26	21	39
Proposed	-	9	90	15
Total	6	35	111	54

## ENVIRONMENTAL SAFETY

The proposed project will not generate any harmful effluents. The Company, however, has obtained N.O.C. from the Gujarat Pollution Control Board, vide their letter no. AIR/R3-694/10472 dated 8-5-95.

## SCHEDULE OF IMPLEMENTATION OF PROJECT AND PROGRESS

The Company has started implementation of its expansion project. The Company has identified suppliers of major equipments and have also started placing orders. Civil construction has also started. As on 30/09/95 the Company has incurred an expenditure of Rs. 206.31 lacs towards implementation of expansion project. The Company expects to complete implementation of the project by April, 1996. Schedule of Implementation is expected as under:

	COMMENT- CEMENT	COMPL- ETION	STATUS
Land Acquisition	-	-	Acquired
Site Development	March, 1995	August, 1995	Work-in-progress
Civil Work	April, 1995	January, 1996	Work-in-progress
Plant and Machinery	-	-	-
- Order for Plant and Machinery	August, 1994	August, 1995	In progress
- Delivery and Installation	December, 1995	April, 1996	-
- Trial production	April, '96	April, '96	-
- Commencement of Commercial Production	May, '96	-	-

## PRODUCTS

The Company is one of the reputed manufacturers of "KHUSHBU" range of Diesel Three-Wheelers comprising of Diesel Load Carrier Rickshaw, Company's flagship product Diesel Passenger Rickshaw, Diesel Delivery Van and Diesel Motor Bike.

The expansion project is aimed at enhancing manufacturing of :

### (i) LOAD CARRIER :

It is having four stroke, single cylinder, air cooled diesel engine of 6.5 HP, 3600 RPM. Its front fork suspension is having telescopic hydraulic spring damping and an angle of turn of steering 45 degree either side. Its payload capacity is 600 kgs.

### (ii) 6 PASSENGER RICKSHAW AND DELIVERY VAN :

Engine capacity is 11 HP, 3000 RPM, with self start (battery-start) having foot operated hydraulic brakes for rear and front wheels (international) expansion type and hand operated mechanical system for rear wheels. Its payload capacity is 750 kgs. It is an elegant, stylish model ensuring maximum passenger comfort.

### (iii) FUZI DIESEL MOTOR BIKE :

Engine capacity is 350 c.c. Greaves Lombardini Diesel Engine assures minimum maintenance and maximum power with fuel economy. FUZI is unique because it is the motor bike designed to give full economy, with its new features like self start and modern dash board with stylish electrical system and design. It's special suspension, handle and shock absorber works together to provide its supple handling and sumptuous yet economical ride.

**MARKETING AND BUSINESS PROSPECTS**
**MARKET**

The Company is engaged in manufacture and marketing Diesel driven Six seater Auto Rickshaws and Pick Up Vans for the past several years. Encouraged by the good response received for its vehicles, the company plans to expand its existing manufacturing facilities of three wheelers and diversify into manufacture of Diesel driven Motorcycles. Details of the production plans (existing and post expansion) are shown as under :

Sr. No.	Description of Vehicles	Capacity			Production at Max. Cap Utilization	Sales Value (Rs. in lacs)
		Existing	Additional	Total		
1.	Chassis for goods carrier	960	1600	2560	1894	834
2.	Six seater auto rickshaw/Pickup Van	120	1000	1120	829	497
3.	Motorcycle	-	3500	3500	2590	1010
<b>Total</b>		<b>1080</b>	<b>6100</b>	<b>7180</b>	<b>5313</b>	<b>2341</b>

The products manufactured by the Company are mainly used for passenger and goods transportation.

The Chassis manufactured by the company is used for making Large wheel multipurpose goods carriers branded as "KHUSHBU ROAD MASTER". They have a load carrying capacity of 600-750 kgs and fuel efficiency of 28 km/liter of diesel.

The six seater autorickshaw/Pick up van popularly called "KHUSHBU K-1" are used for movement of goods and/or passengers for short distances in the rural and semi-urban areas which have payload capacity of 750 kgs and fuel efficiency of 28 kms/liter of diesel.

The Diesel motorcycle "FUZI" planned to be introduced by the company offers the advantages of fuel economy and comfort.

The Company has entered in "Licence User Agreement" with M/s. Atul Auto Industries for the use of Trade Mark "KHUSHBU" and has also entered in "Licence User Agreement" with Mr. Jayantilal J. Chandra for the use of Trade mark "ATUL FUZI". Both the Trade Marks are to be used without any consideration. There are no other major terms in these agreements. These agreements are valid upto the date till Company continues manufacturing activities. However, the agreements can be terminated by the either party by giving three months notice. Mr. Jayantilal Chandra and Mr. Atul Chandra, promoters of the Company are partners of the firm Atul Auto Industries.

**PRESENT PERFORMANCE**

The Company has increased its sales of various vehicles form 250 nos. in 1992-93 (nine months) to 748 nos. (ten months) in 1994-95. Accordingly the capacity utilisation has also increased from 32.10% in 1992-93 to 84.22 % in 1994-95. The Chassis for Goods carriage contributes to the major part of turnover.

**EXISTING MARKETING INFRASTRUCTURE**

At present the Company has mainly focused its marketing activities in Gujarat. It has established a dealer net work of 28 dealers and 3 sales offices at Jamnagar, Rajkot and Ahmedabad. The dealers are spread over different parts of Gujarat mainly in the Saurashtra region. This dealer network is supported by advertisements of the company's product in local dailies and hoardings.

Considering the existing business operations of the company it appears that the Company has established itself as a reliable supplier of quality Three Wheeler Diesel driven vehicles in Saurashtra region of Gujarat.

**DEMAND POTENTIAL**

Based on the data available from "Facts and Figures(1993-94)" Published by the Automotive Components Manufacturers Association of India the Three wheeler and Motorcycle segment (Table placed hereunder) registered a compounded annual growth rate of approximately 9% and 11% respectively.

Sr.	PRODUCT	(Qty in Nos.)				
		1994	1993	1992	1991	1990
1.	Three Wheelers	91524	65464	76750	89162	83752
2.	Two Wheelers	464750	384080	430786	470339	417401

Based on the sales estimates indicated in "Facts and Figures (1993-94)" for the years 1995-96 and 1996-97, sales projection upto the year 1998-99 are as below :

Year	Total Sales (Qty. in Nos.)					
	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Three Wheelers	92,000	110,000	120,000	130,000	143,000	157,300
Motorcycle	465,000	550,000	650,000	700,000	784,000	878,080

Based on the growth rate achieved by the Company for its existing operations and of the industry as a whole, we have projected a compounded annual growth rate of approximately 10% for the purpose of sales projections.

**COMPETITION**
**A) Three Wheelers :**

Bajaj Auto, Automobile Products of India, Scooter India Ltd., are the major manufacturers in Three Wheeler Segment. Greaves Ltd., and Sunku Auto Ltd. are relatively new entrants. While Bajaj Auto Ltd., manufactures petrol driven three wheelers, Greaves Ltd, Scooter India and Sunku Auto Ltd., manufacture diesel driven vehicles and shall be main competitors for the Company.

A summary/comparison of salient features of the three wheeler manufactured by the Company and other manufacturers, is as below:

Sr. No.	Product	Other manu.	Other manu.	The Company
		Petrol	Diesel	
1.	Passenger Auto Rickshaw			
a)	Sitting capacity	3	3	6
b)	Fuel efficiency (Kms.Liter)	20	28	28
c)	Cost per km (Petrol-Rs.20/-liter) (Diesel-Rs. 8/-liter)	Re. 1.00	Re. 0.28	Re. 0.28
d)	Cost per pass. per km.	Re. 0.33	Re. 0.09	Re. 0.04
e)	Cost of Vehicle	Rs. 50000	Rs.70200	Rs.100000 *
2.	Pick Up Vans			
a)	Load Carrying Capacity(kgs)	300	400	750
b)	Fuel efficiency (Kms.Liter)	20	28	28
c)	Cost per km (Petrol-Rs.20/-liter) (Diesel-Rs. 8/-liter)	Re. 1.00	Re. 0.28	Re. 0.28
d)	Cost per Ton per Km	Rs. 3.33	Re. 0.70	Re. 0.37
e)	Cost of Vehicle	Rs. 45000	Rs.75700	-Rs. 95000 *

\*including body

#### B) Motorcycles :

Bajaj Auto, Escorts Ltd., Hero Honda Motors Ltd., TVS Suzuki Ltd. Enfield India Ltd., etc., are the major manufacturers of petrol driven two wheelers/ motorcycles and hence are not comparable to the 350cc Diesel motorcycles manufactured by the Company. Only Enfield India Ltd., manufacturers 350CC petrol driven motorcycle which shall be the main competitor to the Company's 350CC diesel driven "FUZI".

A summary / comparison of salient features of the motorcycle to be manufactured by the Company and other manufacturer, is as below:

Sr. No.	Product	The Company	Other manufacturer
		Diesel	Petrol
1.	Motorcycles		
a)	Engine capacity	350cc	350cc
b)	Fuel efficiency(kms/Liter)	60	30
c)	Cost per Km (Petrol- Rs.20/-liter)	Re. 0.13	Re. 0.66
d)	Price of vehicle (on roads) (Rs.)	Rs.44000	Rs.48000

#### MARKETING STRATEGY

In order to consolidate in present position and increase its market share, the company plans to expand its product range as well as market penetration. The Company intends to expand its product range by introducing two wheeler motorbike whereby it intends to cater to fuel cost conscious customer segment.

The Company intends to promote its products mainly by way of advertisements in regional dailies, magazines, hoardings and organising promotional events like "KHUSHBU CARNIVALS" in the form of street parades and get-to-gathers in select towns. In order to increase market penetration it also plans to enlarge its distribution network by appointing dealers and sales offices in new areas like states of Rajasthan, Madhya Pradesh, Maharashtra, and the coastal states of Kerala and Andhra Pradesh for sales and service.

#### FUTURE PROSPECTUS

The future profitability and projection figures as appraised Gujarat Venture Finance Limited for the purpose of Public Issue are given below:

Year end August	(Rs. in lacs)		
	1996	1997	1998
Installed Capacity	7180	7180	7180
- Chhakda	2560	2560	2560
- Six seater	1120	1120	1120
Auto/Pick Up Van			
- Fuzi motorcycle	3500	3500	3500
Capacity utilisation*	33%	57%	65%
Sales	908.00	1796.00	2064.00
Cost of Production	777.00	1475.00	1696.00
Gross profit	131.00	321.00	368.00
Gross profit margin(%)	14.46%	17.86%	17.84%
Net Profit	83.00	155.00	180.00
Net Profit margin (%)	9.13%	8.64%	8.72%
Share Capital	505.00	505.00	505.00
Reserves & Surplus	533.72	648.32	777.82
Dividend (in %)	-	8.00%	10.00%
Dividend (in Rs.)	-	40.40	50.50
EPS Rs.	2.42	3.07	3.56
Net Worth	1038.72	1153.32	1282.82
Book Value per Share Rs.	20.57	22.84	25.40

\* Capacity utilisation for "FUZI" motorcycle is estimated at 22.5 % for the year 1995-96.

