



## NCL INDUSTRIES LIMITED

[Incorporated under the Indian Companies Act, 1956 as Nagarjuna Cements Limited on 10<sup>th</sup> September 1979 and renamed NCL Industries Limited with effect from 18<sup>th</sup> December 1987].

**Registered Office:** NCL Industries Limited, 7<sup>th</sup> Floor Raghava Ratna Tower, Chirag Ali Lane, Hyderabad – 500 001

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### For private circulation to the Equity Shareholders of the Company only

#### LETTER OF OFFER

**ISSUE OF 12,987,860 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PREMIUM OF RS. 8/- PER EQUITY SHARE ON RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF 4(FOUR) EQUITY SHARES FOR EVERY 5(FIVE) EQUITY SHARES HELD ON RECORD DATE, I.E. MARCH, 6, 2006, AGGREGATING RS. 2337.81 LACS. THE ISSUE PRICE IS 1.8 TIMES OF THE FACE VALUE.**

#### GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Offer unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors on page no. vi carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India nor does Securities and Exchange Board of India guarantee the accuracy or adequacy of this document.



#### ISSUER'S ABSOLUTE RESPONSIBILITY

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

#### LISTING

The existing equity shares of the Company are listed on Bombay Stock Exchange Limited ("Designated Stock Exchange") & The Calcutta Stock Exchange Association Limited (CSE). The Company has applied for delisting of its shares from the CSE. The shares under this Letter of Offer will not be listed on the CSE. The Company has received in-principle approval from Bombay Stock Exchange Limited vide their letter no. DCS/SMG/SDM/RK/NS/06 dated February 13, 2006 for listing the securities arising from this Letter of Offer.

**Note: The attention of investors is drawn to the statement of Risk Factors appearing on page vi of this Letter of Offer before making an investment in this Issue.**

| LEAD MANAGER TO THE ISSUE   | REGISTRAR TO THE ISSUE  |
|---|---|
|  <p><b>Centrum Capital Limited</b><br/> <b>SEBI Regn. No:</b> MB/INM000010445<br/> <b>UIN:</b> 100016915<br/> <b>AMBI Reg. No:</b> AMBI/087</p>  |  <p><b>Venture Capital and Corporate Investments Ltd</b><br/> <b>SEBI Regn. No:</b> INR 000001203<br/> <b>UIN:</b> 100012773</p>  |
| <p>5<sup>th</sup> Floor Khetan Bhavan, 198, J. Tata Road, Churchgate, Mumbai 400020.<br/>           Tel: 91-022-2202 3838<br/>           Fax: 91-022-2204 6096<br/>           Website: <a href="http://www.centrum.co.in">www.centrum.co.in</a><br/>           Email: <a href="mailto:nclrights@centrum.co.in">nclrights@centrum.co.in</a><br/>           Contact Person: Mr Mayank Dalal</p> | <p>6-2-913/914, 3<sup>rd</sup> Floor, Progressive Tower, Khairtabad , Hyderabad – 500004<br/>           Tel: 91-040- 2332 2264<br/>           Fax: 91-040– 2332 4803<br/>           Website: <a href="http://www.vccilindia.com">www.vccilindia.com</a><br/>           Email: <a href="mailto:info@vccilindia.com">info@vccilindia.com</a><br/>           Contact Person: Mr P V Srinivas</p> |

| OFFER OPENS ON | LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS | OFFER CLOSSES ON |
|----------------|--|------------------|
| MARCH 27, 2006 | APRIL 10, 2006                                   | APRIL 25, 2006   |

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## SECTION I: DEFINITIONS AND ABBREVIATIONS

### I. CONVENTIONAL / GENERAL TERMS:

| TERM                                    | DESCRIPTION   |
|---|---|
| Act                                     | The Companies Act, 1956 and amendments thereto  |
| AP                                      | Andhra Pradesh  |
| Articles / AoA                          | Articles of Association of the Company  |
| AGM                                     | Annual General Meeting  |
| AS                                      | Accounting Standards as issued by the Institute of Chartered Accountants of India   |
| BIFR                                    | Board for Industrial and Financial Reconstruction   |
| Board/Committee of Directors            | Board of Directors of NCL Industries Ltd or a Committee of the Board of Directors of NCL Industries Ltd.  |
| BSE/Designated Stock Exchange           | Bombay Stock Exchange Ltd.  |
| CDSL                                    | Central Depository Services (India) Ltd   |
| Company/NCL/Issuer/the Company          | NCL Industries Ltd  |
| CSE                                     | The Calcutta Stock Exchange Association Limited   |
| Depository                              | A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.  |
| Depositories Act                        | The Depositories Act, 1996, as amended from time to time for the time being in force  |
| Depository Participant                  | A depository participant as defined under the Depositories Act  |
| DP                                      | Depository Participant  |
| EGM                                     | Extra-Ordinary General Meeting  |
| Equity Share(s)                         | Equity shares of face value of Rs.10 each of the Company unless otherwise specified in the context thereof.   |
| Equity Shareholder                      | Means a holder of Equity Shares   |
| FEMA                                    | Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed there under for the time being in force  |
| Financial Year/ FY/ fiscal/ fiscal year | Period of twelve months ended March 31 <sup>st</sup> of that particular year  |
| FIs                                     | Financial Institutions  |
| FII                                     | Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India. |
| GCC                                     | Gulf Country Council  |
| GM                                      | General Meeting / General Manager   |
| GOI/Government                          | Government of India   |
| HUF                                     | Hindu Undivided Family  |
| Indian GAAP                             | Generally Accepted Accounting Principles in India   |

| <b>TERM</b>                       | <b>DESCRIPTION</b>   |
|-----------------------------------|--|
| Issuer                            | NCL Industries Limited   |
| IT Act                            | The Income-Tax Act, 1961, as amended from time to time and for the time being in force   |
| ITAT                              | Income Tax Appellate Tribunal  |
| LME                               | Licensed Mechanical Engineer   |
| MAT                               | Minimum Alternate Tax  |
| MD                                | Managing Director  |
| MOU                               | Memorandum of Understanding  |
| MP                                | Management Perception  |
| N.A                               | Not Applicable   |
| NRI / Non-Resident Indian         | A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000.   |
| NRO                               | Non-Resident Ordinary Account  |
| NAV                               | Net Asset Value  |
| NSDL                              | National Securities Depository Ltd   |
| OCB/Overseas Corporate Body       | A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue. |
| PAC                               | Persons Acting in Concert  |
| P/E or P/E Ratio                  | Price/Earnings Ratio   |
| p.a                               | Per Annum  |
| PAT                               | Profit After Tax   |
| PBDIT                             | Profit Before Depreciation, Interest and Tax   |
| PBT                               | Profit Before Tax  |
| RBI                               | Reserve Bank of India  |
| Reserve Bank of India Act/RBI Act | The Reserve Bank of India Act, 1934, as amended from time to time  |
| ROC                               | The Registrar of Companies, Andhra Pradesh, 3-5-398, 2 <sup>nd</sup> floor, Kendriya Sadan, Sultan Bazar Koti, Hyderabad - 500195  |
| SEBI                              | The Securities and Exchange Board of India constituted under the SEBI Act , 1992   |
| SEBI Act                          | Securities and Exchange Board of India Act, 1992, as amended from time to time and for the time being in force   |
| SEBI Guidelines                   | SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time  |

| <b>TERM</b>                                  | <b>DESCRIPTION</b>   |
|--|--|
| SIA  | Secretariat of Industrial Assistance   |
| SICA   | Sick Industrial Companies (Special Provisions) Act, 1995   |
| SSI  | Small Scale Industry   |
| STAT   | Sales Tax Appellate Tribunal   |
| UTI  | Unit Trust of India  |
| <b>II. OFFERING-RELATED TERMS:</b>           |  |
| <b>TERM</b>                                  | <b>DESCRIPTION</b>   |
| Allotment                                    | Unless the context otherwise requires, issue of equity shares pursuant to this Issue   |
| Allottee                                     | The successful applicant to whom the Equity Shares are being / or have been issued or transferred  |
| Applicant                                    | Any prospective investor who makes an application pursuant to the terms of this Letter of Offer  |
| CAF  | Composite Application Form   |
| Lead Manager                                 | Lead Manager to the Issue, in this case being CENTRUM CAPITAL LIMITED  |
| Face Value                                   | Face Value of equity shares of the Company being Rs. 10/- each   |
| First Applicant                              | The applicant whose name appears first in the Application Form   |
| GIR Number                                   | General Index Registry Number  |
| INR/ Rs                                      | Indian National Rupee  |
| Investor(s)                                  | Shall mean the holder(s) of Equity Shares of the Company as on the Record Date, i.e. March 6, 2006 and Renounees.  |
| Issue  | Rights issue of 12,987,860 Equity Shares of Rs. 10/- each for cash at a premium of Rs 8/- per share (i.e. at a price of Rs 18/- per share) aggregating to Rs. 2337.81 lacs to the existing equity shareholders of the company in the ratio of 4(four) equity shares for every 5(five) equity shares held as on March 6, 2006 (Record Ddate). |
| Issue Closing Date                           | April 25, 2006   |
| Issue Opening Date                           | March, 27, 2006  |
| Issue Price                                  | Rs 18/- per Equity Share.  |
| Memorandum / Memorandum of Association / MoA | The Memorandum of Association of NCL Industries Limited  |
| Offer  | The Issue of Equity Shares pursuant to the Letter of Offer   |
| PAN  | Permanent Account Number   |
| Record Date                                  | March 6, 2006  |
| Rights Entitlement                           | The number of Equity Shares that an Equity Shareholder is entitled to under this Letter of Offer in proportion to his/her/its existing shareholding in the Company as on the Record Date   |
| Registrar / Registrar to the Issue           | Registrar to the Issue, in this case being Venture Capital and Corporate Investments Limited, having its registered office as indicated on the cover page of this Letter of Offer.   |
| Security Certificates                        | Equity Share certificates  |
| Renounees                                    | Shall mean the persons who have acquired Rights entitlements from Equity Shareholders.   |
| Underwriters                                 | Centrum Capital Ltd who have jointly underwritten this issue to the extent of 64,93,390 shares.  |
| Underwriting Agreement                       | The Agreement among the Underwriters and the Company in respect of the right issue (excluding the promoters contribution to rights issue) and the public issue of equity shares proposed to be made under this Letter of Offer.  |

### III. COMPANY/ INDUSTRY-RELATED TERMS

| TERM              | DESCRIPTION   |
|-------------------|---|
| AAIFR             | Appellate Authority for Industrial & Financial Reconstruction   |
| APPCB             | Andhra Pradesh Pollution Control Board  |
| APGST             | Andhra Pradesh General Sales Tax  |
| APIDC             | Andhra Pradesh Industrial Development Corporation   |
| APIIC             | Andhra Pradesh Industrial Infrastructure Corporation  |
| APTRANSCO         | Andhra Pradesh Transmission Corporation   |
| CAGR              | Compounded Annual Growth Rate   |
| CEGAT             | Central Excise Gold Appellate Tribunal  |
| CMA               | Cement Manufacturers Association  |
| CRPF              | Central Reserve Police Force  |
| D/E Ratio         | Debt-Equity Ratio   |
| DGS&D             | Director General of Supplies & Disposals  |
| DME               | Diploma in Mechanical Engineering   |
| EEC               | Energy Efficiency and Conservation  |
| EPS               | Earnings Per Share  |
| ESP               | Electrostatic Precipitator  |
| FAAPCI            | Federation of Andhra Pradesh Chambers of Commerce and Industries  |
| HSD               | High Speed Diesel   |
| IDA               | International Development Agency  |
| IEM               | Industrial Entrepreneur Memorandum  |
| ITBF              | Indo – Tibetan Border Force   |
| KW                | Kilo Watts  |
| KPL               | Klayman Porcelains Ltd  |
| MDF               | Medium Density Fibre  |
| MRO               | Mandal Revenue Officer  |
| MT                | Metric Tonne/Million Tonne  |
| MW                | Mega Watts  |
| OTS               | One Time Settlement   |
| PPC               | Portland Pozzolana Cement   |
| RCC               | Reinforced Cement Concrete  |
| RONW              | Return on Net Worth   |
| SBAR              | State Bank of India's Advance Rate  |
| Sq mtrs.          | Square metres   |
| TPA               | Tonnes Per Annum  |
| TPD               | Tonnes Per Day  |
| Registered Office | Registered Office of the Company situated at Raghava Ratna Towers, 7 <sup>th</sup> Floor, Chirag Ali Lane, Hyderabad, India |

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## SECTION II: RISK FACTORS

### I. FORWARD-LOOKING STATEMENTS AND MARKET DATA

#### Forward-looking Statements:

All statements contained in this Letter of Offer that are not statements of historical fact constitute “forward-looking statements”. These forward looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “aspire”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe the objectives, plans or goals are also forward-looking statements but not promises.

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

- ❖ The ability to successfully implement the strategy, the growth and expansion plans and technological changes;
- ❖ The size, timing and profitability of significant service projects and product sales;
- ❖ The mix of the services and product revenues comprises with production of multi product production viz. Cement, Cement Bonded Wood Particle Boards and Prefab Structures.
- ❖ The effect of wage pressures, seasonal hiring patterns and the time required to train and productively utilize new employees do not have immediate consequence at the existing level of operations.
- ❖ The ability to retain the clients and acquire new clients;
- ❖ Changes in the pricing policies or those of the competitors;
- ❖ Cancellations, contract terminations or deferrals of projects;
- ❖ Unanticipated variations in the duration, size and scope of the projects;
- ❖ Changes in the value of the Rupee and other currencies;
- ❖ Changes in laws and regulations that apply to the industry under which the company is operating; and
- ❖ Changes in the political and social conditions in India.

For further discussion of factors that could cause the actual results to differ, see “Risk Factors” beginning on the page vi of this Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company, lead manager, have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and lead manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

Unless stated otherwise, the financial data in this Letter of Offer is derived from our unconsolidated financial statements prepared in accordance with the Indian GAAP included on page 54 in this Letter of Offer. Unless stated otherwise, references to consolidated financial information is to the consolidated financial information under Indian GAAP. At present our financial year commences on April 1 and ends on March 31. In this Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

#### Market Data

Market data used throughout this Letter of Offer was obtained from industry publications and internal Company reports. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes market data used in this Letter of Offer is reliable, it has not been independently verified. Similarly, data provided by the Company, while believed by the Company to be reliable, has not been verified by any independent sources.



## II RISK SPECIFIC TO THE FUND RAISING AND INTERNAL TO THE COMPANY:

### OUTSTANDING LITIGATIONS:

1. There are litigations/disputes/cases pending against the Company as well as Group Companies.

#### Cases filed against the Company:

**Statutory Cases:** As on February 15, 2006, there are 9 cases filed against the Company.

**Civil Cases:** As on February 15, 2006, there are 2 cases filed against the Company.

#### Cases filed by the Company:

**Statutory Cases:** As on February 15, 2006, there are 4 cases filed by the Company.

**Civil Cases:** As on February 15, 2006, there are 3 cases filed by the Company.

**Criminal Cases:** As on February 15, 2006, there is 1 case filed by the Company.

**MP:** The details of various litigations/disputes/cases initiated by and against the Company or the Group Companies are contained in Page No. 84 of this Letter of Offer. Such disputes are common in the existence of commercial organizations in general. The outcome of these disputes is not likely to substantially affect the performance or profitability of the company.

### 2. Shortfall in Promise v/s Performance of the Company.

In the year 1992, the Company made a Rights Issue of 23,61,844 Equity Shares of Rs 10/- each at par aggregating Rs 236.18 lacs with an option to retain over subscription to the extent of 15%. The object of the issue was to strengthen the equity base and to meet the long term working capital requirements.

There was a shortfall in the actual performance of the Company as compared to the projections made in the Letter of Offer.

Actual Performance vis-à-vis Projections in the Letter of offer are as under:

(Rs. in Lacs)

| Particulars | 1992-1993 |         |             | 1993-1994 |         |             | 1994-1995 |          |             |
|-------------|-----------|---------|-------------|-----------|---------|-------------|-----------|----------|-------------|
|             | Projected | Actual  | % variation | Projected | Actual  | % variation | Projected | Actual   | % variation |
| Sales       | 4384.00   | 3087.67 | (29.57)     | 4749.00   | 3635.47 | (23.45)     | 5061.00   | 4513.64  | (10.82)     |
| Cash Profit | 468.00    | 339.55  | (27.45)     | 636.00    | 213.65  | (66.41)     | 795.00    | (64.86)  | (108.16)    |
| Net Profit  | 179.00    | 129.01  | (27.93)     | 347.00    | 22.84   | (93.42)     | 506.00    | (399.67) | (178.99)    |

**MP:** The performance below the projected levels was mainly due to delay in gaining market acceptance of the Cement Bonded Particle Board, which was an innovative product introduced for the first time in India at that time. Further, during that period the company took upon itself the task of reviving the erstwhile Klayman Porcelain Ltd., which was merged in the company as per the orders of BIFR. The effort and expenditure involved in the revival of a sick company also adversely affected the profitability resulting in a shortfall in the performance compared to projections.

The company is now long past the stage of sub-optimal performance witnessed during the period referred above. In view of the fact that the company has returned to an era of profitability and dividends over the last four years, the decade old experience of shortfall in performance is not likely to affect the present and future prospects.

### 3. Possible Delay in Project Implementation

Significant Capital Expenditure is required to be utilised for the purpose of setting up new manufacturing facilities & expansion of existing facilities. The capital expenditure plans are subject to a number of variables, including possible cost overruns, construction/development delays or defects, receipt of critical government approvals, availability of financing on acceptable terms and changes in management's views of the desirability of current plans, among others.

**MP:** The Company has in place the Project Implementation teams consisting of highly skilled and experienced personnel, with an excellent track record of completing the projects within the cost and time parameters as per the Project Report. Adequate allowances have been made in the Implementation Schedule for normal slippages. Barring unforeseen circumstances, the company is confident of completing the projects on or ahead of schedule.



**4. The Contingent Liabilities of the Company as on 30<sup>th</sup> September 2005 and 31<sup>st</sup> March 2005 are as mentioned hereunder:**

**Rs. in Lacs**

| Particulars                                     | 30.09.2005 | 31.03.2005 |
|---|------------|------------|
| Unexpired Bank Guarantees/Corporate Guarantees  | 3856.00    | 3875.00    |
| Central Excise & Sales Tax Claims under Dispute | 109.12     | 69.76      |

Crystallization of the Contingent liabilities into real liabilities will have an impact on the performance of the Company.

**MP:** The major chunk of the above contingent liabilities is the corporate guarantee for Rs. 3809.25 lakhs furnished to IREDA for the Term Loan sanctioned to NCL Energy Ltd, of which the company is one of the Promoters. The loan is secured by charge on the assets with a value of over Rs. 5181 lakhs. The chances of the contingent liability crystallising are remote. Even if such an event takes place, in view of the adequate asset coverage, the residual liability falling on the company would be negligible.

The unexpired Bank Guarantees of Rs. 46.75 lakhs as on 30.09.2005 are in the nature of performance guarantees given in the normal course of business, and are covered by back to back securities by way of deposits or margins with the banks. Hence no significant impact is expected by these guarantees on the performance or profitability of the company.

As for the disputed tax liabilities, the company does not foresee the possibility of such liabilities crystallizing to a material extent so as to adversely affect the financial performance.

**5. Impact of increase in Cost of Inputs.**

A major part of the supplies of Prefab Division are on DGS&D Rate Contracts. The increase on the cost of inputs like steel could have an adverse impact on the profit margins of this Division.

**MP:** The company has an option of not accepting orders where such likely hike in the cost of inputs affect profit margins significantly. The company has also been consciously developing the customer base in the private sector consisting of project housing and industrial sheds, so as to have a more balanced customer mix, which will reduce the dependence on markets based on DGS & D Rate Contracts.

**6. Statutory Approvals from Government and Regulatory Authorities are required in the ordinary course of business and failure to obtain the same may adversely affect the operations.**

The company requires certain approvals, licenses, registrations and permissions for operating the business, some of which have expired and for which the Company have either made or is in the process of making an application for obtaining the approval or its renewal. Please refer section "Government Approvals" on page 92 for details. Delays in obtaining these approvals/renewals will adversely affect the business.

**MP:** The project at Himachal Pradesh has been cleared under the Single Window Scheme by the Ministry of Industry, Government of Himachal Pradesh headed by the Chief Minister and filing of papers to various other departments is only a formality. The company is in the process of acquiring land for the Kondapally Project and after acquiring the land, the company would apply for all the required clearances and permissions.

**7. Losses by Promoter/Group/Associate Company**

The following Group Companies have incurred losses during the previous year ended 31<sup>st</sup> March 2005, 31<sup>st</sup> March 2004, 31<sup>st</sup> March 2003 and 31<sup>st</sup> March 2002.

**Rs. in Lacs**

| Name of the Company         | Loss for Y.E.<br>31 <sup>st</sup> March 2005 | Loss for Y.E.<br>31 <sup>st</sup> March 2004 | Loss for Y.E.<br>31 <sup>st</sup> March 2003 | Loss for Y.E.<br>31 <sup>st</sup> March 2002 |
|-----------------------------|--|--|--|--|
| Kakatiya Chemicals Pvt. Ltd | -  | -  | 4.08   |  |
| Deccan Nitrates Pvt. Ltd    | -  | 1.75   | 0.02   | 5.17   |
| NCL Energy Ltd              | 236.14                                       | 446.05                                       | 558.98                                       | -  |

**MP:** Since the above entities are independent companies, the losses will not have any impact on the performance of the company.

#### **8. Recruitment of Manpower for Kondapally Project**

The Company has not started recruitment for its Kondapally Project.

**MP:** The responsibility for preliminary work for the project has been assigned to personnel in other divisions. It is too premature to recruit personnel for the operations. No difficulty is foreseen in recruiting personnel to man the project at appropriate time when the Project is implemented.

#### **9. Cost of Machinery for Energy Efficiency and Kondapally Project is based on Company Estimates.**

Machineries whose quotations have not been received are based on estimates of the company and any escalation in the cost of the project will have an adverse impact on the implementation of the project.

**MP:** The cost estimates are based on the expertise of techno-commercial personnel of the company. The company is confident that the estimates are realistic, and the actual acquisition cost will not result in cost over-runs.

#### **10. Over dependence on Defence/para-military forces for Prefab division.**

The Company derives a major portion of its Prefab Division's revenue from Defence/Paramilitary forces. The percentage of Prefab division turnover from Defence/Paramilitary forces during the year 2004-2005 was around 54.25%. Any change in the demand from Defence could have an adverse impact on the sales of the Company.

**MP:** The company has started assiduously developing a customer base in the project housing, industrial sheds and other private segments to reduce the dependence on defence and para military forces

#### **11. Concentration of Cement Sales only in the North Coastal Districts of Andhra Pradesh.**

Cement division sales is concentrated in the North Coastal Districts of Andhra Pradesh. Any natural calamity or other unforeseen circumstances in Andhra Pradesh can materially impact Cement Division turnover.

**MP:** It is true that 65% of the cement sales are accounted for by North coastal districts of Andhra Pradesh. This is because of the strong brand image and committed dealer network. However, in the event of a need, the company does not foresee any difficulty in marketing cement in other regions, where it already has a presence.

#### **12. Orders yet to be placed for Machinery.**

The total cost of Machinery for the proposed projects is Rs 3935 lacs. (Rs 1669 lacs for Energy Efficiency Project, Rs 1189 lacs for Kondapally Project and Rs 1077 lacs for Himachal Pradesh Project). The Company is yet to place orders for some of the machinery to be purchased for setting up the Himachal Pradesh Project. And for Kondapally Project.

**MP:** The schedule for placement of orders for machinery is prepared on a well designed plan of action aimed at realistic lead time, and most efficient utilization of resources. The company is confident of meeting the implementation schedule by placing orders for machinery at the most appropriate time.

#### **13. The Registration of land purchased at Paonta Sahib in Himachal Pradesh is yet to be completed.**

**The Company has entered into an agreement for the purchase of land at Paonta Sahib in Himachal Pradesh for its Boards plant. However, the land is yet to be registered in the name of the Company.**

**MP:** The land for the project has been identified and the process of acquisition of land is progressing satisfactorily. The company does not foresee any difficulty in timely acquisition of the land to implement the Project on schedule. The Company is expected to get the land registered in its name shortly and this process is not going to result in delay in overall completion of the Project.

#### **14. Absence of Composite Appraisal of the Projects**

The Company has estimated the total fund requirement internally and there has been no composite appraisal of the projects by any financial institution or bank.

**MP:** The individual projects have been appraised by the respective banks and financial institutions which sanctioned loans for respective projects. This letter of offer is for raising the equity required for all the three projects.

#### **15. Deployment of funds Pending Utilisation**

There is no independent agency to monitor deployment of funds pending utilization for the project.

**MP:** The Company has an effective mechanism for monitoring the implementation of the project, including deployment of funds. This mechanism consists of Project monitoring Team at the executive level, the internal audit team at the professional level, and the Audit Committee at the Board level. Hence adequate internal checks are in place to supervise and monitor the deployment of funds. In addition, the individual banks/financial institutions also closely monitor the deployment of funds.

## 16. Restrictive Covenants in Loan Agreements

There are restrictive covenants in the agreements for short term and long-term borrowings from banks, among other things, which require the Company to obtain the approval of these banks or provide restrictions, namely for, issuing new securities (debt or equity), change in management, effecting mergers, consolidations or sales of assets, incurring capital expenditure beyond certain limits, declaring dividends, undertaking material diversification in the business of other companies or creating subsidiaries or making certain investments. Some of these borrowings also contain financial covenants, which may limit Company's ability to borrow additional money. The Company cannot assure the shareholders that its lenders will provide it with these approvals in the future.

**MP:** There are no unusual covenants apart from standard covenants imposed by all institutional lenders in India. The company views them as agents for ensuring fiscal discipline rather than restrictive covenants hampering operational flexibility.

## 17. Merger of NCL Energy Ltd with the Company.

**The proposed merger of NCL Energy Ltd with the Company, if approved, could result in dilution of investor shareholding in the Company and or may affect the market price of the Equity shares.**

**MP:** The Board will recommend the merger only if it finds the proposal beneficial to the shareholders. In any case shareholders will have an opportunity to assess the impact of the dilution if and when the merger proposal is placed before them for approval.

## 18. One of the Group Companies has defaulted in payment of Institutional dues.

NCL Energy Ltd has defaulted in payment of Institutional dues to IREDA for quarters ended.

Rs. in Lacs

| Quarter ended  | Overdue Interest and Liquidated Damages | Instalments due |
|----------------|---|-----------------|
| March 2005     | 104.84                                  | 73.20           |
| June 2005      | 112.02                                  | 73.20           |
| September 2005 | 119.59                                  | 73.20           |
| December 2005  | 126.16                                  | 73.20           |

**MP:** Out of the above overdues, the Company has already remitted Rs 310.00 lakhs as on 15.02.2006. The Company has applied for and negotiating with the Institution for restructuring of the loans.

## 19. One of the Directors of the Company is on the Boards of Companies which have defaulted in payments.

Mr Jayabharath Reddy, Chairman of NCL Industries Ltd is on the Boards of JCT Electronics Ltd since April 2000 and BPL Ltd since July 2001 in the capacity of Independent, Non-Executive Director. Both the companies have defaulted in payment of dues.

In the case of JCT Electronics Ltd, Corporate Debt Restructuring proposal is in the advanced stages of approval. With respect to BPL Ltd, a scheme of arrangement approved by the High Court is in place effective 31.03.2003.

## 20. Delay in the Schedule of Implementation for the Grinding Unit plant at Kondapally and Boards Plant at Himachal Pradesh.

**MP:** There has been a slight delay in the Grinding Unit Project and Boards Plant Project. However, the Management is confident that the Commissioning of the Plant will not be delayed and will not have any adverse effect on the projects.

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## **RISK FACTORS EXTERNAL TO THE COMPANY:**

### **1. Company's Performance is linked to the Performance of Cement Industry.**

The company is mainly dependent on the Cement industry for marketing its products and any adverse effect on the Cement industry may affect the profitability of the company.

**MP:** The company is at an advantageous position in this regard compared to the stand alone cement companies, where cement is the only product. The fact that the company has other products like Boards and Prefab structures acts as a natural hedge against the performance of cement industry. In the last two years when the profit margins were under pressure, the Boards Division's contribution to the profits helped neutralize some of the setbacks in the cement division profitability.

### **2. Stability of Government Policies and Political Situation in India.**

The Company's performance may be affected by the changes in the Government Policies arising out of change in the political situation.

**MP:** The company perceives the impact of the risk to be minimal, since it has been demonstrated that irrespective of the party in power in the Government, industrial and economic policies of liberalization have remained stable.

### **3. Impact of increase in the cost of Raw Material**

Possible increase in the cost of raw materials may adversely affect the profit margins.

**MP:** This is a phenomenon applicable to all the companies in the industry. In most cases, a major part of the impact of such increased cost is passed on to the customers by revising the selling prices.

### **4. Effect of competition in a Globally Competitive Environment**

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

**MP:** Competitive environment is a fact of life. However, compared to the stand alone cement companies, the company is in a better position to respond to such changes by changing the overall product mix, and adjusting its pricing policies in respect of the other products.

### **5. Terrorist Attacks, Drought, Floods etc may adversely affect the Financial Markets in India**

External events like terrorist attacks, natural calamities like floods, drought and cyclones may impact the financial markets, which may in turn adversely affect the business.

**MP:** These are risks applicable to all economic entities including the company. If and when such events occur, the company will respond appropriately, keeping in view the circumstances then prevailing.

### **6. Changes in the Domestic tax Laws**

Any changes in the tax laws in India, particularly income tax, might lead to increased Tax liability of the Company, thereby putting pressure on profitability.

**MP:** The company feels that the tax laws and tax rates have reached a level of maturity and stability, and where unusual hiccups drastically impacting the profitability of companies are not likely to take place.

### **7. Possibility of Imposition of Excise Duty on Cement Boards**

Cement Board being an Eco-friendly product, no Excise duty is levied as yet. There is a possibility of imposition of Excise Duty since the competing products like Plywood, Gypsum Board are already under the levy of Excise. This might have a material adverse impact on the margins of the Company.

**MP:** The company admits that the possibility of levy of excise duty cannot be ruled out. However, the Board Plant being set up in Himachal Pradesh will be exempt from excise duty for a period of 10 years as a part of incentives for industrialization of the State.

## 8. Volatility of Share Price

After the Rights Issue, the price of the Equity Shares may be highly volatile and may fluctuate significantly due to many factors, including variations in the operations of the Company and changes in the regulatory environment.

The prices of the Equity Shares on the Indian Stock Exchanges have fluctuated in the past and may continue to fluctuate after the Rights issue as a result of several factors, including:

- Volatility in the Indian and global securities markets;
- Results of operations and performance in terms of market share;
- Contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- Changes in the estimates of Company's performance or recommendations by financial analysts;
- Significant developments in India's economic liberalisation and deregulation policies;
- Significant developments in India's fiscal and environmental regulations;

## 9. Future offering resulting in dilution of the shareholding

Any future equity offering made by the Company may lead to dilution of the shareholding or may affect the market price of the Equity Shares of the Company.

### NOTES TO RISK FACTORS

- Size of the Issue – Rights Issue of 12,987,860 Equity Shares of Rs 10/- each for cash at a premium of Rs 8/- per share (i.e. at a price of Rs 18/- per share) aggregating Rs 2337.81 lacs to the existing equity shareholders of the company in the ratio of 4(four) equity shares for every 5(five) equity shares held as on March 6, 2006 (Record Date).
- The average cost of acquisition of Equity shares by the Company's Promoters, is as follows:

| Name of the Promoter  | Average Cost of Acquisition (Rs) |
|-----------------------|----------------------------------|
| Mr Ramachandra Raju   | 10.00                            |
| Mr K Ravi             | 10.00                            |
| Mr K Madhu            | 10.00                            |
| Mr Vinodrai V Goradia | 10.00                            |
| Mr G.D.L.S.N Raju     | 10.00                            |

- The Net worth of the Company (as restated), as on September 30, 2005 was Rs. 2521.24 lacs and as on March 31<sup>st</sup>, 2005 was Rs. 2249.18 lacs. For details please refer to Chapter on 'Financial Statement' on page 54 of this Letter of Offer.
- The Directors, Promoters and Promoter Group of the Company have not entered into any purchase or sale transactions of the Company's shares in the last six months except as mentioned below:

| Date     | Name of Transferor | Name of Transferee          | No. of Shares | Rate  |       | Consideration (Rs. in Lacs) |
|----------|--------------------|-----------------------------|---------------|-------|-------|-----------------------------|
|          |                    |                             |               | Min   | Max   |                             |
| 21.11.05 | Open Market        | Kakatiya Chemicals Pvt. Ltd | 2,331         | 22.98 | 22.98 | 0.53                        |
| 28.11.05 | Open Market        | Kakatiya Chemicals Pvt. Ltd | 9,624         | 23.61 | 23.61 | 2.23                        |
| 01.12.05 | Open Market        | Kakatiya Chemicals Pvt. Ltd | 5,000         | 23.70 | 23.70 | 1.19                        |
| 29.11.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 10,000        | 23.50 | 23.50 | 2.35                        |
| 01.12.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 3,624         | 23.64 | 23.64 | 0.85                        |
| 02.12.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 5,000         | 24.86 | 24.86 | 1.24                        |
| 05.12.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 10,000        | 24.41 | 24.41 | 2.44                        |
| 07.12.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 4,717         | 22.61 | 22.61 | 1.06                        |
| 09.12.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 8,690         | 22.44 | 22.44 | 1.95                        |
| 12.12.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 5,000         | 22.60 | 22.60 | 1.13                        |
| 22.12.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 5,000         | 21.33 | 21.33 | 1.06                        |
| 23.12.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 8,685         | 21.15 | 21.15 | 1.83                        |

- Investors can contact the Lead Manager or the Compliance Officer of the Company for any clarifications/ complaints. The Compliance Officer will be available at the following address:

**Mr B Subrahmanyam – Sr. Vice President and Company Secretary**

**NCL Industries Ltd**

Raghava Ratna Towers,

7<sup>th</sup> Floor, Chirag Ali Lane,

Hyderabad – 500001

Tel: +91-40-23203637 / 23202548,

Fax: +91-40- 23202496,

E-mail: compliance@nclind.com

- For Related Party Transactions, please refer to the section entitled “Related party Transaction” on page 67 of this Letter of Offer.
- Please refer to page 65 of this Letter of Offer for details on Loans and Advances.
- The investors are advised to refer to, ‘Basis for Offer Price’, on page 22 before investing in this Offer.
- The Book value of the Equity share of the Company as on 30<sup>th</sup> September 2005 is Rs 15.53 per share.



## Section III INTRODUCTION

### I SUMMARY

#### (i) Summary of the Industry and Business of the Company

Investors should read the following summary with the Risk Factors appearing on page number vi of this Letter of Offer and detailed information about financial statements of the Company included in this Letter of Offer.

#### INDUSTRY:

##### INDIAN CEMENT INDUSTRY

India is the second largest producer of cement in the world after China. Indian cement industry consists of 128 large cement plants, and over 300 mini cement plants, with a combined installed capacity of around 150 million tons per annum. India accounted for more than 123 million tons of production in the year 2003-04, with exports of over 9 MT.

The cement industry has been growing steadily at an annual rate of 7 to 8 per cent over the last 15- 20 years, and the capacity created till 2004 has been in the range of 140-150 MMT.

**(Source: Indian Express-Infrastructure-Cement Industry Vision 2010- Special Report December 2004)**

#### Highlights of Indian Cement Industry

| <b>Large Plants</b><br>(Large Plants means capacity more than 198000 MT per annum) |          |
|--|----------|
| Cement Plants (Nos)  | 127      |
| Installed Capacity (Mn.t.)   | 146.38   |
| Cement Production (Mn.t.) 2003-04  | 117.50   |
| Manpower Employed (Nos.) Approx  | 1,35,000 |
| Turnover in 2001-02 (Mn. US\$) around  | 6,000    |
| <b>Mini Plants</b><br>(Mini Plants means capacity less than 198000 MT per annum)   |          |
| Cement Plants (Nos)  | 365      |
| Installed Capacity (Mn.t.)   | 11.10    |
| Cement Production (Mn.t.) 2003-04  | 6.00 (P) |

**(Source: Cement Manufacturers Association)**

Traditionally, the creation of capacities has been ahead of the demand over the past few decades, cement industry has been witnessing acute competition in pricing. However, in the recent years, creation of further capacities has slowed down, bringing about a balance in the demand supply position.

#### OUR BUSINESS:

##### Back Ground

##### About the Company & its Business:

NCL Industries Ltd. was originally incorporated as Nagarjuna Cement Ltd. in 1979 to set up a 200 TPD mini cement plant in Nalgonda District. It has the distinction of being one of the first mini cement plants in India. In course of time, the company embarked upon a programme of expansion and diversification. Apart from increasing its installed capacity of cement to the present level of 900 TPD, the Company also set up a plant to manufacture cement bonded wood particle boards in technical collaboration with Bison Werke of Germany (presently of Kvaerner Group). The credit of introducing this novel, eco-friendly product to India belongs to the company. The Company has also set up a facility of manufacturing prefabricated structures using the unique track and panel system. The prefab structures have gained market popularity with the defence and para military organisations, as well as for project housing, where the speed of erection of dwelling as well as other structures is of paramount importance. In order to reflect the diversified objects, the name of the company was changed to NCL Industries Ltd.

In 1989 Klayman Porcelains Ltd., (KPL) a sick industrial company was amalgamated with the company as per the Rehabilitation Scheme approved by the BIFR. This along with the Bone China Unit established by the company in 1992 formed the Ceramic Division of the company. The Ceramic Division was subsequently hived off to Vijay Porcelain Products Ltd, in 1998.



Commencing its operations with a modest turnover of Rs. 1008 lacs in 1984-85, the turnover of the company has grown to Rs. 9224 lacs for the financial year ended 31<sup>st</sup> March, 2005. The company is now embarking on a programme for further growth by increasing its production capacity in cement as well as Boards. The product portfolio of the company, with its existing as well as proposed capacity is as follows:

#### Ordinary Portland Cement

| Description               | 2002-03 | 2003-04 | 2004-05 | Proposed<br>(including existing) |
|---------------------------|---------|---------|---------|----------------------------------|
| Installed Capacity (Tons) | 297000  | 297000  | 297000  | 594000                           |
| Production (Qty)          | 240708  | 241134  | 296500  |                                  |
| Capacity Utilisation (%)  | 81.05   | 81.19   | 99.83   |                                  |

#### Cement Boards

| Description               | 2002-03 | 2003-04 | 2004-05 | Proposed<br>(including existing) |
|---------------------------|---------|---------|---------|----------------------------------|
| Installed Capacity (Tons) | 30000   | 30000   | 30000   | 80000                            |
| Production (Qty)          | 18284   | 20376   | 24599   |                                  |
| Capacity Utilisation (%)  | 60.95   | 67.92   | 82.00   |                                  |

#### Prefab Structures

| Description                  | 2002-03                   | 2003-04 | 2004-05 |
|------------------------------|---------------------------|---------|---------|
| Installed Capacity (Sq. Mtr) | Flexible, Based on Demand |         |         |
| Production (Sq. Mtr)         | 18669                     | 12125   | 17167   |

#### CEMENT

The performance of the cement division has been consistently good and the capacity utilization has been around 100 percent right from the beginning. NCL's **NAGARJUNA CEMENT** commands premium in the North Coastal Districts of Andhra Pradesh and has established a good brand image. The company has a strong and committed dealer network of more than 750 dealers. The marketing area is the state of Andhra Pradesh and neighboring districts of adjoining states of Karnataka and Tamilnadu. The Company was always able to dispatch the quantities produced but the sale price of the Cement was dependent on the market conditions of the demand and supply. The Company started off as a 200 TPD plant and is able to market around 900 TPD as on date.

#### CEMENT BOARDS

This is an innovative building material, which has the strength of cement and workability of wood. The technology for manufacture of this board has been obtained from BISON WERKE, West Germany. This is the first of its kind in India and is marketed as BISON panel. This plant commenced operations in the year 1993. As the product being new to the Indian market, the off take has been low up to the year 1995. However, the off take has been picked up from 1996 onwards. The board is versatile in nature and has a wide variety of applications and company's sustained efforts to promote the product, has yielded the desired results. The board is available in plain and laminated versions in a wide range of thickness. NCL has been marketing BISON panel innovatively by converting them into ready-made doors, which is a value-added product with high margins.

#### PREFAB STRUCTURTES

NCL, after introducing Bison Panel – Cement Bonded Particle Board, to the Indian market, developed a unique track & panel system of prefab construction for the first time in India, to suit Indian conditions in the year 1994. NCL prefab houses are constructed in track and panel system with advantages of speed and simplicity. A wide range of designs are developed and marketed to institutional customers. The commercial operations commenced in 1994 and NCL's clients for this division include various government and private organizations. The demand for the products of this division has established popularity in organizations like Indian Army, CRPF, ITBF, Army of Sri Lanka, Reliance Group, Thermax, L & T, and various reputed private sector companies. These prefab structures are custom made according to the requirements and specifications of the client and these prefab structures are registered with Director General of Supplies and Disposals (DGS&D).

Features of NCL Prefab:

- Light in Weight
- Require very light foundations
- Highly durable compared to similar structures
- Comfortable & Insulated
- Highly resistant to Earthquakes, Fire, Water/Weather & Termite
- Easy to transport to difficult terrains
- Quick & Easy in assembling & dismantling
- Relocatable
- Cost effective

(ii) **SELECTED FINANCIAL INFORMATION**

Summary of Financial data under Indian GAAP.

**UNCONSOLIDATED STATEMENT OF PROFITS AND LOSSES (AS RESTATED)**

Rs. in Lacs

| <b>A. STATEMENT OF PROFITS AND LOSSES AS RESTATED</b> |   |                             |          |          |          |          |
|---|---|-----------------------------|----------|----------|----------|----------|
|   | For the<br>Half Year<br>Ended<br>30.09.2005 | For the Year Ended March 31 |          |          |          |          |
|   |   | 2005                        | 2004     | 2003     | 2002     | 2001     |
| <b>Income</b>   |   |                             |          |          |          |          |
| <b>Gross Total Income</b>                             | 4820.40                                     | 9,224.19                    | 7,134.46 | 7,149.10 | 7,310.80 | 7,520.42 |
| <b>Total Income</b>                                   | 4,108.57                                    | 7,544.37                    | 5,800.69 | 5,732.24 | 6,454.20 | 6,042.86 |
| <b>Expenditure</b>                                    |   |                             |          |          |          |          |
| <b>Expenses Before Adjustments</b>                    | 1,844.63                                    | 7,020.44                    | 5,479.99 | 5,660.12 | 6,140.55 | 5,868.20 |
| <b>Net Profit before Tax and Extraordinary Items</b>  | 237.58                                      | 523.93                      | 320.70   | 72.12    | 313.65   | 174.66   |
| Loss on Sale of investments                           | -   | -                           | -        | -        | 5.21     | -        |
| Loss on Sale of Assets                                | 0.04  | 11.38                       | -        | -        | 5.88     | (2.64)   |
| Miscellaneous Exp. Written-off                        | 1.98  | 8.46                        | 9.95     | 9.95     | 8.71     | 8.71     |
| Prior Year Adjustments (Net)                          | 10.11                                       | (13.93)                     | (20.40)  | (50.01)  | (8.94)   | (137.18) |
| <b>Total of Extra-ordinary Items</b>                  | 12.13                                       | 5.91                        | (10.45)  | (40.06)  | 10.86    | (131.11) |
| <b>Net Profit after Extraordinary Items</b>           | 225.45                                      | 518.02                      | 331.15   | 112.18   | 302.79   | 305.77   |
| Provision for Taxation - Current                      | -   | 189.96                      | 25.46    | 8.62     | 23.10    | 15.00    |
| Provision for Taxation - Deferred                     | -   | 75.87                       | 177.12   | (0.56)   | 5.19     | -        |
| <b>Total Provision for Taxation</b>                   | 3.96  | 265.83                      | 202.58   | 8.06     | 28.29    | 15.00    |
| <b>Net Profit after Tax</b>                           | 221.49                                      | 252.19                      | 128.57   | 104.12   | 274.50   | 290.77   |
| Adjustments (Net of Tax)                              | (56.20)                                     | 0.70                        | (61.17)  | 120.68   | 36.63    | 69.67    |
| <b>Net Profit after Adjustments</b>                   | 277.69                                      | 252.89                      | 189.74   | (16.56)  | 237.87   | 221.10   |

**UNCONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES  
(AS RESTATED)**

(Rs. in lacs)

| <b>B. STATEMENT OF ASSETS AND LIABILITIES AS RESTATED</b>                |                             |                                    |                 |                 |                 |                 |
|--|-----------------------------|------------------------------------|-----------------|-----------------|-----------------|-----------------|
|  | <b>As at<br/>30.09.2005</b> | <b>As at March 31<sup>st</sup></b> |                 |                 |                 |                 |
|  |                             | <b>2005</b>                        | <b>2004</b>     | <b>2003</b>     | <b>2002</b>     | <b>2001</b>     |
| <b>Fixed Assets:</b>   |                             |                                    |                 |                 |                 |                 |
| Net Block  | 4,440.51                    | 4,675.78                           | 4,712.84        | 5,139.02        | 5,402.80        | 5,188.17        |
| Less: Revaluation Reserve  | -                           | -                                  | -               | -               | -               | -               |
| <b>Net Block after adjustment for<br/>Revaluation Reserve</b>            | <b>4,440.51</b>             | <b>4,675.78</b>                    | <b>4,712.84</b> | <b>5,139.02</b> | <b>5,402.80</b> | <b>5,188.17</b> |
| Capital Works in Progress  | 666.84                      | 135.22                             | 66.47           | 33.31           | 143.97          | 40.37           |
| <b>Total</b>   | <b>5,107.35</b>             | <b>4,811.00</b>                    | <b>4,779.31</b> | <b>5,172.33</b> | <b>5,546.77</b> | <b>5,228.54</b> |
| <b>Investments</b>   | <b>130.00</b>               | <b>130.00</b>                      | <b>100.00</b>   | <b>50.19</b>    | <b>57.23</b>    | <b>62.78</b>    |
| <b>Current Assets, Loans<br/>and Advances</b>                            | <b>5,016.22</b>             | <b>4,370.37</b>                    | <b>4,134.99</b> | <b>3,425.27</b> | <b>3,334.90</b> | <b>3,714.63</b> |
| <b>Liabilities and Provisions:</b>                                       |                             |                                    |                 |                 |                 |                 |
| Secured Loans  | 2,172.98                    | 1,783.66                           | 1,167.20        | 1,413.17        | 1,372.53        | 1,724.90        |
| Unsecured Loans  | 1,643.02                    | 1,711.95                           | 2,404.33        | 2,161.94        | 2,588.22        | 2,299.16        |
|  | <b>3,816.00</b>             | <b>3,495.61</b>                    | <b>3,571.53</b> | <b>3,575.11</b> | <b>3,960.75</b> | <b>4,024.06</b> |
| <b>Deferred Tax Liability</b>  | <b>1,127.63</b>             | <b>1,274.73</b>                    | <b>1,263.97</b> | <b>1,240.37</b> | <b>1,152.31</b> | <b>-</b>        |
| <b>Current Liabilities and Provisions</b>                                |                             |                                    |                 |                 |                 |                 |
| Current Liabilities  | 2,205.73                    | 1,799.78                           | 1,790.49        | 1,661.33        | 1,595.44        | 1,700.71        |
| Provisions   | 582.98                      | 492.08                             | 215.43          | 60.47           | 9.39            | 104.22          |
|  | 2,788.71                    | 2,291.86                           | 2,005.92        | 1,721.80        | 1,604.83        | 1,804.93        |
| <b>Net Worth</b>   | <b>2,521.23</b>             | <b>2,249.18</b>                    | <b>2,172.89</b> | <b>2,110.52</b> | <b>2,221.01</b> | <b>3,176.96</b> |
| <b>Represented by</b>  |                             |                                    |                 |                 |                 |                 |
| Shareholders' Funds  |                             |                                    |                 |                 |                 |                 |
| Share Capital  | 1,623.48                    | 1,622.93                           | 1,622.93        | 1,622.93        | 1,622.93        | 1,622.93        |
| Reserves & Surplus   | 933.80                      | 656.11                             | 588.28          | 535.86          | 643.95          | 1,592.49        |
| Less: Revaluation Reserve  | -                           | -                                  | -               | -               | -               | -               |
|  | 2,557.28                    | 2,279.04                           | 2,211.21        | 2,158.79        | 2,266.88        | 3,215.42        |
| Miscellaneous Expenditure<br>(to the extent not written off or Adjusted) | 36.04                       | 29.86                              | 38.32           | 48.27           | 45.87           | 38.46           |
| <b>Net Worth</b>   | <b>2,521.24</b>             | <b>2,249.18</b>                    | <b>2,172.89</b> | <b>2,110.52</b> | <b>2,221.01</b> | <b>3,176.96</b> |

**Dear Shareholder(s),**

Pursuant to the resolutions passed by the Board of Directors of the Company at its meeting held on July 27<sup>th</sup>, 2005 and the approval of the Equity Shareholders in their Extraordinary General Meeting held on August 31<sup>st</sup> 2005, it has been decided to make the following Offer to the Equity Shareholders of the Company:

**ISSUE OF 12,987,860 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PREMIUM OF RS. 8/- PER EQUITY SHARE ON RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF 4 (FOUR) EQUITY SHARES FOR EVERY 5(FIVE) EQUITY SHARES HELD ON THE RECORD DATE I.E. MARCH, 6, 2006, AGGREGATING RS. 2337.81 LACS.**

## **II GENERAL INFORMATION**

**Name and Registered Office of the Company:**

**NCL Industries Limited,**

7<sup>th</sup> Floor Raghava Ratna Towers,

Chirag Ali Lane,

Hyderabad – 500001

**Tel:** 91- 040- 23203637 / 23202548 / 23204243

**Fax:** 91- 040- 23202496 / 23203417

**Email:** [compliance@nclind.com](mailto:compliance@nclind.com)

**Website:** [www.nclind.com](http://www.nclind.com)

**Registration Number: 01-2521**

Registrar of Companies at Andhra Pradesh, 3-5-398, 2<sup>nd</sup> floor, Kendriya Sadan, Sultan Bazar Koti, Hyderabad - 500195

**The Offer is proposed to be listed at:** Bombay Stock Exchange Ltd (Designated Stock Exchange). The existing shares of the company are also listed with CSE (The Calcutta Stock Exchange Association Limited), and the company has applied for delisting of the shares with CSE. The shares to be issued in terms of this Offer are not proposed to be listed on CSE.