### Assumption for Profitability Analysis

- The company is expected to complete implementation of the expansion project in April 1996.
- The plant will have the installed capacity to produce 7180 vehicles, based on following product-mix :

Sr. No.	Product	Existing capacity	Expansion capacity	Total capacity
		Nos.	Nos.	Nos.
1.	Chassis for goods carrier	960	1600	2560
2.	Six seater auto/pick up van	120	1000	1120
3.	Fuzi motorcycle	-	3500	3500
<b>Total</b>		<b>1080</b>	<b>6100</b>	<b>7180</b>

- The details of capacity utilisation of the existing expansion project is as under:

	capacity utilisation			
	1996	1997	1998	1999
Existing project	95%	95%	95%	95%
Expansion project	22.5%	50%	60%	70%
Project as a whole	33.41%	56.77%	65.26%	74%

- Based on the current market rate, unit cost of raw material consumption for different products manufactured by the company are as under:

Sr. No.	Product	Raw material cost (Rs. per unit)
1.	Chassis for goods carrier	31125.66
2.	Six seater auto/ pick up van	47484.73
3.	Fuzi motorcycle	27354.89

### 5. Sales Projection

The break up of the sales achieved / projected from the year 1992-93 to 1997-98 is as under :

Sr. No.	Product	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
		(actual 9mths)	(actual 17mths)	(actual 10 mths)	(Projected)	(Projected)	(Projected)
1.	Chassis for goods carrier	215 (86.0)	793 (335.93)	568 (274.68)	855 (376)	1453 (639)	1670 (735)
2.	Six seater auto/ pick up van	35 (18.53)	92 (51.55)	180 (108.70)	374 (225)	636 (381)	731 (439)
3.	Fuzi motor cycle	-	1 (0.38)	6 (2.35)	788 (307)	1987 (775)	2284 (891)
<b>Total</b>		250 (104.53)	886 (387.86)	754 (385.73)	2017 (908)	4076 (1795)	4685 (2065)

\* Figures in brackets indicate amount in Rupees(lacs).

It may be mentioned that the company has achieved a capacity utilisation of 84.22% for the year 1994-95. It is expected that the company shall achieve peak capacity utilisation of 95% for the year 1995-96 and onwards. With the implementation of the expansion project the capacity shall increase from the present level of 1080 vehicles per annum to 7180 vehicles per annum with which the company shall be able to achieve higher production levels.

- Considering the existing salary and wage structure of the company the total salary & wages have been estimated at Rs. 37.00 lacs for the first year and 10% annual increase has been provided there after.
- Selling expenses have been provided at 2% of the net sales.
- Based on the average sales realisation achieved by the company for the different products during the last 3 years, selling prices have been assumed as follows :

Chassis for Goods Carriage	: Rs. 44,000/-
Six Seater Auto Rickshaw/Pickup Van	: Rs. 60,000/-
Motorcycle	: Rs. 39,000/-

- Interest rate for the Term Loan (Equipment Refinance Scheme) and Bank Borrowings have been assumed at 18.5% p.a. and 17.5% p.a. respectively.

- Depreciation has been worked out to SLM basis for working out profitability.

## RATIOS

Analysis of ratio of major expenses to sales for the past three years vis-a-vis projections made is as under :

	Avg. for last 3 years	Proj. at Max. Capacity Utilz.
Raw Material/Total Income	66.86%	72.27%
Power/Total Income	0.57%	1.04%
Cost of Production/Total Income	84.94%	82.00%
PBDIT/Total Income	15.28%	18.09%
Net Profit/Total Income	10.42%	9.03%

It may be mentioned that the variation in expenses is mainly on account of change in the product-mix and scale of operation.

During the last three years of operation the company has achieved average gross profit margins of approximately 15.5%. These margins are expected to further improve considering the economies of scale likely to be achieved by the company on account of the expansion project.

Further the gross profit margin estimated at 17% to 18% is also in line with the industry margins of 18% (Reference: Capital Market)

## SENSITIVITY ANALYSIS

Sensitivity analysis has been worked out taking into consideration the following:

### 1. Selling price :

Chassis for goods carriage manufactured by the company accounts for nearly 88% of the existing capacity and 71% of the total sales for the period ended 30.6.95.

In the profitability analysis the selling price for Chassis for Goods carriage has been conservatively assumed at Rs. 44,000/- based on the average sales realisation achieved by the company for the last three years of operation.

Considering the demand for the chassis and its market potential, an increase of 20% in the selling price has been considered for the purpose of sensitivity analysis and its impact on the project IRR is as below.

Sr. No.	Selling Price of Chassis for Goods Carriage	Project IRR
1.	Rs. 44,000/-	20.63%
2.	Rs. 53,000/- (20% increase)	30.58%

## SWOT ANALYSIS

### Strengths

1. The Company is promoted by experienced promoters having established track record in the Automobile industry.
2. Diesel vehicles have substantial advantage in terms of fuel economy over petrol driven vehicles.
3. The Company has established good brand image in Saurashtra and its vehicles are popular in this region.

### Weakness

1. The Company is dependent on M/s Greaves Limited and M/s P M Diesel Pvt. Ltd. (Field Marshall) for supply of diesel engines.
2. The Company at present markets its product through network of about 30 dealers in Gujarat. In order to increase its market penetration the company will have to expand its dealer network in other states.
3. The Company shall also need to set up infrastructure for providing after sale services and supply of spares.

### Opportunities

1. The Company is among the early entrants introducing heavy duty Diesel Operated mobike. This provides opportunities for developing niche market for company's products.

### Threats

1. Price of Diesel is controlled by the government and any adverse fluctuation in the selling prices of diesel would reduce competitive advantages in terms of low fuel cost enjoyed by diesel vehicles over petrol vehicles.
2. Sales of two wheeler is expected to substantially contribute to turnover of the company. This segment (two wheelers) of Automobile industry being competitive, the Company shall have to put considerable efforts for establishing adequate market share.

## JUSTIFICATION OF PREMIUM

The Company has in consultation with the Lead Managers, has arrived at a premium of Rs. 12 per share after considering the following factors:

### 1) Qualitative factors

- a) The Company is an existing, profit making company with a track record of consistent profitability of more than four years.
- b) Promoters are bringing 25 % of the present issue (16.09 % of the post issued equity) at the same price.
- c) During the last three years, the Company has achieved a growth of 964.86 % in its net profits, turnover has gone up by more than 333.32 % and the net worth has gone up from Rs. 26.91 lacs in 1991-92 to Rs. 233.58 lacs in 1994-95.

## 2) Quantitative Factors:

- a) The Company has maintained a steady growth rate in the past, as reflected in key Performance indicators for the last 5 years, shown below :

	June 30 1995 (10 months)	August 31 1994 (17 months)	March 31 1993	March 31 1992	March 31 1991
Sales	385.82	407.77	115.75	—	0.33
PBIDT	48.50	86.36	16.75	0.24	0.78
Profit After Tax	35.70	52.27	3.70	0.14	0.47
Net Worth	233.58	107.88	45.62	26.91	2.41
EPS (Rs.)	* 2.38	* 7.40	0.98	0.06	7.34
Book Value (Rs.)	*12.98	*21.57	11.40	10.76	37.65

\* Annualised- on weighted average.

- b) As per the figures appraised by Gujarat Venture Finance Limited, the financial projections for the Company for the next four years are as follows :

Year ended August,	1996	1997	1998	1999
Sales	908.00	1796.00	2064.00	2341.00
Net Profit	83.00	155.00	180.00	212.00
Share Capital	505.00	505.00	505.00	505.00
EPS Rs.	2.42	3.07	3.56	4.20
Net Worth	1038.72	1153.32	1282.82	1434.22
Book Value per Share Rs.	20.57	22.84	25.40	28.40

- c) The offer price of Rs. 22 gives P/E multiple of 6.64 to average projected EPS of next four years (Rs. 3.31), whereas the P/E multiple of Automobiles-scooters and 3-Wheelers is 19.3 and that of motor-cycle/mopeds is 21.1 (Source : Capital Market Vol. X/8 dt. July 16, 1995.)

- 3) Apart from the reasons mentioned above, the Company and the Lead Managers, in consultation with whom the premium has been decided, are of the opinion that the premium is reasonable and justified.

### STOCK MARKET DATA FOR SHARES OF THE COMPANY

As the equity shares of the Company are not listed on any stock exchange at present, no stock market data is available.

### VI. COMPANY UNDER THE SAME MANAGEMENT

No Capital Issue within last 3 years has been made by the Company or any other listed Company under the same Management within the meaning of Section 370(1B) of the Companies Act, 1956.

### VII. STATUTORY LIABILITIES, DUES AND OUTSTANDING LITIGATION

- The Company does not have any outstanding litigation pertaining to matters likely to effect its the operation and finance or any other matter including disputed tax liability of any nature, except five labour cases pending in the Labour Court.
- No criminal prosecution has been launched against the Company or its Directors for alleged offenses under the enactments in para 1 Part.I of Schedule III of the Companies Act, 1956.
- There is no default in meeting statutory dues & institutional dues.
- The company has not raised any fixed deposits nor issued any debentures so as to attract any interest liabilities thereof.

### MATERIAL DEVELOPMENT IF ANY

There are no material developments after the latest Audited Balance Sheet i.e. as at 31-12-95 which are likely to affect the operations.

### VIII. RISK FACTORS

#### INTERNAL RISK FACTORS

- The Diesel Engines are supplied by M/s. Greaves Limited and M/s. P. M. Diesels Pvt. Ltd. (Field Marshall). M/s. Greaves Limited also manufactures Three Wheeler Auto Rickshaws (Three seater). The Company depends on the supply from these two companies only.
- The Company has not declared any dividend in past.
- The Company is yet to obtain sanction from Gujarat Electricity Board for its additional power requirement.
- The Company is yet to place orders for Plant and Machinery worth Rs. 206.31 lacs required for project.
- The Company has acquired the land for the project from Khushbu Auto Pvt. Ltd., a company where the promoters are shareholders and their relatives are directors.
- The sales and profitability of the company would depend on the company's capacity to increase its dealer network in other states outside Gujarat.
- The Company is yet to set up infrastructure for providing after sales services and supply of spares.
- The "Licensee user agreement" entered into by the company with the promoters and group firm for use of trademarks "Khushboo" and "Atul Fuzi" can be terminated by the promoter/group company at three months notice.

#### EXTERNAL RISK FACTORS

- Two Wheeler Diesel Mobike is the new area for which market is yet to be established.
- Diesel prices are governed by government policies and are subject to fluctuations with any change in the policy.

### MANAGEMENT'S PERCEPTION OF RISK FACTORS

#### INTERNAL

- The Company is purchasing Diesel Engines from the above suppliers regularly since inception and does not foresee any difficulties in procuring them.

#### EXTERNAL

- Looking to the present market of Petrol Mobikes, the Company is very hopeful for the good market of Diesel Mobikes.
- With the help of present marketing set up and image in three-wheelers, the Company will be able to compete in the market.

## PART II

### A. GENERAL INFORMATION

#### CONSENTS

The Consents in writing of the Directors, Lead Manager to the Issue, Advisors to the Issue, Auditors, Legal Advisors to the Issue, Bankers of the Company, Bankers to the Issue, Registrar to the Issue to act in their respective capacities, have been obtained, and filed with the Registrar of Companies, Gujarat at Ahmedabad, along with a copy of this Prospectus as required under Section 60 of the Companies Act, 1956 and none of them have withdrawn their consents up to the time of delivery of a copy of this Prospectus for registration with Registrar of Companies, Gujarat at Ahmedabad.

M/s. Purohit & Co., Chartered Accountants, the Auditors of the Company have also given their written consent for inclusion of their report as appearing here in the form and the context in which it appears later in this prospectus and also of tax benefits accruing to the Company and its members and such consent and report has not been withdrawn upto the time of filing of a copy of this prospectus with the Registrar of the Companies, Gujarat at Ahmedabad.

#### EXPERT OPINION

No opinion of any expert has been obtained by company except as stated in the prospectus.

#### CHANGE IN DIRECTORS & AUDITORS DURING LAST THREE YEARS

There has been no change in the composition of the Board of Directors of the Company since incorporation, except as following, who have been appointed as Directors to broad base the Board.

1. Mr. Mahendra J. Patel	:	30-11-94
2. Mr. Rajesh H. Dhruva	:	19-12-94
3. Mr. Shriharsh S. Joglekar	:	19-12-94
4. Mr Rajendrakumar Kukreja	:	19-12-94

#### AUDITORS

There is no change in the auditor of the company in last 3 years prior to the date of issue in this prospectus.

#### AUTHORITY FOR THE PRESENT ISSUE

Pursuant to Section 81 of the Companies Act, 1956 the shareholders of the Company have authorised the present issue of Equity Shares by a Special Resolution passed in the Annual General Meeting held on 23rd January, 1995.

#### PROCEDURE AND TIME SCHEDULE FOR ALLOTMENT AND ISSUE OF CERTIFICATES

Letters of allotment or refund orders as the case may be will be dispatched by registered post at the applicant's own risk within ten weeks from the date of closing of the subscription list. Refund orders of value not exceeding Rs.1500/- will be sent under certificate of posting and above Rs.1500/- by Regd. A.D.

Refunds will be made by cheque or pay orders drawn on any Scheduled Bank and bank charges, if any, for encashing such cheque or pay orders will be payable by the Applicant. Such cheque or pay orders will, however, be payable at par at the branches of the Bankers located at all the places where applications are accepted. All cheques or pay orders or letters of allotment or share certificates (as the case may be) will be dispatched to the applicant (whose name appears first in the application) at the registered address and at the risk of the applicant.

#### ISSUE OF CERTIFICATE

Share Certificate(s) will be delivered within three months from the date of allotment in exchange of Allotment Letter(s) issued if any. The allottee should carefully preserve letter(s) of allotment, if any, to be exchanged for the Share Certificate(s).

#### DISPOSAL OF APPLICATION AND APPLICATION MONEY

The Board shall consider applications on the basis of certification received from the bankers to the issue whilst making allotment.

The Board reserves its full, unqualified and absolute right to accept or reject any application in whole or part and in either case without assigning any reason thereof. In case an application is rejected in

full, the whole of the application money received will be refunded and where an application is accepted in part, the excess application money will be refunded to the applicant in terms of Section 73 of the Act. Letter of Allotment/Share Certificate(s)/Regret Letters, as the case may be, together with refund orders, if any, will be dispatched by Registered Post and refund order(s) of value not exceeding Rs. 1500/- will be sent under certificate of posting at the applicant's risk within ten weeks from the closing of the subscription list or under the unforeseen circumstances within such extended time as may be permitted by regional stock exchange and such permission if granted by the stock exchange would be without prejudice to the company's liability to pay the interest for delayed period. And if such money is not repaid within eight days, from the day the Company becomes liable to pay it, the Company and every Director of the Company who is an officer in default shall, on and from the expiry of the eighth day be jointly and severally liable to repay the money with interest @ 15% p.a. as prescribed under the provisions of Section 73 of the Companies Act, 1956. Refunds will be made by A/c payee cheque or pay orders drawn on any scheduled bank and Bank Charges, if any, for encasing such cheque/pay orders will be payable by the applicants. Such cheque or pay orders will however, be payable at par at the places where the applications are received.

Investors who opt for the Stockinvest facility will be treated at par with the other types of payment of application money. Wherever the applicant has made payment through Stockinvest, the Company would encase the Stockinvest instrument fully or partially, as the case may be, filling in the actual amount receivable on the right hand side of the instrument indicating the number of Equity Shares for which the payment is appropriate. The amount shown on the right hand side will be equal to or less than the amount indicated on the left depending on the number of shares allotted. In case of non allotment the Stockinvest instrument will be returned to the investor without encashing the same. The successful/partially successful applicant's instruments would after encashing be deposited in a separate bank account where the cash and other monies received from other investors are deposited.

Registrars to the Issue have been authorised by the Company to sign on behalf of the Company to realise the proceeds of the Stockinvest from the issuing bank or to affix non allotment advice on the instrument or cancel the Stockinvest of the non allottees or partially successful allottees who have enclosed more than one Stockinvest. Such canceled Stockinvest shall be sent back by the Registrars directly to the investors within 70 days of the closure of subscription list.

#### AUTHORISATION TO THE REGISTRARS TO THE ISSUE

Registrars to the Issue have been authorised by the Company vide resolution at the Board Meeting held on 20/01/96 to sign on behalf of the Company to realise proceeds of the Stockinvest from the issuing bank or to affix non allotment advice on the instrument or cancel the stockinvest of the non-allottees or partially successful allottees who have enclosed more than one Stockinvest. Such canceled Stockinvests shall be sent back by the Registrars directly to the investors.

#### DISPOSAL OF APPLICATION MONEY RECEIVED THROUGH STOCKINVEST

The procedure for disposal of applications accompanied by Cash or Cheque or Bank Draft will apply mutatis to applications accompanied by stockinvest except the following:

- i. In case of non-allotment, the Registrars to the issue will return the Stockinvest to the applicant without encashing the same. The bank will vacate the lien on the account of the applicant on receipt of the Stockinvest.
- ii. On allotment/partial allotment, the Registrars to the issue will fill in the amount which would be less than or equal to the amount filled in by the applicant before presenting the Stockinvest, to the issuing banker for payment to the extent of the allotment. The bank will vacate the lien in respect of the balance amount, if any, on the applicants account on receipt of the Stockinvest.
- iii. The unused Stockinvests will be returned by the Registrars to the issue by Registered Post to the applicants within 70 days from the date of closure of the Subscription list.



#### BASIS OF ALLOTMENT IN CASE OF OVERSUBSCRIPTION

In case of oversubscription the basis of allotment will be finalised in consultation with the Regional Stock Exchange at Rajkot on proportionate basis.

The allotment shall be subject to allotment in marketable lots, on a proportionate basis as explained below:

- (a) Application will be categorised according to the number of shares applied for.
- (b) The total number of shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, subject to the following applicable for the Net Offer to the Indian Public :
  - (i) 6,82,500 Shares shall initially be made available for allotment to Individual applicants who have applied for allotment of 1000 or less than 1000 Shares.
  - (ii) The balance shall initially be made available for allotment to investors, including Corporate Bodies/ Institutions, and Individual applicants who have applied for allotment of more than 1000 Shares.
  - (iii) The unsubscribed portion to any one of the categories specified in (i) or (ii) above shall/may be made available for allotment to applicants in the other category, if so required.
- (c) Number of the shares to be allotted to the successful allottees will be arrived at on a proportionate basis.
- (d) All the applications where the proportionate allotment works out to less than 100 shares per applicant shall be made as follows:
  - (i) Each successful applicants shall be allotted a minimum of 100 shares; and
  - (ii) The successful applicants out of the total applicants for the category shall be determined by drawl of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per (b) above.
- (e) If the proportionate allotment to an applicant works out to a number that is more than 100 but is not a multiple of 100 (which is the marketable lot), the number in excess of the multiple of

100 would be rounded off to the higher multiple of 100 if that number is 50 or higher. If that number is lower than 50, it would be rounded off to the lower multiple of 100. (As an illustration, if the proportionate allotment works out to 250, the applicant would be allotted 300 shares. If however the proportionate allotment works out to 240, the applicant would be allotted 200 shares). All applicants in such categories would be allotted shares arrived at after such rounding off.

- (f) If the shares allocated on proportionate basis to any category is more than the shares allotted to the applicants in that category, the balance available shares for allotment shall be first adjusted against any other category, where the allocated shares are not sufficient for proportionate allotment to the successful applicants in that category. The balance shares, if any, remaining after such adjustment will be added to the category comprising, of applicants applying for minimum number of shares.
- (g) AS THE PROCESS OF ROUNDING OFF TO THE NEARER MULTIPLE OF 100 MAY RESULT IN THE ACTUAL ALLOCATION BEING HIGHER THAN THE SHARES OFFERED, IT WOULD BE NECESSARY TO ALLOW A 10 % MARGIN I.E. THE FINAL ALLOTMENT MAY BE HIGHER UP TO 110 % OF THE SIZE OF THE ISSUE.

#### OVERSUBSCRIPTION

In case of oversubscription of the Public Issue by more than two times. The allotment shall be on proportionate basis and a SEBI nominated Public representative shall be associated in the process of finalisation of basis of allotment.

#### DISPOSAL OF INVESTORS GRIEVANCES

In respect of Investors Grievances agreement with Registrar To The Issue provides that Investor Grievances for a period of 6 months from the closure of the Public Issue shall be resolved by them and after that period it will be resolved by the Company inhouse.

#### INTEREST ON EXCESS APPLICATION MONEY

Payment of interest @ 15% p.a. on the excess application money, beyond the stipulated period of ten weeks after the date of closure of the Subscription List, will be made to the applicant as per the guidelines issued by the Ministry of Finance, Government of India, vide letter No. F/14/2/SE/85 dated September 27, 1985 addressed to the Stock Exchanges.

#### REGISTERED OFFICE & FACTORY

Survey No. 86, Plot no. 1 to 4,  
Shapar, Industrial Zone, National Highway 8-B,  
Shapar - Veraval - 360 002. Dist. - Rajkot. Gujarat.

#### LEAD MANAGER TO THE ISSUE

**MEHTA INTEGRATED FINANCE LIMITED.**  
3, Law Garden Apt., Scheme 1,  
Opp. Law Garden, Ellisbridge,  
Ahmedabad - 380 006.

#### CO-MANAGERS TO THE ISSUE

**MANGAL FINANCE LIMITED**  
101, Magnum House-1, Karampura Commercial Complex,  
Opp. Milan Cinema, New Delhi - 110 015.