### **BOARD OF DIRECTORS OF COMPANY**

**The Company is currently managed by Board of Directors comprising of 9 directors. Our Board of Directors consists of the following persons:**

| <b>NAME</b>              | <b>DESIGNATION</b> | <b>STATUS</b>                               |
|--------------------------|--------------------|---|
| Mr. K. Jayabharath Reddy | Chairman           | Independent & Non-Executive                 |
| Mr. R. Anand             | Director           | Independent & Non-Executive                 |
| Mr. Vinodrai Goradia     | Director           | Non Executive                               |
| Mr. GDLSN Raju           | Director           | Non Executive                               |
| Mr. M. Bhaskara Rao      | Director           | Independent & Non-Executive (IREDA Nominee) |
| Mr. S Gokul              | Director           | Independent & Non-Executive                 |
| Mr. M. Kanna Reddy       | Director           | Independent & Non-Executive                 |
| Mr. K.Madhu              | Director           | Non Executive                               |
| Mr. K.Ravi               | Managing Director  | Executive Director                          |

### **Details of Chairman & Managing Director:**

1. Mr. K. Jayabharath Reddy (IAS Retd.) – He is the Chairman of the Company since 1996. He held senior positions in both State Government and Central Government including Secretary Banking, Govt. of India, Chief Secretary, Govt. of Andhra Pradesh. He is also Chairman of the Audit Committee and Remuneration Committee.
2. Mr. K. Ravi S/o. Shri K. Ramachandra Raju, who was the original main promoter of the Company, has been Managing Director since 2003. Earlier, between 21.01.1995 to 29.01.2001 he was Managing Director of the Company. Prior to that, for the period between 20.08.1987 to 27.05.1991 and 21.11.1992 to 20.01.1995 he was Jt. Managing Director of the Company. He has been associated in different capacities even earlier, since inception of the Company. He has industrial experience in varied industries.

**Issue Management Team**

|  |   |
|--|---|
| <p><b>Lead Manager to the issue</b></p> <p><b>Centrum Capital Limited</b><br/> <b>SEBI Regn. No. INM000010445</b><br/> <b>UIN No: 100016915</b><br/> <b>AMBI Reg. No: AMBI/087</b><br/> Khetan Bhavan, 5<sup>th</sup> Floor,<br/> 198, J.Tata Road,<br/> Churchgate,<br/> Mumbai 400020<br/> <b>Tel:</b> 91-022-2202 3838<br/> <b>Fax:</b> 91-022-2204 6096<br/> <b>Website:</b> www.centrum.co.in<br/> <b>Email:</b> nclrights@centrum.co.in<br/> Contact Person: Mr Mayank Dalal</p> | <p><b>Registrar to the Issue</b></p> <p><b>Venture Capital &amp; Corporate Investments Limited</b><br/> <b>SEBI Regn. No. INR000001203</b><br/> <b>UIN No. 100012773</b><br/> 6-2-913/914, 3<sup>rd</sup> floor Progressive Tower,<br/> Khairtabad, Hyderabad - 500004<br/> <b>Tel:</b> 91-040- 23322264<br/> <b>Fax:</b> 91-040- 23324803<br/> <b>Website:</b> www.vccilindia.com<br/> <b>Email:</b> info@vccilindia.com<br/> Contact Person: P V Srinivas</p> |
| <p><b>Company Secretary &amp; Compliance Officer</b></p> <p><b>Mr B. Subrahmanyam</b><br/> <b>NCL Industries Limited</b><br/> 7<sup>th</sup> Floor Raghava Ratna Towers,<br/> Chirag Ali Lane,<br/> Hyderabad – 500 001<br/> <b>Tel:</b> 91-040-23203637 / 23202548<br/> <b>Fax:</b> 91-040-23202496 / 23203417<br/> <b>Email:</b> compliance@nclind.com<br/> <b>Website:</b> www.nclind.com</p>   | <p><b>Legal Advisor for the Issue</b></p> <p><b>V S Raju &amp; Associates</b><br/> 106, Dhanunjaya Towers, Main Road,<br/> Banjara Hills, Hyderabad – 500 034.<br/> A.P. India<br/> <b>Tel:</b> 91-040-55668807<br/> <b>Fax:</b> 91-040-23398807<br/> Contact Person: Mr V S Raju</p>   |
| <p><b>Bankers to the Issue</b></p> <p><b>UTI Bank Ltd</b><br/> 6-3-879/B, Greenlands Road,<br/> Begumpet Road,<br/> Hyderabad – 500 016<br/> <b>Tel:</b> 91-040-55669824/55102320<br/> <b>Fax:</b> 91-040-23407184<br/> Contact Person: J Ravindranath</p>   | <p><b>Bankers to the Company</b></p> <p><b>Oriental Bank of Commerce Limited</b><br/> 9-1-129/1, Oxford Plaza Building,<br/> Sarojini Devi Road,<br/> Secunderabad - 500003<br/> Contact Person: Mr Mathew Moraes<br/> <b>Tel:</b> 91-040-27704935/4359/0218<br/> <b>Fax:</b> 91-040-27705898, 27712959</p>   |
| <p><b>Auditors of the Company</b></p> <p>M/s Prayaga &amp; Co.<br/> Chartered Accountants<br/> 304, Vijayashree Apartments,<br/> S R Nagar, Hyderabad – 500 038<br/> <b>Tel:</b> 91-040- 55614549<br/> <b>Email:</b> rnkprasad@yahoo.com</p>   | <p><b>Bankers to the Company</b></p> <p><b>UCO Bank</b><br/> 62, M.G. Road Branch,<br/> Secunderabad – 500 003.<br/> Contact Person: Mr.A V R Reddy<br/> <b>Tel:</b> 91-040-27707349<br/> <b>Fax:</b> 91-040-27712077</p>   |

## CREDIT RATINGS

Since the present issue is of Equity Shares, credit rating is not required.

## TRUSTEES

As this is an Issue of Equity Shares, the appointment of Trustees is not required.

## MONITORING AGENCY

There is no outside Independent Monitoring Agency. However, the Company has appointed a committee who will monitor the deployment of funds.

## MINIMUM SUBSCRIPTION

If the Company does not receive the minimum subscription of 90 percent of the Issue (inclusive of devolvement of underwriters), the entire subscription shall be refunded to the applicants within 42 days from the date of closure of the Issue.

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

## STANDBY UNDERWRITING ARRANGEMENTS

The Company and the Lead Managers to the Issue have satisfied themselves that the underwriters have adequate resources sufficient to discharge their respective underwriting obligations in full.

| Sr. No. | Name & Address of Underwriter   | No. of shares    | Amount Underwritten |
|---------|---|------------------|---------------------|
| 1       | Centrum Capital Ltd<br>SEBI Reg. No. INU000000761<br>5 <sup>th</sup> Floor, Khetan Bhavan,<br>198, J Tata Road, Churchgate,<br>Mumbai – 400 020 | 64,93,930        | 116,890,740         |
|         | <b>Total</b>  | <b>64,93,930</b> | <b>116,890,740</b>  |

Underwriting commission at the rate of 1 percent of the amount underwritten together with service tax and related taxes as applicable will be payable to the above underwriter.

## III CAPITAL STRUCTURE OF THE COMPANY

| Particulars  |                             | Nominal Amount (Rs.)       |
|--|-----------------------------|----------------------------|
| <b>Authorised Share Capital</b><br>4,50,00,000 Equity shares of Rs.10/- each   |                             | 450,000,000                |
| <b>Issued, Subscribed and Paid-up Share Capital</b><br>1,62,34,825 Equity shares of Rs.10 /- each  |                             | 162,348,250                |
| <b>Present Offer being Offered to the Equity Shareholders through this Letter of Offer</b><br>12,987,860 Equity Shares of Rs.10 /- each at a premium of Rs. 8/- each | <b>Nominal Amount (Rs.)</b> | <b>Premium (Rs)</b>        |
|  | <b>129,878,600</b>          | <b>103,902,880</b>         |
| <b>Paid up Capital after the Offer</b><br>29,222,685 Equity shares of Rs.10 /- each<br>(Assuming Equity Shareholders subscribe to all the Equity Shares offered.     |                             | <b>Nominal Amount (Rs)</b> |
|  |                             | <b>292,226,850</b>         |
| <b>Share premium Account</b><br>Existing share premium account   |                             | <b>Premium (Rs)</b>        |
|  |                             | <b>NIL</b>                 |
| Share premium account after the Offer assuming allotment of all Equity Shares offered  |                             | <b>103,902,880</b>         |

**Details of Increase in Authorised Capital:**

| Date         | Increased from   |              | Increased to     |              |
|--------------|------------------|--------------|------------------|--------------|
|              | Number of shares | Amount       | Number of shares | Amount       |
| 10.09.1979** |                  |              | 10,00,000        | 1,00,00,000  |
| 31.03.1981   | 10,00,000        | 1,00,00,000  | 18,50,000        | 1,85,00,000  |
| 28.06.1984   | 18,50,000        | 1,85,00,000  | 30,00,000        | 3,00,00,000  |
| 25.10.1989   | 30,00,000        | 3,00,00,000  | 1,50,00,000      | 15,00,00,000 |
| 30.04.1994   | 1,50,00,000      | 15,00,00,000 | 2,10,00,000      | 21,00,00,000 |
| 19.12.1996   | 2,10,00,000      | 21,00,00,000 | 4,50,00,000      | 45,00,00,000 |

\*\* Date of Incorporation

**Notes to the Capital Structure:**
**1) Share Capital History of the Company:**

| Date of Allotment | Number of Shares allotted | Cumulative Paid up Capital (Rs) | Face Value (Rs) | Offer Price (Rs) | Remarks  |
|-------------------|---------------------------|---------------------------------|-----------------|------------------|--|
| 19.09.1979        | 450                       | 4,500                           | 10.00           | 10.00            | Allotment to the Subscribers to the Memorandum & Articles of Association.                                |
| 18.12.1979        | 89,237                    | 8,96,870                        | 10.00           | 10.00            | Allotment to Promoters and their friends/relatives   |
| 29.07.1980        | 12,750                    | 10,24,370                       | 10.00           | 10.00            | Allotment to Promoters and their friends/relatives   |
| 01.07.1981        | 6,37,563                  | 74,00,000                       | 10.00           | 10.00            | Allotment to Promoters and their friends/relatives   |
| 12.04.1983        | 11,10,000                 | 1,85,00,000                     | 10.00           | 10.00            | Public Issue   |
| 31.12.1987        | 1,50,000                  | 2,00,00,000                     | 10.00           | 10.00            | Allotment to Promoters and their friends/ relatives on Conversion of Unsecured loans into Equity at par. |
| 02.04.1990        | 92,00,000                 | 11,20,00,000                    | 10.00           | 10.00            | Public Issue & Rights Issue  |
| 27.05.1991        | 18,720                    | 11,21,87,200                    | 10.00           | 10.00            | Merger of Klayman Porcelains Ltd, as per BIFR order dt 14.03.1990 for 18,720 shares                      |
| 13.07.1992        | 27,16,105                 | 13,93,48,250                    | 10.00           | 10.00            | Rights Issue for 27,16,105 shares.   |
| 29.06.1994        | 13,00,000                 | 15,23,48,250                    | 10.00           | 10.00            | Allotment to Promoters and their friends/ relatives on Conversion of Unsecured loans into Equity at par. |
| 10.09.1994        | 10,00,000                 | 16,23,48,250                    | 10.00           | 10.00            | Allotment to Promoters at par  |

**Notes:**

- In the year 1992, the Company made a Rights Offer of 23,61,844 Equity shares of Rs.10 /- each for cash at par.(Including 1,18,100 Equity Shares to the employees & workers of the Company). The Company had an option to retain Over subscription to the extent of 15%. The total number of shares issued were 27,16,105.
- In the year 1990, the Company came out with a Composite Issue of 82,00,000 Equity shares of Rs 10/- each comprising of
  - a) 40,00,000 Equity Shares of Rs 10/- each for cash at par to the existing equity shareholders of the Company on Right basis in the ratio of two shares for one share held.
  - b) 2,00,000 Equity Shares of Rs 10/- each for cash at par to the Employees (including working directors), workers of the Company.
  - c) 40,00,000 Equity shares of Rs 10/- each offered for subscription to the public for cash at par, out of which:
    - I. 2,00,000 Equity Shares of Rs 10/- each have been reserved for preferential allotment to employees (including working Directors) workers of the Company.
    - II. 4,00,000 Equity Shares of Rs 10/- each have been reserved for allotment to the shareholders of NCL SECCOLOR Ltd.
    - III. 15,00,000 Equity Shares of Rs 10/- each have been reserved for preferential allotment to Unit Trust of India(UTI), SBI Mutual fund/Canbank Mutual Fund.



IV. 19,00,000 Equity Shares of Rs 10/- each for cash at par to the Indian Public.

The Company had an option to retain over subscription upto 15% of the Issue size. Since the Issue was oversubscribed, the company exercised the above option and the total number of shares issued were 92,00,000.

- In the month of March 1990, the Company allotted 18,720 shares to shareholders of Klayman Porcelains Ltd as per Rehabilitation Cum Merger Scheme of Klayman Porcelains Ltd with NCL Industries Ltd as per BIFR order dated 14.03.1990. As per the Order, two Equity Shares of the face value of Rs 10/- each of NCL Industries Ltd be allotted for every 5 Equity Shares of Klayman Porcelains Ltd of face value of Rs 100/- each.

2) Present Rights Issue:

| Type of Instrument | Ratio | Face Value (Rs.) | No. of Shares | Issue Price (Rs.) | Consideration |
|--------------------|-------|------------------|---------------|-------------------|---------------|
| Equity Share       | 4:5   | Rs 10/-          | 12,987,860    | Rs 18/-           | 2337.81 lacs  |

3) Shareholding Pattern Pre & Post Rights Issue. The Pre Issue shareholding is as on 17<sup>th</sup> February 2006.

| Category                         | Pre-Issue          |                         | Post Issue pursuant to Rights Issue* |                         |
|----------------------------------|--------------------|-------------------------|--------------------------------------|-------------------------|
|                                  | No. of shares      | % age of issued capital | No. of shares                        | % age of issued capital |
| <b>Promoters Holdings</b>        |                    |                         |                                      |                         |
| Indian Promoters                 | 27,06,781          | 16.67                   | 48,72,206                            | 16.67                   |
| Persons acting in concert        | 16,97,983          | 10.46                   | 30,56,369                            | 10.46                   |
| <b>Sub total (a)</b>             | <b>44,04,764</b>   | <b>27.13</b>            | <b>79,28,575</b>                     | <b>27.13</b>            |
| <b>Non-Promoters Holding</b>     |                    |                         |                                      |                         |
| Banks/ FIs / Insurance Companies | 65,740             | 0.40                    | 1,18,332                             | 0.40                    |
| Mutual Funds and UTI             | 6,150              | 0.04                    | 11,070                               | 0.04                    |
| Private Corporate Bodies         | 12,03,207          | 7.41                    | 21,65,773                            | 7.41                    |
| Overseas Corporate Bodies / NRIs | 41,512             | 0.26                    | 74,722                               | 0.26                    |
| General Public/others            | 1,05,13,452        | 64.76                   | 1,89,24,213                          | 64.76                   |
| <b>Sub Total (b)</b>             | <b>1,18,30,061</b> | <b>72.87</b>            | <b>2,12,94,110</b>                   | <b>72.87</b>            |
| <b>GRAND TOTAL (a+b)</b>         | <b>1,62,34,825</b> | <b>100.00</b>           | <b>2,92,22,685</b>                   | <b>100.00</b>           |

\*Assuming all the shareholders apply for and are allotted Equity Shares.

**Note:** Total Foreign Shareholding i.e., sum of Foreign FII, NRIs/OCBs, Foreign Banks, Foreign Nationals, GDR & ADR holdings is 41,512 equity shares of Rs 10/- each represents 0.26% of total equity.

4) The shareholding pattern of the Promoter, relatives of the Promoter, Promoter Group, Directors of the Promoter Group as on 17<sup>th</sup> February 2006 is as detailed below:

| Particulars        | No. of Equity Shares | % to Present Equity |
|--------------------|----------------------|---------------------|
| <b>PROMOTER</b>    |                      |                     |
| K Ramachandra Raju | 1,58,534             | 0.98                |
| K Ravi             | 3,79,429             | 2.34                |
| K Madhu            | 9,29,650             | 5.72                |
| Vinodrai V Goradia | 6,80,853             | 4.19                |
| GDLSN Raju         | 5,58,315             | 3.44                |
| <b>Total (A)</b>   | <b>27,06,781</b>     | <b>16.67</b>        |

| <b>PROMOTER GROUP</b>  |                  |              |
|--|------------------|--------------|
| <b>Persons Acting in Concert</b>   |                  |              |
| Kakatiya Chemicals Private Ltd   | 4,02,855         | 2.48         |
| Deccan Nitrates Private Ltd  | 4,41,782         | 2.72         |
| Blue Valley Developers Private Ltd   | 2,43,123         | 1.50         |
| NCL Homes Ltd  | 1,07,300         | 0.66         |
|  | <b>11,95,060</b> | <b>7.36</b>  |
| Immediate relative of promoter<br>(Spouse, parent, child, brother, sister) | 5,02,923         | 3.10         |
| <b>Total (B)</b>   | <b>16,97,983</b> | <b>10.46</b> |
| <b>Total Promoter &amp; Promoter Group Holding (A) + (B)</b>               | <b>44,04,764</b> | <b>27.14</b> |
| <b>DIRECTORS OF THE PROMOTER GROUP/ PROMOTER/ ISSUER COMPANY</b>           |                  |              |
| R Anand  | 300              | -            |
| S Gokul  | 30,180           | 0.19         |
| K Ravi   | 3,79,429         | 2.34         |
| K Madhu  | 9,29,650         | 5.72         |
| Vinodrai V Goradia   | 6,80,853         | 4.19         |
| GDLSN Raju   | 5,58,315         | 3.44         |
| K Jayabharath Reddy  | NIL              |              |
| M Kanna Reddy  | NIL              |              |
| M Bhaskara Rao   | NIL              |              |
| <b>TOTAL</b>   | <b>25,78,727</b> | <b>15.88</b> |

The promoters/directors/associates intend to subscribe to their entitlement in this rights issue in full. In case of under subscription, promoters/directors/associates have undertaken vide their letter-dated to subscribe to the unsubscribed portion in full. Presuming no subscription is received from other shareholders, the promoters' shareholding shall increase to 59.52% of the post rights issue equity capital of the Company. The allotment to the promoters/directors/associates, even if they subscribe to unsubscribed portion as undertaken, will not result in public shareholding falling below the permissible minimum level.

Thus the provisions of clause 17 of SEBI (Delisting of Securities) Guidelines 2003 are not applicable.

- 5) The promoters vide their letter dated October 21<sup>st</sup> 2005 have confirmed that they intend to subscribe to the promoters entitlement in full either through self or by renouncing the said holding in favour of other Promoter / Promoter Entities / companies entirely held and controlled by them as disclosed in this Letter of Offer. The acquisition of additional securities or subscription to the shortfall shall be exempt in terms of proviso to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. Further this acquisition will not result in change of control of the management of the Company.
- 6) There are no buyback, standby or other similar arrangements for purchase of Equity Shares offered through this Letter of Offer by the Promoter Group, directors and the Lead Managers except for the underwriting arrangements made by the Company.
- 7) Promoters' Contribution and lock-in provisions: The provisions relating to promoters contribution and lock in period are not applicable to Rights Issues as per clause 4.10 (c) of SEBI DIP Guidelines 2000.

**8) Top Ten Shareholders of the Company as on the date of filing of the Letter of Offer with Stock Exchange i.e. as on March 7<sup>th</sup>, 2006.**

| Name of the shareholder         | No. of Shares  | % age to the Capital |
|---------------------------------|----------------|----------------------|
| Fortis Securities               | 386683         | 2.43                 |
| Deccan Nitrates Pvt. Ltd        | 373032         | 2.30                 |
| K Gautam                        | 219675         | 1.35                 |
| Kalidindi Ravi                  | 216579         | 1.33                 |
| Blue Valley Developers Pvt. Ltd | 199373         | 1.23                 |
| K Anuradha                      | 194595         | 1.20                 |
| K Pooja                         | 182650         | 1.13                 |
| M Vijaya Kumar                  | 166652         | 1.03                 |
| Kakatia Chemicals Pvt. Ltd      | 127855         | 0.79                 |
| Kalidindi Sarojini              | 121084         | 0.75                 |
| <b>Total</b>                    | <b>2188178</b> | <b>13.52</b>         |

**9) Top Ten Shareholders of the Company 10 days before filing Letter of Offer with Stock Exchange i.e. as on February 23<sup>rd</sup>, 2006.**

| Name of the Shareholder         | No.of Shares   | %age to the Capital |
|---------------------------------|----------------|---------------------|
| Deccan Nitrates Pvt. Ltd        | 3,73,032       | 2.30                |
| K Gautam                        | 2,19,675       | 1.35                |
| Kalidindi Ravi                  | 2,16,579       | 1.33                |
| Blue Valley Developers Pvt. Ltd | 1,99,373       | 1.23                |
| K Anuradha                      | 1,94,595       | 1.20                |
| K Pooja                         | 1,82,650       | 1.13                |
| M. Vijaya Kumar                 | 1,66,652       | 1.03                |
| Fortis Securities Ltd           | 1,60,622       | 0.99                |
| Kakatia Chemicals Pvt. Ltd      | 1,27,855       | 0.79                |
| Kalidindi Sarojini              | 1,21,084       | 0.75                |
| <b>Total</b>                    | <b>1962117</b> | <b>12.10</b>        |

**10) Top Ten Shareholders of the Company two years before filing Letter of Offer with Stock Exchange i.e. as on March 7<sup>th</sup>, 2004**

| Name of the shareholder         | No. of Shares  | % age to the Capital |
|---------------------------------|----------------|----------------------|
| Blue Valley Developers Pvt. Ltd | 368800         | 2.27                 |
| Deccan Nitrates Pvt. Ltd        | 243650         | 1.50                 |
| V V Goradia                     | 131078         | 0.81                 |
| K Anuradha                      | 123000         | 0.76                 |
| K Pooja                         | 123000         | 0.76                 |
| K Gautam                        | 122800         | 0.76                 |
| Kakatia Chemicals Pvt. Ltd      | 110900         | 0.68                 |
| K Ravi                          | 87750          | 0.54                 |
| K Sarojini                      | 87000          | 0.54                 |
| Bimal Goradia                   | 65918          | 0.41                 |
|                                 | <b>1535296</b> | <b>9.46</b>          |

- 11) The total number of members of the Company as on **March 6, 2006** (Record Date) is **41,732**
- 12) The Directors, Promoters and Promoter Group of the Company have not entered into any purchase or sale transactions of the Company's shares in the last six months except as mentioned below:

| Date     | Name of Transferor | Name of Transferee          | No. of Shares | Rate  |       | Consideration (Rs. in Lacs) |
|----------|--------------------|-----------------------------|---------------|-------|-------|-----------------------------|
|          |                    |                             |               | Min   | Max   |                             |
| 21.11.05 | Open Market        | Kakatiya Chemicals Pvt. Ltd | 2,331         | 22.98 | 22.98 | 0.53                        |
| 28.11.05 | Open Market        | Kakatiya Chemicals Pvt. Ltd | 9,624         | 23.61 | 23.61 | 2.23                        |
| 01.12.05 | Open Market        | Kakatiya Chemicals Pvt. Ltd | 5,000         | 23.70 | 23.70 | 1.19                        |
| 29.11.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 10,000        | 23.50 | 23.50 | 2.35                        |
| 01.12.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 3,624         | 23.64 | 23.64 | 0.85                        |
| 02.12.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 5,000         | 24.86 | 24.86 | 1.24                        |
| 05.12.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 10,000        | 24.41 | 24.41 | 2.44                        |
| 07.12.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 4,717         | 22.61 | 22.61 | 1.06                        |
| 09.12.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 8,690         | 22.44 | 22.44 | 1.95                        |
| 12.12.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 5,000         | 22.60 | 22.60 | 1.13                        |
| 22.12.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 5,000         | 21.33 | 21.33 | 1.06                        |
| 23.12.05 | Open Market        | Deccan Nitrates Pvt Ltd     | 8,685         | 21.15 | 21.15 | 1.83                        |

- 13) The Company has not availed of "bridge loans" to be repaid from the proceeds of the Issue, for incurring expenditure on the Objects of the Issue.
- 14) The Equity Shareholders of the Company do not hold any warrant, option or convertible loan or any debenture, which would entitle them to acquire further shares in the Company.
- 15) The Equity Shares offered through this Rights Issue will be fully paid-up.

- 16) Further, presently the Company does not have any proposal, intention, negotiation or consideration to alter the capital structure by way of split/consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public Issue of Equity Shares or any other securities within a period of six months from the date of opening of the present Issue. However, if business needs of the Company so require, the Company may alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of shares or any other securities during the period of six months from the date of listing of the Equity Shares issued under this Letter of Offer or from the date the application moneys are refunded on account of failure of the Issue, after seeking and obtaining all the approvals which may be required for such alteration.
- 17) The promoters, directors and Lead Managers to the Issue have not paid any amount, whether direct or indirect and in cash or kind, in the nature of discount, commission, allowance or otherwise to any person.
- 18) The total number of members of the Company as on 15<sup>th</sup> February 2006 are 41,975

## **PARTICULARS OF THE ISSUE**

### **IV. OBJECTS OF THE ISSUE**

The Company proposes the present issue to:

1. Part Finance the Company's growth plans consisting of:
  - a) Expansion of the capacity in Boards division by establishment of 50,000 TPA plant in Himachal Pradesh
  - b) Expansion of the Clinker capacity from the existing 2.97 lacs tpa to 5.94 lacs tpa at Mattapalli as an Energy Efficiency and Conservation (EEC) Project.
  - c) Setting up of Cement Grinding Unit of 3.15 lacs tpa capacity at Kondapalli, Krishna District.
2. Meet the expenses of the Issue.

The main object clause of the Memorandum of Association and the objects incidental or ancillary to the main objects enables the Company to undertake existing activities and the activities for which the funds are being raised in the issue.

### **Project Cost and Means of Finance**

#### **Project Cost:**

Details of the Project Cost for all the three projects taken together are as follows:

Rs. in Lacs

| Sr. No. | Details   | Energy Efficiency & Conservation Project (Clinker Expansion) | Grinding Unit   | Boards Plant    | Total           |
|---------|---|--|-----------------|-----------------|-----------------|
| 1       | Land & Site Development   |  | 74.80           | 75.00           | <b>149.80</b>   |
| 2       | Buildings & Civil Works   | 393.00   | 339.82          | 310.00          | <b>1,042.82</b> |
| 3       | Plant & Machinery   | 1,669.00   | 1,189.05        | 1,077.00        | <b>3,935.05</b> |
| 4       | Electrical Installations  |  | 220.00          | 130.00          | <b>350.00</b>   |
| 5       | Misc. Fixed Assets  |  |                 | 30.00           | <b>30.00</b>    |
| 6       | Erection & Commissioning  |  |                 | 100.00          | <b>100.00</b>   |
| 7       | Deposits  |  | 45.00           |                 | <b>45.00</b>    |
| 8       | Pre-operative Expenses (including interest during construction) | 222.00   | 109.12          | 330.00          | <b>661.12</b>   |
| 9       | Working Capital Margin  |  | 171.76          | 90.00           | <b>261.76</b>   |
| 10      | Provision for Contingencies                                     | 100.00   | 70.45           |                 | <b>170.45</b>   |
|         | <b>Total Cost of Project</b>                                    | <b>2,384.00</b>  | <b>2,220.00</b> | <b>2,142.00</b> | <b>6,746.00</b> |
|         | <b>Issue Expenses</b>   |  |                 |                 | <b>61.00</b>    |
|         | <b>Total</b>  |  |                 |                 | <b>6,807.00</b> |

### **Means of Finance:**

The proposed means of financing for the above projects is as under:  
(Rs. In Lacs)

| Sr. No. | Details                                       | Energy Efficiency & Conservation Project (Clinker Expansion) | Grinding Unit | Boards Plant | Total          |
|---------|---|--|---------------|--------------|----------------|
| 1       | Term Loans from Banks/ Financial Institutions | 1669.00  | 1400.00       | 1400.00      | 4469.00        |
| 2       | Equity raised through this Rights Issue       | 715.00   | 820.00        | 742.00       | 2338.00*       |
|         | <b>Total</b>                                  |  |               |              | <b>6807.00</b> |

\*Including Issue Expenses of Rs. 61 lacs

### **Notes:**

As stated earlier in this Letter of Offer, the promoters intend contributing to the extent of their Rights entitlement in the present Issue.

### **Details of Term Loans Availed for the Projects.**

| Sr. No. | Institution and Sanction Reference  | Amount of Loan (Rs. in lacs) | Purpose  |
|---------|---|------------------------------|--|
| 1       | Indian Renewable Energy Development Agency Limited (IREDA), Letter No. 221/2319/EEC/2005/IREDA /486 dated 21 <sup>st</sup> April 2005     | 1669.00                      | Expansion of the Clinker capacity from the existing 2.97 lacs tpa to 5.94 lacs tpa at Mattapalli as an Energy Efficiency and Conservation Project. |
| 2       | UTI Bank Ltd, 6-3-879/B, Greenlands Road, Begumpet, Hyderabad – 500 016, Letter No. UTIB/HYD/RMD/259 dated: 6 <sup>th</sup> December 2005 | 1400.00                      | For the expansion of the Boards Division, which include setting up a new plant of 50,000 TPA at Paonta Sahib in Himachal Pradesh                   |
| 3       | State Bank of India, Commercial Branch, Hyderabad. Letter No. Com/ADV/CPC/307 dated 3 <sup>rd</sup> October 2005.                         | 1400.00                      | Setting up of Cement Grinding Unit of 3.15 lacs tpa capacity at Kondapalli, Krishna District.  |
|         |   | <b>4469.00</b>               |  |

- The Company confirms that firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through the Issue have been made.
- No part of the Issue proceeds will be paid as consideration to promoters, directors, key managerial personnel, associates or group companies.
- Entire Term loans amounting to Rs 4469.00 lacs have already been sanctioned by various banks and institutions.

### **Details regarding the Term Loans:**

#### **I. The brief terms of sanction from Indian Renewable Energy Development Agency Ltd (IREDA) are mentioned below:**

|                  |   |
|------------------|---|
| Rate of Interest | 11%*  |
| Repayment        | 32 Quarterly Installments   |
| Security         | First charge by way of mortgage on all the immovable properties of the company both existing & future raking pari-passu basis with other term lenders of the company. |

|                     |   |
|---------------------|---|
| Additional Security | <p>Exclusive first charge by way of hypothecation in favour of IREDA on all the movable assets of the company both existing and future, raking pari-passu basis with other term lenders of the company</p> <p>Guarantees by Promoters/promoter directors</p> <p>Shri K. Ravi<br/>Shri K. Madhu<br/>Shri Vinodrai V Goradia<br/>Shri G D L S N Raju</p> <p>Deposit of Post Dated Cheques in accordance with repayment schedule of principal loan amount and interest.</p> <p>First charge by way of Mortgage on all immovable properties of the Company, First charge by way of Hypothecation on all movable assets of the Company, guarantees by promoters/promoter directors, deposit of Post dated cheques.</p> <p>Trust and Retention Account (TRA) shall be opened involving the Borrower Company, Trustee Bank and IREDA. The Working Capital Bankers of the Borrower Company on a monthly basis shall earmark cash credit to the extent of amount equivalent to (i) electrical energy savings for 4 lakh units per month @ Rs 3.50 per unit (ii) coal savings for 680 tons of coal per month @ Rs.1950 per ton (iii) margin on additional clinker production @ Rs 32 lacs per month, and deposit the same into TRAAccount throughout the loan repayment period. The Working Capital Banker of the Company to this extent shall furnish an undertaking to IREDA.</p> |
| Front-End Fees      | 0.75% of loan amount  |

**\* A rebate of 2% in rate of interest on the loan out of World Bank Line of Credit from the date of disbursement of Loan shall be allowed to the Borrower subject to the Borrower submitting International Development Association (IDA) reimbursement documents within the validity period of World Bank Line of Credit and acceptance of the same by the World Bank.**

**II. Brief terms of sanction from UTI Bank Ltd are mentioned below:**

|                     |  |
|---------------------|--|
| Rate of Interest    | BPLR – 1.25% i.e. 10.75 % p.a. at present for the initial 3 years.   |
| Tenor               | 7 years (with a moratorium of 1 year)  |
| Repayment           | 72 monthly installments commencing at the end of the 13 <sup>th</sup> month from the date of first disbursement  |
| Disbursement        | The disbursement of the loan shall be pro-rate with the company's contribution as per the stipulated debt equity ratio.  |
| Margin              | 25% of stocks and book debts.  |
| Primary Security    | Pari-passu first charge on all the current assets of the company along with other working capital lenders.   |
| Collateral Security | <ul style="list-style-type: none"> <li>• Pari-passu second charge on all the fixed assets of the Company</li> <li>• 15 lac shares of NCL Ind. Ltd to be pledged with the Bank.</li> <li>• Personal guarantee of the Promoters</li> </ul> |
| Monitoring          | Bank officials shall monitor the progress of all the three projects undertaken by the Company.   |



**III. Brief terms of sanction from State Bank of India are mentioned below:**

|                               |   |
|-------------------------------|---|
| Rate of Interest              | 0.25% above SBAR with a minimum of 10.50%   |
| Repayment                     | The loan is repayable in 24 quarterly installments of Rs 0.5832 crores each commencing from 30 <sup>th</sup> June 2007. |
| Margin                        | 36.93%  |
| Primary & Collateral Security | 1 <sup>st</sup> Pari-passu charge along with other Term lenders, on the Company's fixed assets (Existing & Proposed)    |
| Up front fee                  | 1.15% of the loan sanctioned.   |

**PROJECT DETAILS**

**1. ENERGY EFFICIENCY & CONSERVATION PROJECT:**

Details about the Production Unit is as follows:

|                    |  |
|--------------------|--|
| Installed Capacity | 297000 TPA                                   |
| Raw Material       | Limestone, Laterite, Iron Ore, Gypsum, Coal. |
| Manpower           | 250  |
| Water Source       | River Krishna                                |
| Power              | 5 MW   |

**The salient features of the project are as under:**

- The clinker capacity would go up from 900 TPD to 1500 TPD.
- The power consumption will be reduced from 100 Kwh/MT to 84 Kwh/MT.
- The coal consumption will be reduced from 830 KCal./Kg. Clinker to 750 KCal./Kg Clinker.

**• Building & Civil Works (Rs 393 lacs)**

|                              |                |
|------------------------------|----------------|
| Plot Area                    | 45 Acres       |
| Existing Built up Area       | 21,500 Sq. mt. |
| Industrial Shed & RCC roof   | 1244 Sq. mt    |
| Total Proposed Built-up Area | 0.52 Acres     |
| Office Area                  | 244 Sq. mt     |

**Civil Works**

| S.No | Particulars     | Value (Rs lacs) |
|------|-----------------|-----------------|
| 1    | Mines & Crusher | 45.00           |
| 2    | Raw Mill        | 25.00           |
| 3    | Pyro processing | 308.00          |
| 4    | Cement Mill     | 15.00           |
|      | <b>Total</b>    | <b>393.00</b>   |

**2. Expansion of Existing capacity of Cement Bonded Wood Particle Boards Plant:**

The existing Boards plant of the company is in Nalgonda district of A.P. Catering to the markets of North and North West of India has become difficult involving huge transportation cost and long lead-time for the product to reach the consumer. The market potential in these areas is huge in comparison to that of Southern parts of India. Hence, the company proposed to set up a 50,000 TPA cement bonded wood particle board equivalent to 25 lakh sq meters on 16mm thick board basis to be located in Poanta Sahib, Himachal Pradesh.

### Salient Features of the Project:

1. The most suitable variety of wood namely Poplar, required for manufacture of cement bonded particleboard is abundantly available in the states of Haryana, Uttar Pradesh, Uttaranchal & Himachal Pradesh. This will improve the quality of board substantially.
2. The investments in this new venture are substantially lower than that of the original plant. This is possible only if this opportunity is tapped.
3. By locating the plant in the northern part of India, the company will be saving on the transport cost of the Boards, which will result in higher margins and higher market share.
4. By locating the plant in Himachal the following are the fiscal incentives available to the Company
  - a) 100% exemption from Excise Duty for 10 years from the date of Commencement of Commercial Production.
  - b) 100% Income Tax exemption for a period of 5 years from the date of Commencement of Commercial Production and 30% thereafter for a period of 5 years.
  - c) All new industries in the notified location would be eligible for capital investment subsidy of @ 15% of their investment in plant & machinery, subject to a ceiling of Rs 30 lakhs.

#### • Land & Site Development (Rs 75 lacs)

The plant is proposed to be located in Poanta Sahib, Himachal Pradesh. This town is located adjacent to river Yamuna and is having a population of about 2 lakhs. This is one of the important locations in Himachal Pradesh bordering the states of Haryana, Uttar Pradesh and Uttaranchal. The location of this town is on the plain lands in the foothills of Himalayas. The Company is in the process of acquiring the land required for the project.

| S.No | Particulars   | Amt (Rs. Lacs) |
|------|---|----------------|
| 1    | Land 10 Acres @ Rs 6 lacs per acre                                    | 60.00          |
| 2    | Registration, Land Development, Bore well, Compound Wall & Steel gate | 15.00          |
|      | <b>Total</b>  | <b>75.00</b>   |

The Company has entered into an agreement for Purchase of Land, the details of which are as given below:

|                   |   |
|-------------------|---|
| Plot No           | Khewat & Khatoni No. 124/220min, Khasra No. 767/462/328/197 situated at Mauza /Vill Bhatanwali, Tehsil Paonta Sahib, Distt Sirmour (HP) |
| Cost              | Rs 66.55 lacs   |
| Plot Area         | Bighas 38   |
| Date of Agreement | 15.12.2005  |

The above land is yet to be registered in the name of the Company.

#### • Building & Civil Works (Rs 310 lacs)

|   |             |
|---|-------------|
| Plot Area   | 6350 Sq mts |
| Other Services  | 500 Sq mts  |
| Concrete platform   | 3000 Sq mts |
| Cost of Main Factory Building                                   | 275 lacs    |
| Cost of Concrete platform                                       | 15 lacs     |
| Cost of Borewells, Pumping system, Spraying System, OH Tank etc | 20 lacs     |

#### Civil Works

| S.No | Particulars  | Amt (Rs. Lacs) |
|------|--|----------------|
| 1    | Main Factory Building 6350 Sq. Mtrs, Other Services 500 Sq. Mtrs – Security & Time Office, Adm. Office | 275.00         |
| 2    | Concrete Platform 3000 Sq. Mtrs  | 15.00          |
| 3    | Borewells, Pumping System, Spraying System, OH tank  | 20.00          |
|      | <b>Total</b>   | <b>310.00</b>  |

### 3. Capital Expenditure for the setting up of Cement Grinding Mill Section is as under:

In order to grind the additional clinker produced at Mattapally by increasing the clinker capacity from the present level of 900 TPD to 1500 TPD, the company proposes to set up a grinding unit closer to the marketing area of the Company Viz., Kondapally, Krishna District, A.P.

The advantages of locating the Grinding Unit at this location are as follows:

1. Fly Ash is available from Vijayawada Thermal Power Station, which is nearby.
2. The present location envisages installation of railway siding at a later stage to transport the cement to various other markets of South and East India based on the demand and supply scenario.
3. By locating Cement Grinding Unit at Kondapally, the Company will be saving on transportation cost of transporting the Fly Ash from VTPS to Mattapally and back in the same route as the markets are enroute Kondapally.

#### 1. Land & Site Development (Rs. 74.80. lacs)

| S.No. | Particulars      | Amount (Rs. in lacs) |
|-------|------------------|----------------------|
| 1     | Land             | 68.00                |
| 2     | Site Development | 6.80                 |
|       | <b>Total</b>     | <b>74.80</b>         |

The Cement Grinding Unit is proposed to be located at Kondapally, Krishna District, adjoining National Highway from Hyderabad to Vijayawada. Kondapally is located about 15 Kms from Vijayawada where 1200 MW Vijayawada Thermal Power Station is located. The company has acquired two plots of land admeasuring Acre 8-61 Cents & Acres 5-61 Cents amounting to Rs 58.88 lacs. The land acquired by the Company is free from all encumbrances and has a clear title. The Company is still to enter into a formal agreement for acquisition of the balance land.

|                   |  |
|-------------------|--|
| Plot No           | RS No. 30/3C, 31/1B, 31/1C, 30/1, 30/3B, 27/11 |
| Cost              | Rs 34.44 lacs                                  |
| Plot Area         | Acre 8-61 Cents (3.484 Hectares)               |
| Date of Agreement | 21.09.2005                                     |
| Initial Cost      | Rs 17.24 lacs                                  |
| Plot No           | RS No. 31/2B, 31/2, 31/2D, 31/2C, 31/1A, 31/2A |
| Cost              | Rs 24.44 lacs                                  |
| Plot Area         | Acre 5-61 Cents (2.2703 Hectares)              |
| Date of Agreement | 21.09.2005                                     |
| Initial Cost      | Rs 11.24 lacs                                  |

#### 2. Building & Civil Works (Rs 339.82 lacs)

|                           |                |
|---------------------------|----------------|
| Plot Area                 | 20 Acres       |
| Permissible Built up Area | 40,400 Sq. mt. |
| Proposed Built-up Area    | 16,160 Sq. mt  |

Details of Civil Works is as given below:

| S.No. | Description   | Cost Estimate (Rs. Lacs) |
|-------|---|--------------------------|
| 1     | Cement silos (2000 T each) – 2 Nos<br>Fly Ash Silos (1000 T each) – 1 No<br>Other Civil Works           | 119.98                   |
| 2     | Cement Mill building (30M*20M*30M height)<br>Packing Plant (30M*20M*30M height)<br>Mill foundations etc | 90.02                    |
| 3     | Clinker and Gypsum storage shed (60M*25M*15M)   | 59.83                    |
| 4     | Other civil works for auxiliary equipment and laboratory, work shop, time office etc.                   | 69.99                    |
|       | <b>Total</b>  | <b>339.82</b>            |

### **INDUSTRIAL INVESTMENT PROMOTION INCENTIVES:**

Cement Energy Efficiency Project and Grinding Projects would be eligible for the incentives announced by the State Government of Andhra Pradesh through AP Industrial Investment Promotion Policy 2005-2010 vide GO Ms No: 178/21-6-2005.

| <b>Head</b>                   | <b>Eligible Project</b>   | <b>Basis of Incentive</b>  | <b>Estimated amount of Incentive (Rs in lakhs)</b>  |
|-------------------------------|---------------------------|--|---|
| Land Registration expenses    | Grinding Project          | 100% Reimbursement of Stamp Duty paid on Purchase of Land meant for industrial use   | Rs 7 Lakhs  |
| Financial Deeds and Mortgages | Grinding Project          | 100% Reimbursement of Stamp Duty paid on Financial Deeds and Mortgages   |   |
| Power                         | Energy Efficiency Project | Reimbursement of Power cost @ 0.75 per unit in the first year of policy and thereafter for the remaining four years the rate would also be so regulated on yearly basis keeping in view of the changes in tariff structures to ensure that power cost to the industry is pegged down to the first year's level | Rs 74 lakhs per year at full 100% capacity  |
| Power                         | Grinding Project          | Reimbursement of Power cost @ 0.75 per unit in the first year of policy and thereafter for the remaining four years the rate would also be so regulated on yearly basis keeping in view of the changes in tariff structures to ensure that power cost to the industry is pegged down to the first year's level | Rs 82 lakhs per year at full 100% capacity  |
| Sales Tax / VAT               | Grinding Project          | 25% of the tax paid during one financial year will be ploughed back to the units as a grant by the Government towards the payment during the next year. Benefit will be available for 5 years from the date of commencement of production i.e. up to 6th year  | Rs 190 lakhs per year at full 100 % capacity and at an assumed selling price of Rs 110 per bag. |
| Infrastructure                | Grinding Project          | Infrastructure like roads, power and water to the industry for stand alone units – contribution of 50% of the cost of infrastructure with a ceiling of Rs 1 crore subject to certain conditions.   | Based on the requirements of the project.   |
| Quality Certification         | Grinding Project          | 50% subsidy on the expenses incurred for quality certification limited to Rs 1 lakh.   | Based on the requirements for quality certifications i.e. ISO / BIS.                            |

### **APPRAISAL**

The individual projects have been appraised by the respective banks and financial institutions which sanctioned loans for respective projects. This letter of offer is for raising the equity required for all the three projects.

### **Schedule of Implementation**

The project envisages acquisition of land at Kondapally and Poanta Sahib and installation of various plant and machinery for these projects. There is no requirement for additional land for the Modernization – cum – Energy Efficiency at the Existing Cement Plant, all the preoperative work has been completed and the schedule of implementation for each of the projects is as follows:

### Energy Efficiency and Conservation Project

| Description   | Start Date  | Finish Date |
|---|-------------|-------------|
| Layout Concept  | Completed   |             |
| Preparation of Bids                                       | Completed   |             |
| Obtaining Drawings  | Completed   |             |
| Civil Works   | Nov '05     | Oct '06     |
| Erection of Equipment, etc                                | Mar '06     | Oct '06     |
| Modification in Existing Cement Mill                      | Jun' 06     | Aug '06     |
| Fabrication Work  | Oct' 05     | Nov '06     |
| Dismantling of Equipment in Old Pre - Heater              | Sep '06     | Oct' 06     |
| Elec. Connection at Panels                                | April '06   | Nov '06     |
| Trial Runs  | Dec '06     | Feb '07     |
| Commissioning of the Plant & conducting performance tests | March' 2007 |             |

### Grinding Unit at Kondapally, Krishna District, A.P.

| Description   | Start Date | Finish Date |
|---|------------|-------------|
| Acquisition of Land   | March' 06  |             |
| Development of Land   | Dec '05    | May '06     |
| Civil Works,<br>(Factory Bldg, Auxiliary Bldg, Administrative Bldg) | Dec '05    | Oct '06     |
| Miscellaneous Structures  | April '06  | Aug '06     |
| Power Arrangements  | June '06   | Aug '06     |
| Water Arrangements  | Completed  |             |
| Erection of Equipment   | Aug '06    | Dec '06     |
| Commissioning   | Sep '06    | Dec '06     |
| Procurement of Raw Materials  | Oct '06    | Nov '06     |
| Trial Runs  | Nov ' 06   | Dec '06     |

### Boards Plant at Poanta Sahib, Himachal Pradesh

| Description   | Start Date    | Finish Date |
|---|---------------|-------------|
| Acquisition of Land   | March 2006    |             |
| Development of Land   | Dec' 05       | Apr' 06     |
| Civil Works,<br>(Factory Bldg, Auxiliary Bldg, Administrative Bldg) | Jan 06        | June' 06    |
| Miscellaneous Structures  | March '06     | June' 06    |
| Power Arrangements  | March '06     | April '06   |
| Water Arrangements  | Completed     |             |
| Imported Equipment Receipt at Site                                  | Completed     |             |
| Indigenous Equipment Order & Receipt at Site                        | Mar' 06       | Aug' 06     |
| Erection of Equipment   | Jun '06       | Sept '06    |
| Procurement of Raw Materials  | May '06       | July '06    |
| Trial Runs  | Oct '06       | Nov '06     |
| Commissioning   | December 2006 |             |

## FUNDS DEPLOYED

### Sources of Financing of Funds already deployed

The Company has deployed Rs. 2609.00 Lacs on the projects till 15<sup>th</sup> February 2006. M/s. Prayaga & Company, Chartered Accountants have given a Certificate detailing the amount spent in connection with three new projects taken up by the Company viz.,

- Implementation of Energy Efficiency Scheme at Mattapally in Nalagoanda District,
- New Cement Grinding Unit at Kondapally in Krishna District, A.P
- New Cement Bonded Wood Particle Boards Plant at Poanta Sahib in Himachal Pradesh. The details of amount spent for the project as per the said certificate of M/s. Prayaga & Co. is as under:

| Description  | Energy Efficiency & Conservation Project (Rs. in Lacs) | Grinding Unit at Kondapally, Krishna, District, A.P. (Rs. in Lacs) | Boards Plant at Poanta Sahib, H.P. (Rs. in Lacs) |
|--|--|--|--|
| Land & Site Development                              | -  | 48.00  | 66.00  |
| Buildings & Civil Works (Including Advances)         | 230.00   | 163.00   | 5.00   |
| Plant & Machinery (Inc. Electrical)                  | 740.00   | 345.00   | 859.00   |
| Preliminary & Pre-Operative Expenses (Including IDC) | 55.00  | 25.00  | 69.00  |
| Miscellaneous Assets                                 | -  | 4.00   | -  |
| Contingencies  | -  | -  | -  |
| Working Capital Margin                               | -  | -  | -  |
| <b>TOTAL</b>   | <b>1025.00</b>   | <b>585.00</b>  | <b>999.00</b>                                    |

All the above funds have been deployed out of Term Loans, Unsecured Loans, internal accruals and advance contribution by the Promoters and their associates towards the rights issue:-

### DETAILS OF BALANCE FUND DEPLOYMENT

The balance amount of Rs.4,137.00 lacs is proposed to be incurred by the Company in the fiscal 2006 and 2007. The quarter wise break-up of the fund deployment is as follows:

| Sr. Description No.                                   | Project Cost | Already Incurred | Fiscal 2005-06 |            | Fiscal 2006-07 |           |           | Total        |
|---|--------------|------------------|----------------|------------|----------------|-----------|-----------|--------------|
|   |              |                  | Feb - Mar      | Apr-Jun    | Jul-Sep        | Oct-Dec   | Jan-Mar   |              |
| <b>A Energy Efficiency &amp; Conservation Project</b> |              |                  |                |            |                |           |           |              |
| Buildings & Civil Works                               | 393          | 230              | 55             | 100        | 8              |           |           | 393          |
| Plant & Machinery                                     | 1,669        | 740              | 125            | 600        | 204            |           |           | 1,669        |
| Pre-operative Expenses                                | 222          | 55               | 41             | 35         | 35             | 35        | 21        | 222          |
| Contingencies   | 100          |                  | 20             | 20         | 20             | 20        | 20        | 100          |
| <b>Total for (A)</b>                                  | <b>2,384</b> | <b>1,025</b>     | <b>241</b>     | <b>755</b> | <b>267</b>     | <b>55</b> | <b>41</b> | <b>2,384</b> |

|                         |              |            |            |            |            |            |            |              |
|-------------------------|--------------|------------|------------|------------|------------|------------|------------|--------------|
| <b>B Grinding Unit</b>  |              |            |            |            |            |            |            |              |
| Land & Site Development | 75           | 48         | 27         |            |            |            |            | 75           |
| Buildings & Civil Works | 340          | 163        | 50         | 50         | 60         | 17         |            | 340          |
| Plant & Machinery       | 1,409        | 345        | 250        | 500        | 314        |            |            | 1,409        |
| Pre-operative Expenses  | 109          | 25         | 4          | 25         | 25         | 30         |            | 109          |
| Misc. Assets            | 45           | 4          | 5          | 10         | 20         | 6          |            | 45           |
| Contingencies           | 70           |            |            | 10         | 30         | 30         |            | 70           |
| Working Capital Margin  | 172          |            |            |            |            |            | 172        | 172          |
| <b>Total for (B)</b>    | <b>2,220</b> | <b>585</b> | <b>336</b> | <b>595</b> | <b>449</b> | <b>83</b>  | <b>172</b> | <b>2,220</b> |
| <b>C Boards Plant</b>   |              |            |            |            |            |            |            |              |
| Land & Site Development | 75           | 66         | 9          |            |            |            |            | 75           |
| Buildings & Civil Works | 310          | 5          | 126        | 100        | 79         |            |            | 310          |
| Plant & Machinery       | 1,307        | 859        | 39         | 250        | 159        |            |            | 1,307        |
| Pre-operative Expenses  | 330          | 69         | 10         | 50         | 60         | 141        |            | 330          |
| Misc. Assets            | 30           |            | -          | 10         | 10         | 10         |            | 30           |
| Working Capital Margin  | 90           |            | -          |            |            |            | 90         | 90           |
| <b>Total for (C)</b>    | <b>2,142</b> | <b>999</b> | <b>184</b> | <b>410</b> | <b>308</b> | <b>151</b> | <b>90</b>  | <b>2,142</b> |

#### Interim use of Funds

Pending utilization for the purposes described above, NCL intend to temporarily invest the funds in high quality, interest/dividend bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration as stated under the undertaking given for utilization of Issue proceeds on page 105 of this prospectus.

Such investments would be in accordance with investment policies approved by the Board from time to time.

#### Shortfall of funds

The shortfall in funds, if any, shall be met by Internal accruals.

#### BASIS FOR ISSUE PRICE

**Investors should read the following summary with Risk Factors included from vi to xi and the details about the Company and its financial statements included in this Letter of Offer. The trading price of the Equity shares of the Company could decline due to these risks and the investor may lose all or part of his investment.**

#### Qualitative Factors:

- Existing profit making, dividend paying Company.
- Established brands in the construction/building materials industry. Nagarjuna Cement is a popular brand in North Coastal Districts of Andhra Pradesh.
- Confirming to the ISO 9002 Standards.
- Dedicated dealer network of more than 750 dealers.
- Cement Bonded Wood Particle Board is the first and only of its kind in India even today.
- Concept of Prefab Structures, a novel idea which was taken up by the Company, was well accepted by Defence, Para Military, Corporate Organisations.



**Quantitative Factors:**
**1. Adjusted Earnings per share (EPS) (Rs.)**

|                     | EPS (Rs.)   | Weights |
|---------------------|-------------|---------|
| a) 2003             | (0.10)      | 1       |
| b) 2004             | 1.17        | 2       |
| c) 2005             | 1.56        | 3       |
| d) Weighted Average | <b>1.15</b> |         |

**2. Price Earning Ratio in relation to the Issue Price of Rs 18/- per share**

|                               |       |
|-------------------------------|-------|
| Based on Mar 31, 2005 EPS     | 11.54 |
| Based on Weighted Average EPS | 15.65 |
| Industry P/E*                 |       |
| i. Highest                    | 33.00 |
| ii. Lowest                    | 18.30 |
| iii. Average                  | 25.70 |

\*Source: Capital Market Volume XX/26/Dated February 27 – March 12 2006; Industry: Cement- South India

The Company is in the Cement Business. The accounting ratios of companies in the Industry Group (Cement-South India) are as follows:

| Company                          | EPS (Rs) | P/E Ratio | RONW (%) | NAV (Rs) |
|----------------------------------|----------|-----------|----------|----------|
| NCL Industries Ltd y.e. 31.03.05 | 1.60     | -         | 9.90     | 15.80    |
| K C P                            | 7.00     | 18.30     | 10.10    | 76.80    |
| Kakatia Cements                  | 12.90    | 19.50     | 13.50    | 101.90   |
| Deccan Cement                    | 7.20     | 16.40     | 9.10     | 87.00    |

Source: Capital Market Volume XX/26/Dated February 27 – March 12 2006; Industry: Cement- South India

**3. Return on Net Worth**

|                          | RONW (%)    | Weights  |
|--------------------------|-------------|----------|
| a) March – 2003          | (0.78)      | 1        |
| b) March – 2004          | 8.73        | 2        |
| c) March – 2005          | 11.24       | 3        |
| d) Weighted Average RONW | <b>8.40</b> | <b>6</b> |

Minimum Return on total Net Worth after Offer needed to maintain EPS at Rs. 1.56 is 9.38%.

**4. Net Asset value (NAV) (Rs.)**

|                                      |       |
|--------------------------------------|-------|
| a. As on 31 <sup>st</sup> March 2005 | 13.85 |
| b. After the issue                   | 16.62 |
| c. Offer Price                       | 18.00 |

**5. Offer price of Rs 18/- per share is 1.8 times of the face value of Rs. 10/- per share**

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

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**TAX BENEFITS TO THE COMPANY AND ITS SHAREHOLDERS**  
**STATEMENT OF TAX BENEFITS**

The Auditors of the Company vide their letter dated 10<sup>th</sup> October 2005 have confirmed the following Tax Benefits:  
We do not express any opinion or provide any assurance as to whether:

- The company or its shareholders will continue to obtain these benefits in future;
- The conditions prescribed for availing the benefits have been/or would be met with.

**For Prayaga & Co**  
Chartered Accountants

Sd/-  
R N K Prasad  
Partner

Place: Hyderabad  
Date: October 10, 2005

**ANNEXURE TO THE STATEMENT OF TAX BENEFITS**

**A. To the Company:**

1. The Company will be entitled to claim depreciation allowance at the prescribed rates on tangible and intangible assets under section 32 of the IT Act.
2. Subject to company qualifying with the conditions as stated in section 32 (1) (ia) as amended with effect from 1.4.2005, in respect of Plant & Machinery (other than Ships or Aircraft) acquired or installed after 31<sup>st</sup> day of March 2005, additional depreciation @20% shall be allowed
3. The company is eligible under section 35D of the Income Tax Act, 1961 to a deduction equal to one-fifth of certain specified and qualifying expenditure, for a period of five successive years subject to the limits provided and conditions specified therein.
4. Income by way of dividend (as referred to in sec 115-O) received from other domestic companies will be exempt from tax.
5. In accordance with the provisions of section 10(38) of the IT Act, long term capital gains arising on the transfer of securities shall be exempt from income tax if such transaction is entered into on a recognized stock exchange in India and such transaction is chargeable to Securities Transaction Tax. Short term capital gains accruing to Company from transfer of short term capital assets, being securities, in a transaction entered into on a recognized stock exchange in India and such transaction is chargeable to Securities Transaction Tax shall be chargeable to tax @ 10% plus applicable surcharge and education cess.
6. Subject to the provisions of section 112 of the IT Act, Long term capital gains, other than those mentioned in 6 above, will be chargeable to tax @ 20% (plus applicable surcharge and education cess) if computed with indexation benefit and @ 10% (plus applicable surcharge and education cess) if computed without indexation benefit.

**B. Resident Indians**

1. Income by way of dividends received from the Company is exempt u/s 10(34) of the Income Tax Act 1961.
2. Long-term capital gains arising from the sale of the shares of the Company will be exempt from tax if the transaction is entered into in a recognized stock exchange in India and such transaction is chargeable to Securities Transaction Tax. Short term capital gains arising from the sale of Company's shares in a transaction entered into in a recognized stock exchange in India will be chargeable to tax @ 10% plus applicable surcharge and education cess.
3. Long term capital gains other than those mentioned in 2 above, shall be charged to tax @ 20% (plus applicable surcharge and education cess) if computed with indexation benefit and 10% (plus applicable surcharge and education cess) if computed without indexation benefit.

4. The members of the Company will be entitled to claim exemption in respect of tax on long term capital gains, if those gains or the sale consideration as the case may be are invested as provided in sections 54 EC or 54 ED or 54 F of the IT Act.
5. Income arising from sale of right entitlements shall be charged to tax as per the applicable tax rates.
6. As shares are not included in the definition of asset u/s 2 (ca) of the Wealth Tax Act, 1957, members of the Company will be entitled for exemption from wealth tax in respect of the shares of the Company.

#### **C. Non Residents**

1. Dividend income received from the Company qualifies for exemption under section 10 (34) of the IT Act.
2. As per the provisions of section 10 (38) of the IT Act long term capital gains arising from the sale of the shares of the Company will be exempt from tax if the transaction is entered into in a recognized stock exchange in India and such transaction is chargeable to Securities Transaction Tax.
3. As per the provision of section 111 A, short term capital gains arising from the sale of Company's shares in a transaction entered into in a recognized stock exchange in India will be chargeable to tax @ 10% plus applicable surcharge and education cess.
4. As per the provisions of section 112 of the IT Act, the long term capital gains from the transfer of the shares of the Company, otherwise than as mentioned above, shall be charged to tax:
  - a. @ 20% plus applicable surcharge and education cess, if the gains are computed after considering the benefit of indexation;
  - b. @10% plus applicable surcharge and education cess, if the gains are computed without considering the benefit of indexation.
5. Non Resident Indian members of the Company can elect to be governed by special provisions as enunciated in sections 115 C to 115 I of the Income tax act, according to which exemption from capital gains tax is available subject to those members complying with conditions stated in those sections.

#### **D. Foreign Institutional Investors**

1. Income from dividends qualifies for exemption from payment of income tax.
2. As per section 115 AD, long term capital gains arising from the transfer of shares held in the company, otherwise not qualifying for any exemptions, will be taxable @ 10% plus applicable surcharge and education cess.
3. Short term capital gains arising from the sale of shares of the Company which is subject to securities transaction tax will be chargeable @ 10% plus applicable surcharge and education cess.

#### **E. Mutual Funds**

As provided in section 10 (23D) of the IT Act, any income of Mutual Funds registered under the SEBI Act 1992, or regulations made thereunder, Mutual Funds set up by public sector banks or those set up by public financial institutions or authorized by Reserve Bank of India, will be exempt from income tax.

This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequence, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out due to their participation in the issue.

## SECTION IV: ABOUT NCL INDUSTRIES LTD

### 1. INDUSTRY OVERVIEW

*The information presented in this section has been extracted from publicly available documents, which have not been prepared or independently verified by the Company, the Lead Manager or any of their respective affiliates or advisors or the sources referred to herein.*

*In this Section, we have relied on and referred to information regarding the industry and competitors from market research reports, and other publicly available sources. Although we believe that this information is reliable, we have not independently verified the accuracy and completeness of the information. We caution you not to place undue reliance on this data.*

### CEMENT INDUSTRY

#### THE INDUSTRY SCENARIO:

The Indian Industry has a total capacity of 144 million tons in the financial year 2003-04 and is the second largest producer after China. Though the cement industry was fragmented earlier, consolidations took place in the industry. The world average of cement consumption is about 260 Kgs, whereas the per capita consumption in India is around 110 Kgs, which indicates tremendous scope for the growth in the industry in long term.

Cement is a bulk commodity and a freight intensive. Because of this, transporting the cement over long distances is uneconomical, resulting in regional players dominating particular markets. Based on these criteria, cement plants have been located close to major markets. While this is true that the other major constraint is the availability of main material viz., Limestone. Limestone is the key factor for setting up a cement plant. Hence, all the companies prefer to locate their plants on the Lime Stone Mines.

After de-regularization in 1991, the capacity growth exceeded the demand growth till 2000, because of Sales Tax incentives, which created over-supply in the market. However, as the demand has picked up because of the incentives to Housing and Infrastructure Sectors and no new capacity is created because of un-remunerative prices, the gap between demand and supply has been narrowed out. Since it takes about 36 months for a new integrated plant to put up, the industry is looking at supply growth from three activities, ground field expansion, De-bottle knicking and blending by setting up grinding units. Grinding units can be set up in lesser time and there is a clear trend in this regard, which is being confirmed by the Cement Manufacturers Association.

#### **Source: Cement Manufacturers Association of India**

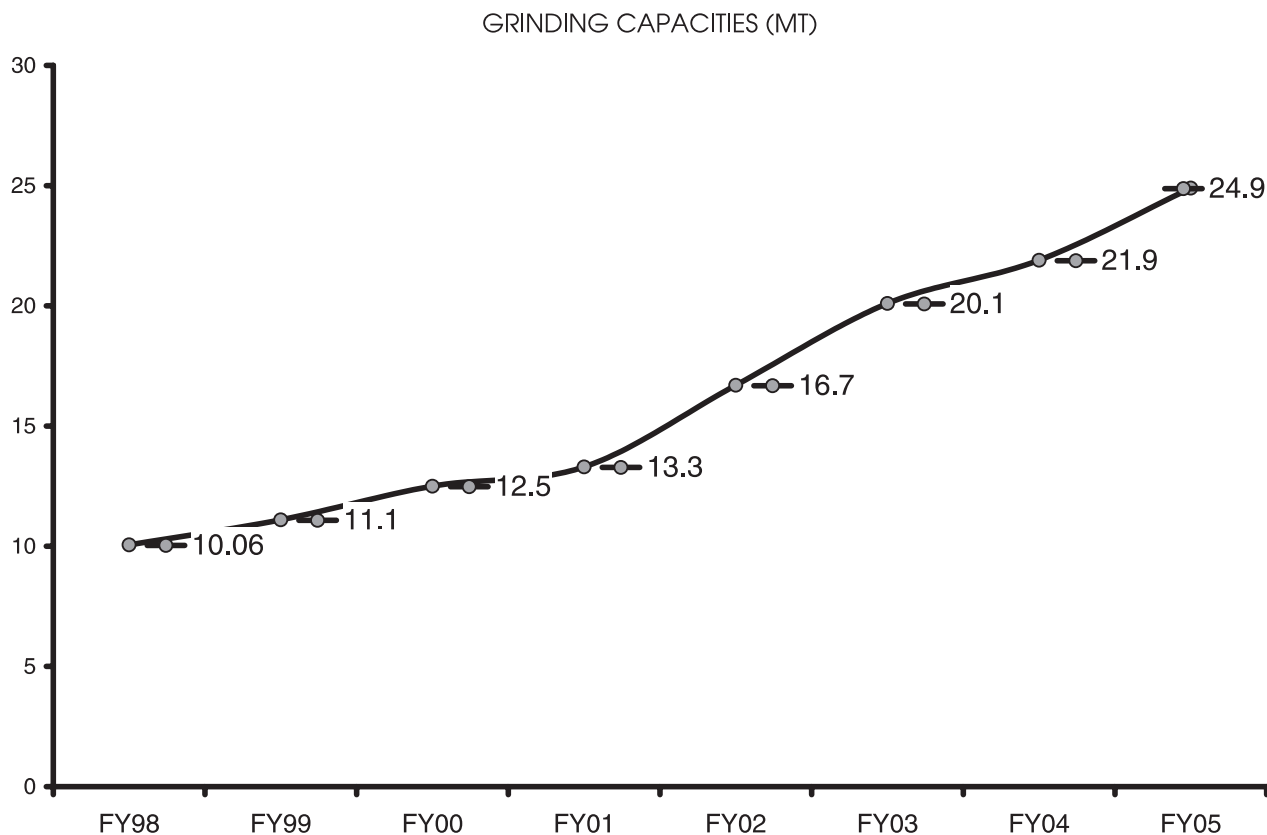
Cement production and despatches grew at a rate of around 8 percent in the year 2004-05. The Indian cement industry now has an installed capacity of 152.09 million tonnes from 128 plants, other than mini cement units. The housing construction sector saw increased activity as a result of which there was further improvement in the domestic demand for cement. With no significant additional cement capacity in the pipeline, the gap between demand and supply has narrowed down appreciably. We expect this trend to continue in the coming year.

The year saw Indian cement becoming more competitive in the export market. Exports of cement and clinker from India rose to 10.06 million tones, representing a growth of 12 per cent. Much of this was from cement plants on our Western coast to countries around the Indian Ocean. The increase in exports also helped ease the market pressure in Gujarat. There is good potential for further growth in exports provided inland freights and port handling infrastructure is improved. Despite being the second largest cement industry in the world, we have not ranked anywhere on the export front. With a world-class product and a large production base, India is strategically located to be a major exporter of cement - especially to countries of the SAARC region, those around the Indian Ocean, in the Middle East and Africa. But we have not been able to tap these advantages. Exports account for barely 3.2 per cent of our total cement production, although considerable strides have been made during the last two years. Even after considering the recent improvement in world prices, we are not competitive enough in the international export market. This is mainly because of our high cost structure.

There is one other critical area that is a cause for concern for the cement industry as a whole. Cement continues to be one of the highest taxed commodities in India with imposition of various levies such as excise, sales tax, royalties and cesses. A large share of manufacturing and distribution costs is dependent on Government administered inputs, such as power, diesel, rail freight and coal. The overall tax burden on cement represents 30 to 35 per cent of the end price paid by the consumer which is quite disproportionate as compared to selling prices of other building materials and commodities. This heavy burden undermines the industry's competitiveness and growth.

#### **Source: ACC Chairman's Statement 2005**

**Split Grinding - on Increase**



Source : Cement Manufacturers' Association

**BOARDS:**

Bison panel a Building board is introduced in India with modern technology from Bison Werke of Germany. Bison panel is made out of 62% of cement, 28% of wood and 10% other chemicals and water. The product itself is versatile, strong, and durable compared to composite boards. Cement boards are used in Ceilings, partitions, doors and for many other applications. It is a great success in the rural areas where it is used for doors and windows. The total estimated market size of wood and wood based products is 1.9 million tons approx. per annum wherein North India has a share of 29%, South 22%, West 31%, East 18%. Ply wood Particle Board as well as MDF form sizable share in Wood composite products. Cement boards approximately have around 8.3% of the total market for wood based composite products.

The demand for false ceiling, wall cladding, Mezzanine flooring would drive the demand in cement Boards for years to come. It indicated that Cement boards may replace Composite boards and other types in years to come. It is understood that the demand would be more if there is shift in the use of Cement boards to composite boards. The advantages of Cement Boards over the composite boards is better in regard to fire resistant, termite free, thermal insulation properties, cost effective and good acoustic. Board strength, durability and versatility will replace the other composite material. The major cement board manufacturers are Charminar, Everest (ACC), Ramco & Bison.

The cement boards manufactured by Everest (ACC), Charminar & Ramco are having a better market share in lower thicknesses and Bison in higher thicknesses.

The restrictions from the Government for using timber and other composite products will increase the demand for cement boards.

**Existing Supply of Cement Boards in India**

As understood from the primary survey the existing supply of prime suppliers in the Indian market are as indicated in the table below:

### Current Supply scenario of Cement Boards in India

| Manufacturers      | Supply 2004-2005 (in TPA) |
|--------------------|---------------------------|
| Everest Industries | 38,000                    |
| NCL Industries     | 25,000                    |
| Ramco Industries   | 18,000                    |
| Others*            | 28,000                    |
| <b>Total</b>       | <b>1,09,000</b>           |

Source: AC Nielsen Org-Marg Report November 2004 – February 2005

\*Others include Hyderabad Industries and other local manufacturers like Upal, Super etc.

### Projected Demand of Cement Boards in North India

The estimated demand of Cement Boards in North India is in tune of 48,000 TPA. It is estimated that the demand would grow at a CAGR of 25% for the year 2004-05, stabilize at a rate of 20% for the period 2005-06 and 2006-07 and would still continue to grow at a rate of 15% for the year 2007-08 and 2008-09. Based on the above considerations, the projected demand of Cement Boards in the North Indian market is as indicated in the table below:

| Year    | Demand of Cement Boards (in TPA) |
|---------|----------------------------------|
| 2003-04 | 48,000                           |
| 2004-05 | 60,000                           |
| 2005-06 | 72,000                           |
| 2006-07 | 86,400                           |
| 2007-08 | 99,360                           |
| 2008-09 | 1,14,264                         |

Source: AC Nielsen Org-Marg Report

## 2. BUSINESS OVERVIEW

### *Location of the Project*

The Company has three existing manufacturing units as under:

|                    |  |
|--------------------|--|
| <b>Cement Unit</b> | Simhapuri, Mattamaplalli mandal, Nalgonda Distt – Andhra Pradesh |
| <b>Prefab Unit</b> | Plot No. 34 / A IDA , Jeedimelta , Hyderabad                     |
| <b>Prefab Unit</b> | Indira Industrial Complex, Naharpur, Tigaon Road Old Faridabad   |
| <b>Boards</b>      | Simhapuri, Mattamaplalli mandal, Nalgonda Distt – Andhra Pradesh |

The details of the location of the proposed projects are as follows:

#### i. **Expansion of the capacity in Boards division by establishment of 50,000 TPA plant**

The plant is proposed to be located in Poanta Sahib, Himachal Pradesh. This town is located adjacent to river Yamuna and is having a population of about 2 lakhs. This is one of the important locations in Himachal Pradesh bordering the states of Haryana, Uttar Pradesh and Uttaranchal. The location of this town is on the plain lands in the foothills of Himalayas.

#### ii. **EEC Project and Expansion of the Clinker capacity from 2.97 lacs tpa to 5.94 lacs tpa**

At the existing location of the Cement Plant at Mattapalli as an Energy Efficiency and Conservation Project.

#### iii. **Cement Grinding Unit of 3.15 lacs tpa capacity**

The grinding unit is proposed to be located closer to the marketing area of the Company Viz., Kondapally, Krishna District, A.P.

**Plant, Machinery, Technology, Process etc.**

**Plant & Machinery**

• **Energy Efficiency & Conservation Project**

Orders placed for Plant and Machinery for the Energy Efficiency Project as on February 15, 2006 is as given below:

| Sl. No. | Description of the Item  | Quantity | Name of the Supplier   | Cost of the item (Rs. In lacs) | Purchase Order No.             | Date    |
|---------|--|----------|------------------------|--------------------------------|--------------------------------|---------|
| 1       | Supply of L.S. Crusher, Grizzly Feeder, Vibrating Screen   | 1 each   | Puzzolona Machinery    | 65.00                          | NCL.IL/CEMENT.<br>EXP/IREDA/01 | 20-7-05 |
| 2       | Design, Fabrication, and Erection drawings for Pyro process to increase the Clinker production form present level of 900 TPD to 1500 TPD | Package  | LNV Technology Pvt Ltd | 63.00                          | NCL.IL/CEMENT.<br>EXP/IREDA/02 | 29-7-05 |
| 3       | Design Engineering for Raw Grinding and Blending Silo department   | Package  | LNV Technology Pvt Ltd | 58.00                          | NCL.IL/CEMENT.<br>EXP/IREDA/05 | 24-8-05 |
| 4       | Air Cannons for Kiln Hood and Riser duct   | Package  | Diamond Engg           | 9.00                           | NCL.IL/CEMENT.<br>EXP/IREDA/10 | 16-9-05 |
| 5       | Supply of Components of Cooler drive system  | Package  | LNV Technology Pvt Ltd | 57.00                          | NCL.IL/CEMENT.<br>EXP/IREDA/16 | 16-9-05 |
| 6       | Supply of Raw mill components - Girth gear with guard pinion, trunion bearing, diaphragm, Inlet and Outlet arrangement with flap valves  | Package  | LNV Technology Pvt Ltd | 56.00                          | NCL.IL/CEMENT.<br>EXP/IREDA/07 | 08-9-05 |
| 7       | Supply of Classifiers for Raw mill and Coal mill   | 1 each   | LNV Technology Pvt Ltd | 58.00                          | NCL.IL/CEMENT.<br>EXP/IREDA/15 | 16-9-05 |
| 8       | Supply of Raw mill Components - Mn Steel Mill Shell liners   | Package  | R C Das                | 24.00                          | NCL.IL/CEMENT.<br>EXP/IREDA/12 | 16-9-05 |
| 9       | Supply of Components for Cooler - Under grate and Brick work casing  | Package  | LNV Technology Pvt Ltd | 52.50                          | NCL.IL/CEMENT.<br>EXP/IREDA/19 | 16-9-05 |
| 10      | Supply of Grate plates with Supports   | Package  | LNV Technology Pvt Ltd | 63.00                          | NCL.IL/CEMENT.<br>EXP/IREDA/08 | 09-9-05 |
| 11      | Supply of Components for Preheater cyclones - Central tubes  | Package  | LNV Technology Pvt Ltd | 56.00                          | NCL.IL/CEMENT.<br>EXP/IREDA/13 | 16-9-05 |
| 12      | Supply of Distribution box, Flap valve, Inspection door and Clean out holes  | Package  | LNV Technology Pvt Ltd | 63.00                          | NCL.IL/CEMENT.<br>EXP/IREDA/18 | 16-9-05 |
| 13      | Supply of Inlet and Outlet cone valve for Raw mill and Coal mill classifier and Expansion joints for Raw mill and Coal mill              | Package  | R C Das                | 17.00                          | NCL.IL/CEMENT.<br>EXP/IREDA/11 | 16-9-05 |



|    |   |         |                           |       |                                |          |
|----|---|---------|---------------------------|-------|--------------------------------|----------|
| 14 | Mill Shell & Mill Heads   | Package | LNV Technology Pvt Ltd    | 43.00 | NCL.IL/CEMENT.<br>EXP/IREDA/04 | 24-8-05  |
| 15 | Supply of Components for Clinker breaker  | 1 set   | Diamond Engg              | 20.00 | NCL.IL/CEMENT.<br>EXP/IREDA/09 | 09-9-05  |
| 16 | Components for Cooler Static grate  | Package | LNV Technology Pvt Ltd    | 62.00 | NCL.IL/CEMENT.<br>EXP/IREDA/17 | 16-9-05  |
| 17 | D.C. Motor 175 KW - Frame - 315   | 1 No.   | Integrated Electric       | 6.10  | NCL.IL/CEMENT.<br>EXP/IREDA/03 | 01-8-05  |
| 18 | Classifier for Cement Mill.   | 1 No.   | LNV Technology Pvt Ltd    | 55.00 | NCL.IL/CEMENT.<br>EXP/IREDA/14 | 16-9-05  |
| 19 | Bucket Elevator for Kiln Feed   | 1 No.   | Enexco                    | 62.00 | NCL.IL/CEMENT.<br>EXP/IREDA/20 | 21-9-05  |
| 20 | Mines Compressor.   | 1 each  | Atlas Copco               | 14.20 | NCL.IL/CEMENT.<br>EXP/IREDA/25 | 13-10-05 |
| 21 | Belt Conveyor   | Package | Tecpro                    | 60.00 | NCL.IL/CEMENT.<br>EXP/IREDA/33 | 24-10-05 |
| 22 | Fabrication   | Package | Shiva Shakthi             | 60.40 | NCL.IL/CEMENT.<br>EXP/IREDA/30 | 17-10-05 |
| 23 | Air Compressors 5.5 M <sup>3</sup> / M - 7.5 Kg / CM <sup>2</sup> - 3 Nos.  | 3 Nos   | Atlas Copco               | 9.15  | NCL.IL/CEMENT.<br>EXP/IREDA/26 | 13-10-05 |
| 24 | H.T. Motor  | 1 No.   | Crompton Greaves          | 19.50 | NCL.IL/CEMENT.<br>EXP/IREDA/27 | 07-10-05 |
| 25 | D.P.C   | 1 set   | Enexco                    | 26.50 | NCL.IL/CEMENT.<br>EXP/IREDA/35 | 24-10-05 |
| 26 | Erection (Mech)   | Package | Shiva Shakthi             | 62.99 | NCL.IL/CEMENT.<br>EXP/IREDA/31 | 17-10-05 |
| 27 | Solid Flow Feeders  | Package | Trans Weigh               | 33.50 | NCL.IL/CEMENT.<br>EXP/IREDA/40 | 29-10-05 |
| 28 | Transformers 2 Nos. 2500 KVA 6600/433 Volts.  | 2 Nos   | Crompton Greaves          | 26.00 | NCL.IL/CEMENT.<br>EXP/IREDA/41 | 31-10-05 |
| 29 | Process Fans for Pyro Section   | 14 Nos  | Reitz India               | 62.00 | NCL.IL/CEMENT.<br>EXP/IREDA/23 | 03-10-05 |
| 30 | Raw Mill & K.F. Bin Elevators   | 1 each  | Enexco                    | 37.95 | NCL.IL/CEMENT.<br>EXP/IREDA/21 | 21-9-05  |
| 31 | Preheater Civil works   | Package | Span Constructions        | 62.73 | NCL.IL/CEMENT.<br>EXP/IREDA/29 | 10-10-05 |
| 32 | 175 KW D.C. Drive Panel   | 1 No.   | Eurotherm                 | 4.85  | NCL.IL/CEMENT.<br>EXP/IREDA/22 | 29-9-05  |
| 33 | L.S. Crusher, Stock Pile, Raw Mill Bldg. Civil works  | Package | Dhananjaya Const          | 62.14 | NCL.IL/CEMENT.<br>EXP/IREDA/28 | 08-10-05 |
| 34 | Light weight Fabrication & Erection equipments like conveyors, bag filters, fans, plat forms etc. and unloading and dismantling of equipments | Package | Sri Krishna Constructions | 57.83 | NCL.IL/CEMENT.<br>EXP/IREDA/32 | 17-10-05 |

|    |                            |         |            |                |                                |                      |
|----|----------------------------|---------|------------|----------------|--------------------------------|----------------------|
| 35 | MCC Pannels                | 3 Nos   | Disha      | 23.67          | NCL.IL/CEMENT.<br>EXP/IREDA/37 | 27-10-05             |
| 36 | Bag Filters                | Package | Thermax    | 28.19          | NCL.IL/CEMENT.<br>EXP/IREDA/34 | 24-10-05             |
| 37 | Air Slides                 | Package | Movers     | 6.80           | NCL.IL/CEMENT.<br>EXP/IREDA/36 | 24-10-05/<br>8-11-05 |
| 38 | Gear boxes                 |         | Elecon     | 57.51          | NCL.IL/CEMENT.<br>EXP/IREDA/45 | 02.01.06             |
| 39 | Electrical Contract        | Package | Sree Sayee | 63.49          | NCL.IL/CEMENT.<br>EXP/IREDA/44 | 26.12.05             |
|    | <b>Total Machine Price</b> |         |            | <b>1669.00</b> |                                |                      |
|    | <b>Excise duty</b>         |         |            | <b>192.32</b>  |                                |                      |
|    | <b>Sales Tax</b>           |         |            | <b>61.26</b>   |                                |                      |
|    | <b>Service Tax</b>         |         |            | <b>50.05</b>   |                                |                      |
|    | <b>Total</b>               |         |            | <b>1972.63</b> |                                |                      |

**Note:**

Excise Duty is levied @16.32%, CST @ 4%, VAT @ 12.5% & Service Tax @ 10.2%

**Summary:**

| S. No | Particulars                                   | Budgeted Price<br>(Rs. in Lacs) | P.O Price / Quotation Price<br>/ Budgeted Price (Rs. in Lacs) |
|-------|---|---------------------------------|---|
| 1     | Machineries for which Orders have been placed | 1669.00                         | 1972.63   |
|       |   | <b>1669.00</b>                  | <b>1972.63</b>  |

The above difference of Rs 303.63 lacs will be met through VAT claim and contingencies.

**Sources to meet the excess expenditure**

| Particulars          | Rs. in Lacs   |
|----------------------|---------------|
| <b>VAT Claimable</b> |               |
| Excise Duty          | 96.16         |
| Sales Tax            | 61.26         |
| Service Tax          | 50.05         |
|                      | <b>207.47</b> |
| <b>Contingencies</b> | <b>96.16</b>  |
|                      | <b>303.63</b> |

• **Grinding Unit**  
**Machineries for which orders have been placed**

| Sl. No. | Description of the Item                   | Quantity | Name of the Supplier               | Cost of the item (Rs. In lacs) | Purchase Order No. | Date     |
|---------|---|----------|------------------------------------|--------------------------------|--------------------|----------|
| 1       | 1750 K.W Motor                            | 1 No.    | Crompton Greaves Ltd               | 33.00                          | NCL<br>IL/KPL/001  | 07.10.05 |
| 2       | Vaccum Circuit Breaker                    | 1 set    | Crompton Greaves Ltd               | 21.70                          | NCL<br>IL/KPL/002  | 31.10.05 |
| 3       | Packing Plant & Auxiliaries               | Package  | EEL India Ltd                      | 48.05                          | NCL<br>IL/KPL/009  | 28.11.05 |
| 4       | Gear Boxes etc. - Flender                 | Package  | Elecon engg Co Ltd                 | 58.04                          | NCL<br>IL/KPL/019  | 10.01.06 |
| 5       | A.C. Drives                               | Package  | Jeltron Systems<br>(India) Ltd     | 19.95                          | NCL<br>IL/KPL/003  | 28.10.05 |
| 6       | Grinding Mill with Auxiliaries            | Package  | LNV Technology Pvt Ltd             | 200.00                         | NCL<br>IL/KPL/007  | 28.11.05 |
| 7       | Grinding section Engineering              | Package  | LNV Technology Pvt Ltd             | 25.00                          | NCL<br>IL/KPL/008  | 28.11.05 |
| 8       | Transformers<br>- 2 X 6 MVA - 33 / 6.6 KV | 2 nos    | Pan-Electro Technic<br>Ent Pvt Ltd | 50.20                          | NCL<br>IL/KPL/016  | 31.11.05 |
| 9       | Fans - Reitz                              | 3 nos    | Reitz India Ltd                    | 3.00                           | NCL<br>IL/KPL/006  | 03.10.05 |
| 10      | Erection                                  | Package  | Shiva Shakthi Engg                 | 95.00                          | NCL<br>IL/KPL/014  | 05.12.05 |
| 11      | Fabrication                               | Package  | Shiva Shakthi Engg                 | 70.85                          | NCL<br>IL/KPL/013  | 05.12.05 |
| 12      | Light weight Erection<br>& Fabrication    | Package  | Sri Krishna Constructions          | 51.80                          | NCL<br>IL/KPL/012  | 05.12.05 |
| 13      | Electrical contractor                     | Package  | Sri Saayee Electricals             | 96.51                          | NCL<br>IL/KPL/018  | 26.12.05 |
| 14      | Belt Conveyors                            | Package  | Tecpro Systems (P) Ltd             | 26.80                          | NCL<br>IL/KPL/020  | 06.01.06 |
|         | <b>Machine Price</b>                      |          |                                    | <b>799.90</b>                  |                    |          |
|         | <b>Excise duty</b>                        |          |                                    | <b>79.27</b>                   |                    |          |
|         | <b>Sales Tax</b>                          |          |                                    | <b>22.62</b>                   |                    |          |
|         | <b>Service Tax</b>                        |          |                                    | <b>32.04</b>                   |                    |          |
|         | <b>TOTAL :</b>                            |          |                                    | <b>933.83</b>                  |                    |          |

**Machineries for which Orders have not been placed nor quotations have been received**

| Sl. No. | Description of the Item                   | Quantity | Name of the Supplier | Cost of the item (Rs. In lacs) | Purchase Order No. | Date |
|---------|---|----------|----------------------|--------------------------------|--------------------|------|
| 1       | Air Slides - 7 Nos. (70 mts)              | 7 nos    |                      | 10.00                          |                    |      |
| 2       | Bag Filters (Dust collector)              | 8 nos    |                      | 30.00                          |                    |      |
| 3       | Compressors                               | Package  |                      | 20.00                          |                    |      |
| 4       | Air Slide Blowers                         | Package  |                      | 20.00                          |                    |      |
| 5       | Roots Blowers -5 Nos. - Koyinter material |          |                      | 30.00                          |                    |      |
| 6       | L.T. Motors -                             | Package  |                      | 40.00                          |                    |      |
| 7       | Cables                                    | Package  |                      | 65.00                          |                    |      |
| 8       | Nylon R. belting                          | Package  |                      | 15.00                          |                    |      |
| 9       | MCC's & L.T, H.T. Boards + Busducts       | Package  |                      | 45.00                          |                    |      |
| 10      | 33 KV Outdoor substation                  | Package  |                      | 25.00                          |                    |      |
| 11      | Steel Plates 295 T                        | Package  |                      | 71.64                          |                    |      |
| 12      | Process Instrumentation                   | Package  |                      | 45.00                          |                    |      |
| 13      | Belts and Solid flow feeder               | Package  |                      | 25.00                          |                    |      |
| 14      | Misc Equipments                           | Package  |                      | 25.00                          |                    |      |
| 15      | Fans - Reitz                              | Package  |                      | 17.00                          |                    |      |
| 16      | Vaccum Circuit Breaker                    | Package  |                      | 8.30                           |                    |      |
| 17      | A.C. Drives                               | Package  |                      | 10.00                          |                    |      |
|         |   |          |                      | <b>501.94</b>                  |                    |      |

**Note:**

- Excise duty is levied @ 16.32 %, CST @ 4%, VAT @ 12.5%.

**Summary**

| S. No | Particulars   | Budgeted Price (Rs in Lacs) | P.O Price / Quotation Price/ Budgeted Price (Rs in Lacs) |
|-------|---|-----------------------------|--|
| 1     | Machineries for which Orders have been placed                                       | 799.90                      | 933.83   |
| 2     | Machineries for which orders have not been placed nor quotations have been received | 501.94                      | 501.94   |
|       |   | <b>1301.84</b>              | <b>1435.77</b>   |

The above difference of Rs 133.93 lacs will be met through VAT claim and contingencies.

**Sources to meet the expenditure**

| Particulars          | Rs in Lacs    |
|----------------------|---------------|
| <b>VAT Claimable</b> |               |
| Excise Duty          | 39.64         |
| Sales Tax            | 22.62         |
| Service Tax          | 32.04         |
|                      | 94.30         |
| <b>Contingencies</b> | <b>39.63</b>  |
|                      | <b>133.93</b> |

• **Boards Plant**

A Second hand Cement Bonded Particle Board Machinery & Equipment is purchased from MODUL SYSTEME ENGINEERING AG. The said Machinery has been inspected by an Independent valuer viz. NYUGAT-MAGYARORSZAGI EGYETEM and as per the Chartered Engineer Certificate of Inspections, the Current value of the inspected equipment in overall is estimated at 7,50,000 EUR (EURO Seven Hundred Fifty Thousands Only). The minimum residual Life of Machinery & Equipment is expected to be around 20 years.

Details about the machines to be imported is as follows:

| Machinery & Equipment   | Quantity | Estimated Current FOB Value EUR | Budgeted Cost (Rs in Lacs) |
|---|----------|---------------------------------|----------------------------|
| Debarking Machine, VK 26 M with accessories   | 1        | 30,000                          |                            |
| Knife Drum Flaker, Hombak U 64 with conveyors & accessories                           | 1        | 40,000                          |                            |
| Silo Extraction SHW with Conveyors  | 1        | 10,000                          |                            |
| Hammer Mill Bison 85/200 with conveyors and accessories                               | 1        | 10,000                          |                            |
| Mill for fines, Pallmann PSKM 12/600 with Conveyors and accessories                   | 1        | 20,000                          |                            |
| Screening Machine, Allgaier<br>Mixing Unit complete with: Mixer Enrich, Cement Screw, | 1        | 10,000                          |                            |
| Cement Storage Bin, Cement Scale, Screw Bin under Mixer                               | 1        | 60,000                          |                            |
| Forming Machine with Feeding Conveyors  | 1        | 1,40,000                        |                            |
| Caul Conveyor System with Stacking and De-stacking Machine, Loader/Unloader           | 1        | 80,000                          |                            |
| Press, De Mets  | 1        | 1,20,000                        |                            |
| Clamps  | 19       | 1,30,000                        |                            |
| All Heavy Roller Conveyors along with available Curing Channel accessories            |          | 20,000                          |                            |
| Babcock Drier with available accessories  | 1        | 80,000                          |                            |
| <b>Total</b>  |          | <b>7,50,000 Euro</b>            | <b>720.00*</b>             |
| Caul Sheets   |          |                                 | <b>126.00</b>              |
| <b>Grand Total</b>  |          |                                 | <b>846.00</b>              |

Conversion Value of EURO: 1 Euro = Rs 56.05

\* Note: Rs 720.00 lacs comprises of

- Imported Plant & Machinery Rs 420.43 lacs,
- Ocean Freight & Insurance Rs 86.04 lacs,
- Taxes & Duties Rs 155.66 lacs,
- Inland Freight Rs 57.87 lacs.

### Indigenous Equipment & Machinery

| Description                                | Budgeted Cost (Rs. in Lacs) |
|--|-----------------------------|
| Steel Palets                               | 24.00                       |
| Fork Lifts – 3 Nos                         | 40.00                       |
| Trim Saw & Conveyor                        | 45.00                       |
| Heating System for Curing & Drying Channel | 28.00                       |
| Compressors                                | 18.00                       |
| Cement Silos                               | 20.00                       |
| Knife Grinder                              | 30.00                       |
| Lab Equipment                              | 10.00                       |
| OH Crane                                   | 6.00                        |
| Special Tractor for handling Materials     | 10.00                       |
| <b>Total</b>                               | <b>357.00</b>               |

### **Technology**

The company adopts the existing proven technology for all the projects at hand.

In case of Clinker expansion, the existing four stage pre-heater along with the pre-calculator will be enhanced to six stage pre-heater under the Energy Efficiency and Conservation Project in the Cement Division.

No new technology will be used in the proposed grinding unit to be established in Kondapally.

The technology adopted in the proposed Boards plant in Himachal Pradesh will be the same technology used at the existing Boards Plant at Mattapalli.

### **Process**

The process of manufacturing in each of the projects will be essentially the existing process of manufacture, which is briefly described below:

- **For Energy Efficiency and Conservation (EEC) Project and Clinker capacity expansion**

#### **Lime stone crushing:**

The limestone from the mines is conveyed to the crusher through tippers of 10 ton capacity. Crushers reduce the size of the limestone from 700 mm to 6 mm size. The crushed limestone is sent to stockpile by a belt conveyor.

#### **Raw material grinding (Ball Mill):**

The raw material such as limestone, Iron ore and other additives will be fed into ball mills to grind product fineness of 15% retained on 90 mesh.

#### **Blending of raw material (Continuous Blending Silo):**

The Raw Material is then blended in a blending silo to achieve homogenization to minimize variation in quality.

#### **Coal grinding and fine coal handling:**

The coal received at the plant will be crushed in the crusher to the required 6 mm size. The pulverized coal is transported pneumatically to the hopper and the hot air from the cooler taken to dry the pulverized coal and sent to kiln for firing.

#### **6 stage Pre-heater (Pyro process):**

The homogenized raw material from the blending silo will be fed from top of the cyclone and passes through 6 stages of the pre-heater string and the raw material will be heated by the hot gases upto a temperature of 950°C. In 6 stage preheater, 95% of calcination will be completed before entering the kiln. The hot material from precalciner will be sent to a long rotating inclined kiln for further burning of the raw meal to form clinker. The flue gases from the top of the pre-heater tower will be sent to the ESP and new bag filter and discharged through stacks.

#### **Clinker Cooler and storage:**

The clinker produced in the kiln will be discharged from the other end and will be subjected to rapid cooling by using fresh air from the atmosphere.

- ***For Grinding Unit:***

The Clinker produced in Mattapally, transported to Kondapally will be ground to cement by adding Fly Ash and Gypsum to the required quantities and packed into bags for despatch into market.

- ***For Boards Plant:***

**Wood Stock Yard:**

Debarked wood logs are received on day-to-day basis and stocked and aged in the wood yard to reduce sugar and tannin levels as per specifications. Requisite moisture levels in the wood logs are maintained by means of water spraying.

**Flaking Section:**

Confirmed wood logs are sent to the Flaker to flake the wood logs to obtain wood particles of requisite size. The wood particles are then screened and coarse material / over sized wood particles are sent to refining mill for further processing.

**Mixing Section:**

The requisite quantities of cement, wood flakes and other additives like Aluminium Sulphate, Sodium Silicate are sent to the Mixer. The approximate weight of recipe is 60% cement, 20% wood and 20% water with the chemicals. The ingredients are mixed and spread / formed into mats over steel caul plates.

**Mat Forming Station:**

The mat forming station ensures forming of the mixed recipe from the Mixer with high accuracy. The system ensures that the fines are always at the surface of the Board resulting in excellent surface quality. The endless mat formed on the cauls are separated and the mats are stacked along with the cauls in clamping device.

**Press Station:**

The stacked mats are sent to the Hydraulic Press and subjected to a pressure of 25 – 30 kg/cm<sup>2</sup>. After pressing, the clamps are locked and sent to curing chamber for curing to the requisite time and temperature.

**Stacking and De-stacking:**

After curing, the stack is returned to the press wherein slight pressure is applied to loosen the caul plates. The Boards are separated from the caul plates and are carefully re-stacked for maturing.

**Maturing Stage:**

The Boards are matured for a stipulated time and sent to drying chamber.

**Drying:**

The Boards are dried finally in the drying chamber where a moisture equilibrium between atmosphere and board material will be accomplished.

**Trimming and Packing:**

The edges are trimmed before despatch.

**Lamination Section:**

The Bison Panel manufactured based on the above process is sanded evenly in Sanding Machine and sprayed with phenol formaldehyde resin as a binding material between the board and the impregnated melamine based decorative paper. The Board sprayed with p.f. resin is sent to forming station for forming with decorative papers and sent to hydraulic press which is operated at 25 – 40 Kg / Cm<sup>2</sup> and at 125°C. Then after requisite curing period, the board is cooled in the press to the room temperature and sent to the storage.

- ***For Prefab Shelters:***

**Plinth area preparation:**

After identification of the site for setting up of the Prefabricated Shelter, the existing ground is levelised. A platform is constructed in brick masonry as per the specified size designed for the Shelter with a provision for corner and vertical posts, verandah posts etc. as per the customer specifications.

**Bottom Track Erection:**

Bottom track is assembled on the levelised plinth with corner components which are welded to the base plates. The verticals are placed in positions as per the drawing. Now the bottom track is fixed to the plinth area with expandable screws. The pockets provided under the corner supports are filled with cement concrete and allowed to cure for 24 hours before the erection of walls etc.



### **Erection of Walls:**

The eaves walls, gable walls are assembled with sized panels supplied as per the requirements of the Shelter. All wall corner angles are inserted into the corner component fixed with the base and eaves wall, gable wall panels are inserted in the bottom track. A hollow steel key is inserted as per the specified size between 2 panels to serve as a key.

The door frames and windows are inserted at the specified areas of the Shelter. The gap between wall and the door height is covered by inserting a small eaves panel. Similarly window frames are supported by small eaves panels at the bottom of the window and the gap between window frame and wall height.

All the inserted walls are supported by various means by casurina / bamboo poles or any other pipe or angle till top track and the top corner components are erected on eaves and gable walls with bolts and nuts. The corner profiles are bolted with bottom track component and top track component.

### **Erection of Trusses:**

Trusses fitted with end component are erected on top track of these walls and on the vertical support and fastened with bolts and nuts. Ridge beam is fixed to truss component and to gable wall – rigid components. Purlins are fixed between trusses and gable wall as per the positions given in the drawings with the help of bolts and nuts.

### **Erection of Roof:**

Ready made roof panels made of Bison Panel or roofing sheets like asbestos sheets etc. are fixed as per the customer specifications.

### **Flooring:**

Flooring will be as per the requirement of the customer with ceramic tiles or marble flooring.

### **Sun Shades:**

Sun shades are provided at the rear side windows as per the specifications made of Bison Panel and angles.

### **Others:**

If the roof is made of Bison Panel, panel joints are filled with silicon material with the help of gum injector and then roof coat is applied. After application of roof coat, molten coal tar is applied at the specified area on either side of main roof joints for extra ceiling. Ridge cover is fixed with the help of screws.

### **COLLABORATIONS**

The Company has not entered into any collaboration agreement for existing or proposed project. Further there are no agreements for performance guarantee or marketing assistance.

## **INFRASTRUCTURE FACILITIES**

### **Raw Materials:**

The company has adequate infrastructure for storage of raw materials for the proposed project for expansion of clinker capacity at Mattapally. The Project Cost provides for appropriate storage yards and sheds for raw material storage for the proposed Boards Plant at Himachal Pradesh, and also the Grinding Unit at Kondapally.

### **Utilities**

The details of the existing and proposed infrastructure for utilities are as follows:

|   | <b>Power on MW</b>                                   | <b>Water in Kilo litre</b>                 | <b>Back-up DG Set</b> |
|---|--|--|-----------------------|
| Mattapalli, Nalgonda, Dist Andhra Pradesh – Portland Cement | 5.8 MW   | River Krishna – 600 kilo ltrs per day      | 1 No. – 2.87 MW       |
| Mattapalli, Nalgonda, Dist Andhra Pradesh - Boards          | 1 MW   | River Krishna – 400 kilo ltrs per day      | -                     |
| Jeedimatla IDA, Ranga Reddy Dist – Prefab Structures        | L.T Connection                                       | Not required                               | -                     |
| Poanta Sahib, Himachal Pradesh                              | 800 KVA Max. with a transformer of 1200 KVA capacity | 60 Cubic metres per day. Source – Borewell | 600 KVA Generator     |
| Cement Grinding Expansion Unit at Kondapally (V)            | 3000 KVA   | Borewell – 65 kilo ltr per day             | -                     |

## **Products / Services of the Company**

### **Existing Products**

The company has three existing products, namely cement, cement bonded wood particle boards and prefab structures. The details of the capacity of the products are as follows:

| <b>PRODUCTS</b>   | <b>CAPACITY (TPA)</b>     |
|---|---------------------------|
| Ordinary Portland Cement (43 & 53 Grade, 53-S, etc.)                  | 297000                    |
| Cement Bonded Wood Particle Board<br>(Plain and Laminated 6 to 40 MM) | 30000                     |
| Prefab Houses (36 to 2000 sq ft)                                      | Flexible, Based on Orders |

### **Cement:**

The Cement Industry has been growing at the rate of 7-8% per annum over the past 15 to 20 years. The company has been selling cement mostly in Andhra Pradesh. During the year 2004-05, the total consumption of cement in the State of Andhra Pradesh has been 11.5 Million Metric Tons. The sales achieved by the company in that year was 2,97,000 Metric Tons.

### **Boards:**

The total estimated market size of wood & wood based products is 1.9 million tons approx. per annum wherein North India has a share of 29%, South 25%, West 26%, East 20%. The major cement board manufacturers are Everest, Charminar & Ramco. The cement boards manufactured by Everest, Charminar & Ramco are having a better market share in lower thickness and NCL's Bison in higher thickness.

**Source: AC Nielsen ORG-MARG Report November 2004 – February 2005.**

During the year 2004-05, the company could achieve sales of 0.24 LTPA, accounting for 35% of the all India sales.

**Source: Industry Estimates.**

### **Prefabs:**

The Prefab system developed by NCL using Bison Panel & Steel profiles received immediate response from customers like Indian Army & Paramilitary organisations. The capacity for manufacturing Prefab Structures is flexible as per the demand. The sales of prefab structures during the year 2004-05 were of over 17,000 sq. mts., amounting to Rs. 741 lacs.

## **Competition**

### **Cement**

Major Competitors of NCL are India Cements, Andhra Cements, Madras Cements, Dalmia Cement, Chettinad Cement etc.

### **Boards**

The total estimated market size of wood & wood based products is 1.9 million tons approx. per annum wherein North India has a share of 29%, South 25%, West 26%, East 20%. The major cement board manufacturers are Everest, Charminar & Ramco. The cement boards manufactured by Everest, Charminar & Ramco are having a better market share in lower thickness and NCL's Bison in higher thickness.

**Source: AC Nielsen ORG-MARG Report, November 2004 – February 2005**

### **Approach to Marketing & Proposed Marketing Set-up**

NCL has been in the cement market for nearly two decades and established network of 750 dealers for marketing cement under its brand name i.e. NAGARJUNA. NCL's NAGARJUNA brand reportedly commands premium in the north coastal districts of Andhra Pradesh. The Company regularly organizes mason's meet and also advertises in print and visual media. Company also has sales staff who visit all the dealers at regular intervals to procure orders and also collect receivables.