#### AUDITORS

**PUROHIT & CO.**  
4th Floor, Anjaria Chambers,  
Kashivishvanath Road, Jamnagar.

#### REGISTRAR TO THE ISSUE

**PINNACLE FINANCE LIMITED**  
Near Ashoka Mill,  
Naroda Road,  
Ahmedabad - 360 001.

#### ADVISORS TO THE ISSUE

**DHRUVA & DHRUVA.**  
220, Amrut complex, Sardar Nagar Main Road,  
Rajkot - 360 001.

#### COMPANY SECRETARY

**Mr. Mahesh H. Gaudani.**  
9, Ambrish Apt., Snehkunj,  
SBI Society, Ambawadi, Ahmedabad.

#### BANKERS TO THE COMPANY

**STATE BANK OF INDIA,**  
Jawahar Road, Rajkot

**CITIZEN CO-OPERATIVE BANK LIMITED.**  
Jawahar Road, Rajkot.

#### BANKERS TO THE ISSUE

**Dena Bank,**  
Ellisbridge Br., Ahmedabad.  
**Vijaya Bank,**  
Ashram Road Br., Ahmedabad.

**Bank of Baroda,**  
Vrundavan Shopping Center Br., Ahmedabad.  
**State Bank of Saurashtra,**  
Ashram Road Br., Ahmedabad.

#### BROKERS TO THIS ISSUE

All members of the Recognised Stock Exchanges shall be brokers to the Issue.

**B.FINANCIAL INFORMATION**
**AUDITORS' REPORT**

**FROM :**  
**M/S. PUROHIT & CO.,**  
 Chartered Accountants,  
 4th floor, Anjaria Chambers,  
 Kalsivishvanath Road,  
 Jamnagar - 361 001.

**TO,**  
 THE BOARD OF DIRECTORS,  
**ATUL AUTO LIMITED,**  
 at Village Shapar,  
 Near Microwave Tower,  
 On Rajkot Gondal Highway,  
 Tal : Kotda Sangani, Rajkot.

Dear Sirs,

We have examined the books of accounts of ATUL AUTO LIMITED (Formerly known as ATUL AUTO (JAMNAGAR) PRIVATE LIMITED) for the years and periods ended on 31st March, 1992, 31st March 1993 and 31st August, 1994 and 31st August, 1995 being the last date upto which the accounts of the company were made up and audited by us and adopted by the members of the company. Other auditors have examined the books of accounts of the company for the year ended on 31st March, 1991 being the date upto which the accounts are made, audited by them and adopted by members; same have been incorporated by us in this report.

We have also examined and found correct the statement of accounts of the company from 1st September, 1995 to 31st December, 1995.

In accordance with the requirements of Clause B of part II of Schedule II to the Companies Act, 1956, we report as under :

**A. PROFIT AND LOSS ACCOUNT**

We report that the profits of ATUL AUTO LIMITED for each of the five financial periods ended 31st March, 1991, 1992, 1993, and 31st August, 1994 and 31st August 1995 and 31st December, 1995 is arrived at after charging all expenses of working and management including depreciation and after making such adjustments and regrouping as were, in our opinion, appropriate and material, read together with the notes is attached herewith vide annexure A.

**B. ASSETS AND LIABILITIES**

The assets and liabilities of the company as on 31st March, 1991, 1992, 1993 and 31st August, 1994 and 31st August, 1995 and 31st December, 1995 being the last date upto which the accounts of the company have been made up, after making such regrouping, as are in our opinion appropriate and material, and subject to the notes appearing here under, are attached herewith vide annexure B.

**C. DIVIDEND**

Company has not declared and/or proposed any dividend in RESPECT OF any above mentioned financial periods or years.

**FOR PUROHIT & CO.,**  
**CHARTERED ACCOUNTANTS**  
 -sd-  
**(PRASHANT MAHARISHI)**  
**PARTNER**

**DATED : 20.01.1996.**

**PROFIT AND LOSS ACCOUNT Annexure - "A"**

(RS. IN LACS)

PARTICULARS	FOR THE PERIOD ENDED ON					
	31ST MARCH 1991	31ST MARCH 1992	31ST MARCH 1993	31ST AUGUST 1994*	31ST AUGUST 1995	31ST DEC. 1995**
<b>INCOME</b>						
A. Sales	0.33	0.00	115.75	407.77	475.68	260.34
B. Other income	0.80	0.80	6.37	6.37	4.24	1.21
C. Variation in Stock	(0.27)	0.00	7.99	6.04	12.23	(7.47)
<b>TOTAL</b>	<b>1.81</b>	<b>0.80</b>	<b>124.54</b>	<b>420.18</b>	<b>492.15</b>	<b>254.08</b>

<b>EXPENDITURE</b>						
A. Manu.& Other exp	1.03	0.56	107.79	333.79	431.31	223.55
B. Interest	0.00	0.00	8.53	23.12	4.43	0.01
C. Depreciation	0.00	0.00	4.52	10.83	10.35	4.19
D. Loss on sale of Fixed Assets	0.00	0.00	0.00	0.00	1.15	0.00
<b>TOTAL</b>	<b>1.03</b>	<b>0.56</b>	<b>120.84</b>	<b>367.74</b>	<b>447.24</b>	<b>227.75</b>
PROFIT BEFORE TAXATION	0.78	0.24	3.70	52.44	44.91	26.33
LESS:						
TAX PROVISION	0.31	0.10	0.00	0.00	0.19	0.00
PRIOR PERIOD ADJUSTMENT	0.00	0.00	0.00	0.17	0.00	0.00
PROFIT FOR THE YEAR TRANSFERRED TO BALANCE SHEET	0.47	0.14	3.70	52.27	44.72	26.33
<b>ASSETS &amp; LIABILITIES Annexure "B"</b>						<b>(RS. IN LACS)</b>
	<b>AS AT</b>	<b>AS AT</b>	<b>AS AT</b>	<b>AS AT</b>	<b>AS AT</b>	<b>AS AT</b>
	<b>31ST</b>	<b>31ST</b>	<b>31ST</b>	<b>31ST</b>	<b>31ST</b>	<b>31ST</b>
<b>PARTICULARS</b>	<b>MARCH</b>	<b>MARCH</b>	<b>MARCH</b>	<b>AUGUST</b>	<b>AUGUST</b>	<b>DEC.</b>
	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994*</b>	<b>1995</b>	<b>1995**</b>
<b>FIXED ASSETS</b>						
Gross block	0.11	81.97	145.72	163.40	215.93	286.04
Less: Depri.	0.00	0.00	4.52	15.37	25.06	29.25
Net Block	0.11	81.97	141.20	148.03	190.87	256.79
Capital WIP	0.00	6.16	3.48	1.74	52.11	67.15
<b>TOTAL</b>	<b>0.11</b>	<b>88.13</b>	<b>144.68</b>	<b>149.77</b>	<b>242.98</b>	<b>323.94</b>
INVESTMENTS	2.30	0.00	0.00	0.00	0.00	0.00
CURRENT ASSETS, LOANS AND ADV.						
A) Inventories	0.00	6.56	41.93	74.59	179.69	160.08
b) Debtors	0.00	0.00	1.45	18.70	21.57	67.48
c) Cash & Bank Balances	0.05	0.97	7.81	24.74	30.67	28.68
d) Loans & Adv.	0.04	6.60	7.47	23.86	64.12	130.82
<b>TOTAL</b>	<b>0.09</b>	<b>14.13</b>	<b>58.66</b>	<b>141.89</b>	<b>296.05</b>	<b>387.06</b>
LESS: CURRENT LIA. & PROVISIONS.						
A) Current Lia.	0.15	18.61	56.11	72.34	238.38	156.94
b) Provisions	0.00	0.00	0.00	0.00	0.29	0.19
<b>TOTAL</b>	<b>0.15</b>	<b>18.61</b>	<b>56.11</b>	<b>72.34</b>	<b>238.67</b>	<b>157.13</b>
NET CURRENT ASSETS	(0.06)	(4.48)	2.55	69.55	57.38	229.93
<b>TOTAL</b>	<b>2.35</b>	<b>83.65</b>	<b>147.23</b>	<b>219.32</b>	<b>300.36</b>	<b>553.87</b>
LESS: LOAN FUNDS						
A) Secured Loans	0.00	23.76	35.23	39.27	4.26	175.00
B) Unsecured loans	0.00	18.03	70.32	0.00	16.44	27.88
<b>TOTAL</b>	<b>0.00</b>	<b>41.79</b>	<b>105.55</b>	<b>39.27</b>	<b>20.70</b>	<b>202.88</b>
<b>TOTAL</b>	<b>2.35</b>	<b>41.86</b>	<b>41.68</b>	<b>180.05</b>	<b>279.66</b>	<b>350.99</b>
REPRESENTED BY						
A) Share Capital	0.64	25.00	40.00	50.00	180.00	219.00
B) Reserves & Surplus	1.77	1.91	5.62	57.88	62.59	134.52
C) Share application	0.00	15.00	0.00	88.42	56.52	17.59
<b>TOTAL</b>	<b>2.41</b>	<b>41.91</b>	<b>45.62</b>	<b>196.30</b>	<b>299.11</b>	<b>371.11</b>
LESS: MISC.EXP	0.06	0.05	3.94	16.25	19.45	20.12
<b>TOTAL</b>	<b>2.35</b>	<b>41.86</b>	<b>41.68</b>	<b>108.05</b>	<b>279.66</b>	<b>350.99</b>

\* For the Period of Seventeen Months

\*\* For the Period of Four Months.

## NOTES ON ACCOUNT

1. As explained to us no provision for income tax is made in view of future projects of the company. It has been opined by the directors that liability for Income-tax arises only at the end of the previous year.
2. Unsecured loans includes Rs. 27.88 lacs pertaining to sales Tax Department Liabilities under the Sales Tax Incentive Scheme of Gujarat Government.
3. Reserves and Surplus includes share premium amount of Rs. 45.60 Lacs and profit & loss a/c of Rs. 88.92 lacs.
4. During the period from 1st September 1995 to 31st December 1995, 6,30,000 equity shares of Rs.10/- each at premium of Rs. 12/- per share are issued. Out of this unpaid calls on shares is amounting to Rs. 24.00 Lacs and unpaid share Premium is amounting to Rs. 30.00 lacs.

### Accounting Policies:

- a) Accounts are prepared on historical cost concept basis.
- b) Fixed assets are carried at cost of acquisition and relevant expenses allocable to respective heads less accumulated depreciation.
- c) Depreciation is provided on fixed assets in accordance with the rates provided in schedule XIV of the companies Act, 1956 as per straight line method on pro rata basis.
- d) Raw materials, stores, tools, finished goods, work in progress are taken, valued and certified by the managing director. Raw material, stores, work in progress are valued at cost or market value, if determinable, which ever is less. Finished goods are valued at lower of cost or net realizable value.
- e) Liabilities for excise-duty on goods manufactured are accounted for at the time of dispatch of manufactured goods from factory.

### I. TERMS AND CONDITION OF TERM LOAN SANCTIONED BY G.I.L.C.

1. Security: First charge on all present and future movable and immovable assets including land, building, plant & machinery, sparepart, assesories, jigs, equipments, electrical installations and other fixed assets.
2. Margin: Minimum margin of 27.83% shall be maintained on the assets.
3. Rate of Interest: The rate of interest shall be 20.5% p.a. (Gross rate) (including interest tax).
4. Repayment: Loan shall be repaid within a period of 5 years by 18 quarterly installments to commence after a moratorium of 6 months from the date of first disbursement of the loan.
5. Up-front Fee: The up-front fee of 1% shall be levied on loan amount sanctioned on the date of signing the loan agreement or shall be recovered from the initial disbursement of loan.
6. Loan shall be guaranteed by the following:
  1. Mr. Jayantibhai Chandra,
  2. Mr. Atul Chandra,
  3. Mr. Mahendra Patel.and pledge of 3,00,000 Equity Shares of the Company held by the promoters.

### II. TERMS OF WORKING CAPITAL LOAN OF SBI

1. Rate of Interest : 17.25 % p.a.
2. Period of Sanction : One Year.
3. Security : Hypothecation charges on entire current assets of the Company
4. Colateral Security :
  - 1) personal guarantee of directors,  
Mr. Jayantilal Chandra,  
Mr. Mahendra Patel,  
Mr. Atul Chandra,
  - 2) Second charge on fixed assets.

**C. STATUTORY AND OTHER INFORMATION**
**MINIMUM SUBSCRIPTION**

The minimum amount which in the opinion of the Directors must be raised by the issue of Equity Shares to provide the sums required in terms of the Act and in terms of this Prospectus is Rs. 4,82,62,500 being 90% of the aggregating face value of 24,37,500 Equity Shares of Rs.10/- each for cash at a premium of Rs. 12 per share.

The minimum amount on which the Board will proceed to allot the Equity shares is Rs. 1,31,62,500 being 90% of the aggregate application money payable at the rate of Rs. 6/- per share in respect of 24,37,500 shares offered to the Public.

If the Company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, the Company shall forthwith refund the entire subscription amount received. For delay beyond 78 days, if any, in refund of such subscription, the company shall pay interest @ 15% as per section 73 of the Companies Act, 1956.

**EXPENSES OF THE ISSUE**

The expenses of the present issue are payable by the Company to the brokerage, fees to the managers to the Issue, printing, distribution, publicity and advertising expenses, stamp duty, registration fees, auditors fees, legal and other miscellaneous expenses are estimated at Rs. 45.00 lacs and will be met out of the proceeds of the issue.

**FEES PAYABLE TO LEAD MANAGERS**

The fees payable to the Lead Managers to the issue is Rs. 4,00,000 and is set out in their letter addressed to the Company.

**FEES PAYABLE TO THE REGISTRARS TO THE ISSUE**

Fees payable to the Registrars to the issue is,

For each Allotted Application Rs. 2.50,

For each Non-allotted Application Rs. 1.75.

The minimum fees shall be Rs. 65,000.

The letters from the Lead Managers and the Registrars to the issue giving the above details form part of the Material Contracts and copies of the same are kept open for inspection at the Registered Office of the Company.

**BROKERAGE**

Brokerage will be paid @ of 1.5% on the issue price of the equity shares on the basis of allotment made against applications bearing the stamp of a member of any recognised Stock Exchange in India in the brokers column in the application form. Brokerage at the same rate will be payable to the Bankers to the Issue in respect of allotment made against applications procured by them provided the application forms bear their respective stamps in the Brokers column.

**PREVIOUS ISSUE FOR CASH**

The Company has not allotted Equity Shares, except as stated in the prospectus.

**ISSUE AT PREMIUM OR DISCOUNT**

No shares or debentures of the company have been issued at premium or discount since its incorporation.

**COMMISSION OR BROKERAGE ON PREVIOUS ISSUE**

Except for the brokerage payable as mentioned above, no sum has been paid or is payable as commission for subscribing or agreeing to subscribe, or procuring or agreeing to procure, subscription for any shares of the company since its incorporation.

**CAPITALISATION OF RESERVES OR PROFITS**

The Company has capitalised Rs. 40.00 lacs of its free reserves by issuing bonus shares to the shareholders of the Company on 6-12-94.

**ISSUE OF SHARES FOR CONSIDERATION OTHER THAN CASH**

The Company has not issued, or agreed to issue, any shares for consideration other than cash since the date of incorporation of the Company, except Bonus Shares.

**ISSUE OF PREFERENCE SHARES AND DEBENTURES**

The company has not issued any preference shares or debentures.

**CLASSES OF SHARES**

The Company has only one class of Share viz. Equity Share of Rs.10 each.

**OPTION TO SUBSCRIBE**

Except as otherwise stated in the prospectus, the Company has not entered into any contract/arrangement, nor does it propose presently to enter into any contract or arrangement whereby any option or preferential right of any kind has been, or is proposed to be given, to any person to subscribe to any shares of the company.

**REVALUATION OF ASSETS**

There has not been any revaluation of the Company's assets since its incorporation.

**INTEREST OF THE DIRECTORS**

Mr. Rajesh Dhruva, director, is interested to the extent of Rs. 2.00 lacs, fees payable, and out of pocket expenses reimbursed to Dhruva & Dhruva, Advisors to the Issue.

All the Directors are deemed to be interested to the extent of the sitting fees and other remuneration payable to them for attending the meeting of the Board of Committee thereof and to the extent of reimbursement of traveling and other incidental expenses and other remuneration payable to them under the Articles.

The Directors/Promoters of the Company may be deemed to be interested in the Company to the Extent of shares held/subscribed by them and or their associates and relative including the Companies in which they are interested as directors and/or members and allotted to them by the Company and also to the extent of dividend or other distribution that may be payable on such shares to them.

The promoters, including the signatories to the Memorandum and Articles of Association are interested in the promotion of the Company to the extent of their respective share holding therein and the dividends that may be received on such shares and also for the remuneration for services rendered by them in their respective capacities of the officials of the Company.

**PURCHASE OF PROPERTY**

Save in respect of the property purchased or acquired or proposed to be purchased as detailed elsewhere in the prospectus, there is no property which the company has purchased or acquired, or proposes to purchase or acquire, consideration for which is to be paid for wholly or partly out of the proceeds of the present issue or the purchase or acquisition of which has not been completed on the date of issue of this prospectus other than property:

a. the contract for the purchase or acquisition whereof was entered into in the course of the company's business, the contract not being made in contemplation of the issue nor the issue in consequence of the contract

or

b. in respects which the amount of the purchase money is not material. Except as stated in this prospectus the company has not purchased any property in which any of its promoters or directors had or have any direct or indirect interest or in respect of any payment thereof.

**MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF THE COMPANY.**
**NUMBER OF DIRECTORS**

Article 128 provides that:-

Unless otherwise determined by the Company in General Meeting

the number of directors shall not be less than three and not more than twelve.

The first Directors of the Company are :

- 1 Shri JAYANTI CHANDRA.
2. Shri ATUL CHADRA.
3. Shri MAHENDRA PATEL.

#### **NO QUALIFICATION SHARES**

Article 138 provides that:-

A Director need not hold any shares in the Company to qualify him for the office of a Director of the Company.

#### **DIRECTORS REMUNERATION**

Article 139 provides that:-

Subject to the provisions of the Act, Managing Director or a Director who is in the wholtime employment of the Company may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profit of the Company or partly by one way and partly by the other.

#### **TRAVELING AND OTHER EXPENSES**

Article 140 provides that:-

The Board may allow and pay to any Director for the purpose of attending a meeting such sum either as fixed allowance and/or actual as the Board may consider fair compensation for traveling, boarding and lodging and incidental and/or such actual out of pocket expenses incurred by such Director in addition to his fees, for attending such meetings to and from the place at which the meetings of the Board or Committees thereof or general meetings of the Company are held from time to time or any other place at which the Director executes his duties.

#### **ALTERNATE DIRECTORS**

Article 134 provides that:-

- a) The Board of Directors of the Company may appoint an alternate Director to act for a Director ( hereinafter in this Article called "the Original Director" ) during his absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held.
- b) An alternate Director appointed under this Article shall not hold office as such for a period longer than 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 in which meetings of the Board are ordinarily held.
- c) If the term of office of the Original Director is determined before he returns to the State aforesaid any provision for the automatic reappointment of retiring directors in default of another appointment shall apply to the original and not to the alternate director.

#### **CASUAL VACANCY**

Article 136 provides that:-

Subject to the provisions of Section 262 of the Act, if the office of any Director appointed by the Company in general meeting is vacated before his term of office expires in the Articles of the company be filled by the Board of Directors at the meeting of the Board and the Director so appointed shall hold the office only upto the next annual general meeting of the Company and shall then be eligible for reappointment.

#### **NOMINEE DIRECTORS**

Article 131 provides that:-

Notwithstanding anything contained in these articles, the Promoters Group shall be entitled to appoint one-third of the total strength,

for the time being of the Board of Directors and when the promoters so intend to nominate their nominees as Directors of the Company. The promoter Group shall intimate in writing to the Company, the names of the persons nominated by the promoters to be appointed as the Directors of the Company alongwith their consent to act as Directors of the company and thereupon the company shall co-opt the said persons nominated by the promoters as the Directors of the Company and in the event of the number of the persons nominated by the promoters if appointed would together with the number of the existing Directors exceed the maximum number of Directors permissible under Articles of Association of the Company, the other Directors shall resign in order to allow the Promoters nominees to be appointed as the Directors of the Company Such Directors nominated by the Promoters shall not be required to be reappointed at the General meeting and such non rotational Directors shall continue to be Directors of the Company for such time as may be specified by Promoters Group. The letter or the intimation in writing received by the Company from Promoters Group shall be final, conclusive and binding not only upon the Company but also upon other members forming part of the Promoters group.

Notwithstanding anything to the contrary contained in these Article, so long as any moneys remain owing by the Company to the Industrial Development Bank of India ( IDBI ), The Industrial Credit and Investment Corporation of India Ltd. ( ICICI ), Industrial Finance Corporation of India ( IFCI ) and Life Insurance Corporation of India ( LIC ) or to any other Finance Corporation or Credit Corporation or to any other Finance Company or Body out of any loans granted by them to the company or so long as IDBI, IFCI, ICICI, LIC and Unit trust of India (UTI) or any other Financing Corporation or Credit Corporation or any other Financing Company or Body ( each of which IDBI, IFCI, ICICI, LIC and UTI or any other Finance Corporation or Credit Corporation or any other Financing Company or Body is hereinafter in this Article referred to as " the Corporation " ) continue to hold debentures in the company as a result of underwriting or by direct subscription or private placement, or so long as the Corporation holds shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding the Corporation shall have a right to appoint from time to time any person or persons as a Director or Directors wholtime or not wholtime ( which Director or Directors is/are hereinafter referred to as " Nominee Director/s " ) on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/s.

The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any money remain owing by the Company to the Corporation or so long as the Corporation holds debentures in the company as a result of direct subscription or private placement or so long as the Corporation holds shares in the company as a result of underwriting or direct subscription or the liability of the company arising out of any guarantee is out standing and the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys owing

by the Company to the Corporation is paid off or on the Corporation ceasing to hold debentures/shares in the Company or on the satisfaction of the liability of the Company arising out of any guarantee furnished by the Corporation.

The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General meetings, Board Meetings and of the Meetings of the Committee of which the Nominee Director/s is/are member/s as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes. The Company shall pay to the nominee Director/s sitting fees and expenses which the other Directors of the Company are entitled but if any other fees, commission monies or remuneration in any form is payable to the directors of the Company the fees, commission monies and remuneration in relation to such Nominee Director/s shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or by such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the company to the Corporation or as the case may be to such nominee Director/s.