The Company has a two layer marketing arrangement, the Company Dealer and Consumer, wherein the orders are booked by the dealer based on his requirements and the Company despatches the material on the basis of the confirmed orders from the dealers. The Company has an established and dedicated dealer network spread across the North Coastal Andhra Pradesh.

The Company also has a dealer network for Bison Boards. It has regional offices at Ahmedabad, Bangalore, Chandigarh, Chennai, Coimbatore, Guwahati, Indore, Cochin, Calcutta, Mumbai, New Delhi, Pune, Silguri and Visakhapatnam. These regional

offices also handle orders relating to prefab structures. The Company participates in various exhibitions to display cement boards and prefab structures.

At present the entire production of the Boards is sold in the market, and there is a waiting period of about 15 days for orders to be executed.

At present, the selling arrangement is through a network of around 84 Distributors and 750 Dealers spread all over the country. The network is stronger in the South and the West regions of the country. With the addition of the plant capacity, the dealer network in the Northwest and the East will be further expanded and is expected to add atleast 25 distributors and 250 dealers to the network.

### **Business Strategy**

The Company was originally started as a mini cement plant with cement as a single product. The Promoters consciously decided not to confine themselves to this single product, but to diversify into manufacture of high-quality, affordable building materials. A secondary objective was to insulate the company from the business cycles and demand fluctuations. With this objective in view, the company started diversifying into products where cement would be one of the principal raw materials, with scope for significant value addition. The establishment of the eco-friendly cement bonded particle board was a result of such conscious strategy.

The process of diversification and forward integration was further carried forward with establishment of facilities for prefabricated structures, providing further value addition.

In course of time, the three main products – namely cement, cement bonded particle boards and prefab structures have evolved as three distinct segments of business with well defined and distinct target clientele.

The business strategy of the company is to nurture the markets for all the three products, while cement will continue to be the mainstay of its operations. The conscious nurturing of demand for boards and prefab structures and the resultant revenue and profit flows from these would also insulate the company from the vagaries of business cycles and periods of recession in cement

### **Immovable Properties**

The details of the properties owned/leased by the Company for its manufacturing activities are provided below:

#### **Owned Properties**

##### **LAND**

| S. No | Address of the property  | Nature of the facility | Total Area (In Acres) |
|-------|--|------------------------|-----------------------|
| 1     | Mattapally Village, Huzurnagar Taluk, Nalgonda Dist. (Patta No. 494) | Cement Division        | 164.05                |
| 2     | Mattapally Village, Huzurnagar Taluk, Nalgonda Dist. (Patta No. 501) | Cement Division        | 5.00                  |
| 3     | Pedaveedu, Huzurnagar Taluk, Nalgonda Dist. (Patta No. 616)          | Cement Division        | 10.05                 |
| 4     | Raviguntapalli Village, Rapur Mandal, Nellore District               | Cement Division        | 220.00                |

##### **BUILDINGS**

| S. No | Address of the property   | Nature of the facility | Total Area (In Sq. Feet) |
|-------|---|------------------------|--------------------------|
| 1     | Flat Nos 706 to 713, 7 <sup>th</sup> Floor, Raghava Ratna Towers, Chirag Ali Lane, Hyderabad  | Cement Division        | 10359.00                 |
| 2     | Flat Nos 704 and 705, 7 <sup>th</sup> Floor, Raghava Ratna Towers, Chirag Ali Lane, Hyderabad | Cement Division        | 1024.00                  |
| 3     | Unit No 6, Ground Floor, Building No 5, VN Purav Marg, Chunnabhatti, Mumbai                   | Cement Division        | 770.00                   |
| 4     | Plot No 34, Phase III, Jeedimetla, Hyderabad  | Prefab Division        | 1192.00                  |
| 5     | Plot No 34, Phase III, Jeedimetla, Hyderabad  | Prefab Division        | 17100.00                 |
| 6     | Plot No 34, Phase III, Jeedimetla, Hyderabad  | Prefab Division        | 13932.00                 |
| 7     | 281, Mount Road, Precision Plaza, Teynampet, Chennai  | Prefab Division        | 110.00                   |

## LEASED PROPERTIES

| S. No. | Location of the Property   | Nature of the facility | Area (In Sq. feet) | Lessor  | Lease Term                           |
|--------|--|------------------------|--------------------|---|--------------------------------------|
| 1      | 9/91, Grey Town, Coimbatore  | Boards Division        | 350                | Mr R Govind Raj,<br>9/91, Grey Town, Coimbatore | June 2004 to<br>May 2006             |
| 2      | 2 <sup>nd</sup> Floor, Pallath Building, Kurishupally Road, Cochin | Boards Division        | 400                | Mrs Beena<br>George Merio                       | November 2005<br>to<br>October 2006  |
| 3      | D-14, Satellite Apartment, Opp. Kameshwar School, Ahmedabad        | Boards Division        | 1125               | Mr Rashmin<br>Natwarlal Thakkar                 | October 2005<br>to<br>September 2006 |
| 4      | 50-40-16/1m, TPT Colony, Near Gurudwara, Vishakapatnam             | Cement Division        |                    | Mrs P Girija                                    | January 2006<br>to<br>December 2007  |
| 5      | D-82, Malviya Nagar, New Delhi                                     | Boards Division        | 1400               | Mrs Shanti Taneja                               | January 2004<br>to<br>January 2011   |
| 6      | Show Room No 30, Sector 26, Madhya Marg, Chandigarh                | Boards Division        |                    | Shri Jagdish Raj                                | June 2005<br>to<br>May 2006          |
| 7      | Flat No 68, Vasant Apartments, Mayur Vihar, Phase – I, New Delhi   | Prefab Division        | 1000               | Mr P K Varma                                    | May 2005<br>to<br>April 2006         |

### Capacity:

#### Installed Capacities & Capacity utilisation during last 3 years

| Product                        | Installed Capacity | Year Ended March 2005 |                          | Year Ended March 2004 |                          | Year Ended March 2003 |            |                          |
|--------------------------------|--------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|------------|--------------------------|
|                                |                    | Production            | Capacity Utilization (%) | Production            | Capacity Utilization (%) | Installed Capacity    | Production | Capacity Utilization (%) |
| Cement (Tons)                  | 297000             | 296500                | 99.83                    | 241134                | 81.19                    | 297000                | 240708     | 81.05                    |
| Cement Boards (Tons)           | 30000              | 24599                 | 82.00                    | 20376                 | 67.92                    | 30000                 | 18284      | 60.95                    |
| Prefab Structures (in Sq. Mtr) | Based on Demand    | 17167                 |                          | 12125                 |                          | Based on Demand       | 18669      |                          |

The capacity of the Boards Plant as determined by the manufacturer is 75 M<sup>3</sup> per day. However, for operational reasons this capacity converted into metric tons per day. The capacity of the plant is a dependant factor of the thickness of the board, which varies from 6 mm to 40 mm depending on the requirements of the market. The plant production line is aligned to produce such thickness. However, the capacity of 30000 TPA (100 TPD has been arrived on the basis of a optimum thickness of 16 mm). Any variation in the thickness would either increase or decrease the capacity of the plant. Apart from this, the plant is designed to produce a standard size of board whereas the market requirements are different from the standard size and the company produces boards based on market requirements. In the process, some capacity of the plant is lost for which the company charges the customer some premium without losing revenue.

The plant is operating at its full capacity. However, converting the same into tonnage operationally reflects that the plant is operating at around 80% capacity only. Based on the thickness requirement, which the market decides, the plant will not be able to operate beyond this capacity.

**Insurance**

| Date       | Policy No. | Company Name | Policy Type        | From       | To         | Amount Rs.     | Premium Rs. |
|------------|------------|--------------|--------------------|------------|------------|----------------|-------------|
| 29.08.2005 | 11076356   | IFFCO TOKIYO | Fire Policy        | 29-08-2005 | 28-08-2006 | 2,00,00,000.00 | 44,080.00   |
| 11.09.2005 | 11077796   | IFFCO TOKIYO | Fire Policy        | 11-09-2005 | 10-09-2006 | 5,00,00,000.00 | 1,10,200.00 |
| 25.10.2005 | 11082923   | IFFCO TOKIYO | Fire Policy        | 25-10-2005 | 24-10-2006 | 3,00,00,000.00 | 66,120.00   |
| 09.01.2005 | 11094123   | IFFCO TOKIYO | Fire Policy        | 09-01-2006 | 08-01-2007 | 2,20,00,000.00 | 42,427.00   |
| 04.08.2005 | 11074109   | IFFCO TOKIYO | Fire Policy        | 04-08-2005 | 03-08-2006 | 8,99,08,571.00 | 2,37,790.00 |
| 15.04.2005 | 21195077   | IFFCO-TOKIYO | Marine Open Policy | 26-08-2005 | 25.08.2006 | 3,00,00,000.00 | 42,978.50   |

**Our Financial Indebtedness:**
**1. Principal Terms of Loans and Assets charged as Security**
**Rs. in Lacs**

| Sl. No.                        | Name of the Lender  | Facility                 | Sanctioned Amount | Balance 31-3-05 | Balance 30-9-05 | Rate of Interest | Repayment Schedule   | Prepayment clause                      |
|--------------------------------|---------------------|--------------------------|-------------------|-----------------|-----------------|------------------|--|--|
| 1                              | IREDA               | Term Loan                | 320.00            | 191.17          | 175.99          | 11.5%            | 20 Quarterly Installments commencing from Sep 2003                   | No Specific Clause                     |
| 2                              | SBH                 | Term Loan                | 600.00            | 588.00          | 516.00          | 11.5%            | 50 Monthly Installments commencing from Mar 2005                     | No Specific Clause                     |
| 3                              | HDFC Bank           | Vehicle Loans            | 20.52             | 17.74           | 14.46           | 4.5% to 5.1%     | 3 Years  | Maximum of 4% of Principal Outstanding |
| 4                              | ICICI Bank          | Vehicle Loans            | 6.76              | 5.67            | 3.83            | 3.5%             | 3 Years  | -do-                                   |
| 5                              | HDFC Bank           | Constn. Equipment        | 34.20             | 28.79           | 23.20           | 6.5%             | 3 Years  | -do-                                   |
| 6                              | GE Capital          | Tippers                  | 35.38             | 5.19            | 2.00            | 9.7%             | 3 Years  | Maximum of 2% of Principal Outstanding |
| <b>Working Capital Limits:</b> |                     |                          |                   |                 |                 |                  |  |  |
| 1                              | OBC                 | Cash Credit (Fund Based) | 600.00            | 410.15          | 628.51          | 11%              | As negotiated from time to time with reference to various facilities | As per terms of facility               |
| 2                              | Uco Bank            | Cash Credit (Fund Based) | 600.00            | 594.34          | 594.34          | 11%              | -do-   | -do-                                   |
| 3                              | Canbank Factors Ltd | Factoring facilities     | 400.00            | -               | 249.59          | 11%              | -do-   | -do-                                   |

## NOTES:

1. Term Loans from IREDA & SBH are secured by a first charge on all immovable properties, both present and future, hypothecation of all movable assets (except book debts) on pari-passu basis subject to prior charge for movable properties by the Company's bankers for working capital.
2. The Working Capital facilities from Oriental Bank of Commerce and Uco Bank are secured by hypothecation of raw materials, goods in process, finished goods, stores and spares and receivables, present and future on pari-passu basis in addition to second charge on the fixed assets of the Company.
3. Loans taken from ICICI Bank Ltd, HDFC Bank and GE Capital are secured by hypothecation of assets financed.

## 4. HISTORY OF THE COMPANY

### Brief History

The Company was originally incorporated as Nagarjuna Cements Ltd on 10<sup>th</sup> September 1979 to set up mini cement plant initially with the capacity of 66,000 Tonnes Per annum. The company was initially promoted by Mr. K Ramachandra Raju, Mr. Vinodrai V Goradia and Mr. G Soma Raju. Subsequently, Mr. K Ravi and Mr. K Madhu, sons of the main promoter Mr. K. Ramachandra Raju and Mr V V Goradia and Mr G D L S N Raju were inducted as Promoters.

The Company has the distinction of being one of the first mini cement plants in India. In course of time, the company embarked upon a programme of expansion and diversification. Apart from increasing its installed capacity of cement to the present level of 900 TPD, the Company also set up a plant to manufacture cement bonded wood particle boards in technical collaboration with Bison Werke of Germany (presently of Kvaerner Group). The credit of introducing this novel, eco-friendly product to India belongs to the company. The Company has also set up a facility of manufacturing prefabricated structures using the unique track and panel system. The prefab structures have gained market popularity with the defence and para military organisations, as well as for project housing, where the speed of erection of dwelling as well as other structures is of paramount importance. In order to reflect the diversified objects, the name of the company was changed to NCL Industries Ltd.

In 1989 Klayman Porcelains Ltd., (KPL) a sick industrial company was amalgamated with the company as per the Rehabilitation Scheme approved by the BIFR. This along with the Bone China Unit established by the company in 1992 formed the Ceramic Division of the company. The Ceramic Division was subsequently hived off to Vijaya Porcelain Products Ltd, in 1998.

### MAJOR EVENTS

The significant events in the Company's history are as follows:

|            |   |
|------------|---|
| 10.09.1979 | Date of Incorporation   |
| 05.10.1979 | Commencement of Business  |
| Nov., 1982 | Maiden IPO of 11,10,000 equity shares at par to the public  |
| 16.02.1984 | Commencement of Cement Commercial Production with 66000 TPA   |
| 31.12.1985 | Declared 20% maiden dividend (12% interim + 8% final)   |
| 23.12.1987 | Change of Name from Nagarjuna Cements Limited to NCL Industries Limited   |
| 01.04.1989 | Merger of Klayman Porcelains Limited and issue of 18720 Shares @ Rs.10/- of NCL Industries Limited to KPL Shareholders.                           |
| 01.10.1989 | Commencement of Cement Commercial Production after expansion to 198000 TPA  |
| 01.10.1989 | Best Workers Welfare Award by Chief Minister of Andhra Pradesh – FAAPCI Award   |
| 02.04.1990 | Rights – cum – Public Issue of Equity Shares  |
| 13.07.1992 | Issued Shares on Right Basis - 1:5 @ par  |
| 01.11.1992 | Commencement of Commercial Production of Bone china Unit (Ceramic Div) introduced for the. 1 <sup>st</sup> time in the country using natural gas. |
| 30.09.1993 | Commencement of Boards Commercial Production in Technical Collaboration with Bison Werke, Germany   |
| 30.09.1996 | Prefab Division executed major Orders worth 2148 Lacs for the first time  |
| June 1997  | Introduced Laminated Cement Bonded Particle Boards – introduced first time in the world.  |
| 16.01.1998 | ISO Certification for Boards Division   |
| 01.10.1998 | Ceramic Division hived off under the scheme of arrangement to M/s Vijay Porcelain Products Ltd  |
| 01.10.1998 | Best Entrepreneur of the year Award.... Cement Division   |
| 2002-2003  | Commencement of production of Expanded Cement Capacity to 2,97,000 MTs  |



### **Main Objects of the Company**

The main objects of the Company as set out in the Memorandum and Articles of Association and include inter alia:

- 1) To produce, manufacture, refine, prepare, import, export, purchase, sell and generally to deal in all kinds of Portland Cement (Portland Pozzolona Cement, Portland Slag Cement, Portland Rapid Hardening Cement, Portland Oil Well Cement, Special Cement, Masonary Cement, Lime Pozzolona Cement etc) Cement products of any description (pipes, poles, asbestos, sheets, blocks, tiles, garden wares etc), lime, limestone, calcium carbonate, carbide, gypsum kankar and or by products, allied chemicals thereof, and in connection there with to take on lease or acquire, erect, construct, establish, operate and maintain cement factories, quarries, workshops and other works.
- 2) To carry on in India or elsewhere the trades and business of the survey, prospecting and providing of cement grade lime stone deposits, asbestos and to start consultancy services for technical, managerial and marketing to Cement Industry.
- 3) \* To carry on the business relating to manufacture, fabrication and sale of various machineries and their components, spares for the Cement Industry.
  - A. To promote, establish, manage, develop, own and run ceramic industries.
  - B. To manufacture, process, import, export and deal in all kinds of ceramic products and their raw materials, other minerals and other related machinery.
  - C. To aid, counsel, assist, finance, project, promote, develop, improve, establish, own and run any industry or enterprise which serve as ancillaries, or which, in the opinion of the Company, are essential for the profitable running of ceramic industries.

#### **\* Inserted by alteration to the Memorandum by Shareholders w.e.f. 28.09.1990**

The main object clause of the Memorandum of Association and the objects incidental or ancillary to the main objects enables the Company to undertake existing activities and the activities for which the funds are being raised in the issue.

#### **Past Capital Issues by the Company in the last three years**

The Company has not raised any capital by way of Rights/Public Issue in the last three years.

#### **Subsidiaries of the Company**

The Company has no Subsidiaries.

#### **Shareholders' Agreement**

There is no Shareholders' Agreement existing as on date.

#### **Other Agreements**

Other than the Contracts / Agreements entered into in the ordinary course of the business carried on or intended to be carried on by the Company, the Company has not entered into any other Agreement / Contract.

#### **Financial / Strategic Partners**

There are no financial or strategic partners.

#### **4. MANAGEMENT OF THE COMPANY:**

The Company is a professionally managed organization. The Company functions under the control of a Board consisting of professional Directors.

| <b>Name, Address, Age, Designation and Occupation</b>  | <b>Date of Appointment</b> | <b>Qualification</b> | <b>Other Directorships</b>  | <b>Compensation (2004 – 2005)</b> |
|--|----------------------------|----------------------|---|-----------------------------------|
| Mr. K. Jayabharath Reddy<br>Address : "Prashanthi"<br>6-3-1186/6, Begumpet,<br>Hyderabad – 500 016<br>Age : 68 years<br>Designation : Chairman<br>Occupation : IAS Retired<br>Tenure: Liable to retire by rotation | 02.03.1996                 | IAS                  | <ul style="list-style-type: none"> <li>• Indus Medicare Ltd</li> <li>• NCL Energy Ltd.</li> <li>• BPL Mobile Cellular Ltd</li> <li>• BPL Mobile Communication Ltd</li> <li>• BPL Ltd</li> <li>• BPL Display Devices Ltd</li> <li>• BPL Power Ltd</li> <li>• Lanco Kondapally Power Ltd</li> <li>• NCL Alltek &amp; Seccolor Ltd</li> <li>• JCT Electronics Ltd</li> <li>• FACOR Alloys Ltd</li> <li>• SQL Star International Ltd</li> <li>• Khandaleru Power Company Ltd</li> </ul> | Only Sitting Fees                 |



| Name, Address, Age, Designation and Occupation  | Date of Appointment | Qualification        | Other Directorships  | Compensation (2004 – 2005) |
|---|---------------------|----------------------|--|----------------------------|
| Mr. R. Anand<br>Address : Flat 01, Cuffe Castle, 159, Cuffe Parade, Colaba, Mumbai – 400022<br>Age : 72<br>Designation : Director<br>Occupation : Business<br>Tenure: Liable to retire by rotation  | 04.06.1982          | B.Sc                 | <ul style="list-style-type: none"> <li>• Nova Silk Ltd</li> <li>• Eastern Engg. Co. (Bom) Pvt. Ltd</li> <li>• Luwa India Pvt. Ltd</li> <li>• Sanmarco Texmac P. Ltd</li> <li>• Maxwell Industries Ltd</li> <li>• Indo Count Inds. Ltd</li> </ul> | Only Sitting Fees          |
| Mr. Vinodrai V Goradia<br>Address : 108-E, Sagar Shradagram, Sion-Trombay Road, Opp. ATI Chunnabhatti, Mumbai – 400 022<br>Age : 68<br>Designation : Director<br>Occupation : Business<br>Tenure: Liable to retire by rotation                    | 28.09.1990          | -                    | NIL  | Only Sitting Fees          |
| Mr. GDL SN Raju<br>Address : 45-4, Raja Nagar, Upper Guda, Moulali, Secunderabad – 500 040.<br>Age : 51<br>Designation : Director<br>Occupation : Business<br>Tenure: Liable to retire by rotation  | 28.11.2002          | B.Com                | <ul style="list-style-type: none"> <li>• NCL Alltek &amp; Seccolor Ltd</li> </ul>  | Only Sitting Fees          |
| Mr. M. Bhaskara Rao<br>Address : 5-D, 5 <sup>th</sup> floor, “Kautilya”, 6-3-652, Somajiguda, Hyderabad – 500 082.<br>Age : 69<br>Designation : Director (IREDA Nominee)<br>Occupation : Professional<br>Tenure: Not liable to retire by rotation | 28.11.2002          | Chartered Accountant | <ul style="list-style-type: none"> <li>• Canbank Venture Capital Funds Ltd</li> <li>• NCL Energy Ltd</li> </ul>  | Only Sitting Fees          |
| Mr S Gokul<br>Address: 103, Aditya Classic, 6-3-1099/1/3, Somajiguda, Hyderabad – 500082.<br>Age: 63<br>Designation: Director<br>Occupation: Engineer<br>Tenure: Liable to retire by rotation   | 30.09.1993          | B.E                  | <ul style="list-style-type: none"> <li>• OTCO International Ltd</li> </ul>   | Only Sitting Fees          |
| Mr. M. Kanna Reddy<br>Address: 550-6, Road No. 92, Phase – III, Jubilee Hills, Hyderabad – 500 033<br>Age: 71<br>Designation: Director<br>Occupation: Professional<br>Tenure: Liable to retire by rotation  | 19.12.1997          | Chartered Accountant | <ul style="list-style-type: none"> <li>• NCL Energy Ltd</li> </ul>   | Only Sitting Fees          |

| Name, Address, Age, Designation and Occupation   | Date of Appointment | Qualification                     | Other Directorships  | Compensation (2004 – 2005) |
|--|---------------------|-----------------------------------|--|----------------------------|
| Mr. K.Madhu<br>Address: Plot No. 140,<br>NCL Enclave,<br>Pet Basheerabad,<br>Secunderabad – 500 855<br>Age: 49<br>Designation: Director<br>Occupation: Industrialist<br>Tenure: Liable to retire by rotation                             | 22.07.2000          | B.Com, LLB                        | <ul style="list-style-type: none"> <li>• NCL Alltek &amp; Seccolor Ltd</li> <li>• NCL Energy Ltd</li> <li>• NCL Homes Ltd</li> <li>• Nagarjuna Cements Ltd</li> <li>• Scorpio Systems Ltd</li> <li>• Khandaleru Power Company Ltd</li> </ul>   | Only Sitting Fees          |
| Mr. K.Ravi<br>Address: Plot No. 150,<br>NCL Enclave,<br>Pet Basheerabad,<br>Secunderabad –500 055<br>Age: 51<br>Designation: Managing Director<br>Occupation: Industrialist<br>Tenure: Five years<br>w.e.f 11 <sup>th</sup> January 2003 | 11.01.2003          | Diploma in Electrical Engineering | <ul style="list-style-type: none"> <li>• NCL Energy Ltd</li> <li>• NCL Alltek &amp; Seccolor Ltd</li> <li>• Nagarjuna Cerachem Pvt. Ltd</li> <li>• Pennar Papers Ltd</li> <li>• Deccan Nitrates Private Ltd</li> <li>• Vikram Chemicals (P) Ltd</li> <li>• Khandaleru Power Company Ltd</li> </ul> | Rs 14.12 Lacs              |

#### Brief Write-up on the Directors

1. Mr. K. Jayabharath Reddy (IAS Retd,) – He is the Chairman of the Company since 1996. He held senior positions in both State Government and Central Government including Secretary Banking, Govt. of India, Chief Secretary, Govt. of Andhra Pradesh. He is also Chairman of the Audit Committee and Remuneration Committee.
2. Mr. M. Kanna Reddy – He is a Chartered Accountant and Management and Financial Consultant. He has a experience as a Senior Executive in Public Sector Undertakings for 30 years, including 10 years at Board Level. He is the Director of the Company since 1997 apart from being a member of Audit Committee, Remuneration Committee and Chairman of Investor Grievance Committee.
3. Mr. M. Bhaskara Rao – He is a Chartered Accountant by qualification. He is a Senior Partner in Bhaskara & Co, Chartered Accountants. He is a Nominee Director of IREDA on NCL Industries Board since 2002. He is also a member of Audit Committee.
4. Mr. R. Anand – Director of the Company since 1982. He is an Industrialist from Mumbai has varied experience in different industries. He is the member of Council of Management of Indo Italian Chamber of Commerce. He is also the member of Management Committee of Indian Textile Accessories and Machinery Manufacturers Association (ITAMMA).
5. Mr. K. Madhu S/o. Shri K. Ramachandra Raju, who was the original main promoter of the Company, has been a Director since 1991. He was the Joint Managing Director of the Company for the period 25.07.1991 to 21.11.1992. He is an Industrialist with varied experience. He is also a member of the Audit Committee, Investor Grievance Committee and Remuneration Committee. He is the Managing Director of NCL Alltek & Seccolor Ltd and Director of NCL Energy Limited and NCL Homes Limited.
6. Mr V.V. Goradia - He is one of the promoters of the Company and he is Director since 1982. Except a brief spell between 20.08.1987 to 27.09.1990, he continued to be Director on the Board. He is the proprietor of Shamji Bhanji & Co., based in Mumbai engaged in chemical business.
7. Mr. S. Gokul – He is a Professional Engineer in Chemical Engineering and has varied industrial exposure. He has worked with Industrial Development Bank of India (IDBI). He is a Director in OTCO International Ltd.
8. Mr. GDLSN Raju S/o. G. Soma Raju, who was one of the original promoters of the Company, has been inducted as Director since 2002. He has experience in Real Estate and Agricultural Activities. He is a member of the Investor Grievance Committee.
9. Mr. K. Ravi S/o. Shri K. Ramachandra Raju, who was the original main promoter of the Company, has been Managing Director since 2003. Earlier, between 21.01.1995 to 29.01.2001 he was Managing Director of the Company. Prior to that, for the period between 20.08.1987 to 27.05.1991 and 21.11.1992 to 20.01.1995 he was Jt. Managing Director of the Company. He has been associated in different capacities even earlier, since inception of the Company. He has industrial experience in varied industries.

### **Details of the Borrowing Powers**

Vide a resolution passed at the Extra-ordinary General Meeting of the Company held on 30<sup>th</sup> April 1994, consent of the members of the Company was accorded to the Board of Directors of the Company pursuant to Sec.293 (1) (d) of the Companies Act, 1956 to borrow any sum or sums of monies from time to time notwithstanding that the money or monies to be borrowed, together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may 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 purposes, provided however, the total amount so borrowed shall not exceed Rs.100 Crores (Rupees One hundred crores only)".

### **Compensation of Managing Director**

#### **Mr K Ravi**

#### **Resolution Passed by Board of Directors of the Company at the Board Meeting held on 11<sup>th</sup> January 2003.**

**Salary:** Rs.45,000/- per month (subject to annual increment of Rs.5,000/- per annum).

**Commission:** Commission of 1% of net profits of the Company computed in a manner laid down under Sec.198

**Perquisites :** In addition to salary, Perquisites be allowed as follows :

**Housing / HRA:** @ 40% of salary.

**Medical Reimbursement:** Expenses incurred for self and family subject to a ceiling of one month's salary in each year or 3 month's salary in a block of 3 years.

**Leave Travel Concession** for self and family subject to a ceiling of one month's salary in each year. "Family" means the wife, dependent children and dependent parents of the Managing Director.

**Company's contribution to Provident Fund and Super-annuation Fund** shall be as allowed under the Income Tax Act and Rules and as per Rules of the Company.

**Gratuity:** Equal to half month's salary, for each completed year of service.

**Conveyance:** Free use of Company's Car with driver for Company's business.

**Telephone/Cell Phone:** Free, except for personal long distance calls which shall be billed.

**Entertainment Expenses:** He shall be entitled to reimbursement of entertainment expenses actually and properly incurred for the business of the Company.

He will not be eligible for any Sitting Fees of the Company's Board / Committee Meetings.

If during the currency of tenure of the Director, the Company has no profits or its profits are inadequate in any financial year, the Director shall be entitled to remuneration by way of salary and perquisites not exceeding the limits specified above.

During the period of his continuing as Managing Director or Manager of another company, he shall draw remuneration from only one of the two companies, or from the both within the overall limits in terms of schedule XIII of the Companies Act.

### **CORPORATE GOVERNANCE**

The Company has complied with the SEBI guidelines in respect of Corporate Governance by broad basing the Board, constituting the committees such as Audit Committee, shareholding/ investor grievance committee, etc. The Company's philosophy on corporate governance envisages an attainment of the highest level of transparency, accountability, and equity in all facets of its operations and in all interactions with the stakeholders, including the shareholders, employees, Government and lenders.

#### **Measures taken by the Company to implement Corporate Governance:**

- The Board of Directors of the Company comprises of one Executive Director and eight Non-Executive Directors. The number of Independent Directors is more than one-third of the total number of Directors.
- The meetings of the Board of Directors of the Company are held atleast four times a year and with a maximum time gap of four months between two meetings.
- The members of the Board are provided with all the requisite information well in advance of the Board Meetings and the same are dealt with appropriately. All the Directors who are on various Committees are within the permissible limits of the Listing Agreement.
- The Company has constituted the following Committees of the Board of Directors:

## AUDIT COMMITTEE

### Members

- Mr K Jayabharath Reddy, Chairman of the Committee
- Mr M. Bhaskara Rao
- Mr M. Kanna Reddy
- Mr K. Madhu

The Audit Committee met 5 times during the course of this fiscal year on 7.05.2004, 17.07.2004, 27.10.2004, 24.01.2005, 24.02.2005.

### Scope & Terms of reference

The terms of reference of the Committee are wide enough covering the matters specified for the Audit Committee under the Listing Agreement. The Committee meets periodically to discuss the areas specified under the provisions of the Companies Act, 1956, and the Listing Agreement.

## INVESTORS GRIEVANCE COMMITTEE

### Members

- Mr M. Kanna Reddy, Chairman of the Committee
- Mr K. Madhu
- Mr GDLSN Raju

The Investor Grievance Committee met 3 times during the year on 17.07.2004, 27.10.2004, 24.02.2005.

### Scope & Terms of reference

The committee was constituted in terms of the mandatory requirement of Clause 49 of the Listing Agreement to look into the redressal of grievances of investors like non receipt of share certificates, non-receipt of dividend warrants etc. During the last financial year, the Company received 30 complaints from shareholders, all of which stand resolved as on March 31, 2005.

## REMUNERATION COMMITTEE

### Members

- Mr K Jayabharath Reddy, Chairman of the Committee
- Mr M. Kanna Reddy
- Mr K. Madhu

There was no Remuneration Committee meeting conducted during the year 2004-2005.

### Scope & Terms of reference

The Compensation Committee has been set up to review the overall compensation structure and related policies with a view to attract, motivate and retain employees.

### Compliance

The Company has complied with all the requirements of the Listing Agreement with Stock Exchanges and regulations and guidelines of SEBI.

### Qualification Shares required to be held by Directors

As per the Articles of Association of the Company, no qualification share is prescribed for being a Director.

### Payment to Non Executive Directors

#### For the Financial Year ended March 31<sup>st</sup> 2005.

| Name of the Director | Sitting Fees for Board Meeting (Rs) | Sitting Fees for Committee Meeting (Rs) | Total  |
|----------------------|-------------------------------------|---|--------|
| K Jayabharath Reddy  | 12,000                              | 10,000                                  | 22,000 |
| R Anand              | 6,000                               | Nil                                     | 6,000  |
| Vinodrai V Goradia   | 8,000                               | Nil                                     | 8,000  |
| GDLSN Raju           | 12,000                              | 1,500                                   | 13,500 |
| M Bhaskara Rao       | 8,000                               | 8,000                                   | 16,000 |
| S Gokul              | 12,000                              | Nil                                     | 12,000 |
| M Kanna Reddy        | 12,000                              | 11,500                                  | 23,500 |
| K Madhu              | 12,000                              | 11,500                                  | 23,500 |

**For Nine months ended December 31<sup>st</sup> 2005.**

| Name of the Director | Sitting Fees for Board Meeting (Rs) | Sitting Fees for Committee Meeting (Rs) | Total  |
|----------------------|-------------------------------------|---|--------|
| K Jayabharath Reddy  | 14,000                              | 10,000                                  | 24,000 |
| R Anand              | Nil                                 | Nil                                     | Nil    |
| Vinodrai V Goradia   | 6,000                               | Nil                                     | 6,000  |
| GDLSN Raju           | 12,000                              | 500                                     | 12,500 |
| M Bhaskara Rao       | 12,000                              | 10,000                                  | 22,000 |
| S Gokul              | 10,000                              | Nil                                     | 10,000 |
| M Kanna Reddy        | 14,000                              | 10,500                                  | 24,500 |
| K Madhu              | 12,000                              | 10,500                                  | 22,500 |

**Interest of Directors**

Except as stated in "Related Party Transactions" on page no. 68 of this Letter of Offer, and to the extent of shareholding in the Company, the directors do not have any other interest in the business. The directors are interested to the extent of shares allotted to them. Except to the extent of their compensation as mentioned on page no. 44 of this Letter of Offer, and their shareholding or shareholding of companies they represent, the Directors, other than the Promoters who are also Directors, do not have any other interest in the Company.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by the Company with any company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

Except as stated otherwise, in this Letter of Offer, the Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of the Letter of Offer in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

**Changes in the Directors in the last three years:**

The following are the changes in the Board of Directors in the last 3 years and no changes thereafter have taken place:

| Year & Date of Change | Name of Director       | Reasons of change                             |
|-----------------------|------------------------|---|
| January 11, 2003      | K. Ramachandra Raju    | Resigned as Managing Director                 |
| January 11, 2003      | K Ravi                 | Appointed as Managing Director                |
| November 28, 2002     | Gottumukkala Soma Raju | Resigned                                      |
| November 28, 2002     | M. Bhaskara Rao        | Appointed as IREDA Nominee                    |
| November 28, 2002     | GDLSN Raju             | Appointed as Director in place of G Somaraju. |

**Key Managerial Personnel**

| Name                | Age | Qualification         | Designation                        | Area   | Date of joining | Experience (Years) | Details Of Previous Employment                     |
|---------------------|-----|-----------------------|------------------------------------|--|-----------------|--------------------|--|
| Mr M Krishna Prasad | 47  | M Tech (Chemical)     | President                          | Incharge of Cement plant, Boards plant & Grinding unit                                 | 01.08.2005      | 23                 | Worked in NCL Energy Ltd as President for 5 years. |
| Mr B Subrahmanyam   | 48  | M.Com, FCS, ICWA, LLB | Sr. Vice President & Co. Secretary | Responsible for looking after the functions of Secretarial Department & Fixed Deposits | 10.10.1983      | 28                 | Worked in M/s. APIIC Ltd. for 5 years.             |

| Name                | Age | Qualification        | Designation              | Area  | Date of joining | Experience (Years) | Details Of Previous Employment   |
|---------------------|-----|----------------------|--------------------------|---|-----------------|--------------------|--|
| Mr Rajkumar S       | 53  | B.A, Engg. Litt.     | Sr Vice President (Mktg) | Responsible for entire operations of Prefab Plant   | 05.04.2004      | 34                 | Worked in M/s. Aps Holdings Inc., Dubai as G.M. (Sales) for 4 years.               |
| N G V S G Prasad    | 39  | Chartered Accountant | Vice President (F & A)   | To look after the functioning of Finance, Accounts, Costing, Taxation & MIS               | 01.07.2003      | 14                 | Worked in M/s. NCL Seccolor Ltd as G.M. (Finance) for 6 years.                     |
| Mr L Sudarshan      | 48  | B Com                | Vice President (Mktg)    | Responsible for marketing of Boards   | 01.12.1995      | 28                 | Worked in M/s. Vikrant Tyres Ltd. as Asst. District Manager for 15 years.          |
| Mr P KrishnaRao     | 50  | M Com                | General Manager (Accts)  | Responsible for looking after the functions of Accounts department                        | 01.08.2004      | 28                 | Worked in M/s. NCL Alltek & Seccolor Ltd. as G.M.(A/cs.) for 1 year.               |
| Mr K Chandra sekhar | 54  | B Sc                 | General Manager (Mktg)   | Responsible for -cement marketing, Legal, Excise, Sales Tax and all statutory clearances. | 01.03.2000      | 35                 | Worked in M/s. NCL Alltek & Seccolor Ltd. as Manager (Admn.) for more than a year. |
| Mr K V Gopala Varma | 36  | DME                  | General Manager (Mktg)   | Responsible for functions of Boards Marketing Department for North Eastern State          | 01.12.1996      | 14                 | Worked in M/s. Blow Plast Ltd. as D.S.E. for 4 years.                              |

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

#### Compensation to Key Managerial personnel

Following table give details of the compensation to key managerial personnel during last financial year:

| S.No. | Name                | Compensation for the year ended 31/3/2005 in Rupees |
|-------|---------------------|---|
| 1)    | Mr M Krishna Prasad | NIL*  |
| 2)    | Mr B Subrahmanyam   | 4,60,800  |
| 3)    | Mr Rajkumar S       | 4,53,600  |
| 4)    | N G V S G Prasad    | 3,14,970  |
| 5)    | Mr L Sudarshan      | 3,07,800  |
| 6)    | Mr P Krishna Rao    | 2,00,400  |
| 7)    | Mr K Chandrasekhar  | 1,74,000  |
| 8)    | Mr K V Gopala Varma | 1,74,000  |

\* Joined on 1<sup>st</sup> August 2005.

**Shareholding of key managerial personnel as on February 15, 2006**

| Name             | Quantity |
|------------------|----------|
| N G V S G Prasad | 4,000    |
| P Krishna Rao    | 200      |

None of the other key managerial personnel hold any shares in the Company.

**Changes in the key managerial personnel in the last three years**

| Sl. No. | Names of            | Designation<br>key managerial personnel | Month/year of Change | Reason   |
|---------|---------------------|---|----------------------|----------|
| 1.      | Mr A L Sarma        | Vice President (Mktg)                   | 31.01.03             | Resigned |
| 2.      | Mr R Mahipal Reddy  | Vice President (F & A)                  | 30.06.04             | Resigned |
| 3.      | Mr P Raju           | General Manager (Works)                 | 31.10.04             | Resigned |
| 4.      | Mr V V Rama Raju    | General Manager (Works)                 | 18.02.06             | Resigned |
| 5.      | Mr A V Ramana Reddy | General Manager (Works)                 | 30.11.05             | Resigned |

**Employees**
**Existing:**

The present strength of the Company is 486 employees as on 15.02.2006. The Company has engaged more than 262 Skilled personnel for Finance & Commercial aspects of the business and around 224 supporting staff to ensure proper functioning of the Company.

**Summary of Administrative, Skilled & Unskilled Personnel**

| Nature of Work   | Nos.       |
|--|------------|
| <b>Mattapalli- Andhra Pradesh – Cement Unit</b>          |            |
| Administrative Staff                                     | 112        |
| Skilled Personnel  | 118        |
| Unskilled Labour   |            |
| <b>Total</b>   | <b>230</b> |
| <b>Mattapalli- Andhra Pradesh – Boards</b>               |            |
| Administrative Staff                                     | 98         |
| Skilled Personnel  | 96         |
| Unskilled Labour   |            |
| <b>Total</b>   | <b>194</b> |
| <b>Jeedimatla IDA, Andhra Pradesh- Prefab Structures</b> |            |
| Administrative Staff                                     | 24         |
| Skilled Personnel  | 38         |
| Unskilled Labour   |            |
| <b>Total</b>   | <b>62</b>  |
| <b>Grand Total</b>                                       | <b>486</b> |



**Proposed:**

**Energy Efficiency Project (Clinker Production)**

| <b>Manpower Requirement</b> | <b>Total Requirement</b> | <b>Recruited till 15.02.2006</b> |
|-----------------------------|--------------------------|----------------------------------|
| Administrative Staff        | 10                       | 5                                |
| Skilled Personnel           | 14                       | 7                                |
| Unskilled Labour            |                          |                                  |
| <b>Total</b>                | <b>24</b>                | <b>12</b>                        |

**Expansion of Boards Division**

| <b>Manpower Requirement</b> | <b>Total Requirement</b> | <b>Recruited till 15.02.2006</b> |
|-----------------------------|--------------------------|----------------------------------|
| Administrative Staff        | 20                       | 12                               |
| Skilled Personnel           | 43                       | 8                                |
| Unskilled Labour            |                          |                                  |
| <b>Total</b>                | <b>63</b>                | <b>20</b>                        |

**Setting up of Grinding Unit**

| <b>Manpower Requirement</b> | <b>Total Requirement</b> | <b>Recruited till 15.02.2006</b> |
|-----------------------------|--------------------------|----------------------------------|
| Administrative Staff        | 8                        | 2                                |
| Skilled Personnel           | 20                       | NIL                              |
| Unskilled Labour            |                          |                                  |
| <b>Total</b>                | <b>28</b>                | <b>2</b>                         |

**Disclosures Regarding Employees Stock Option Scheme / Employees Stock Purchase Scheme**

Till date, the Company has not introduced any Employees Stock Option Scheme / Employees Stock Purchase Scheme.


**Payment or Benefit to Officers of the Company**

Except the payment of salaries and perquisites, the Company does not make any payments to its officers.

## 5. PROMOTERS:

### Details of Promoters being Individuals:


#### 1. Mr K Ramachandra Raju (Original Main Promoter)

|   |                                 |   |
|---|---------------------------------|---|
|  | <b>Permanent Account Number</b> | <b>ADOPK6361R</b>   |
|   | <b>Passport Number</b>          | <b>S 061391</b>   |
|   | <b>Address</b>                  | <b>Plot No 140, NCL Enclave, Petbasheerabad, Secunderabad – 500 855</b> |

**Mr Ramachandra Raju** is the original main promoter of the company, considered to be one of the pioneers of mini cement industry in India, after successfully establishing and managing several chemical industrial units in the small scale sector. In his individual capacity, Mr. Ramachandra Raju also has been associated with the efforts for revival of several sick industrial units. He was the Managing Director of the company from 01.11.1979 till 21.09.1995, and again from 10.08.2001 to 11.01.2003. Mr. K Ramachandra Raju has since retired, and his sons Mr. K Ravi and Mr. K Madhu have stepped into his shoes as Main Promoters of the Company.

#### 2. Mr K Ravi


**Designation: Managing Director**

|   |                                 |  |
|---|---------------------------------|--|
|  | <b>Permanent Account Number</b> | <b>ADOPK6009N</b>  |
|   | <b>Passport Number</b>          | <b>A 6219126</b>   |
|   | <b>Voter ID Number</b>          | <b>AP/32/219/348701</b>  |
|   | <b>Driving License Number</b>   | <b>12492000OD</b>  |
|   | <b>Address</b>                  | <b>Plot No 150, NCL Enclave, Petbasheerabad, Secunderabad - 500 855.</b> |

**Mr. K Ravi** (51 years) is Diploma holder in Electrical Engineering, and has over 20 years experience in managing industrial units. Inducted to the Board as a Director on 20.08.1987, he served as Joint Managing Director from 20.08.1987 to 27.05.1991 and 21.11.1992 to 20.01.1995. On 21.01.1995, he was appointed as Managing Director. On 29.01.2001 he resigned as Managing Director to focus his full time attention to NCL Energy Ltd., promoted by this company for establishing a mini hydro power generation unit. After successfully implementing the hydel power project of NCL Energy Ltd., Mr. K Ravi was once again appointed as Managing Director of the company on 11.01.2003. Apart from continuing to hold office as Managing Director of NCL Energy Ltd., Mr. K Ravi is also a director in several companies.

#### 3. Name: K Madhu


**Designation: Director**

|   |                                 |  |
|---|---------------------------------|--|
|  | <b>Permanent Account Number</b> | <b>ADOPK6010H</b>  |
|   | <b>Passport Number</b>          | <b>A5897488</b>  |
|   | <b>Driving License Number</b>   | <b>12917/HE/83</b>   |
|   | <b>Address</b>                  | <b>Plot No 140, NCL Enclave, Petbasheerabad, Secunderabad - 500 855.</b> |

**Mr. K Madhu** (49 years) is B. Com., LL.B and an Industrialist with good experience. Inducted as a Director in 1991, he served as Joint Managing Director of the Company from 25.07.1991 to 21.11.1992. He is Managing Director of NCL Alltek & Seccolor Ltd and Director of NCL Energy Limited and NCL Homes Limited. He is also a member of Audit Committee, Investor Grievance Committee and Remuneration Committee.

**4. Name: Vinodrai V Goradia**


**Designation: Director**

|   |                                 |  |
|---|---------------------------------|--|
|  | <b>Permanent Account Number</b> | <b>AAFPG5414R</b>  |
|   | <b>Passport Number</b>          | <b>E9441225</b>  |
|   | <b>Driving License Number</b>   | <b>413565</b>  |
|   | <b>Address</b>                  | <b>108 E, Sagar, Shradagram, Sion-Trombay Road,<br/>Opp:ATI, Chunnabatti, MUMBAI</b> |

**Mr V.V. Goradia** - One of the original promoters of the Company, Mr. Vinodrai V Goradia (68 years) is the Proprietor of Shamji Bhanji & Co., based in Mumbai engaged in chemical business. He has been a Director of the Company since 1982, except a brief spell between 20.08.1987 to 27.09.1990. Mr. Goradia brings with him commercial experience.

**5. Name: GDLSN Raju**

**Designation: Director**

|   |                                 |  |
|---|---------------------------------|--|
|  | <b>Permanent Account Number</b> | <b>ACWPG4714F</b>  |
|   | <b>Driving License Number</b>   | <b>106532/SD/99</b>  |
|   | <b>Address</b>                  | <b>45-4, Raja Nagar, Upperguda, Moulali,<br/>Secunderabad - 500 040.</b> |

**Mr. GDLSN Raju**, Son of Late Mr. G Soma Raju, one of the original promoters, Mr. GDLSN Raju (51 years) is a commerce graduate, and has experience in Real Estate and Agricultural Activities. Inducted as a Director in 2002, he is a member of the Investor Grievance Committee.

**Declaration**

It is confirmed that the PAN, Passport Number and Bank Account number/Driving License of Mr Ramachandra Raju, Mr K Ravi, Mr K Madhu, Mr V V Goradia and Mr G D L S N Raju have been submitted to the Stock Exchanges on which the Equity shares are proposed to be listed, at the time of filing of Letter of Offer with them.

**Common Pursuits:**

None of the Group Companies/Companies promoted by Promoter are engaged in the same business of the Company.

**FULL PARTICULARS OF THE NATURE AND EXTENT OF THE INTEREST, IF ANY, OF EVERY PROMOTER:**

Save as stated in this Letter of Offer neither the Promoters nor the Firms or Companies in which they are members have any interest in the business of the Company, except to the extent of investments made by them and their group / investment companies in NCL Industries Ltd and earning returns thereon. None of the Promoters or the firms or companies in which they are members has any interest in any property acquired by the Company within two years of the date of this Letter of Offer or proposed to be acquired by it. The promoters are also interested in the company to the extent of their shareholding, for which they are entitled to receive the dividend declared if any, by the company.

**PAYMENT OR BENEFIT TO PROMOTERS OF THE ISSUER COMPANY:**

Other than the salary and remuneration of the Promoter Directors, referred to in the section titled "Compensation of Managing Directors/ Whole-Time Directors" on page 46 of this Letter of Offer, and dividend, if any declared on the Equity Shares, there are no payment or benefit to promoters of the Company.

**6. RELATED PARTY TRANSACTIONS AS PER THE FINANCIAL STATEMENTS:**

For details of related party transactions please refer to Annexure XIII Of the Financial Statement on page 68

**7. CURRENCY OF PRESENTATION:**

In this Letter of Offer, all references to "Rupees" and "Rs." and "Indian Rupees" are to the legal currency of the Republic of India and all references to "Euro" are to the legal currency of the European Union.

In this Letter of Offer, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

**8. DIVIDEND POLICY:**

The declaration and payment of dividends will be recommended by the Board of Directors and approve by the shareholders, at their discretion, and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial condition. The Board may also from time to time pay interim dividend.

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## SECTION V: FINANCIAL STATEMENTS

### AUDITORS REPORT

The Board of Directors  
**NCL Industries Limited**  
Hyderabad.

Dear Sirs,

We have examined the financial information of NCL Industries Limited as attached to the report and initialed by us for identification. The said financial information has been prepared in accordance with the requirements of paragraph B(1) of Part II of Schedule II to the companies Act, 1956 (the "Act"), the Securities and Exchange Board of India – Disclosure and Investors Protection guidelines, 2000 ("the guidelines") issued by the Securities and Exchange Board of India ("SEBI") on January 19, 2000 in pursuance to section 11 of the Securities and Exchange Board of India Act, 1992, and related clarifications; and in accordance with instructions dated August 23, 2005, received from the company requesting us to carry out work in connection with the offer document being issued by the company in connection with its rights issue of Ordinary shares (referred to as "the issue"). The financial information has been prepared by the Company and approved by the Board of Directors of the Company.

A. Financial Information as per audited financial statements

We have examined:

- a) the attached summary statement of Profits and Losses, as restated, of the Company for each of the financial period / years ending September 30, 2005, March 31 of 2005, 2004, 2003, 2002 and 2001; and
- b) the attached summary statement of Assets and Liabilities, as restated, as at the said dates enclosed as Annexure 1 and Annexure II respectively to this report together referred to as "Summary Statements".

The summary statements have been extracted from the financial statements of the respective period / years audited by us and adopted by the Board of Directors and Members.

Based on our examination of these statements, we state that:

- The restated profits have been arrived at after making such adjustments and regrouping, which in our opinion are appropriate for the year/periods to which they relate, shown in annexure III to this report.
- The Summary Statements have been restated with retrospective effect in accordance with the significant accounting policies adopted by the company as shown in annexure IV to this report.
- The Summary Statements have to be read in conjunction with the notes given in Annexure IV to this report.
- There are no extra-ordinary items that need to be disclosed separately in the Summary Statements. Exceptional and non recurring items which are material are given in annexure III to this report.

B. Other Financial Information

We have examined the following financial information relating the Company proposed to be included in the Offer Document as approved by the Board of Directors and annexed to this report:

- a) Cash Flow statement in respect of each period/years ended September 30, 2005, March 31 of 2005, 2004, 2003, 2002 and 2001;
- b) Summary of accounting ratios comprising earnings per share, net asset value and return on net worth which have been calculated based on restated profits as shown in Annexure VI to the report;
- c) Details of "Secured Loans" and "Unsecured Loans" as at September 30, 2005 and March 31, 2005 as shown in Annexure VII & VIII to this report;
- d) Age-wise analysis of "Sundry Debtors" as at September 30, 2005 and March 31, 2005 as shown in Annexure IX to this report;
- e) Details of "Loans and Advances" as at September 30, 2005 and March 31, 2005 as shown in Annexure X to this report;
- f) Capitalization statement of the Company as at September 30, 2005 and March 31, 2005 as shown in Annexure XI to this report;

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- g) Statement of Tax Shelter enclosed as Annexure XII to this report;
  - h) Details of "Related Party disclosures" as shown in Annexure XIII to this report;
  - i) Details of "Contingent Liabilities" as shown in annexure XIV to this report;
  - j) Details of dividend paid by the Company in respect of each period/years ended September 30, 2005, March 31 of 2005, 2004, 2003, 2002 and 2001 as shown in Annexure XV to this report;
  - k) Statement of Other income enclosed as Annexure XVI to this report;
  - l) Statement of details of "Reserves and Surplus" enclosed as Annexure XVII to this report.