Provided that if any such Nominee Director/s is an officer of Corporation the sitting fee in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.

Provided also that in the event of the Nominee Director/s being appointed as wholetime Director/s such Nominee Director/s shall exercise such powers and duties as may be approved by the lenders and have such rights as are usually exercised or available to a wholetime Director in the management of the affairs of the Borrower. Such Nominee Director/s shall be entitled to receive such remuneration, fees, commission and monies as may be approved by the lenders.

#### **BORROWING POWER**

Article 79 provides that:-

The Board of Directors shall not, except with the consent of the Company in general meeting and subject to Article 172 of the Articles of Association of the Company.

- a) sell, lease or otherwise dispose of the whole or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking.
- b) remit, or give time for the repayment of any debt due by a Director.
- c) invest, otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition after the commencement of this Act, of any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it can not be carried on or can be carried on only with difficulty to only after a considerable time.
- d) borrow monies where the moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose.
- e) contribute, to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial years exceed fifty thousand rupees or five percent, of its average net profits as determined in accordance with

the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater.

**Explanation :** Every resolution passed by the company in general meeting in relation to the exercise of the power referred to in clause (d) or in clause (e) shall specify the total amount upto which money may be borrowed by the Board of Directors under clause (d) or as the case may be, the total amount which may be contributed to charitable and other funds in any financial year under clause (e).

Article 80 provides that :-

The Directors may raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the issue of bonds, perpetual or redeemable, debenture or debenture-stocks or any mortgage or charge or other security on the undertaking of the whole or any part of the property of the company ( both present and future ) including its uncalled capital for the time being.

Article 81 provides that :-

Any bonds, debentures, debenture-stocks or other securities issued or to be issued by the Company shall be under the control of the Directors who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

Provided that bonds, debentures, debenture-stocks or other securities so issued or to be issued by the Company with the right to allotment of or conversion into shares shall not be issued except with the sanction of the Company in general meeting.

#### **MANAGING DIRECTOR**

Article 174 provides that:-

- a) Subject to the provisions of the Act and of these Articles, the Board shall have power to appoint from time to time any of its members as Managing Director or Managing Directors and/or Wholetime Directors and/or Special Directors like Technical Director, Financial Director, etc. of the Company for a fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit, and the Board may by resolution vest in such Managing Director or Managing Directors / Wholetime Director(s), Technical Director(s), Financial Director(s) and Special Director(s) such of the powers hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods, and upon such conditions and subjects and subject to such restrictions as it may determine. The remuneration of such Directors may be by way of monthly remuneration and/or fee for each meeting and/or participation in profits, or by any or all of those modes, or of any other mode not expressly prohibited by the Act.
- b) The Directors may whenever they appoint more than one Managing Director, designate one or more of them as " Joint Managing Director " or " Joint Managing Directors " or " Deputy Managing Director " as the case may be.

Mr. Jayantilal Chandra has been appointed as Managing Director of the Company w.e.f. 1/2/95 for a period of 2 years as per agreement dated 17/1/95 passed in Extra Ordinary General Meeting held on 23/1/95.

- c) Subject to the provisions of Sections 198, 269, 309, 310 and 311 of the Act, the appointment and payment of remuneration to the above Director shall be subject to approval of the members in general meeting and of the Central Government where necessary.

Present Managing Director Jayantibhai Chandra has been

appointed as the Managing Director of the Company for a period of 5 years w.e.f. 1st Feb., 1995.

#### **AMOUNT OR BENEFIT PAID OR GIVEN TO PROMOTER OR OFFICERS**

Save as otherwise stated herein no amount or benefit has been paid or given nor is intended to be paid or given since the date of incorporation to any officer or promoter of the Company except reimbursement of expenses incurred on behalf of the Company and preferential right of subscription as stated in this prospectus.

#### **INTEREST OF PROMOTERS/DIRECTORS**

All the directors of the Company may be interested to the extent of fees, if any, payable to them for attending meetings of the Board of Committees thereof, reimbursement of expenses as well as to the extent of other remuneration, if any, payable to them under the Articles.

All the Directors may also be deemed to be interested to the extent of share, if any, already held by them in the Company or that may be subscribed for by and allotted to them, out of the present issue in terms of this prospectus and also the extent of any dividend payable to them and other distributions in respect of the said shares.

#### **LIEN**

Article 45 provides that :-

The Company shall have first and paramount lien upon all the shares/debentures ( other than fully paid up shares/debentures ) registered in the name of each member / debenture - holder ( whether solely or jointly with others ) and upon the proceeds of sale thereof for all moneys ( whether presently payable or not ) called or payable at a fixed time in respect of such shares / debentures and no equitable interest in any shares / debentures shall be created except upon the footing and condition that Article 26 hereof will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares / debentures. Unless otherwise agreed the registration of a transfer of shares /debentures shall operate as a waiver of the Company's lien if any on such shares/ debentures. The Directors may at any time declare any shares/ debentures, wholly or in part to be exempt from the provisions of this Clause.

Article 46 provides that :-

For the purpose of enforcing such lien, the Board may sell the shares/ debentures subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and/or debentures and may authorise one of their member or appoint any officer or agent to execute a transfer thereof on behalf of and in the name of such member / debenture - holder. No sale shall be made until such period, as may be stipulated by the Board from time to time, and until notice in writing of the intention to sell shall have been served on such member and/or debentureholder or his legal representatives and default shall have been made by him or them in payment, fulfillment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.

Article 47 provides that :-

- (a) The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of the which the lien exists as is presently payable and the residue if any, shall ( subject to a like lien for sums not presently payable as existed upon the shares before the sale ) be paid to the persons entitled to the shares and/or debentures at the date of the sale.
- (b) The Company shall be entitled to treat the registered holder of any share or debenture as the absolute owner thereof and accordingly shall not ( except as ordered by a court of

competent jurisdiction or by statute required ) be bound to recognise equitable or other claim to or interest in, such shares or debentures on the part of any other person. The Company's lien shall prevail notwithstanding that it has received notice of any such claims.

#### **FORFEITURE OF SHARES**

Article 48 provides that:-

- a) If any member or debenture holder fails to pay the whole or any part of any call or installment or any money due in respect of any shares or debentures either by way of principal or interest on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Directors may at any time thereafter during such time as the call or any installment or any part thereof or other moneys remain unpaid or a judgment or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such member or debenture - holder or on the person (if any) entitled to the share by transmission requiring him to pay such call or installment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non payment.
- b) The notice shall name a day not being less than 14 (fourteen) days from the date of the notice and a place or places, on and at which such call, or installment or such part or other moneys as aforesaid and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non payment of call amount with interest at or before the time and at the place appointed, the shares or debentures in respect of which the call was made or installment or such part or other moneys is or are payable will be liable to be forfeited.

Article 49 provides that:-

If the requirements of any such notice as aforesaid are not complied with any share / debenture in respect of which such notice has been given, may at any time there after before payment of all calls or installments, interest and expenses or other moneys due in respect thereof, be forfeited by a resolution of the Directors to that effect. Neither the receipt by the company of a portion of any money which shall from time to time be due from any member of the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the company, in respect of the payment of any such money, shall preclude the company from thereafter proceeding to enforce a forfeiture of such shares as herein provided; Such forfeiture shall include all dividends declared or interest paid or any other moneys payable in respect of the forfeited shares or debentures and not actually paid before the forfeiture.

Article 50 provides that:-

When any shares/debentures shall have been so forfeited, notice of the forfeiture shall be given to the member or debenture-holder in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture with the date thereof, shall forthwith be made in the Register of members or debenture holders but no forfeiture shall be invalidated by any omission or neglect or any failure to give such notice or make such entry as aforesaid.

Article 51 provides that:-

Any share or debenture so forfeited shall be deemed to be the property of the Company, and may be sold, reallocated or otherwise disposed of either to the original holder or to any other person upon such terms and in such manner as the Directors shall think fit.

Article 52 provides that:-

The Directors may, at any time, before any share or debenture so



forfeited shall have been sold, reallocated or otherwise disposed of, annual forfeiture thereof upon such conditions as they think fit.

Article 53 provides that:-

Any member or debenture-holder whose shares or debentures have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company all calls, installments, interest, expenses and other money owing upon or in respect of such shares or debentures at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment at such rate as the Directors may determine, and the Directors may enforce the payment of the whole or a portion thereof, if they think fit, but shall not be under any obligation to do so.

Article 54 provides that:-

The forfeiture of a share or debenture shall involve extinction at the time of forfeiture, of all interest in and all claims and demands against the Company, in respect of the share or debenture and all other rights incidental to the share or debenture, except only such or those rights as by these Articles are expressly saved.

Article 55 provides that:-

A CERTIFICATE IN WRITING UNDER THE HAND OF ONE Director and counter signed by the Secretary or any other Officer authorised by the Directors for the purpose, that the call in respect of a share or debenture was made and notice thereof given and that default in payment of the call was made and that the forfeiture of the share or debenture was made by a resolution of Directors to the effect shall be conclusive evidence of the facts stated therein as against all persons entitled to such share or debenture.

Article 56 provides that:-

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinabove given, the Directors may, if necessary, appoint some person to execute an instrument of transfer of the shares or debentures sold and cause the purchaser's name to be entered in the Register of members or Register of debenture-holders in respect of the shares or debentures sold, and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money and after his name has been entered in the Register of members or debenture - holders in respect of such shares or debentures the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be for damaged only and against the Company exclusively.

Article 57 provides that:-

Upon any sale, reallocation or other disposal under the provisions of the preceding Articles, the certificate originally issued in respect of the relative shares or debentures shall ( unless the same shall on demand by the Company has been previously surrendered to it by the defaulting member or debentureholder ) stand canceled and become null and void and be of no effect, and the directors shall be entitled to issue a duplicate certificate/s in respect of the said shares or debentures to the persons/s entitled thereto.

Article 58 provides that:-

The Company may receive the consideration, if any given for the share or debenture on any sale, reallocation or other disposition thereof, and the person to whom such share or debenture is sold, reallocated or disposed of may be registered as the holder of the share or debenture and shall not be bound to see to the application of the consideration, if any, nor shall his title to the share or debenture be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, reallocation or other disposal of the share or debenture.

Article 59 provides that:-

The Directors may, subject to the provisions of the Act, accept a surrender of any share or debenture from or by any member or

debenture-holder desirous of surrendering them on such terms as they think fit.

## TRANSFER AND TRANSMISSION OF SHARES

Article 61 provides that:-

The instrument of transfer shall be in writing and all the provisions or Section 108 of the Act, shall be duly complied with in respect of all transfer of shares and registration thereof.

Article 62 provides that:-

Every such instrument of transfer shall be signed both by the transferor and transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register of members in respect thereof.