In our opinion, the financial information of the Company attached to this report as mentioned in Paragraph A and B above read together with significant accounting policies and notes stated in Annexure IV to this report and after making adjustments and regrouping as considered appropriate, have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines of SEBI.

This report is intended solely for your information and for inclusion in the offering Memorandum in connection with Rights Issue of the Company and is not to be used, referred to or distributed for any other purpose without or prior written consent.

**For PRAYAGA & CO**  
Chartered Accountants

L.N. PRAYAGA  
Partner  
Membership No: 8397  
Hyderabad.

Date: February 15, 2006

| STATEMENT OF PROFITS & LOSSES AS RESTATED                      |   |                             |                 |                 |                 |                 |
|--|---|-----------------------------|-----------------|-----------------|-----------------|-----------------|
|  | For the Half<br>Year ended<br>Sep 30,2005 | For the Year ended March 31 |                 |                 |                 |                 |
|  |   | 2005                        | 2004            | 2003            | 2002            | 2001            |
| <b>Income</b>  |   |                             |                 |                 |                 |                 |
| Sale of Products<br>manufactured by the Company                | 4,820.40                                  | 9,224.19                    | 7,134.46        | 7,149.10        | 7,310.80        | 7,520.42        |
| Sale of Products traded by the Company                         |   |                             |                 | 44.62           | 72.36           | 51.63           |
| <b>Total</b>   | <b>4,820.40</b>                           | <b>9,224.19</b>             | <b>7,134.46</b> | <b>7,193.72</b> | <b>7,383.16</b> | <b>7,572.05</b> |
| Less: Duties & Taxes   | 981.99                                    | 1,794.73                    | 1,455.57        | 1,335.57        | 1,088.29        | 1,325.11        |
| <b>Net Sales</b>   | <b>3,838.41</b>                           | <b>7,429.46</b>             | <b>5,678.89</b> | <b>5,858.15</b> | <b>6,294.87</b> | <b>6,246.94</b> |
| Other Income   | 7.09                                      | 18.94                       | 15.18           | 74.02           | 29.90           | 9.47            |
| Increase / (Decrease) in Stocks                                | 263.07                                    | 95.97                       | 106.62          | (199.93)        | 129.43          | (213.55)        |
| <b>Total Income</b>  | <b>4,108.57</b>                           | <b>7,544.37</b>             | <b>5,800.69</b> | <b>5,732.24</b> | <b>6,454.20</b> | <b>6,042.86</b> |
| <b>Expenditure</b>   |   |                             |                 |                 |                 |                 |
| Raw Material Consumed  | 2,670.31                                  | 4,837.70                    | 3,410.39        | 3,489.21        | 3,650.87        | 3,520.77        |
| Employee Costs   | 261.73                                    | 489.29                      | 471.97          | 477.53          | 423.20          | 377.42          |
| Other Manufacturing Expenses                                   | 82.81                                     | 186.17                      | 109.35          | 109.97          | 171.78          | 128.16          |
| Administration Expenses  | 173.73                                    | 344.93                      | 217.07          | 218.28          | 274.69          | 275.38          |
| Selling & Distribution Expenses                                | 192.63                                    | 353.48                      | 332.67          | 422.58          | 546.97          | 364.93          |
| <b>Total Expenditure</b>                                       | <b>3,381.21</b>                           | <b>6,211.57</b>             | <b>4,541.45</b> | <b>4,717.57</b> | <b>5,067.51</b> | <b>4,666.66</b> |
| <b>Profit before Interest and<br/>Depreciation &amp; Taxes</b> | <b>727.36</b>                             | <b>1,332.80</b>             | <b>1,259.24</b> | <b>1,014.67</b> | <b>1,386.69</b> | <b>1,376.20</b> |
| <b>Interest</b>  | <b>256.74</b>                             | <b>357.07</b>               | <b>492.21</b>   | <b>506.58</b>   | <b>666.82</b>   | <b>790.38</b>   |
| <b>Depreciation</b>  | <b>233.04</b>                             | <b>451.80</b>               | <b>446.33</b>   | <b>435.97</b>   | <b>406.22</b>   | <b>411.16</b>   |
| <b>Net Profit before Tax<br/>&amp; Extra-ordinary Items</b>    | <b>237.58</b>                             | <b>523.93</b>               | <b>320.70</b>   | <b>72.12</b>    | <b>313.65</b>   | <b>174.66</b>   |
| Loss on sale of Investments                                    | -   | -                           | -               | -               | 5.21            | -               |
| Loss on sale of Assets   | 0.04                                      | 11.38                       | -               | -               | 5.88            | (2.64)          |
| Miscellaneous Exp. Written-off                                 | 1.98                                      | 8.46                        | 9.95            | 9.95            | 8.71            | 8.71            |
| Prior Year Adjustments   | 10.11                                     | (13.93)                     | (20.40)         | (50.01)         | (8.94)          | (137.18)        |
| <b>Total of Extra-ordinary Items</b>                           | <b>12.13</b>                              | <b>5.91</b>                 | <b>(10.45)</b>  | <b>(40.06)</b>  | <b>10.86</b>    | <b>(131.11)</b> |
| <b>Net Profit after Extra-ordinary Items</b>                   | <b>225.45</b>                             | <b>518.02</b>               | <b>331.15</b>   | <b>112.18</b>   | <b>302.79</b>   | <b>305.77</b>   |
| Fringe Benefit Tax   | 3.96                                      |                             |                 |                 |                 |                 |
| Provision for Taxation – Current                               |   | 189.96                      | 25.46           | 8.62            | 23.10           | 15.00           |
| Provision for Taxation – Deferred                              | -   | 75.87                       | 177.12          | (0.56)          | 5.19            | -               |
| <b>Total Provision for Taxation</b>                            | <b>3.96</b>                               | <b>265.83</b>               | <b>202.58</b>   | <b>8.06</b>     | <b>28.29</b>    | <b>15.00</b>    |
| <b>Net Profit after Tax</b>                                    | <b>221.49</b>                             | <b>252.19</b>               | <b>128.57</b>   | <b>104.12</b>   | <b>274.50</b>   | <b>290.77</b>   |
| <b>Adjustments (Net of Tax)</b>                                | <b>(56.20)</b>                            | <b>(0.70)</b>               | <b>(61.17)</b>  | <b>120.68</b>   | <b>36.63</b>    | <b>69.67</b>    |
| <b>Net Profit after Adjustments</b>                            | <b>277.69</b>                             | <b>252.89</b>               | <b>189.74</b>   | <b>(16.56)</b>  | <b>237.87</b>   | <b>221.10</b>   |

**Annexure - I**
**Rs. In Lacs**

| <b>A. STATEMENT OF PROFITS AND LOSSES AS RESTATED</b> |                                   |                             |                 |                 |                 |                 |
|---|-----------------------------------|-----------------------------|-----------------|-----------------|-----------------|-----------------|
|   | For the Half Year ended 30.9.2005 | For the Year ended March 31 |                 |                 |                 |                 |
|   |                                   | 2005                        | 2004            | 2003            | 2002            | 2001            |
| <b>Income</b>   |                                   |                             |                 |                 |                 |                 |
| <b>Sales:</b>   |                                   |                             |                 |                 |                 |                 |
| of Products manufactured by the Company               | 4,820.40                          | 9,224.19                    | 7,134.46        | 7,149.10        | 7,310.80        | 7,520.42        |
| of Products traded in by the Company                  | -                                 | -                           | -               | 44.62           | 72.36           | 51.63           |
| <b>Total sales</b>                                    | <b>4,820.40</b>                   | <b>9,224.19</b>             | <b>7,134.46</b> | <b>7,193.72</b> | <b>7,383.16</b> | <b>7,572.05</b> |
| Less: Duties & taxes                                  | 981.99                            | 1,794.73                    | 1,455.57        | 1,335.57        | 1,088.29        | 1,325.11        |
| <b>Net Sales</b>                                      | <b>3,838.41</b>                   | <b>7,429.46</b>             | <b>5,678.89</b> | <b>5,858.15</b> | <b>6,294.87</b> | <b>6,246.94</b> |
| Other Income  | 7.09                              | 18.94                       | 15.18           | 74.02           | 29.90           | 9.47            |
| Increase (Decrease) in Inventories                    | 263.07                            | 95.97                       | 106.62          | (199.93)        | 129.43          | (213.55)        |
| <b>Total Income</b>                                   | <b>4,108.57</b>                   | <b>7,544.37</b>             | <b>5,800.69</b> | <b>5,732.24</b> | <b>6,454.20</b> | <b>6,042.86</b> |
| <b>Expenditure</b>                                    |                                   |                             |                 |                 |                 |                 |
| Raw Materials consumed                                | 2,670.31                          | 4,837.70                    | 3,410.39        | 3,489.21        | 3,650.87        | 3,520.77        |
| Staff Costs   | 261.73                            | 489.29                      | 471.97          | 477.53          | 423.20          | 377.42          |
| Other Manufacturing Expenses                          | 82.81                             | 186.17                      | 109.35          | 109.97          | 171.78          | 128.16          |
| Administration Expenses                               | 173.73                            | 344.93                      | 217.07          | 218.28          | 274.69          | 275.38          |
| Selling and Distribution Expenses                     | 192.63                            | 353.48                      | 332.67          | 422.58          | 546.97          | 364.93          |
| Interest  | 256.74                            | 357.07                      | 492.21          | 506.58          | 666.82          | 790.38          |
| Depreciation  | 233.04                            | 451.80                      | 446.33          | 435.97          | 406.22          | 411.16          |
| <b>Expenses Before Adjustments</b>                    | <b>3,870.99</b>                   | <b>7,020.44</b>             | <b>5,479.99</b> | <b>5,660.12</b> | <b>6,140.55</b> | <b>5,868.20</b> |
| <b>Net Profit before Tax and Extraordinary Items</b>  | <b>237.58</b>                     | <b>523.93</b>               | <b>320.70</b>   | <b>72.12</b>    | <b>313.65</b>   | <b>174.66</b>   |
| Loss on Sale of investments                           | -                                 | -                           | -               | -               | 5.21            | -               |
| Loss on Sale of Assets                                | 0.04                              | 11.38                       | -               | -               | 5.88            | (2.64)          |
| Miscellaneous Exp. Written-off                        | 1.98                              | 8.46                        | 9.95            | 9.95            | 8.71            | 8.71            |
| Prior Year Adjustments (Net)                          | 10.11                             | (13.93)                     | (20.40)         | (50.01)         | (8.94)          | (137.18)        |
| <b>Total of Extra-ordinary Items</b>                  | <b>12.13</b>                      | <b>5.91</b>                 | <b>(10.45)</b>  | <b>(40.06)</b>  | <b>10.86</b>    | <b>(131.11)</b> |
| <b>Net Profit after Extraordinary Items</b>           | <b>225.45</b>                     | <b>518.02</b>               | <b>331.15</b>   | <b>112.18</b>   | <b>302.79</b>   | <b>305.77</b>   |
| Fringe Benefit Tax                                    | 3.96                              | -                           | -               | -               | -               | -               |
| Provision for Taxation - Current                      | -                                 | 189.96                      | 25.46           | 8.62            | 23.10           | 15.00           |
| Provision for Taxation - Deferred                     | -                                 | 75.87                       | 177.12          | (0.56)          | 5.19            | -               |
| <b>Total Provision for Taxation</b>                   | <b>3.96</b>                       | <b>265.83</b>               | <b>202.58</b>   | <b>8.06</b>     | <b>28.29</b>    | <b>15.00</b>    |
| <b>Net Profit after Tax</b>                           | <b>221.49</b>                     | <b>252.19</b>               | <b>128.57</b>   | <b>104.12</b>   | <b>274.50</b>   | <b>290.77</b>   |
| Adjustments (Net of Tax)                              | (56.20)                           | (0.70)                      | (61.17)         | 120.68          | 36.63           | 69.67           |
| <b>Net Profit after Adjustments</b>                   | <b>277.69</b>                     | <b>252.89</b>               | <b>189.74</b>   | <b>(16.56)</b>  | <b>237.87</b>   | <b>221.10</b>   |



## Annexure - II

Rs. In Lacs

| <b>B. STATEMENT OF ASSETS AND LIABILITIES AS RESTATED</b>                          |                     |                              |                 |                 |                 |                 |
|--|---------------------|------------------------------|-----------------|-----------------|-----------------|-----------------|
|  | As at<br>30.09.2005 | As at March 31 <sup>st</sup> |                 |                 |                 |                 |
|  |                     | 2005                         | 2004            | 2003            | 2002            | 2001            |
| <b>A Fixed Assets:</b>   |                     |                              |                 |                 |                 |                 |
| <b>Gross Block</b>   | 9,486.06            | 9,488.28                     | 9,188.68        | 9,170.37        | 8,998.46        | 8,492.94        |
| Less: Depreciation   | 5,045.55            | 4,812.50                     | 4,475.84        | 4,031.35        | 3,595.66        | 3,304.77        |
| <b>Net Block</b>   | <b>4,440.51</b>     | <b>4,675.78</b>              | <b>4,712.84</b> | <b>5,139.02</b> | <b>5,402.80</b> | <b>5,188.17</b> |
| Less: Revaluation Reserve  | -                   | -                            | -               | -               | -               | -               |
| <b>Net Block after adjustment<br/>for Revaluation Reserve</b>                      | <b>4,440.51</b>     | <b>4,675.78</b>              | <b>4,712.84</b> | <b>5,139.02</b> | <b>5,402.80</b> | <b>5,188.17</b> |
| Capital Works in Progress  | 666.84              | 135.22                       | 66.47           | 33.31           | 143.97          | 40.37           |
| <b>Total</b>   | <b>5,107.35</b>     | <b>4,811.00</b>              | <b>4,779.31</b> | <b>5,172.33</b> | <b>5,546.77</b> | <b>5,228.54</b> |
| <b>B Investments</b>   | <b>130.00</b>       | <b>130.00</b>                | <b>100.00</b>   | <b>50.19</b>    | <b>57.23</b>    | <b>62.78</b>    |
| <b>C Deferred Tax Asset</b>  | -                   | -                            | -               | -               | -               | -               |
| <b>D Current Assets, Loans and Advances</b>  |                     |                              |                 |                 |                 |                 |
| Inventories  | 2,349.68            | 2,058.48                     | 1,973.37        | 1,651.33        | 1,857.15        | 1,854.10        |
| Sundry Debtors   | 1,743.83            | 1,297.22                     | 1,298.93        | 1,052.21        | 801.99          | 1,228.91        |
| Cash and Bank Balances   | 187.59              | 238.86                       | 210.40          | 120.54          | 206.24          | 114.91          |
| Loans and Advances   | 735.12              | 775.81                       | 652.29          | 601.19          | 469.52          | 516.71          |
|  | <b>5,016.22</b>     | <b>4,370.37</b>              | <b>4,134.99</b> | <b>3,425.27</b> | <b>3,334.90</b> | <b>3,714.63</b> |
| <b>E Liabilities and Provisions:</b>   |                     |                              |                 |                 |                 |                 |
| Secured Loans  | 2,172.98            | 1,783.66                     | 1,167.20        | 1,413.17        | 1,372.53        | 1,724.90        |
| Unsecured Loans  | 1,643.02            | 1,711.95                     | 2,404.33        | 2,161.94        | 2,588.22        | 2,299.16        |
|  | <b>3,816.00</b>     | <b>3,495.61</b>              | <b>3,571.53</b> | <b>3,575.11</b> | <b>3,960.75</b> | <b>4,024.06</b> |
| <b>F Deferred Tax Liability</b>  | <b>1,127.63</b>     | <b>1,274.73</b>              | <b>1,263.97</b> | <b>1,240.37</b> | <b>1,152.31</b> | -               |
| <b>G Current Liabilities and Provisions</b>  |                     |                              |                 |                 |                 |                 |
| Current Liabilities  | 2,205.73            | 1,799.78                     | 1,790.49        | 1,661.33        | 1,595.44        | 1,700.71        |
| Provisions   | 582.98              | 492.08                       | 215.43          | 60.47           | 9.39            | 104.22          |
|  | 2,788.71            | 2,291.86                     | 2,005.92        | 1,721.80        | 1,604.83        | 1,804.93        |
| <b>H Net Worth<br/>Represented by</b>  | <b>2,521.23</b>     | <b>2,249.18</b>              | <b>2,172.89</b> | <b>2,110.52</b> | <b>2,221.01</b> | <b>3,176.96</b> |
| <b>I Shareholders' Funds</b>   |                     |                              |                 |                 |                 |                 |
| Share Capital  | 1623.48             | 1,622.93                     | 1,622.93        | 1,622.93        | 1,622.93        | 1,622.93        |
| Reserves & Surplus   | 933.80              | 656.11                       | 588.28          | 535.86          | 643.95          | 1,592.49        |
| Less: Revaluation Reserve  | -                   | -                            | -               | -               | -               | -               |
|  | 2,557.28            | 2,279.04                     | 2,211.21        | 2,158.79        | 2,266.88        | 3,215.42        |
| <b>J Miscellaneous Expenditure<br/>(to the extent not written off or Adjusted)</b> | <b>36.04</b>        | <b>29.86</b>                 | <b>38.32</b>    | <b>48.27</b>    | <b>45.87</b>    | <b>38.46</b>    |
| <b>Net Worth</b>   | <b>2,521.24</b>     | <b>2,249.18</b>              | <b>2,172.89</b> | <b>2,110.52</b> | <b>2,221.01</b> | <b>3,176.96</b> |

**Annexure - III (A)**
**NOTES TO ADJUSTED ACCOUNTS**
**STATEMENT OF ADJUSTMENTS TO THE AUDITED PROFIT AND LOSS ACCOUNT** Rs. In Lacs

| Year / Particulars   | 30-09-05       | 2004-05       | 2003-04        | 2002-03        | 2001-02       | 2000-01       |
|--|----------------|---------------|----------------|----------------|---------------|---------------|
| <b>A Profit after Tax &amp; extra-ordinary Items (As per Audited Accounts)</b>             | 221.49         | 252.19        | 128.57         | 104.12         | 274.50        | 290.77        |
| <b>B Adjustments (increase/(decrease):</b>   |                |               |                |                |               |               |
| 1. Prior Period items & Provision no longer required                                       | (10.11)        | 9.17          | 20.32          | 50.34          | (8.23)        | 97.20         |
| 2. Other Adjustments   | (81.35)        |               |                |                |               |               |
| 3. Changes in Accounting Policy (Deferred Tax)   | (147.10)       | (65.11)       | (153.51)       | 88.62          | 41.86         | -             |
| 4. Provision for Tax   | 151.58         | 58.60         | 79.31          | 0.21           | 0.06          | 10.91         |
| <b>Total Adjustments (1+2+3+4)</b>   | <b>(86.98)</b> | <b>2.66</b>   | <b>(53.89)</b> | <b>139.18</b>  | <b>33.69</b>  | <b>108.11</b> |
| <b>C Tax effect of Adjustments</b>   | <b>(30.79)</b> | <b>3.36</b>   | <b>7.29</b>    | <b>18.50</b>   | <b>(2.94)</b> | <b>38.44</b>  |
| <b>D Net Total (Decrease) / Increase due to Adjustments (B-C)</b>                          | <b>(56.20)</b> | <b>(0.70)</b> | <b>(61.17)</b> | <b>120.68</b>  | <b>36.63</b>  | <b>69.67</b>  |
| <b>E Profit after adjustments, tax &amp; extra-ordinary items as per restatement (A-D)</b> | <b>277.69</b>  | <b>252.89</b> | <b>189.74</b>  | <b>(16.56)</b> | <b>237.87</b> | <b>221.10</b> |

**Annexure - III (B)**
Rs. In Lacs

| Year / Particulars   | 30-09-05 | 2004-05  | 2003-04  | 2002-03  | 2001-02  | 2000-01 |
|--|----------|----------|----------|----------|----------|---------|
| Adjustments {(increase/(decrease)) in assets and liabilities as restated |          |          |          |          |          |         |
| Reserves and Surplus   | (236.28) | (292.48) | (293.18) | (354.35) | (233.67) | 89.62   |
| Current Liabilities  |          |          |          |          |          |         |
| Provisions   | 207.96   | 117.06   | 52.65    | (31.07)  | (71.76)  | (89.62) |
| Deferred Tax Liability   | 91.00    | 232.80   | 307.64   | 452.38   | 373.68   |         |
| Sundry Debtors   |          |          |          |          |          |         |
| Loans and Advances   | 62.67    | 57.37    | 67.10    | 66.95    | 68.26    | -       |

**Annexure - III (C)**

- The items of prior period and provision no longer required in the profit and loss account have been reallocated to respective years.
- Tax effect of adjustments has been computed at the applicable rate for the respective years.
- The effect of adjustments relating to financial years prior to March 31st, 2000 aggregating to Rs 159.29 lacs has been adjusted against opening reserves as at 1st April, 2000.
- As per Accounting Standard 22 issued by the Institute of Chartered Accountants of India and on the basis of Income tax Returns filed by the Company, Deferred Tax Liability has been restated for the years 2001-02 onwards.
- Details of exceptional and non-recurring items debited / credited to profit and loss account are given hereunder.

Rs. In Lacs

| Sl. | Year / Particulars                                | 30-09-05 | 2004-05 | 2003-04 | 2002-03 | 2001-02 | 2000-01 |
|-----|---|----------|---------|---------|---------|---------|---------|
| 1   | Loss on decrease in the value of Investments      |          |         |         |         | 5.21    |         |
| 2   | Profit / (Loss) on sale of Assets                 | 0.04     | (10.61) | 0.41    |         | 7.89    |         |
| 3   | Deferred Revenue Expenses Written off             |          |         |         |         |         |         |
|     | Share Issue Expenses                              | 0.16     | 4.78    | 6.28    | 6.28    | 6.28    | 6.28    |
|     | Mining and Prospecting                            | 1.83     | 3.68    | 3.67    | 3.67    | 2.43    | 2.43    |
| 4   | Depreciation Written back                         |          |         |         |         |         | 155.03  |
| 5   | Profit on transfer of Ceramic Division            |          |         |         |         |         | 2.64    |
| 6   | Loss written back on transfer of Ceramic Division |          |         |         |         |         | 128.84  |

#### ANNEXURE - IV

##### A. SIGNIFICANT ACCOUNTING POLICIES

- Accounting Concepts:** Financial Statements are prepared on accrual basis under the historical cost convention and in accordance with the accounting standards specified in sub section 3 © of Section 211 of the companies Act, 1956.
- Fixed Assets:** Fixed Assets are stated at their original cost comprising of the purchase price and attributable cost of bringing the asset to working condition for its intended use.
- Investments:** Investments are stated at cost (when there is a decline in the value of quoted investment, which is not considered temporary, the same is provided for by reducing the value of the investment and charging the same to the Profit and Loss account).
- Inventories:** Inventories are valued as under (i) Raw materials, stores & spares, and other materials are valued at weighted average cost. (ii) Process Stock: valued at cost of material plus labour and other related overheads. (iii) Finished Goods: Valued at lower of cost or net realisable value.
- Depreciation:** Depreciation has been provided on Straight Line Method in respect of Buildings and Plant & Machinery and in respect of other fixed assets on Written Down Value method at the general rates specified in Schedule XIV of the Companies Act, 1956 as amended.
- Research & Development:** Capital Expenditure on Research & Development is included in Fixed Assets and depreciation is provided for at applicable rates. Revenue expenses are charged to revenue in the year in which they are incurred.
- Inter divisional transfer of goods as independent marketable products are included in respective heads of accounts to reflect true working of the respective divisions.
- Retirement Benefits:** Gratuity is provided on accrual basis.
- Excise Duty:** Excise Duty is charged to the profit and loss account on despatch of goods. Excise duty on finished goods awaiting despatch is added to the inventory.
- Deferred Tax:** Deferred tax is accounted for by computing the tax effect of timing differences that arise during the year and reverse in subsequent period.

##### B. NOTES TO ACCOUNTS:

###### NOTES TO ACCOUNTS FOR THE YEAR 2000-01:

###### 1. SCHEME OF ARRANGEMENT:

Pursuant to the consent of the Shareholders at the Meeting of the Company held on 29.11.1999 sanction of the Andhra Pradesh High Court on 12.06.2000 to the Scheme of arrangement between NCL Industries Limited and Vijaya Porcelain Products Ltd (VPPL), the Ceramic Division of the Company was transferred as a going concern to VPPL, with effect from 01.10.1998.

###### 2. GOODWILL:

Consequent to the merger of Layman Porcelains Limited with the Company with effect from 01.04.1989 the excess of liabilities and purchase consideration over the assets taken over amounted to Rs.326.72 lakhs and after adjusting the

waiver of interest under OTS, the net amount of Rs.194.16 lakhs, has now been written off from the general reserve, consequent to the transfer of the Ceramic Division under a Scheme of Arrangement approved by the Hon'ble High Court of Andhra Pradesh.

### 3. CAPITAL RESERVE:

The capital investment subsidy of Rs.30 lakhs pertaining to Ceramic Division has been transferred to General reserve since the company fulfilled the conditions stipulated in availing the same and also that this division has since been hived off.

### 4. DEPRECIATION WRITTEN BACK:

Consequent to the Amendment to the Schedule XIV in Oct'93, the Company has written back, with retrospective effect, the excess depreciation provided under Straight Line Method in terms of Schedule XIV and after recalculating the Boards Division Depreciation giving effect to the excess depreciation provided on account of decapitalisation in respect of the interest capitalised earlier but which was waived subsequently under the OTS Scheme, there was a write back of depreciation to the extent of Rs.155.03 Lacs which has been added to the Profit & Loss A/c.

5. Fixed Assets include Rs.16.09 lakhs paid for office premises acquired at Hyderabad. Registration of part of the premises in favour of the company is pending.
6.
  - i) In the absence of confirmation of balance by sundry debtors, and parties to whom advances have been given balances in respect of the same are as per books of account only.
  - ii) The balances of sundry debtors are subject to reconciliation and adjustments there on having on impact of a revenue nature, if any will be made in the year in which the same are finally settled.
7.
  - i) The full bench of the Hon'ble Supreme Court has allowed the appeal filed by the FAPCCI (of which NCL is a member) against non-agricultural tax in respect of mining lease lands. Accordingly a sum of Rs.11.25 lakhs representing the amount paid as per the interim orders is now refundable by the Government of A.P.
  - ii) The Company has filed suits for recovery of dues amounting to Rs.5.00 lakhs (Previous year 0.93 lakhs) for material contracts.
  - iii) The Company preferred an Appeal before the Sales Tax Appellate Tribunal for an amount of Rs.23.65 Lakhs which was paid under protest.
8. The Company paid an amount of Rs.34.91 Lakhs to Sales Tax Department towards differential sales tax and penalties on captive consumption of HSD oil under protest. The company disputed the same before STAT which is pending. The said amount is included in Current Assets "under the head" Loans and Advances.
9. Current liabilities include an advance of Rs.35.25 lakhs towards sale of other Fixed Assets.

### NOTES TO ACCOUNTS FOR THE YEAR 2001-02:

#### 1. TAXATION:

**The Provision for MAT is made as per the book profits u/s. 115JB of the Income Tax Act and the provision for deferred tax has been made as per Accounting Standard 22.**

2. Fixed Assets include Rs.16.09 lakhs paid for Office premises acquired at Hyderabad. Registration of part of the premises in favour of the company is pending.
3. Current liabilities include an advance of Rs.31.75 lakhs towards sale of Fixed Assets, pending registration by the buyer.
4. The full bench of the Hon'ble Supreme Court allowed the appeal filed against non-agricultural tax in respect of mining lease lands. Accordingly a sum of Rs.11.25 lakhs representing the amount paid as per the interim order is now refundable by the Government of A.P. Out of the above amount, the Hon'ble High Court of A.P. allowed our petitions to the tune of Rs.3.92 lakhs. For the balance, the company appealed before the H.C. citing the above order, which is pending.
5. The Company paid an amount of Rs.22.63 lakhs to Sales Tax Department towards differential sales tax and penalties on captive consumption of HSD Oil under protest. The Company disputed the same before STAT, which is pending. The said amount is included in Current Assets under the head "Loans and Advances".
6. The Company preferred an Appeal before the Sales Tax Appellate Tribunal and Appellate Dr. Commissioner for an amount of Rs.6.66 lakhs, which is pending.
7. The Company has filed suit for recovery of dues amounting to Rs.5.00 lakhs (Previous years Rs.5.00 lakhs) for material contracts.

#### NOTES TO ACCOUNTS FOR THE YEAR 2002-03:

##### 1. TAXATION:

**The Provision for MAT is made as per the book profits u/s. 115JB of the Income Tax Act and the provision for deferred tax has been made as per Accounting Standard 22, issued by the Institute of Chartered Accountants of India.**

- Fixed Assets include Rs.16.09 lakhs paid for Office premises, land and factory buildings acquired, the possession of which is with the Company. Registration of part of the assets in favour of the company is pending.
- The Company filed writ petition in Hon'ble A.P. High Court challenging AP Transco's demand for Rs.145.85 lakhs in connection with Voltage Surcharge case and the same is charged to the Profit & Loss A/c. The Company obtained stay order on payment of the 1/3<sup>rd</sup> of the disputed amount.
- The Company paid an amount of Rs.22.63 lakhs which was shown as advance, to Sales Tax Department towards differential sales tax and penalties on captive consumption of HSD Oil under protest. The Company disputed the same before STAT, which is pending.
- The Company has filed suit for recovery of dues amounting to Rs.7.76 lakhs (Previous years Rs.5.00 lakhs) for material contracts and Rs.16.75 lakhs for breach of contract.
- The company filed writ petition before Hon'ble Supreme Court for the recovery of Rs.50 Lakhs towards Royalty, MRT Cess paid on Limestone, which is pending. On refund, the same will be treated as income.
- The Company was granted Sales Tax exemption (Tax Holiday) for a period of 7 years commencing from 16<sup>th</sup> March 2002 in respect of Cement produced in excess of 231,000 MT per annum. During the year 2002-03, the Company availed ST exemption on 9248MTs of Cement despatched, amounting to Rs.29.39 lakhs.

#### NOTES TO ACCOUNTS FOR THE YEAR 2003-04:

- Fixed Assets include Rs.16.09 lakhs paid for Office premises, land and factory buildings acquired, the possession of which is with the Company. Registration of part of the assets in favour of the company is pending.
- Current Liabilities include Unclaimed Debentures amounting to Rs.16.48 lakhs, which are yet to be claimed and an advance of Rs.31.75 lakhs towards sale of Fixed Assets, pending registration by the buyer.**
- The Company filed writ petition in Hon'ble A.P. High Court challenging AP Transco's demand for Rs.145.85 lakhs in connection with Voltage Surcharge case, which was charged to the Profit & Loss A/c. of earlier years. The Company obtained stay order on payment of the 1/3<sup>rd</sup> of the disputed amount.
- Loans and Advances include an amount of Rs.22.64 lakhs towards differential sales tax on captive consumption of HSD Oil under protest. The Company disputed the same before STAT, which is pending.
- The Company has filed suits for recovery of dues amounting to Rs.5.52 lakhs (Previous years Rs.7.76 lakhs) for material contracts and Rs.16.75 lakhs for breach of contract (Previous year Rs.16.75 Lakhs).
- The Company was granted Sales Tax exemption (Tax Holiday) for a period of 7 years commencing from 16<sup>th</sup> March 2002 in respect of Cement produced in excess of 231,000 MT per annum. During the year 2003-04, the Company availed ST exemption on 9243MTs (P.Y. 9248 MT) of Cement despatched.
- Confirmation of balances in respect of debtors and creditors is pending. On review, provision for doubtful debts, if any, will be made, as and when found necessary.

#### NOTES TO ACCOUNTS FOR THE YEAR 2004-05:

- Fixed Assets include Rs 16.09 lakhs paid for Office premises, land and factory buildings acquired, the possession of which is with the Company. Registration of part of the assets in favour of the company is pending.
- Current liabilities include an advance of Rs. 30.00 lakhs towards sale of Fixed Assets, pending registration by the buyer. (previous year 31.75 lakhs)
- Loans and Advances include an amount of 22.64 lakhs towards differential sale tax on captive consumption of HSD Oil under protest. The company disputed the same before STAT, which is pending.
- The company has filed suits for recovery of dues amounting to Rs. 9.61 lakhs (Previous year Rs.5.52 lakhs) for material contracts and Rs. 16.75 lakhs for breach of contract (Previous year Rs.16.75 lakhs)
- The Company filed Writ petition before Honourable Supreme Court of India for the recovery of Rs.50 lakhs towards Royalty, MRT Cess paid on Limestone, which is pending. On refund, the same will be treated as income.
- The Company was granted Sales Tax Exemption (Tax Holiday) for a period of 7 years commencing from 16<sup>th</sup> March 2002 in

respect of Cement produced in excess of 2,31,000 MT per annum. During the year 2004-05, the company availed ST exemption on 55503 MTs (P.Y 9243 MTs) of Cement despatched.

7. Confirmation of balances in respect of debtors and creditors is pending. On review, provision for doubtful debts if any, will be made as and when found necessary.

#### Annexure – V

#### STATEMENT OF CASH FLOWS AS RESTATED

Rs. In Lacs

| Year / Particulars  | 30-09-05       | 2004-05         | 2003-04         | 2002-03         | 2001-02         | 2000-01         |
|---|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>A Cash Flow from Operating Activities</b>                            |                |                 |                 |                 |                 |                 |
| Net Profit before Tax & Extra-ordinary Items                            | 237.58         | 523.93          | 320.70          | 72.12           | 313.65          | 174.66          |
| <b>Adjustments for:</b>   |                |                 |                 |                 |                 |                 |
| Depreciation  | 233.04         | 451.80          | 446.33          | 435.97          | 406.22          | 411.16          |
| Profit / (Loss) on Sale of Assets                                       | (0.04)         | (11.38)         | -               | -               | (5.88)          | 2.64            |
| Profit / (Loss) on Sale of Investments                                  | -              | -               | -               | -               | (5.21)          | -               |
| Prior Year Items  | (10.11)        | 13.93           | 20.40           | 50.01           | 8.94            | 71.86           |
| <b>Operating Profit before Working Capital Changes</b>                  | <b>460.47</b>  | <b>978.28</b>   | <b>787.43</b>   | <b>558.10</b>   | <b>717.72</b>   | <b>660.32</b>   |
| Adjustments for Changes in:   |                |                 |                 |                 |                 |                 |
| Receivables   | (446.61)       | 1.71            | (246.72)        | (250.22)        | 426.92          | 604.38          |
| Inventories   | (291.20)       | (85.11)         | (322.04)        | 205.82          | (3.05)          | 658.47          |
| Other Current Assets  | 40.69          | (123.52)        | (51.10)         | (131.67)        | 47.19           | 208.90          |
| Current Liabilities   | 405.95         | 9.29            | 129.16          | 65.89           | (105.27)        | (1,787.38)      |
| <b>Cash Flow from Operations</b>  | <b>169.30</b>  | <b>780.66</b>   | <b>296.72</b>   | <b>447.93</b>   | <b>1,083.50</b> | <b>344.69</b>   |
| <b>Extra-ordinary Items (Net)</b>                                       |                |                 |                 |                 |                 |                 |
| <b>Net Cash Flow from Operations</b>                                    | <b>169.30</b>  | <b>780.66</b>   | <b>296.72</b>   | <b>447.93</b>   | <b>1,083.50</b> | <b>344.69</b>   |
| <b>B Cash Flow from Investing Activities:</b>                           |                |                 |                 |                 |                 |                 |
| Purchase of Fixed Assets & WIP  | (529.39)       | (483.49)        | (53.31)         | (61.53)         | (724.45)        | 285.38          |
| Miscellaneous Expenditure   | (8.16)         | -               | -               | (12.35)         | (16.12)         | -               |
| Investments   | -              | (30.00)         | (49.81)         | 7.04            | 5.55            | (49.99)         |
| <b>Net Cash Flow from Investing Activities (B)</b>                      | <b>537.55</b>  | <b>(513.49)</b> | <b>(103.12)</b> | <b>(66.84)</b>  | <b>(735.02)</b> | <b>235.39</b>   |
| <b>C Cash Flow from Financing Activities:</b>                           |                |                 |                 |                 |                 |                 |
| Secured Loans   | 389.32         | 616.46          | (245.97)        | 40.64           | (352.37)        | (591.95)        |
| Unsecured Loans   | (68.93)        | (692.38)        | 242.39          | (426.28)        | 289.06          | (151.04)        |
| Calls in Arrears  | 0.55           |                 |                 |                 |                 |                 |
| Dividend Paid   |                | (121.72)        | (81.15)         | (81.15)         | (162.29)        | -               |
| Tax on Dividend   |                | (15.60)         | (10.39)         | -               | (16.55)         | -               |
| Income Tax Paid   |                | (25.47)         | (8.62)          |                 | (15.00)         | -               |
| Fringe Benefit Tax  | (3.96)         |                 |                 |                 |                 |                 |
| <b>Net Cash Flow from Financing Activities (C)</b>                      | <b>316.98</b>  | <b>(238.71)</b> | <b>(103.74)</b> | <b>(466.79)</b> | <b>(257.15)</b> | <b>(742.99)</b> |
| <b>Net Increase / (Decrease) in cash &amp; cash equivalents (A+B+C)</b> | <b>(51.27)</b> | <b>28.46</b>    | <b>89.86</b>    | <b>(85.70)</b>  | <b>91.33</b>    | <b>(162.91)</b> |
| <b>Cash &amp; Cash Equivalents (Opening Balance)</b>                    | <b>238.86</b>  | <b>210.40</b>   | <b>120.54</b>   | <b>206.24</b>   | <b>114.91</b>   | <b>277.82</b>   |
| <b>Cash &amp; Cash Equivalents (Closing Balance)</b>                    | <b>187.59</b>  | <b>238.86</b>   | <b>210.40</b>   | <b>120.54</b>   | <b>206.24</b>   | <b>114.91</b>   |



**Annexure - VI**
**ACCOUNTING RATIOS**

| Particulars                           | 30-09-05 | 2004-05 | 2003-04 | 2002-03 | 2001-02 | 2000-01 |
|---------------------------------------|----------|---------|---------|---------|---------|---------|
| <b>Earnings per Share (EPS) (Rs)</b>  |          |         |         |         |         |         |
| - before adjustments                  | 1.36     | 1.55    | 0.79    | 0.64    | 1.69    | 1.79    |
| - after adjustments                   | 1.71     | 1.56    | 1.17    | (0.10)  | 1.47    | 1.36    |
| <b>Return on Net worth (%)</b>        | 11.01    | 11.24   | 8.73    | (0.78)  | 10.71   | 6.96    |
| <b>Net Asset Value Per Share (Rs)</b> | 15.53    | 13.85   | 13.38   | 13.00   | 13.68   | 19.57   |

The Ratios have been computed as below:

1. Earnings per Equity Share: Net Profit as restated attributable to Equity Shareholders / Weighted average number of Equity Shares outstanding at the end of the year / period.
2. Return on Net Worth: Net Profit after tax as restated / Equity Shareholders' Funds after reduction of revaluation reserve and Miscellaneous Expenses at the end of the year / period.
3. Net Asset value per Share: Net Worth at the end of the year / period / Number of Equity shares outstanding at the end of the year / period.

**Annexure - VII**
**1. Principal Terms of Loans and Assets charged as Security**
**Rs. In lacs**

| Sl. No. | Name of the Lender | Facility          | Sanctioned Amount | Balance 31-3-05 | Balance 30-9-05 | Rate of Interest | Repayment Schedule                                 | Prepayment clause                      |
|---------|--------------------|-------------------|-------------------|-----------------|-----------------|------------------|--|--|
| 1       | IREDA              | Term Loan         | 320.00            | 191.17          | 175.99          | 11.5%            | 20 Quarterly Installments commencing from Sep 2003 | No Specific Clause                     |
| 2       | SBH                | Term Loan         | 600.00            | 588.00          | 516.00          | 11.5%            | 50 Monthly Installments commencing from Mar 2005   | No Specific Clause                     |
| 3       | HDFC Bank          | Vehicle Loans     | 20.52             | 17.74           | 14.46           | 4.5% to 5.1%     | 3 Years  | Maximum of 4% of Principal Outstanding |
| 4       | ICICI Bank         | Vehicle Loans     | 6.76              | 5.67            | 3.83            | 3.5%             | 3 Years  | -do-                                   |
| 5       | HDFC Bank          | Constn. Equipment | 34.20             | 28.79           | 23.20           | 6.5%             | 3 Years  | -do-                                   |
| 6       | GE Capital         | Tippers           | 35.38             | 5.19            | 2.00            | 9.7%             | 3 Years  | Maximum of 2% of Principal Outstanding |

**Working Capital Limits:**

|   |                                  |                          |        |        |        |     |  |                          |
|---|----------------------------------|--------------------------|--------|--------|--------|-----|--|--------------------------|
| 1 | <b>Oriental Bank of Commerce</b> | Cash Credit (Fund Based) | 600.00 | 410.15 | 628.51 | 11% | As negotiated from time to time with reference to various facilities | As per terms of facility |
| 2 | <b>Uco Bank</b>                  | Cash Credit (Fund Based) | 600.00 | 594.34 | 602.89 | 11% | -do-   | -do-                     |
| 3 | <b>Canbank Factors Ltd</b>       | Factoring facilities     | 250.00 |        | 249.59 | 11% | -do-   | -do-                     |



NOTES:

1. Term Loans from IREDA & SBH are secured by a first charge on all immovable properties, both present and future, hypothecation of all movable assets (except book debts) on pari passu basis subject to prior charge for movable properties by the Company's bankers for working capital.
2. The Working Capital facilities from Oriental Bank of Commerce, Uco Bank and Canbank Factors Ltd are secured by hypothecation of raw materials, goods in process, finished goods, stores and spares and receivables, present and future on pari-passu basis in addition to second charge on the fixed assets of the Company.
3. Loans taken from ICICI Bank Ltd, HDFC Bank and GE Capital are secured by hypothecation of assets financed.

**Annexure - VIII**

**Details / Analysis of Unsecured Loans**

**Rs. In lacs**

| Sl. No. | Name of the Lender  | Facility                  | Sanctioned Amount | Balance 31-3-05 | Balance 30-9-05 | Rate of Interest  | Repayment Schedule  |
|---------|---------------------|---------------------------|-------------------|-----------------|-----------------|-------------------|---|
| 1       | Public              | Fixed Deposits            | N.A.              | 600.73          | 549.45          | 11%               | 1Year to 3 Years  |
| 2       | Dealers & Stockists | Security & Trade Deposits | N.A.              | 1,053.83        | 1,050.08        | Between 8% to 11% | Till the Dealership continues / As negotiated from time to time |

**Annexure - IX**

**Statement showing Age wise Analysis of Sunder Debtors as on**

**Rs. In lacs**

|   | 30-09-05        | 31-03-05        | 31-03-04        | 31-03-03        | 31-03-02      | 31-03-01        |
|---|-----------------|-----------------|-----------------|-----------------|---------------|-----------------|
| <b>Sundry Debtors</b>                       |                 |                 |                 |                 |               |                 |
| <b>Outstanding for exceeding six months</b> |                 |                 |                 |                 |               |                 |
| Unsecured (Considered Good)                 | 68.97           | 56.36           | 53.66           | 30.80           | 31.86         | 56.41           |
|   | <b>68.97</b>    | <b>56.36</b>    | <b>53.66</b>    | <b>30.80</b>    | <b>31.86</b>  | <b>56.41</b>    |
| <b>Other Debts</b>                          |                 |                 |                 |                 |               |                 |
| Unsecured (Considered Good)                 | 1,700.08        | 1,240.86        | 1,245.27        | 1,021.41        | 770.13        | 1,172.50        |
|   | <b>1,700.08</b> | <b>1,240.86</b> | <b>1,245.27</b> | <b>1,021.41</b> | <b>770.13</b> | <b>1,172.50</b> |
| <b>Total</b>                                | <b>1,769.05</b> | <b>1,297.22</b> | <b>1,298.93</b> | <b>1,052.21</b> | <b>801.99</b> | <b>1,228.91</b> |
| Less: Provision for Doubtful Debts          | 25.22           | -               | -               | -               | -             | -               |
| <b>Total</b>                                | <b>1,743.83</b> | <b>1,297.22</b> | <b>1,298.93</b> | <b>1,052.21</b> | <b>801.99</b> | <b>1,228.91</b> |

**Annexure - X Statement Showing Details of Loans and Advances**

**Rs. In lacs**

|   | 30-09-05      | 31-03-05      | 31-03-04      | 31-03-03      | 31-03-02      | 31-03-01      |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| (Unsecured considered good)   |               |               |               |               |               |               |
| <b>Advances recoverable in cash or in kind for value to be received</b> |               |               |               |               |               |               |
| 311.86  | 376.50        | 323.59        | 260.46        | 206.82        | 285.37        |               |
| Deposits with Electricity Board & Others                                | 219.09        | 195.72        | 157.96        | 172.58        | 106.22        | 148.18        |
| Sales Tax paid under Protest  | 26.95         | 26.95         | 26.64         | 28.42         | 24.55         | 34.91         |
| Claims Receivable   | 10.72         | 10.72         | 10.78         | 9.71          | 9.71          | -             |
| Other Deposits / Advances   | 166.50        | 165.92        | 133.32        | 130.02        | 122.22        | 48.25         |
| <b>Total</b>  | <b>735.12</b> | <b>775.81</b> | <b>652.29</b> | <b>601.19</b> | <b>469.52</b> | <b>516.71</b> |

**Annexure - XI**
**Capitalisation Statement**
**Rs. In lacs**

| Particulars  | 30-09-05<br>(Pre-Issue) | 31-03-05<br>(Adjusted) | 31-03-04<br>(Adjusted) | 31-03-03<br>(Adjusted) | 31-03-02<br>(Adjusted) | 31-03-01<br>(Adjusted) |
|--|-------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Loan Funds:</b>                                 |                         |                        |                        |                        |                        |                        |
| Short Term Loan                                    | 1,480.99                | 1,004.49               | 960.20                 | 748.65                 | 694.78                 | 696.92                 |
| Long Term Loan                                     | 2,335.01                | 2,491.12               | 2,611.33               | 2,826.46               | 3,265.97               | 3,327.14               |
| <b>Total Loan</b>                                  | <b>3,816.00</b>         | <b>3,495.61</b>        | <b>3,571.53</b>        | <b>3,575.11</b>        | <b>3,960.75</b>        | <b>4,024.06</b>        |
| <b>Shareholders' Funds</b>                         |                         |                        |                        |                        |                        |                        |
| Equity Share Capital                               | 1,623.48                | 1,622.93               | 1,622.93               | 1,622.93               | 1,622.93               | 1,622.93               |
| Reserves & Surplus                                 | 933.80                  | 656.11                 | 588.28                 | 535.86                 | 643.95                 | 1,592.49               |
| Less: Revaluation Reserve                          | -                       | -                      | -                      | -                      | -                      | -                      |
| Less: Miscellaneous Expenditure<br>not written off | 36.04                   | 29.86                  | 38.32                  | 48.27                  | 45.87                  | 38.46                  |
|  | 2,521.24                | 2,249.18               | 2,172.89               | 2,110.52               | 2,221.01               | 3,176.96               |
| <b>Long Term Debt / Equity Ratio</b>               | <b>0.94</b>             | <b>1.11</b>            | <b>1.20</b>            | <b>1.34</b>            | <b>1.47</b>            | <b>1.05</b>            |

\* Share Capital and Reserves and Surplus Post Issue can be calculated only on the conclusion of the Issue Process

**Annexure - XII**
**STATEMENT OF TAX SHELTER FOR THE FINANCIAL YEARS**
**Rs. In lacs**

| Financial Year   | 2005-06<br>(up to Sep) | 2004-05       | 2003-04         | 2002-03        | 2001-02         | 2000-01         |
|--|------------------------|---------------|-----------------|----------------|-----------------|-----------------|
| Profit / (Loss) as per Books of Account                    | 225.45                 | 518.02        | 331.15          | 112.18         | 302.79          | 305.77          |
| Tax Rates - Normal (including surcharge)                   | 33.66%                 | 36.59%        | 35.88%          | 36.75%         | 35.70%          | 39.55%          |
| Tax Rates - MAT (including surcharge)                      | 8.42%                  | 7.84%         | 7.69%           | 7.88%          | 7.65%           | 8.48%           |
| <b>A. Notional Tax Payable (A)</b>                         | <b>75.89</b>           | <b>189.56</b> | <b>118.80</b>   | <b>41.23</b>   | <b>108.10</b>   | <b>120.93</b>   |
| B. Permanent Differences                                   | -                      | 13.45         | 73.08           | 1.78           | 23.34           | 0.67            |
| <b>Total of B</b>  | <b>-</b>               | <b>13.45</b>  | <b>73.08</b>    | <b>1.78</b>    | <b>23.34</b>    | <b>0.67</b>     |
| C. Timing Difference between IT<br>and Book Depreciation   | 133.53                 | 154.83        | 191.38          | 113.26         | 134.18          | (16.30)         |
| Other Adjustments  | 91.35                  | (7.04)        | 34.09           | 33.17          | (8.29)          | 43.98           |
| <b>Total of C</b>  | <b>224.88</b>          | <b>147.79</b> | <b>225.47</b>   | <b>146.43</b>  | <b>125.89</b>   | <b>27.68</b>    |
| <b>D. Net Adjustments (B+C)</b>                            | <b>224.88</b>          | <b>161.24</b> | <b>298.55</b>   | <b>148.21</b>  | <b>149.23</b>   | <b>28.35</b>    |
| <b>E. Tax (Saving) / Increase there on</b>                 | 75.69                  | 59.00         | 107.10          | 54.47          | 53.28           | 11.21           |
| <b>F. Tax on Business Profits (A-E)</b>                    | <b>151.58</b>          | <b>248.56</b> | <b>225.90</b>   | <b>95.69</b>   | <b>161.37</b>   | <b>132.14</b>   |
| <b>G. Tax on other Heads of Income</b>                     | -                      | -             | -               | -              | -               | -               |
| Brought Forward Losses                                     | -                      | -             | (337.66)        | (260.39)       | (452.02)        | (334.12)        |
| <b>H. Tax effect due to brought forward<br/>Losses (E)</b> | <b>-</b>               | <b>-</b>      | <b>(121.14)</b> | <b>(95.69)</b> | <b>(161.37)</b> | <b>(132.14)</b> |
| Net Tax for the Year / Period                              | 151.58                 | 248.56        | 104.77          | -              | -               | -               |
| <b>Tax Payable as per MAT</b>                              | <b>18.97</b>           | <b>40.62</b>  | <b>25.46</b>    | <b>8.83</b>    | <b>23.16</b>    | <b>25.91</b>    |
| Provision created for Income Tax                           | 151.58                 | 248.56        | 104.77          | 8.83           | 23.16           | 25.91           |

Notes:

1. The Statement of Tax Shelter has been prepared based on Income Tax Returns filed by the Company except for the year 2005-06 and not based on restated Profits as per Annexure - I.
2. The Statement of Tax Shelter for the Half Year ended September 30, 2005 i.e. financial year 2005-06 has been prepared based on Income Tax calculation made by the Company.
3. The permanent / timing differences have been computed considering the income tax returns filed by the Company.

**RELATED PARTIES**

**Annexure - XIII**

|     | Where control exists      | For the period ended 30 <sup>th</sup> September, 2005 | For the period ended 31 <sup>st</sup> March, 2005 | For the period ended 31 <sup>st</sup> March, 2004 | For the year ended 31 <sup>st</sup> March, 2003                          | For the year ended 31 <sup>st</sup> March, 2002 | For the year ended 31 <sup>st</sup> March, 2001                        |
|-----|---------------------------|---|---|---|--|---|--|
| (A) | Associate Companies:      | NCL Alltek & Seccolor Ltd                             | NCL Alltek & Seccolor Ltd                         | NCL Alltek & Seccolor Ltd                         | *NCL Alltek & Seccolor Ltd   | **NCL Alltek & Seccolor Ltd                     | **NCL Alltek & Seccolor Ltd  |
|     |                           | NCL Energy Limited                                    | NCL Energy Limited                                | NCL Energy Limited                                | NCL Energy Limited   | NCL Energy Limited                              | NCL Energy Limited   |
|     |                           | NCL Homes Limited                                     | NCL Homes Limited                                 | NCL Homes Limited                                 | NCL Homes Limited  | NCL Homes Limited                               | NCL Homes Limited  |
|     |                           | Kakatiya Chemicals Pvt. Ltd                           | Kakatiya Chemicals Pvt. Ltd                       | Kakatiya Chemicals Pvt. Ltd                       | Kakatiya Chemicals Pvt. Ltd  | Kakatiya Chemicals Pvt. Ltd                     | Kakatiya Chemicals Pvt. Ltd  |
|     |                           | Nagarjuna Cerachem Pvt Ltd                            | Nagarjuna Cerachem Pvt Ltd                        | Nagarjuna Cerachem Pvt Ltd                        |  |   |  |
|     | Key Management Personnel: | Mr. K. Ravi, Managing Director                        | Mr. K. Ravi, Managing Director                    | Mr. K. Ravi, Managing Director                    | Mr. K Ramachandra Raju, Managing Director/Mr. K. Ravi, Managing Director | Mr. K Ramachandra Raju, Managing Director       | Mr. K. Ravi, Managing Director / K Ramachandra Raju, Managing Director |

• formerly known as Alltek Coating Products Limited

\*\* Includes transactions with the erstwhile NCL Seccolor Ltd, which merged with the Company w.e.f 01.04.2002

**Annexure - XIII**
**Rs. In lacs**
**Related Party Transactions**

| Sl. No. | Particulars               | Year   | Promoters | Key Mgt Personnel                       | Other Enterprises in which Promoter Directors held substantial Interest | Total                                   |
|---------|---------------------------|--|-----------|---|---|---|
| 1       | Management Remuneration   | HE 30.9.05<br>2004-05<br>2003-04<br>2002-03<br>2001-02 |           | 4.67<br>14.12<br>11.56<br>9.16<br>10.57 |   | 4.67<br>14.12<br>11.56<br>9.16<br>10.57 |
| 2       | Sale of Goods             | HE 30.9.05<br>2004-05<br>2003-04<br>2002-03<br>2001-02 |           |   | 19.90<br>69.20<br>39.39<br>22.54  | 19.90<br>69.20<br>39.39<br>22.54<br>-   |
| 3       | Purchase of Goods         | HE 30.9.05<br>2004-05<br>2003-04<br>2002-03<br>2001-02 |           |   | 22.18<br>27.83<br>20.26<br>26.97  | 22.18<br>27.83<br>20.26<br>26.97<br>-   |
| 4       | Investment                | HE 30.9.05<br>2004-05<br>2003-04<br>2002-03<br>2001-02 |           |   | -<br>30.00<br>47.00<br>3.00   | -<br>30.00<br>47.00<br>3.00<br>-        |
| 5       | ICD / Loans               | HE 30.9.05<br>2004-05<br>2003-04<br>2002-03<br>2001-02 |           |   | 5.00  | -<br>-<br>-<br>5.00<br>-                |
| 6       | Interest                  | HE 30.9.05<br>2004-05<br>2003-04<br>2002-03<br>2001-02 |           |   | 5.49<br>14.82   | -<br>-<br>5.49<br>14.82<br>-            |
| 7       | Expenditure Reimbursement | HE 30.9.05<br>2004-05<br>2003-04<br>2002-03<br>2001-02 |           |   | 0.86<br>0.57<br>2.42<br>1.35  | 0.86<br>0.57<br>2.42<br>1.35<br>-       |

**Annexure - XIV**
**DETAILS OF CONTINGENT LIABILITIES**
**Rs. In Lacs**

| Particulars   | 30-09-05 | As at March 31st |          |          |          |          |
|---|----------|------------------|----------|----------|----------|----------|
|   |          | 2005             | 2004     | 2003     | 2002     | 2001     |
| 1. Income Tax claims under Dispute                      | 23.55    |                  |          |          | 119.00   | 119.00   |
| 2. Central Excise & Sales Tax Claims under Dispute      | 85.32    | 69.76            | 71.60    | 773.84   | 815.81   | 800.83   |
| 3. Unexpired Bank Guarantees / Corporate Guarantees     | 3,856.00 | 3,875.00         | 3,890.00 | 2,350.00 | 2,333.00 | 2,341.00 |
| 4. Claims against the Company not acknowledged as Debts | 0.25     | -                | -        | 2.72     | 2.75     | 2.50     |

**Annexure - XV**
**STATEMENT SHOWING RATES AND AMOUNT OF DIVIDEND**

| Particulars                  | 31-03-05   | 31-03-04   | 31-03-03   | 31-03-02   | 31-03-01   |
|------------------------------|------------|------------|------------|------------|------------|
| Number of Equity Shares      | 16,234,825 | 16,234,825 | 16,234,825 | 16,234,825 | 16,234,825 |
| Face Value (Rs)              | 10         | 10         | 10         | 10         | 10         |
| Paid up Value (Rs)           | 10         | 10         | 10         | 10         | 10         |
| Rate of Dividend (%)         | 10.00%     | 7.50%      | 5.00%      | 5.00%      | 10.00%     |
| Dividend Amount (Rs in Lacs) | 162.29     | 121.72     | 81.15      | 81.15      | 162.29     |
| Tax on Dividend (Rs in Lacs) | 22.77      | 15.60      | 10.39      | -          | 16.55      |

**Annexure - XVI**
**BREAK-UP OF OTHER INCOME (IF MORE THAN 20% OF PROFIT BEFORE TAX)**
**Rs. In Lacs**

| Particulars  | As at 30-09-05 | As at March 31 |               |              |               |               |
|--|----------------|----------------|---------------|--------------|---------------|---------------|
|  |                | 2005           | 2004          | 2003         | 2002          | 2001          |
| Profit Before Tax (excluding Extra-ordinary Items) | <b>237.58</b>  | <b>523.93</b>  | <b>320.70</b> | <b>72.12</b> | <b>313.65</b> | <b>174.66</b> |
| 20% of Net Profit before Tax                       | 47.52          | 104.79         | 64.14         | 14.42        | 62.73         | 34.93         |
| Other Income for the Year                          | 7.09           | 18.94          | 15.18         | 74.02        | 29.90         | 9.47          |
| <b>Other Income Details</b>                        |                |                |               |              |               |               |
| <b>a. Recurring from Business Activities</b>       |                |                |               |              |               |               |
| <b>Sub-Total (a)</b>                               | -              | -              | -             | -            | -             | -             |
| <b>b. Non-recurring from Business Activities</b>   |                |                |               |              |               |               |
| Scrap sales  | 7.00           | 13.35          | 11.15         | 21.44        | 13.77         | 4.38          |
| <b>Sub-Total (b)</b>                               | <b>7.00</b>    | <b>13.35</b>   | <b>11.15</b>  | <b>21.44</b> | <b>13.77</b>  | <b>4.38</b>   |
| <b>c. Income from Financial Activities</b>         |                |                |               |              |               |               |
| Interest Received                                  | 0.09           | 5.59           | 4.03          | 52.58        | 13.13         | 5.09          |
| <b>Sub-Total (c)</b>                               | <b>0.09</b>    | <b>5.59</b>    | <b>4.03</b>   | <b>52.58</b> | <b>13.13</b>  | <b>5.09</b>   |
| <b>d. Income from Investing Activities</b>         |                |                |               |              |               |               |
| Dividend Income on Investments                     | -              | -              | -             | -            | 3.00          | -             |
| <b>Sub-Total (d)</b>                               | -              | -              | -             | -            | <b>3.00</b>   | -             |
| <b>Total (a+b+c+d)</b>                             | <b>7.09</b>    | <b>18.94</b>   | <b>15.18</b>  | <b>74.02</b> | <b>29.90</b>  | <b>9.47</b>   |

Note: The classification of Other Income by Management into recurring and non-recurring is based on the current operations and business activities of the Company

**Annexure - XVII**
**1. DETAILS OF RESERVES AND SURPLUS**
**Rs. In Lacs**

| <b>Particulars</b>                 | <b>30-09-05</b> | <b>31-03-05</b> | <b>31-03-04</b> | <b>31-03-03</b> | <b>31-03-02</b> | <b>31-03-01</b> |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Capital Reserve                    | 16.71           | 16.71           | 16.71           | 16.71           | 16.71           | 16.71           |
| Capital Redemption Reserve         | -               | -               | -               | -               | -               | -               |
| General Reserve                    | 673.04          | 673.04          | 623.04          | 100.54          | 60.54           | 879.14          |
| Investment Allowance Reserve       | -               | -               | -               | -               | -               | -               |
| Debenture Redemption Reserve       | -               | -               | -               | 472.50          | 472.50          | 472.50          |
| Revaluation Reserve                | -               | -               | -               | -               | -               | -               |
| Surplus in Profit and Loss Account | 244.05          | (33.64)         | (51.47)         | (53.89)         | 94.20           | 224.14          |
| <b>Total</b>                       | <b>933.80</b>   | <b>656.11</b>   | <b>588.28</b>   | <b>535.86</b>   | <b>643.95</b>   | <b>1,592.49</b> |

## 2. FINANCIAL INFORMATION OF UNLISTED GROUP COMPANIES:

### (i) NCL ENERGY LTD

The Company was incorporated in the year 1998. The Authorised Share Capital of the Company is Rs 1700 lacs. The main object of the Company is to carry on the business of development, generation, purchase, accumulation, transmission, distribution, sale and supply of electric power in all branches, at places public or private and to construct, lay down, establish, operate, maintain, develop power stations, cable wires, lines, accumulators, lighting equipments, transformers and all types of electrical works and equipments at the place or places contemplated by the license or otherwise.

#### Promoters of the Company

- K Ravi
- K Madhu
- K Jagdeesh Reddy
- NCL Industries Ltd

#### Board of Directors as on 31<sup>st</sup> January 2006.

| Name                   | Designation              |
|------------------------|--------------------------|
| Mr K Jayabharath Reddy | Chairman                 |
| Mr K Ravi              | Managing Director        |
| Mr S.S. Raju           | Executive Director       |
| Mr. K Madhu            | Director                 |
| Mr K Jagdeesh Reddy    | Director                 |
| Mr M Kanna Reddy       | Director                 |
| Mr M Bhaskara Rao      | Director-IREDA's Nominee |

#### Shareholding Pattern as on 30<sup>th</sup> June, 2005

| Name                                 | Number of Shares   | % to Total Capital |
|--------------------------------------|--------------------|--------------------|
| K Ravi                               | 2,88,450           | 1.85               |
| K Madhu                              | 3,96,900           | 2.55               |
| K Jagdeesh Reddy                     | 5,40,000           | 3.46               |
| NCL Industries Ltd                   | 13,00,000          | 8.34               |
| M/s APIDC Limited                    | 5,00,000           | 3.21               |
| Promoter friends, relatives & others | 1,25,62,150        | 80.59              |
|                                      | <b>1,55,87,500</b> | <b>100.00</b>      |

#### Financial Performance

(Rs. in Lacs except per share data)

| Particulars                                  | March 31,<br>2005 | March 31,<br>2004 | March 31,<br>2003 | March 31,<br>2002 |
|--|-------------------|-------------------|-------------------|-------------------|
| Total Income                                 |                   |                   |                   |                   |
| - Income from Operations                     | 415.38            | Nil               | Nil               | 417.03            |
| - Other Income                               | 7.19              | 23.70             | 31.52             | 21.86             |
| Profit After Tax                             | (236.14)          | (446.05)          | (558.98)          | 134.56            |
| Shareholders Fund                            | 1600.93           | 1326.93           | 886.40            | 885.25            |
| Reserves<br>(excluding revaluation reserves) | 25.00             | -                 | -                 | 82.74             |
| Networth                                     | 407.02            | 305.92            | 357.87            | 885.25            |
| Earnings Per Share (EPS) (Rs)                | -                 | -                 | -                 | 1.72              |
| Net Asset Value (NAV) per share (Rs)         | 2.61              | 3.04              | 4.57              | 11.29             |



**Other Details:**

|   |     |
|---|-----|
| Public or rights Issue in the preceding three years   | No  |
| Whether the company has become a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up | No  |
| Whether the company has made a loss in the immediately preceding year and if so, the profit or loss figures for the immediately preceding three years   | Yes |

There are no defaults in meeting any statutory/bank/institutional dues except for the following dues to IREDA.

**Rs. in Lacs**

| Quarter ended  | Overdue Interest and Liquidated Damages | Installments due |
|----------------|---|------------------|
| March 2005     | 104.84                                  | 73.20            |
| June 2005      | 112.02                                  | 73.20            |
| September 2005 | 119.59                                  | 73.20            |
| December 2005  | 126.16                                  | 73.20            |

**(ii) NCL ALLTEK & SECCOLOR LTD (Formerly Alltek Coating Products Ltd)**

The Company was originally incorporated in the year 1986 under the name M/s NCL Finance & Leasing Ltd and subsequently changed its name to NCL Alltek Ltd in the year 1991. The Company subsequently on 13<sup>th</sup> February 1996 changed its name to M/s Alltek Coating Products Ltd As per the Rehabilitation cum Amalgamation Scheme of NCL Seccolor Limited approved by BIFR, NCL Seccolor Limited stands merged with Alltek Coating Products Ltd with effect from April 1<sup>st</sup>, 2002. Further, in the year 2003 the company changed its name to "NCL Alltek & Seccolor Ltd". The Authorised Share Capital of the Company is Rs 1500 lacs. The main object of the Company is manufacturing of Spray plasters, Paints & Steel/GI rolled sections for doors, windows and partitions.

**Promoters of the Company**

- K Madhu
- K Ravi
- V V Goradia
- G D L S N Raju

**Board of Directors as on 30<sup>th</sup> June 2005.**

| Name                   | Designation        |
|------------------------|--------------------|
| Mr K Jayabharath Reddy | Chairman           |
| Mr. K Madhu            | Managing Director  |
| Mr K Ravi              | Director           |
| Mr V Sudaresan         | Director           |
| Mr K.S. Narayana Rao   | Director           |
| Mr G.D.L.S.N Raju      | Director           |
| Mr K A Reddy           | Executive Director |
| Mr Bimal V Goradia     | Executive Director |

**Shareholding Pattern as on 30<sup>th</sup> June, 2005**

| Name                         | Number of Shares | % to Total Capital |
|------------------------------|------------------|--------------------|
| K Madhu                      | 45,257           | 1.82               |
| K Ravi                       | 46,805           | 1.88               |
| K S Narayana Rao             | 5,385            | 0.22               |
| Bimal Goradia                | 3,875            | 0.16               |
| G D L S N Raju               | 18,112           | 0.73               |
| Promoter friends & relatives | 9,86,689         | 39.66              |
| IDBI                         | 2,96,650         | 11.93              |
| IFCI                         | 1,49,950         | 6.03               |
| UTI                          | 44,525           | 1.79               |
| Public                       | 8,90,378         | 35.79              |
|                              | <b>24,87,626</b> | <b>100.00</b>      |

**Financial Performance**
**(Rs in Lacs except per share data)**

| Particulars                                  | March 31, 2005 | 6 months ended<br>March 31, 2004 | 18 months ended<br>September 30, 2003 | March 31, 2002 |
|--|----------------|----------------------------------|---------------------------------------|----------------|
| Total Income                                 |                |                                  |                                       |                |
| - Income from Operations                     | 4604.93        | 1816.52                          | 4165.41                               | 676.43         |
| - Other Income                               | 30.02          | 9.97                             | 87.15                                 | 14.05          |
| Profit After Tax                             | 305.43         | 57.92                            | 172.34                                | 46.78          |
| Shareholders Fund                            | 665.66         | 527.38                           | 525.60                                | 147.90         |
| Reserves<br>(excluding revaluation reserves) | 416.90         | 278.62                           | 276.83                                | 67.90          |
| Networth                                     | 664.60         | 521.20                           | 516.86                                | 131.48         |
| Earnings Per Share (EPS) (Rs)                | 12.28          | 2.33                             | 6.93                                  | 5.85           |
| Net Asset Value (NAV) per share (Rs)         | 26.71          | 20.95                            | 20.78                                 | 16.44          |

**Other Details:**

|   |    |
|---|----|
| Public or rights Issue in the preceding three years   | No |
| Whether the company has become a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up | No |
| Whether the company has made a loss in the immediately preceding year and if so, the profit or loss figures for the immediately preceding three years   | No |

**Note:**

NCL Seccolor Ltd., was incorporated in the year 1986 and commenced its commercial production in the year 1989. Due to the reasons beyond its control, the operations of the Company resulted in losses and networth of the Company was completely eroded, consequently a reference was made to BIFR U/s. 15 of the Industrial Companies (Special Provisions) Act, 1985. BIFR at its hearing held on 12.05.1994 declared the Company as a sick Company.

BIFR sanctioned a Rehabilitation Scheme on 03.12.1996, envisaging settlement of dues of Financial Institutions and Banks. However Company could not fulfill the OTS obligations, consequently BIFR declared the scheme as failed and confirmed the opinion for winding up of the Company, at its hearing held on 11.10.2000.

Both the company and its employees union preferred an appeal before AAIFR against the order of the BIFR. Then AAIFR had sanctioned a fresh scheme of Rehabilitation, envisaging settlement of entire dues of Financial Institutions and Banks. The Company had complied with terms of OTS to a large extent. However, it faced a short fall in the internal generations due to its underperformance and it could not mobilize the funds for the balance amount required under the Scheme.

To facilitate discharge of the balance liabilities under the OTS and also to ensure sustained availability of funds for operations, the Rehabilitation Scheme was sought to be modified to include merger of the Company with Alltek Coating Products Ltd.

At the hearing held on 17.03.2003, BIFR directed the Company to prepare a detailed scheme of merger proposal along with a rehabilitation scheme. Accordingly a suitably modified scheme was submitted by the Company.

Finally BIFR accorded its sanction to the scheme vide its order dated 20.11.2003. As per the sanctioned scheme 1 share of Face Value of Rs.10/- each of Alltek Coating Products Ltd., was allotted for every 4 fully paid equity shares of the face value of Rs.10/- each held by the Equity Shareholders of erstwhile NCL Seccolor Ltd. Accordingly 12,87,626 shares of Alltek Coating Products Ltd., were allotted to the share holders of NCL Seccolor Ltd.

After merger the name of the combined entity was changed to NCL Alltek & Seccolor Ltd.

Consequent to the merger the performance of the combined entity is healthy and the Company has paid dividends @ 20% for 2002 – 03, @ 20% for 2003 – 04 and 25% dividend was declared for the year 2004 – 05.

**(iii) Nagarjuna Cerachem Pvt. Ltd**

The Company was incorporated in the year 2001. M/s Nagarjuna Cerachem Pvt. Ltd is a company engaged in manufacture of Zirconium based on chemicals. The company has set up a project to manufacture Zirconium Hydroxide by obtaining technical know how from Nuclear Fuel Complex, Hyderabad. The project has an installed capacity to manufacture 660 TPA of Zirconium Hydroxide at Andhra Pradesh. The Authorised Share Capital of the company is Rs 5.00 lacs.

**Promoters of the Company**

- K Ravi

**Board of Directors as on 30<sup>th</sup> June 2005.**

| Name                   | Designation |
|------------------------|-------------|
| Mr K Ravi              | Director    |
| Mr A R Raju            | Director    |
| Mr Swapan Guha         | Director    |
| Mr N S V B Varma       | Director    |
| Mr V V S G Prasada Rao | Director    |
| Ms Roopa               | Director    |
| Mr P Ramalinga Raju    | Director    |

**Shareholding Pattern as on 30<sup>th</sup> June, 2005**

| Name         | Number of Shares | % to Total Capital |
|--------------|------------------|--------------------|
| Mr K Ravi    | 10,000           | 100.00             |
| <b>Total</b> | <b>10,000</b>    | <b>100.00</b>      |

**Financial Performance**
**(Rs in Lacs except per share data)**

| Particulars                               | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|----------------|----------------|----------------|
| Total Income                              |                |                |                |
| - Income from Operations                  | 54.83          | 8.48           | Nil            |
| - Other Income                            | 0.71           | Nil            | Nil            |
| Profit After Tax                          | Nil            | Nil            | Nil            |
| Shareholders Fund                         | 166.84         | 135.79         | 92.66          |
| Reserves (excluding revaluation reserves) | Nil            | Nil            | Nil            |
| Networth                                  | 67.12          | 108.36         | 71.96          |
| Earnings Per Share (EPS) (Rs)             | -              | -              |                |
| Net Asset Value (NAV) per share (Rs)      | -              | -              | -              |

**No Profit and Loss Account has been prepared as the Company has not yet commenced Commercial Production.**

**Other Details:**

|   |    |
|---|----|
| Public or rights Issue in the preceding three years   | No |
| Whether the company has become a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up | No |
| Whether the company has made a loss in the immediately preceding year and if so, the profit or loss figures for the immediately preceding three years   | No |

**(iv) Blue Valley Developers Private Limited**

The Company was incorporated in the year 1995. The Authorised Share Capital of the Company is Rs 1 lac. The main object of the Company is to purchase, own, lease or otherwise acquire, land, plots, building and develop them into Residential plots, construct houses, flats, commercial complexes, resorts and sell, hire, lease or otherwise deal with such properties of the Company.

**Board of Directors as on 30<sup>th</sup> June 2005.**

| Name              | Designation |
|-------------------|-------------|
| B S Rama Raju     | Director    |
| N V Krishnam Raju | Director    |

**Shareholding Pattern as on 30<sup>th</sup> June, 2005**

| Name                         | Number of Shares | % to Total Capital |
|------------------------------|------------------|--------------------|
| B S Rama Raju                | 4,700            | 47.00              |
| N V Krishnam Raju            | 4,700            | 47.00              |
| Promoter friends & relatives | 600              | 6.00               |
|                              | <b>10,000</b>    | <b>100.00</b>      |

**Financial Performance**
**(Rs. in Lacs except per share data)**

| Particulars                               | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|----------------|----------------|----------------|
| Total Income                              |                |                |                |
| - Income from Operations                  | 7.49           | 9.33           | 10.45          |
| - Other Income                            | 2.01           | 1.57           | 0.89           |
| Profit After Tax                          | 2.52           | 1.73           | 0.62           |
| Shareholders Fund                         | 8.62           | 6.10           | 4.37           |
| Reserves (excluding revaluation reserves) | 7.62           | 5.10           | 3.37           |
| Networth                                  | 8.45           | 5.87           | 4.08           |
| Earnings Per Share (EPS) (Rs)             | 25.17          | 17.30          | 6.20           |
| Net Asset Value (NAV) per share (Rs)      | 84.47          | 58.71          | 40.78          |

**Other Details:**

|   |    |
|---|----|
| Public or rights Issue in the preceding three years   | No |
| Whether the company has become a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up | No |
| Whether the company has made a loss in the immediately preceding year and if so, the profit or loss figures for the immediately preceding three years   | No |

**(v) NCL Homes Limited**

The Company was originally incorporated in the year 1995 under the name of Vamsee Developers Pvt. Ltd. The name was subsequently changed to NCL Homes Private Ltd in the year 1998. Subsequently the name was changed to NCL Homes Ltd in the year 2000. The Authorised Share Capital of the Company is Rs 300 lacs. The main object of the Company is to purchase, own, lease or otherwise acquire, land plots, building and develop them into Residential plots, construct houses, flats, commercial complexes, resorts and sell, hire, lease or otherwise deal with such properties of the Company.

**Board of Directors as on 30<sup>th</sup> September 2005.**

| Name                 | Designation       |
|----------------------|-------------------|
| P Satyanarayana Raju | Managing Director |
| K Madhu              | Director          |
| G Raghunadh          | Director          |

**Shareholding Pattern as on 30<sup>th</sup> September 2005**

| Name                         | Number of Shares | % to Total Capital |
|------------------------------|------------------|--------------------|
| P Satyanarayana Raju         | 1,16,905         | 3.90               |
| K Madhu                      | 4,47,273         | 14.91              |
| G Radhunadh                  | 4,14,620         | 13.82              |
| Promoter friends & relatives | 20,21,202        | 67.37              |
|                              | <b>30,00,000</b> | <b>100.00</b>      |

**Financial Performance**
**(Rs. in Lacs except per share data)**

| Particulars                               | March 31, 2005 | March 31, 2004 | March 31, 2003 | March 31, 2002 |
|---|----------------|----------------|----------------|----------------|
| Total Income                              |                |                |                |                |
| - Income from Operations                  | 960.24         | 1051.02        | 304.72         | 115.61         |
| - Other Income                            | 2.33           | 2.15           | 0.16           | 15.25          |
| Profit After Tax                          | 46.83          | 55.70          | 17.31          | 21.00          |
| Shareholders Fund                         | 374.56         | 361.94         | 340.08         | 491.11         |
| Reserves (excluding revaluation reserves) | 74.56          | 61.94          | 40.08          | 23.46          |
| Networth                                  | 374.40         | 361.74         | 339.83         | 490.82         |
| Earnings Per Share (EPS) (Rs)             | 1.55           | 1.86           | 0.58           | 0.70           |
| Net Asset Value (NAV) per share (Rs)      | 12.48          | 12.06          | 11.33          | 16.36          |

**Other Details:**

|   |    |
|---|----|
| Public or rights Issue in the preceding three years   | No |
| Whether the company has become a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up | No |
| Whether the company has made a loss in the immediately preceding year and if so, the profit or loss figures for the immediately preceding three years   | No |

**(vi) Kakatiya Chemicals Private Ltd**

The Company was originally incorporated in the year 1979. The Authorised Share Capital of the Company is Rs 100 lacs. The main object of the Company is to carry on the business of Manufacturers and dealers in all types of fine and pharmaceutical chemicals.

**Board of Directors as on 30<sup>th</sup> June 2005**

| Name         | Designation |
|--------------|-------------|
| K Durga Devi | Director    |
| K Ravi       | Director    |
| K S N Raju   | Director    |

**Shareholding Pattern as on 30<sup>th</sup> June, 2005**

| Name                      | Number of Shares (FV Rs.100/-) | % to Total Capital |
|---------------------------|--------------------------------|--------------------|
| Mr K Ravi                 | 3221                           | 80.30              |
| Persons Acting in Concert | 790                            | 19.70              |
| <b>Total</b>              | <b>4,011</b>                   | <b>100.00</b>      |

**Financial Performance**
**(Rs. in Lacs except per share data)**

| Particulars                                 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|----------------|----------------|----------------|
| Total Income                                |                |                |                |
| - Income from Operations                    | 120.39         | 111.45         | 122.39         |
| - Other Income                              | 28.40          | 4.88           | 4.83           |
| Profit After Tax                            | 28.59          | 0.93           | (4.08)         |
| Shareholders Fund                           | 96.83          | 59.29          | 36.64          |
| Reserves (excluding revaluation reserves)   | 26.46          | (2.13)         | (3.06)         |
| Networth                                    | 96.83          | 59.29          | 36.64          |
| Earnings Per Share (EPS) (FV Rs 100)        | 712.86         | 23.22          | -              |
| Net Asset Value (NAV) per share (FV Rs 100) | 2414.11        | 1478.24        | 913.56         |

**Other Details:**

|   |    |
|---|----|
| Public or rights Issue in the preceding three years   | No |
| Whether the company has become a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up | No |
| Whether the company has made a loss in the immediately preceding year and if so, the profit or loss figures for the immediately preceding three years   | No |

**(vii) Deccan Nitrates Private Ltd**

Deccan Nitrates Private Limited was originally incorporated in the year 1977 to process effluents of M/s. Nuclear Fuel Complex, Hyderabad. Till April 2001, the company was in operation, thereafter suspended all its processing activities. The final product of the company was Sodium Nitrate, used mainly in Glass Industries, Explosives manufacturing and in the manufacture of Potassium Nitrate. The Authorised Share Capital of the company is Rs. 15.00 lacs.

**Board of Directors as on 30<sup>th</sup> June 2005.**

| Name          | Designation |
|---------------|-------------|
| K Ravi        | Director    |
| Bimal Goradia | Director    |

**Shareholding Pattern as on 30<sup>th</sup> June, 2005**

| Name                         | Number of Shares | % to Total Capital |
|------------------------------|------------------|--------------------|
| K Ravi                       | 450              | 3.94               |
| Bimal Goradia                | 80               | 0.70               |
| Promoter friends & relatives | 10,885           | 95.36              |
| <b>Total</b>                 | <b>11,415</b>    | <b>100.00</b>      |

**Financial Performance**
**(Rs in Lacs except per share data)**

| Particulars                                 | March 31, 2005 | March 31, 2004 | March 31, 2003 | March 31, 2002 |
|---|----------------|----------------|----------------|----------------|
| Total Income                                |                |                |                |                |
| - Income from Operations                    | Nil            | Nil            | Nil            | 6.02           |
| - Other Income                              | 2.84           | 1.55           | 2.77           | 2.62           |
| Profit After Tax                            | 1.86           | (1.75)         | (0.02)         | (5.17)         |
| Shareholders Fund                           | 25.46          | 25.41          | 27.16          | 27.17          |
| Reserves (excluding revaluation reserves)   | 14.04          | 13.99          | 15.74          | 15.76          |
| Networth                                    | 25.46          | 25.41          | 27.16          | 27.17          |
| Earnings Per Share (EPS) (FV Rs 100)        | 0.46           | -              | -              | -              |
| Net Asset Value (NAV) per share (FV Rs 100) | 223.03         | 222.57         | 237.90         | 238.02         |

**Other Details:**

|   |    |
|---|----|
| Public or rights Issue in the preceding three years   | No |
| Whether the company has become a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up | No |
| Whether the company has made a loss in the immediately preceding year and if so, the profit or loss figures for the immediately preceding three years   | No |



**(viii) Shamji Bhanji & Co. (Proprietorship Firm)**

Mr Vinodrai V Goradia is the proprietor of Shamji Bhanji & Co. which is engaged in trading of Chemicals.

The details of the proprietorship concern is as given below:

(Rs. in lacs)

| Particulars  | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|--------------|----------------|----------------|----------------|
| Capital      | 3.61           | 5.66           | 5.30           |
| Total Income | 2.06           | 1.73           | 2.11           |

**Other relevant details about the group companies:**

1. The Promoters have not disassociated themselves from any of the companies / firms during preceding three years.
2. There are no sales or purchase between companies in the Promoters' group, wherein such sales or purchases exceed in value in the aggregate 10% of the total sales or purchases of the Issuer Company. The material items of income or expenditure arising out of transactions in the Promoters' group are disclosed under "Related Party Disclosures" as mentioned under Annexure XIII of the Auditors' Report appearing on page 68 of this Letter of Offer.

**3. CHANGE IN ACCOUNTING POLICIES IN THE LAST THREE YEARS:**

There has been no change in the Accounting Policies during the last three years.

**4. UNAUDITED WORKING RESULTS**

- i. Information relating to the Company sales, gross profit etc. as required by the Ministry of Finance Circular No. F2/5/SE/76 dated February 5, 1977 read with the amendments of even No. dated March 8, 1977 is as under:

Unaudited Working Results for the period beginning from April 1, 2005 (i.e. the last date of the balance sheet and profit and loss account sent to the shareholders) and ending on February 28, 2006.

| Particulars                                 | Rs. in Lacs. |
|---|--------------|
| Sales                                       | 10811.00     |
| Other Income                                | 14.00        |
| Profit before Interest Depreciation and Tax | 1413.00      |
| Interest                                    | 475.00       |
| Profit before Depreciation and Taxes        | 938.00       |
| Depreciation                                | 427.00       |
| Profit before Tax                           | 511.00       |

- ii. Save as stated in the Letter of Offer, there are no material changes and commitments, which are likely to affect the financial position of the Company since September 30, 2005 (i.e. last date up to which audited information is incorporated in the Letter of Offer)

iii.

a) Week end prices of Equity shares of the Company for the last four weeks on the BSE are as below:

| Week ended on                  | Closing Rate BSE (Rs.) |
|--------------------------------|------------------------|
| 3 <sup>rd</sup> March 2006     | 22.55                  |
| 24 <sup>th</sup> February 2006 | 24.70                  |
| 17 <sup>th</sup> February 2006 | 23.80                  |
| 10 <sup>th</sup> February 2006 | 21.40                  |

- b) As per the notice no. 20060220-23, issued by the BSE, the transactions in the equity shares of the Company would be done on an ex-rights basis with effect from February 27 2006 The closing price of the Equity Shares of the Company on the BSE on February 27, 2006 was Rs 22.60 per equity share (ex-rights price).

- c) Highest and Lowest price of the equity share of the Company on BSE in the last four weeks were:

**BSE**

|      | Market Price | Date              |
|------|--------------|-------------------|
| High | 26.45        | February 21, 2006 |
| Low  | 20.45        | February 10, 2006 |

**4. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE:**

Following selected financial data have been prepared in accordance with Indian Accounting Standards, in conjunction with the financial statements and related notes and "Management Discussions and Analysis". The audited financial statements have been prepared in Indian Rupees and have been prepared in accordance with Indian Accounting Standards for the financial years 2003, 2004 and 2005. For detailed financial statements, prepared in accordance with Indian Accounting Standards, as required by Guidelines, please refer, "Auditors Report" of this Letter of Offer.

**Overview of the Business**

The Company is one of the earliest mini cement plants in the country, located at Mattapally, Nalgonda District, Andhra Pradesh. The plant commenced its commercial operations in February 1984. It markets its cement under the Brand Name "Nagarjuna Cement", which has acquired an image as one of the known brands for cement in the Coastal Andhra Pradesh. Over the period, the company has diversified into manufacture of cement bonded particle boards, which are marketed under the brand name "Bison Panel". The Company also has set up a facility at Jeedimetla, Hyderabad in 1994 for manufacturing pre-fabricated structures using the unique track and panel system.

The business of the company now consists of three distinct divisions, namely the Cement Division, Boards Division and Prefab Division.

**Significant developments subsequent to last financial year:**

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

**Factors that may affect the results of operations**

Significant changes in the cost of power, fuel or transportation charges, variations in the selling price of cement due to over-supply in the market or fall in demand, are the factors which may affect the results of operations of the cement division. As for the Boards and the Prefab Divisions, advent of new or substitute products and their relative pricing and market response to the products are the factors that may affect the results operations.

**STATEMENT OF PROFITS AND LOSSES AS RESTATED**
**Rs. In lacs**

| Particulars                                  | For the Half<br>Year ended Sep<br>30, 2005 | For the Year ended March 31 |                 |                 |                 |
|--|--|-----------------------------|-----------------|-----------------|-----------------|
|  |  | 2005                        | 2004            | 2003            | 2002            |
| <b>Income</b>                                |  |                             |                 |                 |                 |
| Sale of Products manufactured by the Company | 4,820.40                                   | 9,224.19                    | 7,134.46        | 7,149.10        | 7,310.80        |
| Sale of Products traded by the Company       |  |                             |                 | 44.62           | 72.36           |
| <b>Total</b>                                 | <b>4,820.40</b>                            | <b>9,224.19</b>             | <b>7,134.46</b> | <b>7,193.72</b> | <b>7,383.16</b> |
| Less: Duties & Taxes                         | 981.99                                     | 1,794.73                    | 1,455.57        | 1,335.57        | 1,088.29        |
| <b>Net Sales</b>                             | <b>3,838.41</b>                            | <b>7,429.46</b>             | <b>5,678.89</b> | <b>5,858.15</b> | <b>6,294.87</b> |
| Other Income                                 | 7.09                                       | 18.94                       | 15.18           | 74.02           | 29.90           |
| Increase / (Decrease) in Stocks              | 263.07                                     | 95.97                       | 106.62          | (199.93)        | 129.43          |
| <b>Total Income</b>                          | <b>4,108.57</b>                            | <b>7,544.37</b>             | <b>5,800.69</b> | <b>5,732.24</b> | <b>6,454.20</b> |
| <b>Expenditure</b>                           |  |                             |                 |                 |                 |
| Raw Material Consumed                        | 2,670.31                                   | 4,837.70                    | 3,410.39        | 3,489.21        | 3,650.87        |
| Employee Costs                               | 261.73                                     | 489.29                      | 471.97          | 477.53          | 423.20          |
| Other Manufacturing Expenses                 | 82.81                                      | 186.17                      | 109.35          | 109.97          | 171.78          |

|  |                 |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Administration Expenses                                    | 173.73          | 344.93          | 217.07          | 218.28          | 274.69          |
| Selling & Distribution Expenses                            | 192.63          | 353.48          | 332.67          | 422.58          | 546.97          |
| <b>Total Expenditure</b>                                   | <b>3,381.21</b> | <b>6,211.57</b> | <b>4,541.45</b> | <b>4,717.57</b> | <b>5,067.51</b> |
| <b>Profit before Interest and Depreciation &amp; Taxes</b> | <b>727.36</b>   | <b>1,332.80</b> | <b>1,259.24</b> | <b>1,014.67</b> | <b>1,386.69</b> |
| <b>Interest</b>  | <b>256.74</b>   | <b>357.07</b>   | <b>492.21</b>   | <b>506.58</b>   | <b>666.82</b>   |
| <b>Depreciation</b>  | <b>233.04</b>   | <b>451.80</b>   | <b>446.33</b>   | <b>435.97</b>   | <b>406.22</b>   |
| <b>Net Profit before Tax &amp; Extra-ordinary Items</b>    | <b>237.58</b>   | <b>523.93</b>   | <b>320.70</b>   | <b>72.12</b>    | <b>313.65</b>   |
| Loss on sale of Investments                                | -               | -               | -               | -               | 5.21            |
| Loss on sale of Assets                                     | 0.04            | 11.38           | -               | -               | 5.88            |
| Miscellaneous Exp. Written-off                             | 1.98            | 8.46            | 9.95            | 9.95            | 8.71            |
| Prior Year Adjustments                                     | 10.11           | (13.93)         | (20.40)         | (50.01)         | (8.94)          |
| <b>Total of Extra-ordinary Items</b>                       | <b>12.13</b>    | <b>5.91</b>     | <b>(10.45)</b>  | <b>(40.06)</b>  | <b>10.86</b>    |
| <b>Net Profit after Extra-ordinary Items</b>               | <b>225.45</b>   | <b>518.02</b>   | <b>331.15</b>   | <b>112.18</b>   | <b>302.79</b>   |
| Fringe Benefit Tax   | 3.96            |                 |                 |                 |                 |
| Provision for Taxation - Current                           |                 | 189.96          | 25.46           | 8.62            | 23.10           |
| Provision for Taxation - Deferred                          | -               | 75.87           | 177.12          | (0.56)          | 5.19            |
| <b>Total Provision for Taxation</b>                        | <b>3.96</b>     | <b>265.83</b>   | <b>202.58</b>   | <b>8.06</b>     | <b>28.29</b>    |
| <b>Net Profit after Tax</b>                                | <b>221.49</b>   | <b>252.19</b>   | <b>128.57</b>   | <b>104.12</b>   | <b>274.50</b>   |
| <b>Adjustments (Net of Tax)</b>                            | <b>(56.20)</b>  | <b>(0.70)</b>   | <b>(61.17)</b>  | <b>120.68</b>   | <b>36.63</b>    |
| <b>Net Profit after Adjustments</b>                        | <b>277.69</b>   | <b>252.89</b>   | <b>189.74</b>   | <b>(16.56)</b>  | <b>237.87</b>   |

#### **First Six Months (April – September) of 2005 and 2004**

##### **Revenue:**

There has been a small increase in Gross sales from Rs 4811.66 lacs to Rs 4820.40 lacs during the first six months of FY 2005-06 compared to corresponding period of FY 2004-05. During this period, Cement market has evinced severe market competition resulting lower realization. However, the other products of the Company have gained good demand and better realization. Boards Division revenue increased by 24% from Rs 1030.08 lacs to Rs 1280.76 lacs and Prefab Division revenue increased by 30% from Rs 547.13 lacs to Rs 709.16 lacs.

##### **Expenditure:**

Total Expenditure increased by about 4% and the increase is due to increase in production & dispatches and increase in input costs.

##### **Profit before Interest, Depreciation and Tax (PBIDT):**

Despite lower price realization for cement and increase in input costs, with improved turnover of other Divisions Profit before Interest, Depreciation, extra-ordinary items and Taxation has been at Rs 727.36 lacs.

#### **FINANCIAL YEAR 2005 and 2004**

##### **Revenue:**

Gross sales increased by 29.29% to Rs 9224.19 lakhs in FY 2005 from Rs 7134.46 lakhs in FY 2004. Net Sales increased by 30.82% to Rs 7429.46 lakhs in FY 2005 from Rs 5678.89 lakhs in FY 2004. Good demand for all the products of the Company and better realization has contributed for improved turnover. The revenue from Cement segment increased by 26.88%; Board Division revenue increased by 28.32% and Prefab Division revenue increased by 57.97%. In FY 2005, Cement Division has recorded 100% capacity utilization (81% in FY 2004) and Boards Division has recorded 82% capacity utilization (68% in FY 2004).

##### **Expenditure:**

Total Expenditure increased by 36.77% to Rs 6211.57 lakhs in FY 2005 from Rs 45141.45 lacs in FY 2004. The increase is due to increase in production & dispatches of all the three divisions. Cement Division production increased by 22.96%, Boards Division production increased by 20.72% and Prefab Division production increased by 41.58%.

**Depreciation:**

Depreciation increased from Rs 446.33 lakhs in FY 2004 to Rs 451.80 lakhs in FY 2005. Increase in depreciation charge in 2004-2005 over that of 2003-04 is the effect of installation of Cement Mill and implementation of balance Energy Efficiency Equipment.

**Profit before Interest, Depreciation and Tax (PBIDT):**

Despite increase in input costs, with improved turnover Profit before Interest, Depreciation, extra-ordinary items and Taxation has increased by 5.84% from Rs 1259.24 lakhs for the FY 2004 to Rs 1332.80 lakhs in FY 2005.

**Net Profit:**

Net Profit after adjustments has increased by 33.28% to Rs.252.89 lakhs in FY 2005 from Rs. 189.74 lakhs in FY 2004. Interest cost has come down by 27.45% in FY 2005 compared to FY 2004 due to reduction in rate of interest by Banks as well as public deposits and replacement of high cost debt with lower one.

**FINANCIAL YEAR 2004 and 2003****Revenue:**

There has been a small reduction in gross sales from Rs 7193.72 lakhs in FY 2004 to Rs 7134.46 lakhs in FY 3 despite Rs 376 lakhs fall in Prefab Turnover. The revenue of Cement segment has increased by over 3% from Rs 4705.33 lakhs to Rs 4864.39 lakhs. Boards Division Production increased by 11% and Gross sales increased by 9.6%.

**Expenditure:**

The cost of production, particularly in the Power and Fuel front was lower compared to the previous year. As against 110.52 units of consumption of power per ton of cement in FY 2003, 99.82 units only have been consumed in FY 2004 which is a saving of 10.7%. Accordingly Fuel also, as against 22.3% of Coal consumption per ton of cement in FY 2003, it was only 19.4% in FY 2004.

**Profit before Interest, Depreciation and Tax (PBIDT):**

Profit before Interest, Depreciation, extra-ordinary items and Taxation has increased by over 24% from Rs 1014.67 lakhs to Rs 1259.24 lakhs for the FY 2004.

**Net Profit:**

Net Profit after adjustments has increased to Rs.189.74 lakhs in FY 2004 from net loss of Rs. 16.56 lakhs in FY 2003.

**FINANCIAL YEAR 2003 and 2002****Revenue:**

There has been a small reduction in gross sales by about 2.6% from Rs 7383.16 lakhs in FY 2002 to Rs 7193.72 lakhs in FY 2003 in spite of increased sales volume in Cement and Boards Divisions, mainly due to lower selling prices. The revenue of Cement segment has increased by 7.42% from Rs 4380.40 lakhs to Rs 4705.33 lakhs. The Company sold 2,42,078 MT of cement in FY 2003 as against 1,93,992 MT in FY 2002, an increase of 25%.Boards Division sales volume increased by 11%. However, due to reduction in selling prices by 18%, the Gross sales have come down by 9% from 1813.68 lakhs in FY 2002 to Rs 1643.26 lakhs in FY 2003.

**Expenditure:**

The cost of production, particularly in the Power and Fuel front was lower compared to the previous year. As against 115.84 units of consumption of power per ton of cement in FY 2002, it was only 110.52 units in FY 2003.

**Profit before Interest, Depreciation and Tax (PBIDT):**

Profit before Interest, Depreciation, extra-ordinary items and Taxation has come down by 26.82% from Rs 1386.69 lakhs in FY 2002 to Rs 1014.67 lakhs for the FY 2004 which is mainly due to lower realization of cement prices.

**Net Profit:**

Due to fall in price realization of Cement & Boards, Rs 16.56 lakhs of Net Loss has been incurred after adjustments in FY 2003 as against a net profit of Rs 237.87 lakhs in FY 2002. The interest cost has come down by 24% due to reduction in the rate of interest by Banks as well as public deposits.

**An analysis of reasons for the changes in significant items of income and expenditure is given hereunder:****a. Unusual or infrequent events or transactions:**

There have been no unusual or infrequent transactions that have taken place during the last three years.

- b. **Significant Economic changes that materially affected or are likely to affect income from continuing operations:**  
The government's thrust on housing and infrastructure will have a direct bearing on the companies involved in manufacturing and marketing of cement and building materials. Any major changes in the policies of the Government may have a significant impact on the profitability of the company as applicable to Cement/Building Material Company.  
Except for the above, there are no significant economic changes that may materially affect or likely to effect the income from continuing operations.
- c. **Known trends or uncertainties that has or is expected to have a material adverse impact on sales, revenue or income from continuing operations:**  
Apart from the risks as disclosed under heading "RISK FACTORS" appearing on page vi of this Letter of Offer, there are no other known trends or uncertainties that have had or are expected to have a material adverse impact on revenue or income from continuing operations.
- d. **Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known:**  
Majority of the material and labour costs in cement industry are regulated by either State Government or Central Government. Any increase in these costs will have the impact on the selling prices or on the margins. However, in case of cement boards, most of the material costs are dependent on the market forces and selling price is dependent on the competing products. This may result in lower margins due to increase in costs.
- e. **The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices:**  
The increase in turnover is mainly on account of increase in sales volume.
- f. **Total turnover of each major industry segment in which the Company operated:**  
The company is operating in 3 segments mainly Cement, Cement Bonded Wood Particle Boards and Prefabricated Structures. Except for cement, there is no published data available since there is no other company manufacturing cement bonded particle boards. As regards to cement industry, the turnover of this company is negligible in comparison to the total cement industry turnover in India.
- g. **Status of any publicly announced new products or business segment:**  
The company has not announced any new product or segment.
- h. **The extent to which business is seasonal:**  
The business of the company is not seasonal in nature.
- i. **Any significant dependence on a single or few suppliers or customers:**  
The company markets a majority of its produce in Prefab Division to Defence and Para Military forces.
- j. **Competitive conditions**  
Cement is a competitive industry and is dependent on the economic cycles of the country. There are many competitors for Cement. But, due to the brand image and continuous upgradation of technology for reducing the cost of production, the company is able to sustain its operations. As regards to the Boards Division, there is only one more player where there are differences in the product itself making it as a nearest competitor.

## SECTION VI: LEGAL AND OTHER INFORMATION

### 1. OUTSTANDING LITIGATIONS, DEFAULTS AND MATERIAL DEVELOPMENTS

The company certifies that except as stated herein, there are no:

- Other pending litigations against the company.
- Outstanding litigations, defaults etc pertaining to matter likely to affect operations and finances of the company including prosecution under any enactment in respect of Schedule XIII of the Companies Act 1956 (1 of 1956).
- Such cases of pending litigations, defaults etc in respect of Companies/firms/ventures with which the promoters were associated in the past but are no longer associated, and their names continue to be associated with particular litigation.
- Disciplinary action/ investigation has been taken by Securities and Exchange Board of India (SEBI)/ Stock Exchanges against the Company, its directors , promoters and their other business ventures (irrespective of the fact whether or not they fall under the purview of section 370(1B) of the Companies Act 1956.
- Cases against the Company or its Promoters of economic offences in which penalties were imposed on promoters.
- Pending litigations, defaults, non payment of Statutory dues, proceedings initiated for economic offences/civil offences, any disciplinary action taken by the Board /Stock Exchanges against the Company/Promoters and their business ventures/ Directors other than those mentioned in this Letter of Offer and that no litigations have arisen after the issue of SEBI's Observation letter and the Company and its Directors take full responsibility of the information mentioned in the Letter of Offer.
- Major creditors having an outstanding balance for more than six months as on 31<sup>st</sup> December 2005 is Rs 73.87 lacs.