Article 63 provides that:-

- a) Subject to the provisions of Section 111 of the Act, and Section 22A of the Securities Contracts ( Regulation ) Act, 1956 or any other legislation in force for the time being the Directors may, by giving reasons at their own absolute and uncontrolled discretion decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases Directors shall within one month from the date on which the instrument of transfer was lodged with the company, send to the transferee and transferor notice of the refusal giving reasons for such refusal to register such transfer provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares.
- b) Nothing in sections 108, 109 and 110 of the Act shall prejudice this power to refuse legal ground to register the transfer of or the transmission by operation of law of the rights to, any shares or interest of a member in, or debentures of the Company.

Article 64 provides that:-

- a) An application of registration of the transfer of shares may be made either by the transferor or the transferee provided that where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee and subject to the provisions of Clause (d) of this article, the Company shall unless objection is made by the transferee, within two weeks from the date of receipt of the notice, enter in the Register of members the name of the transferee in same manner and subject to the same conditions as if the application for registration was made by the transferee.
- (b) For the purpose of clause (a) above notice to the transferee shall be deemed to have been duly given if sent by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered to him in the ordinary course of post.
- (c) It shall not be lawful for the Company to register a transfer of any shares unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation if any, of the transferee has been delivered to the Company alongwith the certificate relating to the shares and if no such Certificate is in existence, alongwith the letter of allotment of shares, The Directors may also call for such other evidence as may reasonably be required to show the right of the transferor to make the

transfer provided that where it is proved to the satisfaction of the Directors of the Company that an instrument of transfer signed by the transferor and the transferee has been lost, the Company may, if the Directors think fit, on an application in writing made by the transferee and bearing the stamp required by an instrument of transfer register the transfer on such terms as to indemnity as the Directors may think fit.

(d) Nothing in clause (c) above shall prejudice any power of the Company to register as share holder any person to whom the right to any share has been transmitted by operation of law.

(e) The company shall accept all applications for transfer of shares / debentures, however, this condition shall not apply to requests received by the company :

(A) for splitting of a share or debenture certificate into several scripts of very small denominations :

(B) proposals for transfer of shares / debentures comprised in a share / debenture certificate to several parties involving; splitting of a share / debenture certificate into small denominations and that such split / transfer appears to be unreasonable or without any genuine need.

(i) transfer of Equity shares / debentures made in pursuance of any statutory provision or an order of a competent court of law.

(ii) the transfer of the entire Equity shares / debentures by an existing shareholder / debenture - holder of the Company holding under one folio less than 10 (ten) Equity Shares or 5 (five) debentures (all relating to the same series) less than in market lots by a single transfer to a single or joint transferee,

(iii) the transfer of not less the 10 (ten) Equity Shares or 5 (five) debentures ( all relating to the same series ) in favour of the same transferee (s) under two or more transfer deeds, out of which one or more relate (s) to the transfer of less than 10 (ten) Equity Shares / 5 (five) debentures,

(iv) the transfer of less than 10 (ten) Equity shares or 5 (five) debentures ( all relating to the same series ) to the existing share-holder / debenture-holder subject to verification by the company.

Provided that the Board may in its absolute discretion waive the aforesaid conditions in a fit and proper case (s) and the decision of the Board shall be final in such case (s).

(f) Nothing in this Article shall prejudice any power of the Company to refuse to register the transfer of any share.

Article 67 provides that:

Only fully paid shares or debentures shall be transferred to a minor acting through his/her legal or natural guardian, Under no circumstances, shares or Debentures be transferred to any insolvent or a person of insane mind.

Article 68 provides that:

The executors or administrators of a deceased member ( not being one or two or more joint holders ) or the holder of a Succession Certificate or the legal representatives of a deceased member ( not being one or two or more joint holders ) shall be the only persons whom the Company will be bound to recognise as having any title to the shares registered in the name of such member, and the Company shall not be bound to recognise such executors or administrators or the legal representatives unless they shall have first obtained Probate or Letters of Administration or a Succession Certificate, as the case may be, from a duly constituted competent court in India, provided that in any case

where the Directors in their absolute discretion think fit, the Directors may dispense with the production of Probate or Letter of Administration or a Succession Certificate upon such terms as to indemnity or otherwise as the Directors in their absolute discretion may think necessary and under Article 70 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.

Article 69 provides that:-

Subject to the provisions of Articles 68 and 78 (d), any person becoming entitled to any share in consequence of death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Directors ( which they shall not be under any obligation to give ) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such titles as the Directors shall think sufficient, either be registered himself as a member in respect of such shares or elect to have some person nominated by him and approved by the Directors registered as a member in respect of such shares. Provided nevertheless that if such person shall elect to have his nominee registered he shall testify his 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 such shares.

Article 70 provides that:-

A transfer of the shares or other interest in the Company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member be as valid as if he had been a member at the time of the execution of the instrument of transfer.

Article 73 provides that:-

The Directors shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee as if he were the transfer named in an ordinary transfer presented for registration.

Article 74 provides that:-

Every transmission of a share shall be verified in such manner as the Directors may require, and the Company may refuse to register any such transmission until the same be so verified or until or unless as indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.

Article 75 provides that:-

No fee shall be charged for registration of transfer or transmission, grant of probate, letter of Administration, certificate of death, marriage, power of Attorney or similar other documents.

#### VOTES OF MEMBERS

Article 105 provides that:-

No member shall exercise any voting right 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 and has exercised any right of lien.

Where the shares of the Company are held in trust, the voting power in respect of such shares shall be regulated by the provisions of Section 187-B of the Act.

Article 106 provides that:-

A member is not prohibited from exercising his voting right on the ground that he has not held his share or other interest in the Company for any specified period preceding the date on which the vote is taken, or on any other ground not being a ground set

out in Article 105.

Article 108 provides that:-

At any general meeting a resolution put to vote at the meeting shall unless a poll is demanded under Section 179 of the Act be decided on a show of hands.

Article 109 provides that:-

Subject to the provision of the Act, upon show of hands every member entitled to vote and present in person shall have one vote, and upon a poll every member entitled to vote and present in person or by proxy shall have one vote, for every share held by him.

No member not personally present shall be entitled to vote on a show of hands unless such member is a body corporate present by proxy or by a representative duly authorised under Sections 187 and 187-A of the Act, in which case such proxy or representative may vote on a show of hands as if he were a member of the Company.

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 poll vote by proxy, if any member be a minor the vote in respect of his share or shares shall be by his guardians or any one of his guardians, if more than one, to be selected in case of dispute by the Chairman of the meeting.

Subject to the provisions of the Act and other provisions of these Articles, any person entitled under the transmission clause to any shares may vote at any general meeting in respect thereof as if he was the registered holder of such shares, provided that at least 48 (forty eight) hours before the time of holding the meeting or adjourned meeting as the case may be at which he proposed to vote, he shall satisfy the Directors of his right to such shares unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

If any such instrument of appointment be confined to the object of appointing proxy or substitute for voting at meetings of the Company, it shall remain permanently or for such time as the Directors may determine in the custody of the Company; if embracing other objects a copy thereof examined with the original, shall be delivered to the Company to remain in the custody of the Company.

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 registered office of the Company before the meeting.

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 at such meeting or poll shall be deemed valid for all purpose or such meeting or poll whatsoever.

The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

Article 110 provides that:-

A declaration by the chairman in pursuance of Section 177 of the Act that on a show of hands, a resolution has or has not been carried, either unanimously or by a particular majority, and an entry to that effect in the books containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of or against such resolution.

Article 117 provides that:-

A body corporate ( whether a Company within the meaning of the Act or not) if it is a member or creditor (including a holder of debentures) of the Company may in accordance with the provisions of Section 187 of the Act authorise such person by a resolution of its board of Directors as it thinks fit, to act as its representative at any meeting of the Company or of any class of members of the Company or at any meeting or creditors of the Company.

Article 118 provides that:-

The President of India or the Governor of a State if he is a member of the Company may appoint such person as he thinks fit to act as his representative at any meeting of the Company or at any meeting of any class of members of the Company in accordance with provisions of Section 187-A of the Act or any other statutory provisions governing the same.

A person appointed to act as aforesaid shall for the purposes of the Act be deemed to be a member of such a Company and shall be entitled to exercise the same rights and powers ( including the right to vote by proxy ) as the President or as the case may be the Governor could exercise as a member of the Company.

The Company shall observe the provision of Section 187-B of the Act, in regard to the Public Trustee.

#### **DIVIDEND**

Article 179 provides that:-

The profit of the company subject to any special rights relating thereto created or authorised to be created by these presents shall be divisible among the members in proportion to the amount of Capital paid up or credited as paid up on the shares held by them respectively.

Article 180 provides that:-

No dividend shall be paid by the company in respect of any share except to the registered holder of such share or to his order or to his banker.

Article 181 provides that:-

Where dividend has been declared by the Company it shall be paid within the period provided in Section 207 of the Act.

Article 183 provides that:-

The Company shall pay dividends in proportion to the amount paid up or credited as paid up on each share, when a larger amount is paid up or credited as paid up on some shares than on others. Nothing in this Article shall be deemed to affect in any manner the operation of Section 208 of the Act.

Provided always that any Capital paid up on a share during the period in respect of which a dividend is declared, shall, unless the terms of issue otherwise provide, only entitle the holder of such share to an apportioned amount of such dividend proportionate to the capital from time to time paid during such period on such share.

Article 185 provides that:-

No larger dividend shall be declared than is recommended by the Directors but the Company in general meeting may declare a smaller dividend.

Article 186 provides that:-

NO dividend shall be declared or paid by the company otherwise than out of profits of the financial year arrived at after providing for depreciation in accordance with the provisions of sub-section(2) of Section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after provisions and remaining undistributed or out of both or out of moneys provided by the Central Government or a State Government for the payment of dividend in pursuance of the guarantee given by the Government provided that :

- a) If the company has not provided for depreciation for any previous financial year or years, it shall before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of any other previous financial year or years;
- b) If the Company has incurred any loss in any previous financial year or years the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the Company for the year for which dividend is proposed to be declared or paid or against the profits of the Company of any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or against both.

Provided further that, no dividend shall be declared or paid for any financial year out of the profits of the Company for that year arrived at after providing for depreciation as above, except after the transfer to the reserves of the Company of such percentage of its profits for that year as may be prescribed in accordance with Section 205 of the Act or such higher percentage of its profits as may be allowed in accordance with that Section. Nothing contained in this Article shall be deemed to affect in any manner the operation of Section 208 of the Act.

Article 187 provides that:-

The declaration of the Directors as to the amount of the profits of the Company shall be conclusive.

Article 189 provides that:-

The Directors may retain the Dividends payable upon shares in respect of which any person is under the Transmission clause of these articles entitled to become a member or which any person under that clause is entitled to transfer until such person shall become a member in respect of such shares or shall duly transfer the same.

Article 190 provides that:-

Subject to the provisions of the Act, no member shall be entitled to receive payment of any interest or dividend in respect of his share(s) whilst any money may be due or owing from him to the Company in respect of such share(s) or debenture(s) or otherwise however either alone or jointly with any other person or persons and the Directors may deduct from the interest or dividend payable to any member, all sums of moneys so due from him to the Company.

Article 191 provides that:-

A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

Article 193 provides that:-

Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 42 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 42 days, open a special account in that behalf in any scheduled bank called " Unpaid Dividend Account " of " Atul Auto Limited " and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

Any money transferred to the unpaid dividend account of the company which remains unpaid or unclaimed for a period of three years from the date of such transfer shall be transferred by the Company to the general revenue account of the Central Government. Acclaim to any money so transferred to the general revenue account may be preferred to the Central Government by the shareholders to whom the money is due.