#### (A) **OUTSTANDING LITIGATION INVOLVING NCL INDUSTRIES LIMITED**

##### **FILED AGAINST THE COMPANY:**

##### **1. Pertaining to Statutory Laws:**

##### **i. Pertaining to Central Excise & Sales Tax**

| <b>S.No.</b> | <b>Case No. &amp; Cause Title</b>  | <b>Court / Authority</b>                    | <b>Case History</b>   |
|--------------|--|---|---|
| 1.           | Appeal No. 22/2004<br>NCL Industries Ltd. V/s.<br>Commissioner of Central<br>Excise, Hyd - III | High Court of Andhra<br>Pradesh, Hyderabad. | This case relates to the company's claim for refund of excess payment of excise duty for July – September 1991 to the tune of Rs.34,57,044/- allowed on merits. Instead of paying the amount to the Company, the Department credited the amount to the consumer welfare fund on the ground of unjust enrichment vide order dated 03.11.1995. On appeal filed by the Company, the Commissioner (Appeals) remanded the case to the Asst. Commissioner with a direction to verify the facts. After verification, an order of refund of an amount of Rs.29,22,000/- was passed by the Asst. Commissioner after adjusting Rs.5,34,044/- towards Excise Duty on Sales to Industrial Consumer and refunded the amount of Rs.29,22,000/-. On appeal by the Department, the orders of the Asst. Commissioner was set aside and allowed the Department Appeal. The Company further appealed in CEGAT, Southern Bench, which dismissed the Company's appeal. On further appeal by the Company in the High Court of A.P. vide Central Excise Appeal No.22/2004, the High Court of Andhra Pradesh, stayed the above CEGAT Order. |



|    |  |  |   |
|----|--|--|---|
| 2. | Appeal No. 71/2005/H-4 CE  | Commissioner of Appeals, Central Excise, Hyderabad           | This is an appeal against the order of the Addl. Commissioner Central Excise confirming the demand for payment of Excise Duty of Rs.20,33,397/- for prefab erections at various locations during the period March 2002 to August 2004. Appeal pending adjudication.   |
| 3. | Appeal No. 667/2001 & 668/2001   | Sales Tax Appellate Tribunal, Andhra Pradesh.                | These Appeals are against the orders of the Assessing Authority treating use of the stocks of HSD Oil in the hired tippers as deemed sales and also on purchases of Iron Ore on 'C' form basis and levying sales tax on an estimated turnover of Rs.21,07,820/- & Rs.2,32,350/- amounting to Rs.4,26,030/- and also penalty of Rs.50,000/-. The appeals are pending adjudication.               |
| 4. | Appeal No. 669/2001  | Sales Tax Appellate Tribunal, Andhra Pradesh.                | Appeal against levy of Sales Tax of Rs.15,160/- on consignment sales outside the state and Rs.87,400/- on export sales. The appeal is pending adjudication.   |
| 5. | Appeal No. 670/2001 & 671/2001   | Sales Tax Appellate Tribunal, Andhra Pradesh.                | Appeal against the levy of penalty of Rs.9,76,773/- for the year 1997-98 and Rs.8,09,769/- for the year 1998-99 against the alleged use of HSD Oil purchased at concessional rate of tax for purposes other than permitted under the rules. The amounts have been paid under protest. The appeals are pending adjudication.   |
| 6. | Appeal No. 672/2001  | Sales Tax Appellate Tribunal, Andhra Pradesh.                | Appeal against a levy of penalty of Rs.16,88,236/- for alleged delayed payment of sales tax for August, 1999. An amount of Rs.4 lakhs has been deposited against the levy under appeal. The appeal is pending adjudication.   |
| 7. | Appeal No. A/129/2002-03   | Appellate Dy. Commissioner, Commercial Tax, Hyderabad Rural. | Appeal against assessment levying sales tax of Rs.6,22,000/- on works contract. Appeal allowed and case remanded to CTO, Kodad, and is pending.   |
| 8. | Writ Petition No. 27712 of 2000<br>NCL Industries Ltd.<br>C/s. APTRANSCO | High Court of Andhra Pradesh                                 | Writ Petition challenging levy of additional voltage surcharge on an arbitrary and irrational basis. The Hon'ble Court stayed the levy on the condition of deposit of 1/3 <sup>rd</sup> of the amount demanded. The total demand up to March 2005 covered by the Writ Petition is Rs.406.81 Lakhs, against which an amount of Rs.135.60 Lakhs has been deposited as per the order of the Court. |

## ii. Pertaining to Income Tax

| S. No | Case No & Cause Title                 | ASSESSING AUTHORITY           | Case History   |
|-------|---------------------------------------|-------------------------------|--|
| 1     | Appeal No 612/HYD/02<br>Co. No.8/4/03 | Income Tax Appellate Tribunal | This appeal has been filed by the Dy. Commissioner of Income Tax against the order of CIT (Appeals) upholding the Company's contentions challenging disallowance of claims/expenses to the tune of Rs. 61.16 lakhs in respect of the Assessment Year 1998-99. The appeal is pending hearing. |



## 2. Pertaining to Civil Cases:

| S. No | Case No & Cause Title  | ASSESSING AUTHORITY  | Case History  |
|-------|--|--|---|
| 1     | Case No 802/98<br>Tamil Nadu Finance Ltd.<br>vs. NCL Industires Ltd.<br>and others | City Civil Court, Chennai                                  | The Plaintiff in this case claimed ownership of 1300 shares, which stood registered in some other name, Transfer of the above shares was earlier effected by the company against a properly lodged instrument of transfer. The Court has passed orders declaring the Plaintiff to be the true owner of the shares. There have been no directions issued to the company. The Company has filed an appeal before the City High Court, Chennai on 14 <sup>th</sup> December 2005 to set-aside the ex-party order of the Court.   |
| 2     | Case No. 57 of 21-02-2005,<br>Inderjit Sahni vs.<br>NCL Industries Ltd.            | District Consumer<br>Disputes Redressal<br>Forum, Bhatinda | A complaint alleging delay in effecting transfer of shares, seeking compensation and costs. There was no delay in the transfer of shares, but it was a case of the share certificates posted to the complainant returned by the postal authorities with a note that the addressee is not available. The complaint was allowed by the District Consumer Redressal Forum, Bathinda (Punjab) on 07.06.2005 with a direction to the company to pay compensation of Rs.10,000/- and Rs.2,000/- towards costs to the complainant. The company has filed an appeal in the State Forum on February 6, 2006 and has obtained a stay on the same till further Orders. |

### CASES FILED BY THE COMPANY

#### 1. Pertaining to Statutory Cases:

| S. No                           | Case No & Cause Title   | ASSESSING AUTHORITY  | Case History  |
|---------------------------------|---|--|---|
| 1.                              | <b>NALA TAX</b><br>MRO, Mattapalli Mandal<br>Nalgonda Dist. No: V565794<br>& V575894 Dt:17/01/1995. | HIGH COURT OF ANDHRA<br>PRADESH WP.NO. 2075<br>& 2076 of 1995. | The Company filed Writ Petition against the order of MRO – Mattampally, Nalgonda Dist., levying Nala Tax of Rs.12,29,183/- in respect of Mines Area. The same was allowed in the High Court in Company's favour in order Dt:15/6/2004. The Company applied for refund before the collector – Nalgonda., which is Pending.   |
| <b>2. MRT CESS ON LIMESTONE</b> |   |  |   |
|                                 | High Court of Andhra<br>Pradesh – Hyderabad<br>No.8980/1992.  | SUPREME COURT –<br>NEW DELHI. WP.No: 10889<br>– 10896 / 2002.  | The Company filed Writ Petition in the High Court of Andhra Pradesh during the year 1992 in Writ No.8980/1992 questioning the authority to levy MRT & Cess on Lime Stone to the tune of Rs.50 Lacs. The Writ was dismissed in batch during the year 1996. Since another company's (Deccan Cements) case was pending before the Supreme Court, the Company also filed a Special Leave Petition in Supreme Court which is tagged with Deccan Cements case on 17/12/2004., which is pending. |

| <b>3. NELLORE LAND CASE</b>     |  |   |  |
|---------------------------------|--|---|--|
|                                 | Revision Petition filed by MRO, Rapur Dt: 3/09/1991.                   | In the Court of Commissioner of Survey, Settlements and Land Records., Hyderabad – AP vide No.B1/78/98. | The Company Purchased 300 acres of Patta Lands in Ravi Gundlapally Village of Rapur Mandal, Nellore Dist. The District Revenue Officials raised an issue of doubt regarding the pattas and filed a revision petition before the Commissioner of Survey & Settlement – Hyderabad. The Commissioner allowed the petition in order Dt:13/3/1998. Against the above order., the Company filed an appeal in Vide No: V1/78/98 which is pending before the Commissioner of Land Revenue. The monetary value is not ascertainable here. |
| <b>4. CUSTOMS CASE – MUMBAI</b> |  |   |  |
|                                 | Asst. Collector of Customs, Mumbai Vide No:S/5-338/90 – CC Dt:19/8/91. | CEGAT – Western Zone, Mumbai Vide No :C/1634, 1644/92.  | <p>The Company paid extra customs duty of 10.7% amounting to Rs. 29,47,144.00 under Protest during the year 1990 towards the import of Boards Plant &amp; Machinery. The Company carried the appeal to Commissioner (Appeals) and the CEGAT – Western Bench – Mumbai.</p> <p>The Company got favorable order in order No.C1634-C1644/92A Dt:13/04/2005 from CEGAT, Western Bench. The Company since applied for refund of the above extra customs duty with Mumbai Customs, which is pending.</p>                                |

## 2. Civil Cases Filed By The Company:

| S. No                        | Case No & Cause Title | ASSESSING AUTHORITY                        | Case History   |
|------------------------------|-----------------------|--|--|
| <b>INDIAN HOTELS:</b>        |                       |  |  |
| 1                            | Civil Suit No:        | Civil Court – Hyderabad                    | Civil Suit filed for the recovery of Rs.52,000.00 for the supplies made to the party. Civil suit has been decreed in Company's favour and the Company has yet to receive the order copy of the same.           |
| <b>MANIPUR POLICE:</b>       |                       |  |  |
| 2                            | No. 1283/2003         | IIInd Additional Judge – Civil Court, HYD. | The Company filed Civil Suit for the recovery of Rs.4,09,000.00 being pending payment towards supplies of Pre-Fabricated Structures. The same is pending before the IIInd Additional Judge – Civil Court, HYD. |
| <b>INFOTECH ENTERPRISES:</b> |                       |  |  |
| 3                            | No: 138/036           | IIInd Additional Judge – Civil Court, HYD. | The Company filed Civil Suit for the recovery of Rs.16,00,000.00 against the Breach of Contract by the Party. The same is pending before the IIInd Additional Judge – Civil Court, HYD.                        |

### 3. Criminal Cases Filed By The Company:

| S. No                   | Case No & Cause Title  | ASSESSING AUTHORITY                 | Case History   |
|-------------------------|--|-------------------------------------|--|
| <b>CLARION EXPORTS:</b> |  |                                     |  |
| 1                       | IV <sup>th</sup> Metropolitan Magistrate – Hyderabad. Appeal No: 454/98. | High Court of Andhra Pradesh – HYD. | The Company filed a Criminal Complaint under section 138 of Negotiable Instruments Act in the Lower Court against the bounced cheque for Rs. 5,00,000.00 issued by M/s. Clarion Exports – Vijayawada, which was dismissed. The Company Appealed in the High Court of Andhra Pradesh against the above order of the Lower Court which is pending in the High Court of Andhra Pradesh. |

#### **Outstanding Litigations involving Promoters/Directors**

There are no outstanding litigations, disputes, defaults, non-payment of statutory dues, overdues to banks and/or FIs, defaults against banks and/or FIs, proceedings initiated for economic/civil/any other offences (including past cases where penalties may/may not have been awarded and irrespective of whether they are specified under paragraph (1) of Part (1) of Schedule XIII of Companies Act 1956 against Promoters/Directors of NCL Industries Ltd.

#### **Outstanding Litigations involving Promoters' Group Companies**

Except as stated herein, there are no criminal, securities, statutory or other litigations against any of the Group/Associate Companies. There are no outstanding litigations, disputes, penalties including tax liabilities economic offence, criminal/civil prosecutions for any offence irrespective of whether specified under any enactment in paragraph (1) of Part (1) of schedule XIII of Companies Act 1956 against the Group companies / Associate Concerns promoted by the Promoters.

There are no outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of the Company including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956).

The promoters, their relatives as per Companies Act, 1956, Issuer, Group Companies, Associate Companies are not detained as willful defaulters by RBI/ Government authorities and there are no violations of securities laws committed by them in the past or pending against them.

### 1. NCL ALLTEK & Seccolor Ltd (Formerly Alltek Coating Products Ltd)

#### **Filed by NCL ALLTEK & Seccolor Ltd**

#### **i. Pertaining to Statutory Cases:**

| S. No. | Case No | Court/Authority before whom pending                      | Brief Description  |
|--------|---------|--|--|
| 1      | ...     | Sales Tax Appellate Tribunal, Andhra Pradesh, Hyderabad. | Sales Tax Assessment under Andhra Pradesh General Sales Tax Act (APGST) for the year 1998 - 99 was revised by the Dy. Commissioner (C.T), on the ground that the Steel Rolled Sections (Profiles) manufactured by the Company are unclassified goods and liable to be taxed at the rate mentioned in the Residual Schedule. Aggrieved by the order of the Dy. Commissioner an appeal was filed before Sales Tax Appellate Tribunal, contending that Steel Rolled Sections (Profiles) falls under entry 2 (V) of the III Schedule to the APGST Act and liable to be taxed at the Rate prescribed under that Schedule. Amount of Tax involved is Rs 5,60,230/-. Appeal is pending hearing. |

| <b>S. No.</b> | <b>Case No</b> | <b>Court/Authority before whom pending</b>                               | <b>Brief Description</b>  |
|---------------|----------------|--|---|
| 2             | ...            | Sales Tax Appellate Tribunal, Andhra Pradesh, Hyderabad.                 | Sales Tax Assessment under Andhra Pradesh General Sales Tax Act (APGST) for the year 1999-2000 was revised by the Dy. Commissioner (C.T), on the ground that the Stell Rolled Sections (Profiles) manufactured by the Company are unclassified goods and liable to be taxed at the rate mentioned in the Residual Schedule. Aggrieved by the order of the Dy. Commissioner an appeal was filed before Sales Tax Appellate Tribunal, contending that Steel Rolled Sections (Profiles) falls under entry 2 (V) of the III Schedule to the APGST Act and liable to be taxed at the Rate prescribed under that Schedule. Amount of Tax involved is Rs 14,27,918/-. Appeal is pending hearing. |
| 3             | A/260/03-04    | Appellate Deputy Commissioner of commercial taxes, Secunderabad Division | Commercial Tax Officer, Nampally Circle, passed Assessment order for the year 2001- 2002 under Central Sales tax Act, classifying the Surface Coating Materials i.e. Spray Plasters manufactured by the company as Paints covered by Entry 8 of the VI Schedule to the APGST Act. Aggrieved by the order of the CTO, company preferred an appeal before Dy. Commissioner Appeals, Secunderabad Division. Amount of Tax involved is Rs 1,03,978/-. Appeal is pending hearing.  |
| 4             | 886/2004       | Sales Tax Appellate Tribunal, Andhra Pradesh, Hyderabad.                 | Deputy Commissioner (C.T), revised the Sales Tax Assessment for the year 1999-2000 under APGST Act, classifying the Surface Coating Materials i.e. Spray Plasters manufactured by the company as Paints covered under entry 8 of the VI Schedule to the APGST. Aggrieved by the order of the Dy. Commissioner, Company preferred an Appeal before Sales Tax Appellate Tribunal. Amount of Tax involved is Rs 7,82,641/-. Appeal is pending hearing.   |
| 5             | ...            | Sales Tax Appellate Tribunal, Andhra Pradesh, Hyderabad.                 | Deputy Commissioner (C.T), revised the Sales Tax Assessment for the year 1999-2000 under CST Act, classifying the Surface Coating Materials i.e. Spray Plasters manufactured by the company as Paints covered under entry 8 of the VI Schedule to the APGST. Aggrieved by the order of the Dy. Commissioner, Company preferred an Appeal before Sales Tax Appellate Tribunal. Amount of Tax involved is Rs 1,16,771/- Appeal is pending hearing.  |

**ii. Pertaining to Criminal Cases:**

| <b>S. No.</b> | <b>Case No</b> | <b>Court/Authority before whom pending</b>        | <b>Brief Description</b>  |
|---------------|----------------|---|---|
| 1             | 1654/2004      | II Addl. Chief Metropolitan Magistrate, Hyderabad | Cheque issued by M/s. Abhinav Construction for Rs. 3,00,000/- against supply of material has been bounced due to insufficiency of funds. Hence a criminal petition was filed before II Addl. Chief Metropolitan Magistrate for offence under section 138 & 142 of the Negotiable Instruments Act. |

|   |           |   |   |
|---|-----------|---|---|
| 2 | ...       | II Addl. Chief Metropolitan Magistrate, Hyderabad | Cheque issued by M/s. Esar Builders for Rs. 50,000/- against supply of material has been bounced due to insufficiency of funds. Hence a criminal petition was filed before II Addl. Chief Metropolitan Magistrate for offence under section 138 & 142 of the Negotiable Instruments Act.            |
| 3 | 1132/2004 | II Addl. Chief Metropolitan Magistrate, Hyderabad | Three Cheques of Rs.50,000/- each issued by M/s. Rohini Decors against supply of material have been bounced due to insufficiency of funds. Hence a criminal petition was filed before II Addl. Chief Metropolitan Magistrate for offence under section 138 & 142 of the Negotiable Instruments Act. |
| 4 | 1450/2004 | II Addl. Chief Metropolitan Magistrate, Hyderabad | A Cheque issued by M/s. Associated Engineers for Rs. 2,20,000/- against supply of material has been bounced due to insufficiency of funds. Hence a criminal petition was filed before II Addl. Chief Metropolitan Magistrate for offence under section 138 & 142 of the Negotiable Instruments Act. |
| 5 | ...       | II Addl. Chief Metropolitan Magistrate, Hyderabad | A Cheque issued by M/s. Sethi Brothers for Rs. 2,00,000/- against supply of material has been bounced due to insufficiency of funds. Hence a criminal petition was filed before II Addl. Chief Metropolitan Magistrate for offence under section 138 & 142 of the Negotiable Instruments Act.       |

## 2. NCL ENERGY LTD

*Filed by NCL Energy Ltd*

**Pertaining to Statutory Laws:**

**Income Tax**

| S.No | Parties  | Authority before which pending                | Brief Particulars of case   | Status             | Amount Rs . lakhs  |
|------|--|---|---|--------------------|--|
| 1    | Income Tax Officer, WARD 2(2), Hyderabad                   | Hon'ble CIT (Appeals) Hyderabad               | Appeal is preferred contesting the additions made to the income in the Assessment order of the ITO for the A Y 2001 – 02.   | Pending            | 40.44  |
| 2    | Andhra Pradesh Electricity Regulatory Commission Hyderabad | Appellate Tribunal for Electricity, New Delhi | An appeal is filed against the Tariff order dated 20.03.2004 in R P No.84/2003 in O.Pno.1075/2000 as modified by the order dated 07.07.2004 in review petition R.P.No: 5 / 2004 passed by the APERC<br><br>Filed as batch petition along with the other companies | Listed on 15.09.05 | As the case is related to the tariff, an exact amount cannot be determined |

### 3. NAGARJUNA CERACHEM PVT. LTD

Filed by Nagarjuna Cerachem Pvt. Ltd

- **Pertaining to Civil Laws:**

| S. No | Parties  | Authority before which pending       | Brief Particulars of case   | Amount Rs. lakhs |
|-------|--|--------------------------------------|---|------------------|
| 1     | Nagarjuna Cerachem Pvt. Ltd v/s GAIL (India) Ltd | Supreme Court, Appeal No. 26233/2004 | <p>The Company entered into an agreement with Gas Authority of India Ltd. (GAIL) for supply of 10,000 standard cubic meters per day (SCMD) of gas by the latter on a fall back basis. Later, the company sought permission for assignment of the part of the rights for utilization of the gas to NCL Industries Ltd. Unconnected with the above request, GAIL sought an amendment to the agreement as to include a Minimum Guaranteed Off-take Clause, which was not agreed to by the company. GAIL threatened steps for cancellation of gas allocation if the amended agreement is not signed.</p> <p>The Company filed a Writ Petition before the Andhra Pradesh High Court praying for declaration of the proposed steps for cancellation of gas allocation as illegal, and pending disposal of the Petition, seeking interim directions for supply of gas by GAIL on the terms and conditions contained in the original agreement. The Prayers for the interim directions was allowed by the High Court.</p> <p>Upon appeal by GAIL, the Division Bench of the Andhra Pradesh High Court set aside the orders of the Single Judge, stating that the matter ought to be referred to Arbitrator in terms of the Arbitration Clause in the Agreement, and dismissed the original Writ Petition.</p> <p>Aggrieved by the above order of the Division Bench, the Company preferred Special leave Petition before the Supreme Court of India, which passed interim orders directing supply of 80% of 2000 SCMD of gas by GAIL subject to agreed terms.</p> <p>The Special Leave Petition before the Supreme Court is pending final disposal.</p> | Not Quantifiable |



## MATERIAL DEVELOPMENTS SUBSEQUENT TO LAST BALANCE SHEET

There are no material changes affecting the performance and prospects of the Company since the latest Balance Sheet for the period ending 31.03.2005. All known and identified liabilities have been acknowledged and accounted for and necessary disclosures made in the Letter of Offer.

**THE DIRECTORS OF THE COMPANY IN THEIR OPINION HEREBY STATE THAT THERE IS NO MATERIAL DEVELOPMENT AFTER THE DATE OF THE LAST FINANCIAL STATEMENTS DISCLOSED IN THE LETTER OF OFFER WHICH IS LIKELY TO MATERIALLY AND ADVERSELY AFFECT OR IS LIKELY TO AFFECT THE TRADING OR PROFITABILITY OF THE COMPANY OR THE VALUE OF ITS ASSETS, OR ITS ABILITY TO PAY ITS LIABILITIES WITHIN THE NEXT TWELVE MONTHS.**

### Merger of NCL Energy Limited with the Company

The Board has in principle agreed to consider the proposal of the merger and formed a Committee of Directors to examine various implications of the proposal, the Share Exchange Ratio based on the valuation exercise and to make its recommendations to the Board.

The Board also decided to seek the consent of the lenders of the Company for the proposed merger, before taking a formal decision in the matter.

### Amounts due to Small Scale undertakings

The name of the small scale undertakings to whom the company owes a sum exceeding Rs. 1 lakh which is outstanding more than 30 days as on 31<sup>st</sup> December 2005 is as follows:

1. Viplav Industries – Rs 2.28 lacs
2. Ideal Industrial Explosives Ltd – Rs 4.54 lacs

## 2. GOVERNMENT APPROVALS & LICENSING ARRANGEMENTS:

The Company has received necessary licenses, permissions and approvals from the Central and State Governments and other government agencies/certification bodies required for its business and no further material approvals are required by the company for carrying on the present business activities of the Company. It must, however, be distinctly understood that in granting the above approvals, the Government and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

In view of the approvals listed below, the Company can undertake its current business activities and no further material approvals are required from any statutory authority to continue such activities.

The following statement sets out the details of licenses, permissions and approvals taken by the Company under various Central and State Laws for carrying out its business.

### Cement Division & General Licenses:

| Sr. No. | Issuing Authority                         | Registration / License No.         | Nature of Registration/License   | Validity / Date      |
|---------|---|------------------------------------|--|----------------------|
| 1       | Inspector of Factories                    | 33665                              | License to Work a factory, Simhapuri, Mattampally, Nalgonda              |                      |
| 2       | Central Power Distribution Co. of A.P.Ltd | NLG-209-HT                         | Additional supply of power from 1500 KVA to 3500 KVA                     |                      |
| 3       | Central Power Distribution Co. of A.P Ltd | NLG-258                            | Additional supply of power from 300 KVA to 500 KVA                       |                      |
| 4       | Andhra Pradesh Pollution Control Board    | APPCB/PTN/13/HO/2004/A/74-622      | License to operate plant under Air Prevention & Control of Pollution Act | Applied for renewal. |
| 5       | Ministry of Coal & Mines                  | MS/AP/NLG/Lst /69/SZ dt 27/02/2003 | Mattapally Mine  | 31.02.2008           |



|    |   |   |  |                      |
|----|---|---|--|----------------------|
| 6  | Ministry of Mines                                     | AP/NLG/MP/LST-1/HYD   | Approval of Scheme of Mining for Sultanpur Tanda Limestone Mine                            | 28.01.2010           |
| 7  | Ministry of Mines                                     | AP/NLG/MP/Lst-31/HYD  | Sultanpur Tanda, Limestone Mine, Mattampally Mandal  |                      |
| 8  | Central Power Distribution Company of A.P. Ltd        | CGM (Coml)/DE(C)/ADE 1/Restoration of CMD/D. No. 2515/04. dt 27/11/2004 | Restoration of Power from 3500 KVA to 5000 KVA   | NIL                  |
| 9  | Bureau of Indian Standards                            | CM/L-2023123  | BIS Certification Marks for OPC 53 Gr Cement   | 30.09.2006           |
| 10 | Bureau of Indian Standards                            | CM/L-6310449 vide Lr. No. MDH/2253/L-6310449 dt: 07.01.2005             | BIS Certification Marks for Fly ash based Portland Pozzolana Cement                        | 31.12.2006           |
| 11 | Department of Explosives – South Circle               | AP 2471/E dt 14.05.2004   | License to Manufacture ANFO Explosives at site, Gundapally, Nalgonda                       | 31.03.2006           |
| 12 | Department of Explosives – South Circle               | AP 1175/(a) E dt 06.07.1993   | License to Manufacture ANFO Explosives at site, Mettapally, Nalgonda                       | 31.03.2007           |
| 13 | Department of Explosives – South Circle               | AP 3358 dt 10.01.2003   | License to Manufacture ANFO Explosives at site, Mattapally, Nalgonda                       | Applied for renewal. |
| 14 | Department of Explosives – South Circle               | P-12 (4) 2213/AP 4900   | License to Import and store Petroleum in Installation                                      | Applied for renewal  |
| 15 | Department of Explosives – South Circle               | E-25 (4) 1160 AP 1985/E   | License to manufacture /possess/use and sell authorised Explosives at Gundapally, Nalgonda | 31.03.2006           |
| 16 | Department of Explosives – South Circle               | E-25 (4) 1738 AP 2587/E   | License to manufacture/ possess/use and sell authorised Explosives at Mattapally, Nalgonda | 31.03.2007           |
| 17 | Andhra Pradesh Pollution Control Board – Secunderabad | CFE/APPCB/HO/R00/CFE/2002/31-1152 dt 02.09.2002                         | Consent Order for Establishment for 900 TPD Cement   |                      |
| 18 | Indian Boilers Act                                    | 5060  | License to use HMT Boiler for Usage  | 01.06.2006           |

|    |  |  |   |                        |
|----|--|--|---|------------------------|
| 19 | Ministry of Industry   | 1739/SIA/IMO/2004<br>dt. 19/05/2004              | IEM application for<br>manufacture of Ordinary<br>Portland Cement &<br>Special Cements. | NIL                    |
| 20 | Chief Commissioner<br>of Income Tax (AP)   | AAACN7002L                                       | Permanent Account No.   |                        |
| 21 | Income Tax Department  | HYDN00025E                                       | Tax Deduction Account No.   |                        |
| 22 | Govt. of Andhra Pradesh,<br>Commercial Taxes Department                                    | 28220211162                                      | Value Added Tax<br>Registration Certificate   |                        |
| 23 | Govt. of Andhra Pradesh<br>Commercial Taxes Department                                     | ABS/03/1546/88-89                                | Central Sales Tax<br>Registration Certificate   |                        |
| 24 | Deputy Commissioner of<br>Central Excise – India   | AAACN7002LXM001                                  | Registration Certificate<br>of Central Excise at Nalgonda                               |                        |
| 25 | Superintendent (Service Tax)<br>Customs & Central Excise –<br>Hyderabad II Commissionerate | AAACN7002LST001                                  | Registration Certificate<br>of Service Tax  |                        |
| 26 | Andhra Pradesh Pollution<br>Control Board  | APPCB/PTN/84/HO/W/<br>2004/73-625 dt. 09/06/2004 | Consent to operate industrial<br>plant to discharge the effluents.                      | Applied<br>for renewal |

#### Boards Division/Prefabs

| Sr. No. | Issuing Authority                               | Registration / License No.                                   | Nature of Registration/License   | Validity / Date         |
|---------|---|--|--|-------------------------|
| 1       | Andhra Pradesh Pollution<br>Control Board       | APPCB/PTN/NGL/202/<br>RO/2003/A/317-530                      | Air (Prevention &<br>Control of Pollution)                                     | 30.06.2006              |
| 2       | Andhra Pradesh Pollution<br>Control Board       | APPCB/PTN/NGL/202/<br>ROW/2003/317-529                       | Water (Prevention &<br>Control of Pollution)                                   | 30.06.2006              |
| 3       | Andhra Pradesh Pollution<br>Control Board       | APPCB/PTN/NGL/166<br>/ROW/2003/312-548                       | Consent Order for<br>Operation-Boards  | Applied<br>for renewal. |
| 4       | Andhra Pradesh Pollution<br>Control Board       | APPCB/PTN/NGL/166/<br>RO/2003/A/312-549                      | Consent Order for<br>Operation -Stacks   | Applied<br>for renewal. |
| 5       | Inspector of Factories,<br>Nalgaonda            | 33741  | License to Work a<br>factory, Simhapuri,<br>Mattampally, Nalgonda              |                         |
| 6       | Bureau of Indian Standards                      | CM/L-6143254   | Use Of ISI Mark  | 15.12.2006              |
| 7       | Directorate General<br>of Technical Development | DGTD/HQ/B/S-15/<br>R-17032/C-30(iii)/NA/87<br>dt. 14/07/1987 | License to manufacture<br>Cement Boards at Mattapalli,<br>Huzurnager, Nalgonda | NIL                     |
| 8       | Ministry of Industry                            | 441/IIM/PROD/97<br>dt. 13/10/97                              | IEM (Lamination of Cement<br>Bonded Particle Board)                            | NIL                     |
| 9       | Ministry of Industry                            | SIA/IMO/2000 dt. 05/01/2000                                  | IEM (Prefabricated)  | NIL                     |
| 10      | Ministry of Mines                               | MS/AP/NLG/Lst/69/SZ<br>dt. 15.06.2005                        | Progressive Mine Closure Plan,<br>Gundapally Mine, Nalgonda                    | 15.06.2010              |
| 11      | Ministry of Mines                               | MS/AP/NLG/Lst-68-SZ<br>dt. 15.06.2005                        | Progressive Mine Closure Plan,<br>Mattapally Mine, Nalgonda                    | 15.06.2010              |

#### Government Approval / Licensing required for the Proposed project:

For the Proposed Energy Efficiency & Conservation Project in Cement Plant, at Matapally, Nalgonda District, Andhra Pradesh, the Company would require the following licenses/approvals/certificates:

1. Additional Coal from Industries Department
2. Inspector of Factories-Drawings Approval
3. Electrical Inspectorate Approval – For Additional Load.

**Out of the above, the Company has received approvals for the following licenses.**

| Sr. No. | Issuing Authority                             | Registration / License No.                           | Nature of Registration/License     | Validity / Date |
|---------|---|--|------------------------------------|-----------------|
| 1       | Ministry of Commerce & Industry               | IEM 3072/SIA/IMO/2005<br>dt. 28.06.2005              | Industrial Entrepreneur Memorandum | Nil             |
| 2       | Andhra Pradesh Pollution Control Board        | Kr-83/PCB/ZO-VJA/CFE /2005-1497 dt 07/11/2005        | Consent Order for Establishment    | Nil             |
| 3       | Southern Power Distribution Company of AP Ltd | CE/ZONE/VJA/ADE /AE-I/F.Doc/D.No 2483 dt. 20-02-2006 | Release of Power Supply            | Nil             |

For the Proposed Cement Grinding Unit at Kondapally, Krishna District, Andhra Pradesh, the Company would require the following licenses/approvals/certificates:

1. NOC from A P Pollution Control Board.
2. Industrial Entrepreneur Memorandum
3. Agreement with A.P. TRANSCO for Power Supply
4. Inspector of Factories-Drawings Approval
5. Electrical Inspectorate Approval
6. Application to the Government of Andhra Pradesh for Single Window Clearance for incentives and other permissions.
7. Layout approval from local administration (Gram Panchayat)

**Out of the above, the Company has received approvals for the following licenses.**

| Sr. No. | Issuing Authority               | Registration / License No.              | Nature of Registration/License     | Validity / Date |
|---------|---------------------------------|---|------------------------------------|-----------------|
| 1       | Ministry of Commerce & Industry | IEM 3647/SIA/IMO/2005<br>dt. 01.08.2005 | Industrial Entrepreneur Memorandum |                 |

For the Proposed Cement Bonded Particle Board Plant, Paonta Sahib, Himachal Pradesh, the Company would require the following licenses/approvals/certificates:

1. Industrial Entrepreneur Memorandum
2. Single Window Clearance

**Out of the above, the Company has received approvals for the following licenses.**

| Sr. No. | Issuing Authority                        | Registration / License No.                       | Nature of Registration/License     | Validity / Date |
|---------|--|--|------------------------------------|-----------------|
| 1       | Ministry of Commerce & Industry          | IEM 3236/SIA/IMO/2004<br>dt. 03.09.2004          | Industrial Entrepreneur Memorandum |                 |
| 2       | Director of Industries, Himachal Pradesh | Provisional registration No 02/10/474/Regn (L&M) | Single Window Clearance            |                 |

## Section VII: REGULATORY & STATUTORY DISCLOSURES

### Authority for the present issue

The Board of Directors of the Company (hereinafter referred to as "The Board") pursuant to the resolution passed at the Extra-Ordinary General Meeting held on 31<sup>st</sup> August 2005 have decided to offer 12,987,860 Equity Shares of Rs. 10/-each for cash at a premium of Rs. 8/- on Rights basis to the existing Equity Shareholders of the Company in the ratio of 4(four) Equity Share for every 5(five) Equity Shares held on Record Date i.e. March 6, 2006 aggregating to Rs 2337.81 Lakhs.

The present issue of Equity Shares is being made pursuant to the Board Resolution passed at the Board of Directors meeting held on July 27<sup>th</sup> 2005 for specific approval of the Rights Issue. The Letter of Offer has been approved at the Board meeting held on October 17, 2005.

### Prohibition by SEBI

The Company, its Promoters, its Directors or any of the Company's associates or group companies and companies with which the Directors of the Company are associated as Directors or Promoters, or Directors or Promoters in control of, of the promoting Company, are currently not prohibited from accessing the capital market under any order or direction passed by SEBI. The listing of any securities of the issuer has never been refused at any time by any of the Stock Exchanges in India or abroad. Further the Promoters, their relatives (as per Act), the Company, group companies, associate companies are not detained as willful defaulters by RBI / Government authorities.

### Eligibility for the issue

NCL Industries Limited is an existing company under the Act, whose equity shares are listed on BSE. It is eligible to offer this Rights Offer in terms of Clause 2.4.1 (iv) of the SEBI Guidelines. The Company, its Promoters, its Directors or any of the Company's associates or group companies have not been prohibited from accessing the capital market under any order or direction passed by SEBI. None of the Directors of the promoter company, have been prohibited from accessing the capital market under any order or direction passed by SEBI. Further the Promoters, their relatives (as per the Companies Act, 1956), the Company, group companies, associate companies are not detained as willful defaulters by RBI / Government authorities.

### Disclaimer Clause

**AS REQUIRED, A COPY OF THIS LETTER OF OFFER HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI). IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED/ CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI.**

**SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. THE LEAD MANAGER CENTRUM CAPITAL LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURE AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE OFFERER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER CENTRUM CAPITAL LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED NOVEMBER 12<sup>th</sup> 2005 WHICH READS AS FOLLOWS:**

- "1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE LETTER OF OFFER PERTAINING TO THE SAID OFFER;**
- 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 OFFER, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY;**

### WE CONFIRM THAT:

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

- b. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID OFFER AS ALSO THE GUIDELINES, INSTRUCTIONS ETC., ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;
- c. THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED OFFER;
3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID; AND

THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCE AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER(S) (MERCHANT BANKERS) ANY IRREGULARITIES OR LAPSES IN THE LETTER OF OFFER.

The Company may, if it deems necessary, get a part or whole of this Offer underwritten at any time prior to the Offer Closing Date.

#### **Caution**

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

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

#### **Disclaimer with respect to Jurisdiction**

This Offer is made in India to those whose names appear in the Register of Members as on the Record Date who are specifically addressed through a communication directly to, and who are eligible to apply for equity shares. No person other than a member as on the Record Date and those in favour of whom the shares offered to such member had been renounced by him shall apply for subscription in the equity shares offered through this document.

This Letter of Offer does not, however, constitute an offer to sell or an invitation to subscribe to the equity shares of the Company in any other jurisdiction to any person to whom it is unlawful to make an offer in such jurisdiction. Any person into whose possession this Letter of Offer comes is required to inform himself about and to observe any such restrictions

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

#### **Disclaimer Clause of the Stock Exchange**

##### **Disclaimer Clause of the BSE**

Bombay Stock Exchange Limited (hereinafter referred to as "the Exchange") has given vide its letter no. DCS/SMG/SDM/RK/NS/06 dated February 13, 2006 permission to the Company to use the Exchange's name in this Letter of Offer as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- (i) Warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or
- (ii) Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- (iii) Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

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



## Filing

The Letter of Offer was filed with SEBI, Mittal Court, “B” Wing, Nariman Point, Mumbai – 400021 for its observations. The final Letter of Offer will be filed with the Stock Exchange and SEBI. All the legal requirements applicable till the date of filing the Letter of Offer with the Stock Exchange and SEBI will be complied with.

## Listing

The existing equity shares of the Company are listed on Bombay Stock Exchange Ltd (BSE). The Company has made applications to the BSE for permission to deal in and for an official quotation in respect of the securities being offered in terms of this Letter of Offer.

The Company has received in-principle approval from BSE by letter no. DCS/SMG/SDM/RK/NS/06 dated February 13, 2006. The Company has passed resolution for de-listing of equity shares from The Calcutta Stock Exchange Association Limited (CSE) on July 28<sup>th</sup> 2003. No confirmation from CSE has been received till this date. The Company will not list the equity shares being issued in terms of this letter of offer on CSE.

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

## Impersonation

**As a matter of abundant caution, attention of the applicants is specifically drawn to the provisions of subsection (1) of Section 68A of the Companies Act, 1956 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”**

## CONSENTS

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, the Banker to the Issue, Bankers to the company; and (b) Lead Manager and Registrar to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Letter of Offer, with SEBI and such consents have not been withdrawn up to the time of delivery of this Letter of Offer for registration.

M/s. Prayaga & Co., Auditors of the Company, have given their written consent to the inclusion of their report in the form and context in which it appears in this Letter of Offer and such consent and report has not been withdrawn up to the time of delivery of this Letter of Offer.

To the best of our knowledge there are no other consents required for making this Issue. However, should the need arise, necessary consents shall be obtained by us.

## EXPERT OPINION

The Company has not obtained any expert opinions.

## ALLOTMENT LETTERS/REFUND ORDERS

The Company will issue and dispatch letters of allotment/share certificates and/ or letters of regret along with refund order or credit the allotted shares to the respective beneficiary accounts, if any, within a period of six weeks from the date of closure of the Issue. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under Section 73(2A) of the Act.

Letters of allotment/share certificates/refund orders above the value of Rs.1,500 will be dispatched by Registered Post/Speed Post to the sole/ first applicant’s registered address. However, refund orders for value not exceeding Rs. 1,500 shall be sent to the applicants under Postal Certificate. Such cheques or pay orders will be payable at par at all the centers where the applications were originally accepted and will be marked “A/c payee” and would be drawn in the name of the sole/first applicant. Adequate funds would be made available to the Registrar to the Issue for dispatch of the letters of allotment/share certificates/refund orders.

In case the Company issues letters of allotment, the corresponding share certificates will be kept ready within three months from the date of allotment or such extended time as may be approved by the Company Law Board under Section 113 of the Act or other applicable provisions, if any. Allottees are requested to preserve such letters of allotment, which would be exchanged later for the share certificates.

#### **CREDIT RATING**

This being an issue of equity shares, no credit rating is required. No ratings have been received by the Company for other securities/instruments in the last three years.

#### **EXPENSES OF THE ISSUE**

The expenses of the Issue include *interalia* underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

| <b>Activity</b>   | <b>Amount (Rs. In Lacs)</b> | <b>% of the total issue expenses</b> | <b>% of total issue size</b> |
|---|-----------------------------|--------------------------------------|------------------------------|
| Lead Managers Fees, Registrar Fees, Audit Fees & Consultancy Fees | 27,00,000                   | 44.26                                | 1.15                         |
| Printing & Stationery / Dispatch                                  | 17,00,000                   | 27.87                                | 0.73                         |
| Underwriting Commission*  | 12,00,000                   | 19.67                                | 0.51                         |
| Advertisement & marketing expenses                                | 5,00,000                    | 8.20                                 | 0.21                         |
| <b>TOTAL</b>  | <b>61,00,000</b>            | <b>100.00</b>                        | <b>2.61</b>                  |

\* Underwriting fees @ 1% on 50% of the Issue.

#### **FEES PAYABLE TO THE LEAD MANAGER**

The total fees payable to the lead manager will be as per the Memorandum of Understanding executed between the Company and the Lead Manager dated September 14<sup>th</sup> 2005 a copy of which is available for inspection at the Registered Office.

#### **FEES PAYABLE TO THE REGISTRAR TO THE ISSUE**

The fees payable to the Registrar to the Issue, M/s. Venture Capital and Corporate Investments Ltd will be as per the Memorandum of Understanding between the Company and the Registrar dated September 19<sup>th</sup> 2005 copy of which is available for inspection at the registered office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

#### **UNDERWRITING COMMISSION**

The underwriting commission will be payable @1% of the amount underwritten:-

#### **PREVIOUS PUBLIC OR RIGHTS ISSUE (DURING THE LAST 5 YEARS):**

The company has not made any issue during the last five years.

#### **PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH:**

For details please refer to section entitled 'Capital Structure' on page no. 7 of this Letter of Offer.

#### **Previous Rights & Public Issue by Group Companies in the last 3 years.**

There have not been any issuances by group companies in the last three years

#### **COMMISSION OR BROKERAGE ON PREVIOUS ISSUES:**

NCL Industries Ltd has paid an Underwriting commission @2.5% on 40,00,000 Equity Shares of Rs 10/- each offered for subscription to the public in the year 1990.

The Company has also paid Brokerage @1.5% on the nominal value of Equity Shares on the basis of Allotments.

#### **PARTICULARS IN REGARD TO NCL INDUSTRIES LTD AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370(1)(B) OF THE COMPANIES ACT, 1956 WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS**

Neither NCL Industries Ltd nor any other listed companies under the same management within the meaning section 370(1) (B) of the Companies Act, 1956 has made any capital issue during the last three years.



## PROMISE VIS-À-VIS PERFORMANCE:

### Issuer Company

#### PUBLIC ISSUE 1983

The Company had its maiden issue of 11,10,000 Equity Shares of Rs 10/- for cash at par aggregating Rs 111 lacs. The object of the Issue was to part finance the setting up the project for manufacture of 66,000 tonnes of Cement per annum at Mattapalli village, Andhra Pradesh and for meeting the expenses of the issue.

| Particulars                            |                                  |
|--|----------------------------------|
| Issue Opened on                        | November 25 <sup>th</sup> , 1982 |
| Issue Closed on                        | December 8 <sup>th</sup> 1982    |
| Date of Allotment                      | April 12, 1983                   |
| Date of listing on the Stock Exchanges | August 5 <sup>th</sup> 1983      |

#### PUBLIC ISSUE 1990

The Company came out with a Composite Issue of 82,00,000 Equity shares of Rs 10/- each for cash at par aggregating Rs 820 lacs with an option to retain over subscription upto 15% of the issue size during the year 1990. Out of 82,00,000 Equity shares, 40,00,000 Equity shares were offered for cash at par to the existing Equity shareholders of the Company on Right Basis in the ratio of two shares for one share held on the record date, 2,00,000 Equity shares of Rs 10/- each for cash at par to the Employees (including working directors), workers of the Company, 2,00,000 Equity shares of Rs 10/- each reserved for preferential allotment to employees (including Indian Working Directors) workers of the Company, 4,00,000 Equity shares of Rs 10/- each reserved for preferential allotment to the shareholders of NCL Seccolor Ltd, 15,00,000 Equity shares of Rs 10/- each reserved for preferential allotment to Unit Trust of India(UTI), SBI Mutual Fund/Canbank Mutual Fund and 19,00,000 Equity shares of Rs 10/- each for cash at par to the Indian Public to part finance the project, to broadbase the shareholding of the Company, to strengthen the long term working capital requirements of the Company and for meeting the expenses of the Issue. No promise / projections had been made in the said issue.

The details of the issue are as follows:

#### Particulars

|  |                               |
|--|-------------------------------|
| Issue Opened on                        | January 22 <sup>nd</sup> 1990 |
| Issue Closed on                        | February 2 <sup>nd</sup> 1990 |
| Date of Allotment                      | April 4 <sup>th</sup> 1990    |
| Date of listing on the Stock Exchanges | May 22 <sup>nd</sup> 1990     |

#### RIGHTS ISSUE 1992

The Company came out with a Rights Issue of 23,61,844 Equity Shares of Rs 10/- each aggregating to Rs 236.18 lacs vide Letter of Offer dated 23<sup>rd</sup> March 1992 with an option to retain over subscription to the extent of 15%. The object of the issue was to strengthen the Equity base and to meet the long term working capital requirements.

#### Actual Performance Vis-à-vis Projections in the Letter of Offer.

The actual performance as given in Letter of Offer are given hereunder:

(Rs. in Lacs)

| Particulars | 1992-1993 |         |            | 1993-1994 |         |             | 1994-1995 |          |             |
|-------------|-----------|---------|------------|-----------|---------|-------------|-----------|----------|-------------|
|             | Projected | Actual  | %variation | Projected | Actual  | % variation | Projected | Actual   | % variation |
| Sales       | 4384.00   | 3087.67 | (29.57)    | 4749.00   | 3635.47 | (23.45)     | 5061.00   | 4513.64  | (10.82)     |
| Cash Profit | 468.00    | 339.55  | (27.45)    | 636.00    | 213.65  | (66.41)     | 795.00    | (64.86)  | (108.16)    |
| Net Profit  | 179.00    | 129.01  | (27.93)    | 347.00    | 22.84   | (93.42)     | 506.00    | (399.67) | (178.99)    |

The performance below the projected levels was mainly due to delay in gaining market acceptance of the Cement Bonded Particle Board, which was an innovative product introduced for the first time in India at that time. Further, during that period the company took upon itself the task of reviving the erstwhile Klayman Porcelain Ltd., which was merged in the company as per the orders of BIFR. The effort and expenditure involved in the revival of a sick company also adversely affected the profitability resulting in a shortfall in the performance compared to projections.

The company is now long past the stage of sub-optimal performance witnessed during the period referred above. In view of the fact that the company has returned to an era of profitability and dividends over the last four years, the decade old experience of shortfall in performance is not likely to affect the present and future prospects.

The details of the issue are as follows:

| Particulars                            |                             |
|--|-----------------------------|
| Issue Opened on                        | April 25, 1992              |
| Issue Closed on                        | May 25, 1992                |
| Date of Allotment                      | July 13 <sup>th</sup> 1992  |
| Date of listing on the Stock Exchanges | August 7 <sup>th</sup> 1992 |

### OUTSTANDING DEBENTURES OR BOND ISSUE OR PREFERENCE SHARES

The Company has no outstanding debentures or bond issue or preference shares.

### STOCK MARKET DATA

The Company's shares are listed on Bombay Stock Exchange Limited (Designated Stock Exchange). As the shares are traded on BSE, the Company's stock market data has been given separately.

The high and low closing prices recorded on BSE for the preceding three years and the number of shares traded on the days the high and low prices were recorded are stated below:

#### BOMBAY STOCK EXCHANGE LIMITED:

On BSE, the last traded price on 29<sup>th</sup> July 2005, the working day after the Board Resolution was passed approving this Rights Offer, was Rs. 27.05 /- per share.

| Year ending March 31 | High (Rs.) | Date of High | Volume on date of high (No. of shares) | Low (Rs.) | Date of Low (No. of shares) | Volume on date of low | Average price for the year (Rs.) |
|----------------------|------------|--------------|--|-----------|-----------------------------|-----------------------|----------------------------------|
| 2003                 | 12.30      | Aug -19      | 363904                                 | 3.45      | April-16                    | 4160                  | 7.88                             |
| 2004                 | 27.55      | Nov-19       | 833694                                 | 5.50      | Mar-25                      | 23415                 | 16.53                            |
| 2005                 | 34.45      | July-15      | 1526870                                | 16.50     | Mar-28                      | 75461                 | 25.48                            |

Source: [www.bseindia.com](http://www.bseindia.com)

#### BOMBAY STOCK EXCHANGE LIMITED:

| Month          | High (Rs.) | Date of High | Volume on date of high | Low (Rs.) | Date of Low | Volume on date of low | Average price |
|----------------|------------|--------------|------------------------|-----------|-------------|-----------------------|---------------|
| August 2005    | 30.95      | Aug-31       | 1,62,346               | 24.55     | Aug-9       | 80,609                | 26,89,072     |
| September 2005 | 32.70      | Sept-8       | 3,24,995               | 22.30     | Sept.-23    | 1,13,416              | 29,36,075     |
| October 2005   | 25.85      | Oct -5       | 20,432                 | 18.20     | Oct - 31    | 11,000                | 5,58,562      |
| November 2005  | 24.00      | Nov-26       | 17,585                 | 19.95     | Nov-02      | 12,125                | 7,05,045      |
| December 2005  | 25.00      | Dec-02       | 1,00,144               | 19.65     | Dec-26      | 20,153                | 7,06,941      |
| January 2006   | 24.00      | Jan-09       | 62,326                 | 20.40     | Jan-31      | 42,972                | 7,99,673      |
| February 2006  | 26.45      | Feb-21       | 170134                 | 19.75     | Feb-2       | 30597                 | 14,09,774     |

Source: [www.bseindia.com](http://www.bseindia.com)

### INVESTOR GRIEVANCES AND REDRESSAL SYSTEM

During the financial year 2002-03, 19 complaints were received from the Shareholders, which were replied / resolved to the satisfaction of the Shareholders and no investor's complaint has remained unattended / pending. Further, during the financial year 2003-04, 26 complaints were received from the Shareholders, which were replied / resolved to the satisfaction of the Shareholders and there have been no complaints that have not been resolved to the satisfaction of the Shareholders. During the

financial year 2004-05, total 30 complaints were received from the Shareholders, which were replied / resolved to the satisfaction of the Shareholders and there have been no complaints that have not been resolved to the satisfaction of the Shareholders.

The transfer and other related work is handled by Venture Capital and Corporate Investments Ltd, Share Transfer Agents.

The Board of Directors of the Company assures that in respect of the complaints, if any to be received shall be adhered in the following schedules:

|    | <b>Nature of Complaint</b>                         | <b>Time Table</b>   |
|----|--|---|
| 1. | Non-receipt of refund                              | Within 15 days of receipt of complaint subject to production of satisfactory evidence |
| 2. | Change of Address Notification                     | Within 15 days of receipt of information  |
| 3. | Any other complaint in relation to Letter of Offer | Within 15 days of receipt of complaint with all relevant details                      |

The Company has appointed Mr B Subrahmanyam as Compliance Officer who would directly deal with SEBI officer with respect to implementation / compliance of various laws, rules, regulations and other directives issued by SEBI and matters related to investor complaints. The Investor may contact the Compliance Officer in case of any offer related problems. The Compliance officer would be available at the Registered office of the Company.

All grievances relating to the Issue may be addressed to the Registrars to the Issue giving full details such as Folio No., name and address of the first applicant, Application form Serial number, amount paid on application and the Bank Branch where the application was deposited, alongwith a photocopy of the acknowledgement slip. In case of renunciation, the same details of the renounee should be furnished.

#### **STATUS OF COMPLAINTS**

Total No. of complaints received during the last financial year 31.03.2005: 30

Total No. of complaints received up to 31.12.2005 : NIL

Status of the complaints: Resolved

No. of share holders' complaints outstanding as of date, 24.02.2006 :1

Time normally taken for disposal of various types of investor grievances: 15 days

#### **CHANGES IN AUDITORS IN THE LAST 3 YEARS**

There has been no change in the Auditors during the last three years,

#### **CAPITALISATION OF RESERVES OR PROFITS**

The Company has not capitalized its reserves or profits during the past five years.