No unpaid dividend or unclaimed dividend shall be forfeited by the Board.

Article 195 provides that:-

No dividend shall be payable except in cash. Provided that nothing in this Article shall be deemed to prohibit the capitalisation of profit or reserves of the Company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by the members of the Company.

Article 196 provides :

Subject to the provisions of Section 205 of the Act and if and in so far as may not be prohibited by that Section or any of the provision of the Act, any general meeting sanctioning or declaring a dividend in terms of these Article may direct payment of such dividend wholly or in part, by the distribution of partly or fully paid up shares, and the Directors shall give effect to such direction and where any difficulty arises in regard to the distribution, they may settle the same as they think expedient, and in particular may issue fractional certificates or that fractions of less value than rupee one may be disregarded, in order to adjust the rights of the parties and may vest any such shares, in trustees upon such trusts for the person entitled to the dividend as may seem expedient to the Directors, where required the Directors shall comply with Section 75 of the Act and the Directors may appoint any person to sign any contract thereby required on behalf of the persons entitled to the dividend and such appointment shall be effective.

#### WINDING UP

Article 221 provides that:-

Subject to the provisions of the Act :

- a) if the Company shall be wound up whether voluntarily or otherwise, the liquidators may with the sanction of a special resolution and any other sanction required by the Act, divide amongst the contributories, in specie or kind the whole or any part of the assets of the Company, and may, with the like sanction vest any part of the assets of the Company in trustee upon such trusts for the benefit of the contributories or any of them as the liquidators with the like sanction shall think fit.
- b) If thought expedient, any such division may, subject to the provisions of the Act, be otherwise than in accordance with the legal rights of the contributories ( except where unalterably fixed by the Memorandum of Association ) and in particular any class may be given ( subject to the provisions of the Act ) preferential or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories shall be determined or any contributory who would be prejudiced thereby shall have the right, if any to descent and ancillary rights as if such determination were a special resolution passed pursuant to Section 494 of the Act.
- c) In case any shares to be divided as aforesaid involves a liability to calls or otherwise any person entitled under such division to any of the said shares may within ten days after the passing of the special resolution by notice in writing direct the liquidators to sell his proportion and pay him the net proceeds and the Liquidators shall if practicable act accordingly.

#### INDEMNITY

Article 224 provided that:-

Subject to the provisions of Section 201 of the Act, every Director, Managing Director, wholetime Director, Manager, Secretary and other Officer or employee of the Company shall be indemnified by the Company against and it shall be the duty of the Directors, out of the funds of the Company, to pay all costs, losses and expenses ( including traveling expense ) which such Director, Manager, Secretary and Officer or employee any incur or become liable to by reason of any contract entered into or actor deed done by him as such Director, Manager, Secretary, Officer or Servant or in any way in the discharge of his duties including expenses and the amount for which such indemnity is provided, shall immediately attach as a lien on to property of the Company and have priority between the members over all other claims.

Subject as aforesaid, every Director, Managing Director, Manager,

Secretary or other officer and employee of the Company shall be indemnified against any liability incurred by him in defending any proceedings, whether civil or criminal in which judgment is given in his favour or in connection with any application under Section 633 of the Act in which relief is given to him by the Court and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company.

#### MATERIAL CONTRACTS & DOCUMENTS FOR INSPECTION

The contracts referred to in paragraph A below (not being contracts entered into in the ordinary course of the business carried on or to be carried on by the Company more than two years before the date of the Prospectus) which are or may be material have been entered into by the Company. Copies of these contracts, together with copies of the documents referred to in paragraph B below have been attached to the copy of this prospectus which has been delivered to the Registrar of Companies, Gujarat for registration, may be inspected at the registered office of the Company as mentioned earlier between 10.00 a.m. and 1.00 p.m. on the working days until the closure of the subscription list.

#### A. MATERIAL CONTRACTS

1. Letter dated 31-7-95 from Mehta Integrated Finance Limited offering their services as Lead Managers to the issue and the Company's acceptance thereof.
2. Memorandum of understanding between the Company and the Lead Manager dated 1-8-95.
3. Letter dated 22-7-95 from Dhruva & Dhruva offering their service as Advisor to the issue and the Company's acceptance thereof.
4. Letter dated 24-8-95 from Pinnacle Finance Limited setting out terms for acting as Registrars to the Issue and the Company's acceptance thereof.
5. Copy of Index II for purchase of land at Shapar.

#### B. DOCUMENTS FOR INSPECTION

1. Memorandum and Articles of Association of the Company as amended from time to time.
2. Certificate of Incorporation issued by Registrar of Companies, Maharashtra dated 18th June, 1986.
3. Certificate of Registration of the court order confirming transfer of Registered Office from Maharashtra to Gujarat dated 24th January, 1994 & fresh certificates of incorporation (both) dated 12th August, 1994 received from Registrar of Companies Gujarat consequent on change of name from Atul Auto (Jamanagar) Pvt. Ltd. to Atul Auto Pvt. Ltd. and further to Atul Auto Ltd.
4. Copies of resolutions of the members of the Company passed at the Extra Ordinary General Meeting held on 23rd January, 1995 appointing Mr Jayantilal Chandra as a Managing Director effective from 1st February, 1995.
5. Copies of the resolutions passed at the Extra Ordinary General Meeting held on 30th July, 1994 for increasing the Authorised Share Capital, from Rs. 50 lacs to Rs. 800 lacs.
6. Copy of Resolution under Section 81 (1A) of the Companies Act, 1956 passed at the Extra ordinary General Meeting held on 23rd January, 1995.
7. Copy of Resolutions passed under Section 293(1)(a) and 293(1)(d) in the Extra Ordinary General Meeting held on 23rd January, 1995.
8. Copy of Resolutions passed by the Board of Directors at the meeting held on 20-1-96 giving authority to Registrars to the Issue regarding disposal of Stockinvest.
9. Tax Benefit Report dated 2-8-95 from M/s. Purohit & Company, Chartered Accountants.
10. "Auditors' Report" dated 20-1-96 referred to in the Prospectus.
11. Copies of the Annual Reports of the Company for the five years ended 31st March, 1991, 1992, 1993 and 31st August,

1994 and 1995 on which the report of the Auditor M/s. Purohit & Company, Chartered Accountant is based.

12. Consent of the Auditor M/s. Purohit & Company, Chartered Accountant for including of their report on accounts and Tax Benefits in the form and context in which they appear in the Prospectus.
13. Consent letters from Lead Manager to the issue, Co-Managers, Auditors, Bankers to the Company, Bankers to the issue, Registrars to the issue, Advisor to the issue referred to in the Prospectus to act in their respective capacities.
14. Copies of the power of Attorney executed by the Directors of the Company for signing or making corrections in the prospectus.
15. Copies of initial listing application, filed with the Rajkot, Bombay and Ahmedabad Stock Exchanges.
16. Land registration documents in favour of the company dated 11/1/91 & 15/7/91.
17. Copy of SIA Registration for project dated 1/4/94.
18. Copies of No Objection Certificate (NOC) received from Gujarat Pollution Control Board vide its letter no. AIR/RJ-694/10472 dated 8-5-95.
19. Letter no. OM/COM/F/PF-50/6993 dated 7-9-93 received from Gujarat Electricity Board giving in principle sanction of power.
20. Letter from Gujarat Industrial Investment Corporation Limited (GIIC) ref. no. GIIC/SEC/909 dated 6-5-95 sanctioning Term Loan of Rs. 350 lacs for the Project under ERS.
21. Letter no. C &/ADV/48 dated 8-8-95 from State Bank of India, Rajkot for sanction of working capital of Rs.200.00 lacs and Ordinary Guarantee of Rs. 10.00 lacs for the project.
22. Letter ref. no. GSFC/Sec. Section/G/Loan/ Board/29.11.91/A-6/3126 dated 30-11-91 from Gujarat State Finance Corporation, Ahmedabad giving sanction of the term loan of Rs. 80.93 lacs for the initial project.
23. Project Appraisal Report from Gujarat Venture Finance Limited dated 9-8-95 bearing ref. no. GVFL/CEO/1462.
24. In principle letter of RBI for shares to be allotted to NRI dated 22/2/95 further amended by letter dated 18/10/95.
25. SEBI acknowledgement Card No. IMID/MN/2189/6108/96 dated January 4, 1996.
26. Due diligence certificate of Lead Manager dated 25/8/95 with compliance letter dated 23/1/96.

#### PART - III

#### DECLARATION

The Board of Directors hereby declare that relevant provision of the Companies Act, 1956 and the guidelines issued by the Government have been complied with and no statement made in prospectus is contrary to the provisions of Companies Act, 1956 and rules thereunder.

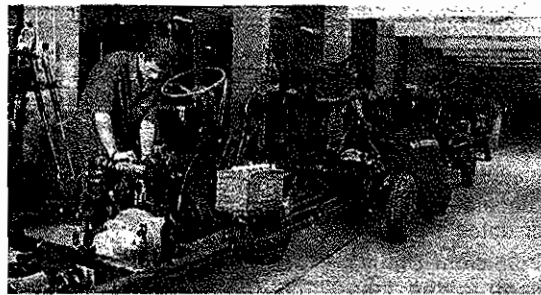
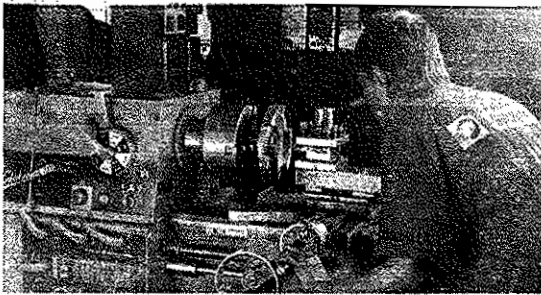
#### SIGNED BY DIRECTORS

1. Mr. Jayantibhai J. Chandra \*
2. Mr. Atul J. Chandra \*
3. Mr. Mahendra J. Patel \*
4. Mr. Rajesh H. Dhruva
5. Mr. Shriharsh S. Joglekar \*
6. Mr. Rajendrakumar Kukreja \*

\* By their Constituted Attorney Mr. Rajesh Dhruva.

Place : Rajkot.

Date : 24-1-96.



*Manufacturing and assembly work in progress at our existing plant.*

**CO-MANAGERS TO THE ISSUE**

Mangal Finance Limited  
101, Magnum House-1,  
Karampura Commercial Complex,  
Opp. Milan Cinema,  
New Delhi - 110 015.  
Phone : 541 5797/546 8655.  
Fax : 91-11-544 8487.

**ADVISORS TO THE ISSUE**

Dhruva & Dhruva  
220, Amrut,  
Sardar Nagar Main Road,  
Rajkot - 360 001.



**ATUL AUTO LIMITED**

Regd. Office : Survey No. 86, Plot Nos. 1 to 4, Shapar Industrial Zone,  
National Highway 8-B, Shapar-Veraval - 360 002. District - Rajkot, Gujarat.