#### **REVALUATION OF ASSETS, IF ANY**

The Company has not revalued its assets in the last five years

## SECTION VIII: OFFERING INFORMATION

### 1. TERMS OF THE ISSUE

The Equity Shares, now being offered, are subject to the terms and conditions of this Letter of Offer, the enclosed Composite Application Form ("CAF"), the Memorandum & Articles of Association of the Company, the approvals from the GoI, FIPB and RBI, if applicable, the provisions of the Companies Act, 1956, guidelines issued by SEBI, guidelines, notifications and regulations for Offer of capital and for listing of securities issued by Government of India and / or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or letter of allotment or security certificate and rules as may be applicable and introduced from time to time.

#### Ranking of the Equity Shares

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

#### Authority for the Issue

The Offer is being made pursuant to the resolutions passed by the Board of Directors of the Company at its meeting held on July 27<sup>th</sup> 2005 and the approval of the Equity Shareholders at the Extraordinary General Meeting of the Company held on August 31<sup>st</sup>, 2005.

#### Basis for the Issue

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the shares held in electronic form and on the Register of Members of the Company in respect of shares held in physical form at the close of business hours on the Record Date March 6, 2006 fixed in consultation with the BSE (Designated Stock Exchange).

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

#### Rights Entitlement

As you were an Equity Shareholder on the Record Date, you are being made this Offer as shown in part A of the enclosed Composite Application Form.

#### Fractional entitlement

If the shareholding of any of the Equity Shareholders is not in multiple of 5(Five) then the fractional entitlement of such equity shareholders shall be rounded up to the next higher integer, subject to a minimum entitlement of one equity share. The Equity Shares needed for such shares will be adjusted from the Promoters' entitlement.

#### Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed (so far as the Company is concerned) to hold the same as joint-tenants with benefits of survivorship subject to provisions contained in the Articles.

#### Nomination facility

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

Only one nomination would be applicable for one folio. Hence, in case the shareholder(s) has (have) already registered the nomination with the Company, no further nomination need to be made for Equity Shares to be allotted in this Issue under the same folio.

In case the allotment of Equity Shares is in dematerialized form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective Depository Participant of the applicant would prevail. If the applicant requires changing the nomination, they are requested to inform their respective Depository Participant.

#### Offer to Non-Resident Equity Shareholders / Applicants

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

The equity shares issued under the Issue and purchased by Non-Residents shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the previously held equity shares against which equity shares under the Issue are issued. However, as per the provisions of AP DIR circular No. 14 dated September 16, 2003 (issued by RBI), such

Equity Shareholders who have been allotted the equity shares as OCBs would not be permitted to participate in the Issue. Accordingly, shareholders/applicants who are OCBs and wishing to participate in the Issue would be subject to regulations of FIPB and RBI, as applicable.

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

#### **Notices**

All notices to the Equity Shareholder(s) to be given by the Company shall be published in one English national daily with wide circulation, one Vernacular national daily with wide circulation and/or, will be sent by ordinary post to the registered holders of the Equity Share(s) from time to time.

#### **Issue of Duplicate Equity Share Certificate**

If any equity share certificate is mutilated or defaced or the pages for recording transfers of equity share are fully utilized, the same may be replaced by the Company against the surrender of such certificate. Provided, where the equity share certificate are mutilated or defaced, the same will be replaced as aforesaid only if the certificate numbers and the distinctive numbers are legible. If any equity share certificate is destroyed, stolen or lost, then upon production of proof thereof to the satisfaction of the Company and upon furnishing such indemnity/surety and/or documents as the Company may deem adequate, duplicate equity share certificate shall be issued.

#### **Printing of Bank Particulars on refund orders**

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the applicant's bank account are mandatorily required to be given for printing on refund orders. Bank account particulars will be printed on the refund orders/refund warrants which can then be deposited only in the account specified. The Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

#### **Principal Terms and Conditions of the Offer**

##### **Equity Shares**

- **Face value**

Each Equity Share shall have the face value of Rs. 10/-

- **Issue Price**

Each Equity Share is being offered at a price of Rs 18/- (including a premium of Rs 8/-)

- **Rights Entitlement Ratio**

The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of 4(four) equity shares for every 5(five) equity shares held as on the Record Date i.e. March 6, 2006.

- **Market lot**

The market lot for the equity shares in dematerialized mode is one. In case of physical certificates, the Company would issue one certificate for the equity shares allotted to one folio ("Consolidated Certificate")

In respect of the Consolidated Certificate, the Company will upon receipt of a request from the Equity Shareholder, be returning the share certificate issued for the entire holding, duly split as desired by the shareholders within a week's time from the request of the Equity Shareholder. No fee would be charged by the Company for splitting the Consolidated Certificate.

- **Terms of payment**

Full amount of Rs 18/- shall be payable on Application.

##### **Option available to the Equity Shareholders**

The Composite Application Form clearly indicates the number of Equity Shares that the Equity Shareholder is entitled to. If the Equity Shareholder applies for an investment in Equity Shares, then he can:

- Apply for his entitlement in part
- Apply for his entitlement in part and renounce the other part
- Apply for his entitlement in full
- Apply for his entitlement in full and apply for additional Equity Shares

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

▪ **Utilisation of Issue Proceeds**

The Board of Directors declares that:

- i. The funds received against this Issue will be transferred to a separate Bank Account other than the Bank Account referred to sub-section (3) of Section 73 of the Act.
- ii. Details of all moneys utilised out of the Issue shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the purpose for which such moneys has been utilised.
- iii. Details of all such unutilised moneys out of the Issue, if any, shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the form in which such unutilised moneys have been invested.

The funds received against this Issue will be kept in a separate Bank Account and the Company will not have any access to such funds unless it satisfies the Designated Stock Exchange with suitable documentary evidence that the minimum subscription of 90% of the Issue has been received by the Company.

**Undertakings by the Company**

1. The complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily.
2. All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the securities are to be listed will be taken within seven working days of finalization of basis of allotment.
3. The funds required for dispatch of refund orders/ allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue.
4. The certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time.
5. The refund orders or allotment advice to the eligible NRIs or FIIs shall be dispatched within specified time.
6. No further issue of securities affecting equity capital of the Company shall be made till securities issued/ offered through the Issue are listed or till the application moneys are refunded on account of non-listing, under-subscription etc.
7. The Company accepts full responsibility for the accuracy of information given in this Letter of Offer and confirms that to best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
8. All information shall be made available by the Lead Managers and the Issuer to the Investors at large and no selective or additional information would be available for a section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.

**How to Apply**

***Resident Equity Shareholders***

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

***Non-resident Equity Shareholders***

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

The CAF consists of four parts:

Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares

Part B: Form for renunciation

Part C: Form for application for renounees

Part D: Form for request for split application forms

***Acceptance of the Rights Offer***

You may accept the Offer and apply for Equity Shares offered, either in full or in part by filling Block III of Part "A" of the enclosed CAF and submit the same along with the application money payable to the "Bankers to the Issue " or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Offer Closing Date or such extended time as may be specified by the Board thereof in this regard. Applicants at centers not covered by the branches of collecting



banks can send their CAF together with the cheque drawn on a local bank at Hyderabad / demand draft payable at Hyderabad to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

### **Renunciation**

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

- More than three persons including joint holders
- Partnership firm(s) or their nominee(s)
- Minors unless legal or natural guardian apply on its behalf.
- Hindu Undivided Family
- Any Trust or Society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorized under its Constitutions to hold Equity Shares of a Company)

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

### **Procedure for renunciation**

#### **To renounce the whole offer in favour of one renounee**

If you wish to renounce the offer indicated in Part A, in whole, please complete Part B of the CAF. In case of joint holding, all joint holders must sign Part B of the CAF. The person in whose favour renunciation has been made should complete and sign Part C of the CAF. In case of joint renounees, all joint renounees must sign this part of the CAF.

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

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer in favour of two or more renounees, the CAF must be first split into requisite number of forms. Please indicate your requirement of split forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrar to the Offer so as to reach them latest by the close of business hours on the last date of receiving requests for split forms. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Equity Shareholder(s), who has renounced the Equity Shares, does not agree with the specimen registered with the Company, the application is liable to be rejected.

### **Renounee(s)**

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

### **Change and/ or introduction of additional holders**

If you wish to apply for Equity Shares jointly with any other person or persons, not more than three, who is/are not already joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

However, this right of renunciation is subject to the express condition that the Board of Directors of the Company shall be entitled in its absolute discretion to reject the request for allotment from the renounee(s) without assigning any reason thereof.

### **Please note that:**

- (a) Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid.
- (b) Request for split form should be made for a minimum of 1 (one) Equity Shares or in multiples thereof and one Split Application Form for the balance Equity Shares, if any.
- (c) Only the person to whom this Letter of Offer has been addressed to and not the renounee(s) shall be entitled to renounce and to apply for Split Application Forms. Forms once split cannot be split again.
- (d) Split form(s) will be sent to the applicant(s) by ordinary post at the applicant's risk.



### **Additional Equity Shares**

You are eligible to apply for additional Equity Shares over and above the number of equity shares you are entitled to, provided you have applied for all the equity shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional equity shares shall be considered and allotment shall be made in the manner prescribed on page no. [.] in the Letter of Offer under the “Basis of Allotment”. The renounees applying for all the equity shares renounced in their favour may also apply for additional Equity Shares. In case of application for additional equity shares by non-resident equity shareholders, the allotment of additional securities will be subject to the permission of the RBI. Where the number of additional equity shares applied for exceeds the number available for allotment, the allotment would be made on a fair and equitable basis in consultation with BSE (Designated Stock Exchange). The summary of options available to the equity shareholder is presented below. You may exercise any of the following options with regard to the equity shares offered, using the enclosed CAF:

| <b>Sr. No.</b> | <b>Option Available</b>  | <b>Action Required</b>   |
|----------------|--|--|
| 1.             | Accept whole or part of your entitlement without renouncing the balance.   | Fill in and sign Part A<br>(All joint holders must sign)   |
| 2.             | Accept your entitlement in full and apply for additional Equity Shares   | Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares. (All joint holders must sign)   |
| 3.             | Renounce your entitlement in full to one person<br>(Joint renounees are considered as one).  | Fill in and sign Part B (all joint holders must sign) indicating the number of Equity Shares renounced and hand it over to the renounee. The renounees must fill in and sign Part C.<br>(All joint renounees must sign)  |
| 4.             | Accept a part of your entitlement and renounce the balance to one or more renounee(s)<br>OR<br>Renounce your entitlement to all the Equity Shares offered to you to more than one renounee | Fill in and sign Part D (all joint holders must sign) requesting for Split Application Forms. Send the CAF to the Registrar to the Offer so as to reach them on or before the last date for receiving requests for Split Forms. Splitting will be permitted only once.<br>On receipt of the Split Form take action as indicated below.<br>For the Equity Shares you wish to accept, if any, fill in and sign Part A.<br>For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the renounees. Each of the renounees should fill in and sign Part C for the Equity Shares accepted by them. |
| 5.             | Introduce a joint holder or change the sequence of joint holders   | This will be treated as a renunciation.<br>Fill in and sign Part B and the renounees must fill in and sign Part C.   |

### **Availability of duplicate CAF**

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

### **Application on Plain Paper**

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

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

- Name of Offerer
- Name and address of the Equity Shareholder including joint holders
- Registered Folio Number/ DP and Client ID no.
- Number of shares held as on Record Date
- Number of Rights Equity Shares entitled
- Number of Rights Equity Shares applied for
- Number of additional Equity Shares applied for, if any
- Total number of Equity Shares applied for
- Total amount paid @ Rs 18/- per Equity Share
- Particulars of Cheque/ Draft
- Savings/Current Account Number and name and address of the bank where the Equity shareholder will be depositing the refund order.
- PAN/GIR number and Income Tax Circle/Ward/District where the application is for Equity Shares of a total value of Rs. 50,000 or more for the applicant and for each applicant in case of joint names, and
- Signature of equity shareholders to appear in the same sequence and order as they appear in the records of the Company. Payments in such cases, should be through a cheque/ demand draft payable at Hyderabad, drawn in favour of the Bankers to the Issue marked "A/c Payee" and marked "**Name of the Bank - A/c NCL Industries Limited - Rights Issue**".

Please note that those who are making the application otherwise than on original CAF shall not be entitled to renounce their Rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

#### **Last date of Application**

The last date for submission of CAF is April 25, 2006. The Board will have the right to extend the said date for such period as it may determine from time to time but not exceeding sixty days from the date the Offer opens.

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

**INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.**

#### **Basis of Allotment**

1. Subject to provisions contained in this Letter of Offer, the Articles of Association of the Company and approval of the Designated Stock Exchange, the Board will proceed to allot the Equity Shares in the following order of priority:
  - (a) Full allotment to those Equity Shareholders who have applied for their rights entitlement either in full or in part and also to the renouncee(s) who has/ have applied for Equity Shares renounced in their favour, in full or in part.
  - (b) Allotment to the Equity Shareholders who having applied for all the Equity Shares offered to them as rights and have also applied for additional Equity Shares. The allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making full allotment in (a) above. The allotment of such Equity Shares will be at the sole discretion of the Board/Committee of Directors in consultation with the Designated Stock Exchange, as a part of the rights Offer and not preferential allotment.
  - (c) Allotment to the renouncees who having applied for the Equity Shares renounced in their favour have also applied for additional Equity Shares, provided there is an under-subscribed portion after making full allotment in (a) and (b) above. The allotment of such additional Equity Shares will be made on a proportionate basis at the sole discretion of the Board/Committee of Directors but in consultation with the Designated Stock Exchange, as a part of the rights Offer and not preferential allotment.

2. The Company shall retain no over subscription.
3. The Offer will become under subscribed after considering the number of shares applied as per entitlement plus additional shares. The under subscribed portion shall be applied for only after the close of the Offer. The promoters shall subscribe to such under subscribed portion as per the relevant provisions of the law. If any person presently in control of the company desires to subscribe to such under subscribed portion and if disclosure is made pursuant to SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, such allotment of the under subscribed portion will be governed by the provisions of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.
4. After taking into account the allotments made under 1(a), 1(b) and 1(c) above, if there is still any under subscription, the unsubscribe portion shall be disposed off by the Board or Committee of Directors authorised in this behalf by the Board upon such terms and conditions, through such securities (Equity Shares) and to such person / persons and in such manner as the Board/ Committee of Directors may in its absolute discretion deem fit, as a part of the rights Offer and not preferential allotment.

Allotment to promoters of any unsubscribed portion, over and above their entitlement shall be done in compliance with Clause 40A of the Listing Agreement in order to ensure minimum 10% public shareholding.

### **Underwriting**

The present Offer is underwritten to the extent of 64,93,390 equity shares by Centrum Capital Ltd, Lead Manager to the Issue

### **Interest in Case of Delay in Despatch of Allotment Advice/ Refund Orders**

The Company agrees that:

- (i) The Company agrees that as far as possible allotment of securities offered to the public shall be made within six weeks of the closure of the Issue. The Company further agrees that it shall pay interest @15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within six weeks from the date of the closure of the Issue.

### **Allotment / Refund**

The Company will issue and despatch letters of allotment/ securities certificates and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any within a period of six weeks from the Date of Closure of the Offer. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under Section 73(2)(2A) of the Act.

Letters of allotment/ securities certificates/ refund orders above the value of Rs. 1,500 will be despatched by Registered Post/ Speed Post to the sole/ first applicant's registered address. However, refund orders for value not exceeding Rs. 1,500 shall be sent to the applicants under Postal Certificate. Such cheques or pay orders will be payable 'at par' at all the centres where the applications were originally accepted and will be marked "A/c payee" and would be drawn in the name of the sole/ first applicant. Adequate funds would be made available to the Registrar to the Offer for the despatch of Letters of allotment/ securities certificates / refund orders.

In case the Company issues Letters of allotment, the corresponding Security Certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Company Law Board under Section 113 of the Companies Act, 1956 or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment, which would be exchanged later for the Security Certificates.

As regards allotment/ refund to Non - Residents, the following further conditions shall apply. In case of non-residents, who remit their application monies from funds held in NRE/ FCNR accounts, refunds and/ or payment of interest/ dividend and other disbursement, if any, shall be credited to such accounts, details of which should be furnished in the CAF. Subject to the approval of the RBI, in case of non-residents, who remit their application monies through Indian Rupee draft purchased from abroad, refund and/ or payment of dividend/ interest and any other disbursement, shall be credited to such accounts (details of which should be furnished in the CAF) and will be made net of bank charges/ commission in US Dollars, at the rate of exchange prevailing at such time. The Company will not be responsible for any loss on account of exchange fluctuations for converting the Indian Rupee amount into US Dollars. The equity share certificate(s) will be sent by registered post at the Indian address of the non-resident applicant.

### **Letters of Allotment / Equity Share certificates / Demat Credit**

Letter(s) of Allotment/ Equity Share certificates/ demat credit or Letters of Regret will be despatched to the registered address of the first named applicant or respective beneficiary accounts will be credited within six weeks, from the Issue Closing date. In

case the Company issues Letters of Allotment, the relative Equity Share certificates will be despatched within three months from the date of allotment. Allottees are requested to preserve such Letters of allotment (if any) to be exchanged later for Equity Share certificates. Export of Letters of Allotment (if any)/ Equity Share certificates/ demat credit to non-resident allottees will be subject to the approval of RBI.

### **Arrangement for odd lot Equity Shares**

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

### **Option to receive Equity Shares in Dematerialised Form**

Applicants to the Equity Shares of the Company offered through this Rights Offer shall be allotted the securities in dematerialised (electronic) form at the option of the applicant. The Company and the Registrar to the Company Venture Capital and Corporate Investments Ltd Limited have signed a tripartite agreement with National Securities Depository Limited (NSDL) on 5<sup>th</sup> January 2001, and with Central Depository Services (India) Limited (CDSL) on 28<sup>th</sup> December 2000 which enables the investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates.

In this Rights Offer, the allottees who have opted for Equity Shares in dematerialised form will receive their Equity Shares in the form of an electronic credit to their beneficiary account with a Depository Participant. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Applications, which do not accurately contain this information, will be given the securities in physical form. No separate applications for securities in physical and dematerialised form should be made. If such applications are made, the application for physical securities will be treated as multiple applications and is liable to be rejected.

The Equity Shares of the Company will be listed on Bombay Stock Exchange Limited. Procedure for availing this facility for allotment of Equity Shares in this Offer in the electronic form is as under:

1. Open a Beneficiary Account with any Depository Participant (care should be taken that the Beneficiary Account should carry the name of the holder in the same manner as is exhibited in the records of the Company. In case of joint holding, the Beneficiary Account should be opened carrying the names of the holders in the same order as with the Company). In case of Investors having various folios in the Company with different joint holders, the investors will have to open separate accounts for such holdings. *Those Equity Shareholders who have already opened such Beneficiary Account (s) need not adhere to this step.*
2. For Equity Shareholders already holding equity shares of the Company in dematerialised form as on Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Rights Equity Shares by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of securities arising out of this Offer may be made in dematerialised form even if the original equity shares of the Company are not dematerialised. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of the Company.
3. Responsibility for correctness of applicant's age and other details given in the CAF vis-à-vis those with the applicant's Depository Participant would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be same as registered with the applicant's Depository Participant.
4. If incomplete / incorrect Beneficiary Account details are given in the CAF the applicant will get Equity Shares in physical form.
5. The Rights Equity Shares allotted to investors opting for dematerialised form, would be directly credited to the Beneficiary Account as given in the CAF after verification. Allotment advice, Refund Order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's Depository Participant will provide to him the confirmation of the credit of the Rights Equity Shares to the applicant's Depository Account.
6. Renounees will also have to provide the necessary details about their Beneficiary Account for allotment of securities in this Offer. In case these details are incomplete or incorrect, the application is liable to be rejected.

### **General instructions for applicants**

- a) Please read the instructions printed on the enclosed CAF carefully.
- b) Application should be made on the printed CAF, provided by the Company and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not



completed in conformity with the terms of this Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and without deduction of bank commission and other charges. The CAF must be filled in English and the names of all the applicants, details of occupation, address, and father's / husband's name must be filled in block letters.

- c) The CAF together with cheque / demand draft should be sent to the Bankers to the Issue / Collecting Bank or to the Registrar and not to the Company or Lead Managers to the Offer. Applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorised by the Company for collecting applications, will have to make payment by Demand Draft (Net of Demand draft and postal charges) payable at Hyderabad and send their application forms to the Registrar to the Offer by REGISTERED POST. If any portion of the CAF is / are detached or separated, such application is liable to be rejected.
- d) Applications for a total value of Rs. 50,000 or more, i.e. where the total number of securities applied for multiplied by the Offer price, is Rs. 50,000 or more the applicant or in the case of application in joint names, each of the applicants, should mention his/ her permanent account number allotted under the Income-Tax Act, 1961 and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN ("PAN Communication") along with the application for the purpose of verification of the number. Bidders who do not have are required to provide a declaration in Form 60 / Form 61 prescribed under the I.T. Act along with the application. **Bid cum Application Forms without this photocopy/ PAN Communication/ declaration will be considered incomplete and are liable to be rejected.**
- e) Applicants are advised to provide information as to their savings/current account number and the name of the Bank with whom such account is held in the CAF to enable the Registrar to print the said details in the Refund Orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.
- f) The payment against the application should not be effected in cash if the amount to be paid is Rs. 20,000 or more. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon. Payment against the application if made in cash, subject to conditions as mentioned above, should be made only to the Bankers to the *Issue*.
- g) Signatures should be either in English or Hindi or in any other language specified in the 8th Schedule of the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with the Company.
- h) In case of an application under Power of Attorney or by a body corporate or by a society, a certified true copy of the relevant Power of Attorney or relevant resolution or authority to make investment and sign the application along with a copy of the Memorandum & Articles of Association and / or bye laws must be lodged with the Registrar to the Offer giving reference of the serial number of the CAF. In case these papers are sent to any other entity besides the Registrar to the Offer or are sent after the Offer Closure Date, then the application is liable to be rejected.
- i) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. Further, in case of joint applicants who are renounees, the number of applicants should not exceed three. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.
- j) Application(s) received from Non-Resident / NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of Equity Shares, subsequent offer and allotment of Equity Shares, interest, export of Equity Share certificates, etc. In case a Non-Resident or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
- k) All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Offer prior to the date of allotment in this Offer quoting the name of the first / sole applicant Equity Shareholder, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the date of allotment, should be sent to the Registrar and Transfer Agents of the Company in the case of equity shares held in physical form and to the respective DP, in case of equity shares held in dematerialised form.
- l) Split forms cannot be re-split.
- m) Only the person or persons to whom Equity Shares have been offered and not renounee(s) shall be entitled to obtain split forms.

- n) Applicants must write their CAF number at the back of the cheque / demand draft.
- o) Only one mode of payment per application should be used. The payment must be either in cash or by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
- p) A separate cheque / draft must accompany each CAF. Outstation cheques / demand drafts or post-dated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash. (For payment against application in cash please refer point (f) above)
- q) No receipt will be offered for application money received. The Bankers to the Issue / Collecting Bank/ Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.

### Grounds for Technical Rejections

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the amount payable for;
- Bank account details (for refund) are not given;
- Age of First Applicant not given;
- PAN photocopy/ PAN Communication/ Form 60/ Form 61 declaration not given if Application is for Rs 50,000 or more;
- UIN Number not given as applicable;
- In case of Application under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- If the signature of the existing shareholder does not match with the one given on the Application Form and for renounees if the signature does not match with the records available with their depositories;
- If the Applicant desires to have shares in electronic form, but the Application Form does not have the Applicant's depository account details;
- Application forms are not submitted by the Applicants within the time prescribed as per the Application Form and the Letter of Offer;
- Applications not duly signed by the sole/joint Applicants;
- Applications by OCBs unless accompanied by specific approval from the RBI permitting the OCBs to invest in the issue;
- Applications accompanied by Stockinvest;
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- Applications by US persons;

Applications by ineligible Non-residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided.

### Mode of payment for Resident Equity Shareholders/ Applicants:

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

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### **Mode of payment for Non-Resident Equity Shareholders/ Applicants:**

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

Payment by non-residents must be made by demand draft / cheque payable at Hyderabad or funds remitted from abroad in any of the following ways:

#### **Application with repatriation benefits**

- a) By Indian Rupee drafts purchased from abroad and payable at Hyderabad or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- b) By cheque / draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Hyderabad; or
- c) By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable in Hyderabad or
- d) FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.

#### **Application without repatriation benefits**

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Hyderabad or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Hyderabad. In such cases, the allotment of Equity Shares will be on non-repatriation basis. All cheques/drafts submitted by non-residents should be drawn in favour of the Bankers to the Issue and marked “ **Name of the Bank - A/c NCL Industries Limited - Rights Issue -NR**” payable at Hyderabad and must be crossed “A/c Payee only” for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on the Offer Closing Date. A separate cheque or bank draft must accompany each CAF.

**Applicants may note that where payment is made by drafts purchased from NRE/ FCNR/ NRO accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.**

**New demat account shall be opened for holders who have had a change in status from resident Indian to NRI.**

#### **Note:**

In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.

In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.

The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on the aforesaid Offer Closing Date. A separate cheque or bank draft must accompany each CAF.

In case application received from Non-Residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

#### **Disposal of application and application money**

No acknowledgment will be issued for the application moneys received by the Company. However, the Bankers to the Issue/ Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

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

In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on Equity Shares allotted, will be refunded to the applicant within six weeks from the close of the Offer.



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**For further instructions, please read the Composite Application Form carefully.**

**Important**

1. Please read this Letter of Offer carefully before taking any action. The instructions contained in the accompanying Composite Application Form (CAF) are an integral part of the conditions of this Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.
2. All enquiries in connection with this Letter of Offer or accompanying Composite Application Form and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID no., the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and superscribed “ **NCL Industries Limited – Rights Issue** ” on the envelope) to the Registrar to the Offer at the following address:

**Venture Capital and Corporate Investments Limited**

6-2-913/ 914, 3<sup>rd</sup> Floor, Progressive Towers,  
Khairtabad , Hyderabad - 500004  
Tel: 91-040-23322264  
Fax: 91-040-23324803  
Email: [info@vccilindia.com](mailto:info@vccilindia.com)

3. It is to be specifically noted that this Offer of Equity Shares is subject to Risk Factors appearing on page vi of this Letter of Offer.
4. The Rights Offer will not be kept open for more than 30 days unless extended, in which case it will be kept open for a maximum 60 days.

## SECTION IX: MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act, 1956 and SEBI Guidelines, the main provisions of the Articles of Association of the Company are set forth below.

### SHARE CAPITAL

3. (a) The authorised Share Capital of the Company is Rs. 45,00,00,000 (Rupees Fourty Five Crores only) divided into 4,50,00,000 (Four Crore fifty lakhs only) Equity shares of Rs.10/- (Rupees Ten) each.
  - (b) The Company shall have power to issue Preference Shares including redeemable preference shares in accordance with provisions of section 80 and 85 or any statutory modifications thereof.
  - (c) Where at any time subsequent to the first allotment of shares it is proposed to increase the subscribed capital by the issue of new shares, subject to any directions to the contrary which may be given by the Company in general meeting and subject only to these directions such new shares shall be issued in accordance with the provisions of section 81 of the Act, or any statutory modification thereof.
  - (d) The Company shall have power to issue shares at a discount. but in doing so, the Company shall comply with the provisions of Section 79 or any statutory modifications thereof.
  - (e) The Company shall have power to issue shares at a premium, but in doing so, the Company shall comply with the provisions of Section 78 or any statutory modification thereof.
- 3A.** Save as permitted by Section 77, 77A, 77AA, 77B and 79 of the Act, the funds of the Company shall not be employed in the purchase of or lent on the security of shares of the company and the the Company shall not give, directly or indirectly any financial assistance, whether by way of loan, guarantee, the provision of security or otherwise, for the purpose of or in connection with any purchase of or subscription for shares in the Company or any Company of which it may, for the time being, be a subsidiary.
4. "Subject to the provisions of the Act and of these Articles the shares of the Company shall be under the Control of the Board of Directors who may allot or otherwise dispose of the same to such person on such terms and conditions and either at a premium or at par as they think fit PROVIDED THAT the option or right to call of shares shall not be given to any person or persons without the sanction of the Company in General Meeting.
  5. Subject to the provisions of the Act and these Articles the Directors may allot and issue shares in the Capital of the Company as payment or part payment for any property or assets of any kind whatsoever (including good-will of any business) sold or transferred, goods or machinery or about the formation or promotion of the Company or the conduct of its business and any shares which may be so allotted may be issued as fully paid up or partly paid up otherwise than in cash, and if so issued shall be deemed to be fully paid up or partly paid-up shares as aforesaid. The Directors shall cause returns to be filed of any such allotment as provided, by Section 75 of the Act.

### ALTERATION OF SHARE CAPITAL

6. (1) The Company shall have power to alter the conditions of the memorandum as follows, that is to say, it may:
  - (a) increase its share capital by such amount as it thinks expedient by issuing new shares:
  - (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares:
  - (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum, so however, that in the sub-division the proportion between the amount paid and the amount. if any unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived:
  - (d) cancel shares which, at the date of passing of the resolution in that behalf, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of shares so cancelled provided however the cancellation of shares in pursuance of the exercise of this power shall not be deemed to be a reduction of share capital within the meaning of the act.
  - (e) convert all or any of its paid up shares into stock and reconvert any stock into paid up shares of any denomination.
6. (2) The Company may, from time to time, by Special Resolution reduce its capital by way of buy back of its shares or as may be allowed by law and Capital Redemption Reserve Account or Share Premium Account in any manner and subject to any incident authorised and Consent required by law.
7. The Company shall have power :
  - (a) To reduce any share premium account in accordance with the provisions of section 78 read with section 100 or any statutory modifications thereof:

- (b) to reduce any capital redemption reserve fund in accordance with section 80 read with Section 100 or any statutory modifications thereof:

#### **PAYMENT OF COMMISSION AND BROKERAGE**

8. (a) The Company may exercise the powers of paying commission provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by Section 76 or any statutory modifications thereof:
- (b) The rate of commission shall not exceed the maximum percentage provided for in section 76 or any statutory modifications thereof.
- (c) The commission may be satisfied by payment of cash or the allotment of fully or partly paid up shares or partly in one way and partly in the other.
- (d) The Company may also on any issue of shares, pay such brokerage as may be lawful.

#### **VARIATION OF SHARE HOLDERS RIGHTS**

- 9 (a) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the share of that class) may subject to the provisions of sections 106 and 107 and whether or not the Company is being wound up, be varied with the consent in writing of the holders of three fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.
- (b) Subject to the provisions of Section 170 (2) and (b) or any statutory modifications thereof, to every such separate general meeting, the provisions of these Resolutions relating to General meetings shall mutatis mutandis apply but so that the necessary quorum shall be two persons at least holding or representing by proxy one third of the issued shares of the class in question.
- (c) The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise provided by the terms of issue of the shares of that class be deemed to be varied by the creation or issue of further shares ranking pari pasu therewith.

#### **CERTIFICATES**

11. (a) The Certificate of title to shares shall be issued under the Seal of the Company and shall be issued, sealed and signed in conformity with the provisions of the Companies (Issue of Share Certificates) Rules, 1960 or any statutory modification or re-enactment thereof for the time being in force. Any two or more joint allottees or owners of a share shall, for the purpose of this Article, be treated as a single member and the Certificate of any shares may be delivered to anyone of such joint allottees or owners on behalf of all of them. The Company shall comply with the provisions of Section 113 of the Act. .
- (b) The Company shall, within two months after the allotment of any of its shares, debentures or debenture stock, and within one month after the application for the registration of the transfer of any such shares, debentures or debenture stock complete and have ready for delivery the Certificates of all shares and debentures and the Certificates of all debenture stock allotted or transferred, unless the conditions of issue of the shares, debentures or debenture stock otherwise provide.
- (c) (1) The Board of Directors may renew a share Certificate or Issue a duplicate of a share Certificate, if such share certificate,
- i) is proved to have been lost or destroyed or
- ii) having been defaced or mutilated or torn is surrendered, to the company, or
- iii) is old, decrepit or worn out where the cages on the reverse for recording transfers are fully utilised.
- (2) The Company shall observe such rules and conditions as may be prescribed by the Government or required by the Stock Exchanges on which the shares are listed for renewal of share Certificates or issue of duplicate share Certificates.
- (3) The Company shall not charge any fee for sub-division or consolidation of share and debenture certificates or for sub-division of letter or allotment or for splitting, consolidation or renewal of pucca transfer receipts into denominations corresponding to the market units of trading or for issue of new certificates in replacement of those which are old or worn out, or where the cages on the reverse for recording transfers have been fully utilised.

- (4) The Company shall not charge any fees for issue of new certificates in replacement of those which are torn, defaced, lost or destroyed or for sub-division or consolidation of shares and debentures certificates or for sub-division of letter of allotment or for splitting, consolidation or renewal of pucca transfer receipts into denomination other than those fixed for the market units or trading.

#### **CALLS ON SHARES**

12. (a) i) The Board may from time to time make call upon the member in respect of any monies unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times.

Provided that no call shall exceed one-half of the share or be payable at less than one month from the date fixed for the payment of the last preceding call.

- ii) Each member shall, subject to receiving at least thirty days notice specifying the times or time and place of payment, pay to the Company at the time or times and place so specified the amount called on his shares.
- iii) A call may be revoked or postponed at the discretion of the Board.
- (b) A call shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed and may be required to be paid by installments.
- (c) The joint-holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
- (d) i) If a sum called in respect of a share is not paid before or on the day appointed for payment thereof of the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at 18% per annum or at such lower rate, if any, as the Board may determine
- ii) The Board shall be at liberty to waive payment of any such interest wholly or in part.
- (e) i) Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date whether on account of the nominal value of the share or by way of premium, shall, for the purpose of these Regulations be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable.
- ii) In case of non-payment of such sum all the relevant provisions of these regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
- (f) The Director may, if they think fit, accept from any member, the whole or a part of the amount unpaid on any shares held by him although no part of that amount has been called up and in respect of the money so accepted or so much thereof as from time to time exceeds the amount of calls then made upon shares in respect of which such payment has been accepted the company may at the option of the Directors, pay interest at such rate as the directors may determine but the member shall not be entitled to any dividend or right to participate in the profits or voting right in respect of excess of call money so paid by him until the same would, but for such payment become presently payable.”

“PROVIDED that any amount be paid up in advance of calls on any shares such amount may carry interest but shall not in respect thereof confer a right to dividend or to participate in profits”.

13. (a) “The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof or all monies (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any share shall be created except upon the footing and condition that Article 10 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 Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company’s lien if any on such shares. The Directors may at any time declare any shares wholly or in part to be exempt from the provisions of this clause”.
- (b) The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien: Provided that no sale shall be made:
- i) unless the sum in respect of which the lien exists is presently payable. or.
- ii) until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable has been given to the registered holder for the time being of the share of the person entitled thereto by reason of his death or insolvency.

- (c) i) To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof,
  - ii) The purchaser shall be registered as the shareholder of the shares comprised in any such transfer.
  - iii) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
- (d) i) The proceeds of the sale shall be received by the Company and applied after payment of the costs of such sale, in payment of such part of the amount in respect of which the lien exists as is presently payable.
  - ii) 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 person entitled to the shares at the date of sale.
- (e) No member shall exercise any voting rights 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 exercised any right of lien.
- (f) Where any shares under the power in that behalf herein contained are sold by the Board and the certificate in respect thereof has not been delivered to the company by the former holder of such shares, the Board may issue a new certificate for such shares distinguishing it in such manner as it may think fit for the certificate not so delivered.

#### **FORFEITURE OF SHARES**

14. (a) If a member fails to pay any call or installment of a call on the day appointed for payment thereof the Board may at any time thereafter during such time as any part of the call or installment remains unpaid. serve a notice on him requiring payment of so much of the call or installments as is unpaid together with any interest which may have accrued.
- (b) The notice aforesaid shall :
- i) name a further day (not earlier than the expiry of thirty days from the date of service of notice) on or before which the payment required by the notice is to be made and
  - ii) state that in the event of non-payment on or before, the day so named the shares in respect of which the call was made will be liable to be forfeit
- (c) If the requirements of any such notice as aforesaid are not complied with any shares in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made be forfeited by a resolution of the Board to that effect, Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before forfeiture subject to the provisions of section 205 A of the Companies Act.
- (d) i) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.
  - ii) At any time before a sale or disposal as aforesaid, the Board, may cancel the forfeiture on such terms as it thinks fit.
- (e) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay and shall forth with pay to the company all calls or installments, Interest and expenses, owing upon on in respect of such shares at the time of the forfeiture together with interest thereon, from the time of forfeiture until payment at 18% per annum and the board may enforce the payment thereof, or any part thereof without any deduction or allowance for the value of the shares at the time of forfeiture but shall not be under any obligation to do so.
- (f) i) A duly verified declaration in writing that the declarant is a Director the Manager or Secretary of the Company and that a share in the Company has been duly forfeited on a date stated in the declaration shall be conclusive evidence of facts therein stated as against all persons claiming to be entitled to the share.
  - ii) The Company may receive the consideration if any given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed off.
  - iii) The transferee shall thereupon be registered as the holder of the share.
  - iv) The transferee shall not be bound to see to the application of the purchase money. if any, nor shall his title by the shares be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.
- (g) The provisions of these Regulations as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a share, become payable at a fixed time whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.



- h) The forfeiture of share shall involve the extinction of all interests in and also of all Claims and demands against the Company in respect of the share and all other rights incidental to the share, except only such of these rights as by these Articles are expressly saved.

#### TRANSFER AND TRANSMISSION OF SHARES

15. In registering transfer and transmission of shares the Company shall comply with the provisions of sections 108, 110, 111, 112 and 250 of the Act or any statutory modifications thereof
16. (a) The instrument of transfer of any share in the Company shall be executed by or on behalf of both the transferor and the transferee. The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the Register of members in respect thereof.
- (b) Shares in the Company shall be transferred in the form prescribed by the Companies (Central Government's) General Rules and Forms, 1956. The Company shall not charge any fees for registration of transfer. The provisions of Sec. 108 and any amendments thereof for the time being in force, shall be complied with in respect of all transfer of shares and registration thereof.
- (c) Subject to the provisions of Sec 111 A of the Securities Contracts (Regulations) Act, 1956, the Directors may in their absolute and unqualified discretion decline to register any transfer of shares without assigning any reason. The Directors may also decline to recognise any instrument of transfer unless it is accompanied by the Certificate of the Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer PROVIDED that the 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 a lien on the shares.
- (d) The Board may also decline to recognise any instrument of transfer unless:
- The instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as Board may reasonably require to show the right of the transferor to make the transfer; and
  - The instrument of transfer is in respect of only one class of shares
- (e) The registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine.
- Provided that such registration shall not be suspended for more than thirty days at anyone time subject to notice being given by 30 days and not more than 45 days in any year and provisions of Section 154 of the Act shall be complied with.
- (f) The company shall not charge any fees for the registration of any probate, letters of administration, Certificate of death or marriage, power of attorney, etc.

#### 16A. Dematerialisation of Securities :

**Defenitions :** ..... For the purpose of this Article :

**“Beneficial Owner”** means a person whose name(s) is recorded as such with a Depository. **“Depository”** means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992.

17. (a) i) On the death of a member, the survivors or survivor where the member was joint holder and his legal representatives where he was shareholder shall be the only person recognised by the Company as having any title to this interest in the share.
- (ii) Nothing in Clause (i) shall release the estate of the deceased joint-holder from any liability in respect of any share which had been jointly held by him and other persons.
- (b) 1) Any persons becoming entitled to a share in consequence of the death or insolvency of a member may upon such evidence being produced as may from time to time properly be required by the Board and subject as here-in-after provided, elect either:
- To be registered himself as holder of the share, or
  - To make such transfer of the share as the deceased or insolvent member could have made.
- 2) The Board shall in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent member has transferred the shares before his death or insolvency.
- (c) i) If the person so becoming entitled, shall elect, to be registered as holder of the share himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.



- ii) If the person aforesaid shall elect to transfer the share he shall testify his election by executing a transfer of the share.
- iii) All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfer of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice or transfer were a transfer signed by that member.
- d) A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided that the Board may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies, payable in respect of the share units the requirements of the notice have been complied with.

- 17A.** Notwithstanding anything contained in Articles elsewhere, every holder of shares or debentures of the Company may, at any time, nominate, in the manner prescribed by Section 109 A&B of the Act, a person, to whom such shares or debentures shall vest in the event of his death.

### **BORROWING POWERS**

18. a) The Company shall have power to borrow from any person or persons and secure the payment of any sum or sums of money for the purpose of the Company and the Directors may from time to time at their discretion exercise this power and may themselves lend to the Company security or otherwise provided that the Directors shall not contravene the provisions of section 293

- (1) (d) or any statutory modifications thereof.

Provided further that no debt incurred or security given in excess of limit imposed by section 293 (1) (d) shall be invalid or ineffectual except in the case of express notice to the lender or the recipient of the security at the time when the debt was incurred or security given that the limit hereby imposed had been or was hereby exceeded.

- (b) The Directors may raise or secure the repayment of any sums or sums in such manner and upon such terms and conditions in all respects as they may think fit and in particular by creation of any mortgage or charge on the undertaking on the whole or any part of the property present or future or uncalled capital of the Company or by the issue of bonds, perpetual or redeemable, debentures or debenture - stock of the Company charged upon all or any part of the property of the Company both present and future, including its uncalled capital for the time being.
- (c) Subject to the provisions of Section 58 A of the Act and Companies (Acceptance of Deposit) Rules; 1975 the Directors may receive deposits for such term and bearing interest at such rates as the Directors may decide from time to time. The deposits may be received from person or persons including the Directors and the shareholders of the company.
- (d) The Directors shall cause a proper register to be Kept in accordance with the provisions of section 143 of charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act with regard to the registration of mortgages and charges. The register of charges kept in pursuance of Section 143 shall be open during business hours, subject to reasonable restrictions as the Company in General Meeting may impose so that not less than two hours in each day are allowed for such inspection to any creditor or member of the Company without fee and to any other person on payment of fee of Rs.1/- for each inspection at the registered office of the Company.

### **DIVIDENDS AND RESERVE**

74. The Company in General Meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.
75. The Board may from time to time pay to the Members such interim dividends as appear to it to be justified by the profits of the Company.
76. (a) The Company shall transfer to a Reserve of such percentage of its profits for the year as prescribed by Transfer (of Profits to Reserves) Rules 1975 before declaring or paying dividends out of the profits of the current year.
- (b) The Board may also carry forward any profits which it may think prudent not to divide.
  - (c) Subject to the rights of the persons, if any, entitled to share with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is

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paid, but if and so long as holding is paid upon any of the shares in the Company, dividends may be declared and paid according to the amounts of the shares.

- (d) No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of this regulation as paid on the shares and shall not in respect thereof confer a right to dividend or to participate in the profits of the Company.
  - (e) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.
77. The Board may deduct from any dividend payable to any member all sums of money if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.
78. (a) Any General Meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and the Board shall give effect to the resolution of the meeting.
- (b) Where any difficulty arises in regard to such distribution, the Board may settle the same as it thinks expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any member upon the footing of the values fixed in order to adjust the rights of all parties, and may vest any such specific assets trustees as may seem expedient to the Board.
  - (c) Any dividend interest or other monies payable in cash in respect of shares may be paid by cheque or warranty sent through the post directed to the registered address of the holder or in the case of joint holders, to the registered address or that one of the joint holders who is first named on the register of members or to such person and to such address as the holder or joint holders may in writing direct.
  - (d) Every such cheque or warrant shall be made payable to the order or the person to whom it is sent.
  - (e) Anyone of the two or more joint holders of a share may give effectual receipts for any dividends, bonuses or other monies payable in respect of such share.
  - (f) Notice of any dividend that may have been declared shall be given to the persons entitled to share therein the manner mentioned in the Act.
  - (g) No dividend shall bear interest against the Company.
79. Any Annual General Meeting declaring a dividend may make call on the members of such amount as the meeting fixes. but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend if so arranged between the Company and the member be set off against the call. The making of a call under this clause shall be deemed ordinary business of an ordinary General Meeting which declares a dividend.
80. All dividends on any share not having a legal registered owner entitled to require payment of and competent to give a valid receipt shall remain in suspense until some competent person be registered as the holder of the share.
81. The Board shall transfer the unpaid dividends within 7 days of the expiry of 42 days from the date of declaration of the dividend to a special account with a scheduled Bank, to be Shown as "unpaid Dividend Account". If the amount of the unpaid dividend is not so transferred the Company shall pay interest at the rate of 12% per annum. Any money transferred to the unpaid Dividend Account of the Company which remain unpaid or unclaimed for 3 years from the date of such transfer, shall be transferred to the general reserve account of the central Government and any claim after such transfer must be referred to the Central Government. No unclaimed dividend shall be forfeited before the claim becomes barred by law by the Board of Directors of the company comply with the provisions of section 205(A) of the Companies Act 1956.

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## SECTION X : OTHER INFORMATION

### 1. MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company), which are or may be deemed material have been entered or are to be entered into by the Company. Copies of these contracts and also the documents for inspection referred to hereunder will be delivered to Bombay Stock Exchange Limited (Designated Stock Exchange). These documents may be inspected at the Registered Office of the Company from 11:00 am to 2:00 pm on all working days, from the date of this Letter of Offer until the date of closure of the Subscription List.

#### A. Material Contracts:

1. Letter of appointment of M/s Centrum Capital Limited as Lead Manager dated 27th July 2005.
2. Memorandum of Understanding entered into with Centrum Capital Limited, dated 14th September 2005 to act as Lead Manager to the Issue.
3. Memorandum of Understanding dated 19th September 2005 entered into with M/s Venture Capital and Corporate Investments Limited to act as Registrar to the Issue.
4. Copy of tripartite agreement among NSDL, the Company and the Registrar, M/s. Venture Capital and Corporate Investments Limited dated 5th January 2001;
5. Copy of tripartite agreement among CDSL the Company and the Registrar, M/s. Venture Capital and Corporate Investments Limited dated 28th December 2000;
6. Underwriting Agreement dated February 28, 2006 among the Company and the Underwriter.
7. Agreement for the purchase of Land at Krishna District under the jurisdiction of Ibrahimpatnam Sub-Registrar, Pinapaka Gram Panchayat in Kadimpotavaram Village.
8. Copy of Sale Deed for Land situated at Jeedimetla.

#### B. Documents

1. Memorandum and Articles of Association of the Company as amended from time to time.
2. Certificate of Incorporation dated 10th September 1979 issued by the Registrar of Companies, Andhra Pradesh.
3. Fresh Certificate of Incorporation of the Company consequent to change of name dated 18th December 1987.
4. Copy of resolution dt. 11th January 2003 passed at the meeting of Board of Directors & of the Shareholders seeking their approval for appointment & remuneration of Mr K Ravi as the Managing Director of the Company.
5. Copy of the resolution passed at the meeting of the Board of Directors held on 27th July 2005 and resolution passed under section 81(1A), 293(1)(d) of the Companies Act, 1956 at the Extra Ordinary General Meeting of the Company held on 31st August 2005 authorising the issue.
6. Resolution dated 30th April 1994 for borrowing powers.
7. Copies of Annual reports of the Company for the years ended 31st March 2001, 2002, 2003, 2004 and 2005.
8. Annual reports for the last 3 years, as applicable, of the group companies.
9. Report of the Auditor M/s Prayaga & Co., Chartered Accountants, dated October 10th 2005 as mentioned in the Offer Document.
10. Letter dated October 10th 2005 from the Auditors of the Company M/s Prayaga & Co., Chartered Accountants confirming tax benefits as mentioned in the Offer Document.
11. Consent letter dated October 1st 2005 from M/s Prayaga & Co., Chartered Accountants for inclusion of his reports on Accounts and Tax benefits in the form and context in which they appear in the Letter of Offer.
12. Certificate from M/s Prayaga & Co., Chartered Accountants dated 25th February 2006 regarding the sources and deployment of funds and amount committed.
13. Copy of the Board Resolution dated September 29th 1983 regarding appointment of the Company Secretary.
14. Consents of Auditors, Bankers to the Company, Lead Manager, Underwriters, Legal Advisors, Directors, Company Secretary, Compliance Officer, Registrars and Bankers to the Issue, to include their names in the Letter of Offer to act in their respective capacities.
15. Copy of letter dated November 10th 2005 from M/s V S Raju and Associates, Advocates as Legal Advisors to the Issue for vetting and approval of Letter of Offer.

16. Resolution of the meeting of the Board of Directors held on August 10th 2001 for the formation of the Company's Audit Committee, Investor Grievances Committee, Remuneration Committee.
17. General Power of Attorney executed by the Directors in favour of Mr. B Subrahmanyam dated October 10th 2005 for signing and making necessary changes in this Letter of Offer;
18. In principle listing approval from BSE vide letter no. DCS/SMG/SDM/RK/NS/06 dated February 13, 2006;
19. Due Diligence Certificate dated November 12, 2005 to SEBI from M/s. Centrum Capital Limited.
20. SEBI observation letter No. CFD/DIL/RI/PB/MKS/60200/2006 dated February 14, 2006 and reply of the Lead Manager to the same dated March 2, 2006.
21. No Objection Certificates from the Banks & Financial Institution who have sanctioned (CC/OD/Term Loan) to carry on the proposed Rights issue.
22. Sanction Letter dated 21st April 2005 of Indian Renewable Energy Development Agency Limited (IREDA) for Term Loan.
23. Sanction Letter dated 6th December 2005 of UTI Bank Ltd for Term Loan.
24. Sanction Letter dated 3rd October 2005 of State Bank of India for Term Loan.
25. All Government approvals as mentioned in the Letter of Offer including the ones, which have been applied for relating to the project.
26. Scheme of Arrangement – Notice dated 14th March 1990 of BIFR regarding the approval of Rehabilitation cum Merger Scheme of Klayman Porcelains Ltd with NCL Industries Ltd.
27. Copies of all the Purchase Orders for the Machineries for which orders have been placed.
28. Copies of the Quotations for all the machineries for which orders have not been placed.

Any of the contracts or documents mentioned in this Offer Document may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

## 2. DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government or the guidelines issued by the Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in the Letter of Offer is contrary to the provisions of the Companies Act, 1956, or the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued (including the SEBI (Disclosure and Investor Protection) Guidelines, 2000), as the case may be.

Yours faithfully  
**For NCL Industries Limited**

Signed by the Directors

Mr. R Anand

Mr. Vinodrai V Goradia

Mr. G.D.L.S.N Raju

Mr. M Bhaskara Rao (Nominee IREDA)

Mr. S Gokul

Mr. M Kanna Reddy

Mr. K Madhu

Mr. K Ravi (Managing Director)

Signed by Chairman

Mr. Jayabharath Reddy

Signed by Vice President- Finance & Accounts

Mr. N.G.V.S.G. Prasad

**Place : Hyderabad**

**Date : March 7, 2006**

Encl. Composite Application Form

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