



LETTER OF OFFER
(Private and Confidential for Share holders
and Employees of the Company only)

RIGHTS

ISSUE OPENS ON
21.04.1994

ISSUE CLOSES ON
18.06.1994

**LAST DATE FOR RECEIVING
REQUESTS FOR SPLIT FORMS**
30.05.1994

L.G. BALAKRISHNAN & BROS LIMITED

Registered Office
India House, 6/269 Trichy Road
Coimbatore - 641 018

Administrative Office
Krishnarayapuram Road, Ganapathy
Coimbatore - 641 006

PRIVATE AND CONFIDENTIAL (FOR EQUITY SHAREHOLDERS AND EMPLOYEES OF THE COMPANY ONLY)

L.G.BALAKRISHNAN & BROS. LTD

(Incorporated as a Private Limited Company on March 24, 1956 under the Companies Act, 1913 and converted into a Public Limited Company on 15th January 1973.)

Registered Office : India House, 6/269 Trichy Road, Coimbatore-641018.

Administrative Office : Krishnarajapuram Road, Ganapathy, Coimbatore-641006.

LETTER OF OFFER

Issue of 7,50,000 Equity Shares of Rs.10/- each for cash at a premium of Rs.65/- per share aggregating Rs. 562.50 lakhs on Rights Basis to the existing equity Shareholders of the Company;

Issue of 37,500 Equity Shares of Rs.10/- each for cash at a premium of Rs.65/- per share aggregating Rs. 28.12 lakhs to the Employees/Workers (including Indian Working Directors) of the Company; and

Issue of 62,500 Equity Shares of Rs.10/- each for cash at a premium of Rs.100/- per share aggregating Rs.68.75 lakhs on preferential basis to the "Group Companies".

ISSUE HIGHLIGHTS

Well established, profit making and dividend paying Company.

About 80% of the paid up capital as on March 31,1993 issued by way of bonus shares.

Net worth as on 31.3.93 Rs.1204 lakhs

Net profit for the year ended 31.3.93 Rs.274 lakhs

Dividend for the year 1992-93 30%

ISO 9001 Certification received from M/s Det Norske Veritas, Germany.

Listing at the Madras and Coimbatore Stock Exchanges.

Note :

The fair value of the Share as per guidelines issued by the erstwhile office of the Controller of Capital Issues (CCI) works out to Rs.109/- on the basis of actual weighted average tax liability of the company and at a capitalisation rate of 8%.

RISKS AS PERCEIVED BY THE MANAGEMENT

The Management does not perceive any material risk other than the normal business risks. The statements made hereunder are as a measure of abundant caution in the interest of general investors:

While the project cost has been estimated after making adequate provision for contingencies, there could be cost overrun.

Orders for major plant and machinery are yet to be placed. Any delay in procuring them or escalation in their cost may adversely affect the financial projections/ implementation schedule.

In the absence of stake of any Financial Institution / Bank, there shall be no monitoring of the funds proposed to be raised through this issue by them and the deployment of funds collected from the issue is left entirely to the discretion of the Company management.

The future projections and estimates of requirements of funds proposed to be raised through this issue have not

been appraised by any bank or financial institution and are the Company's own in-house assessments.

Any recession in the user industries viz. engineering, automobile etc shall affect the operations of the Company.

THE INVESTORS ARE ADVISED TO REFER TO THE PARA ON "JUSTIFICATION OF PREMIUM" IN THE LETTER OF OFFER BEFORE MAKING AN INVESTMENT IN THE ISSUE.

IF THE COMPANY DOES NOT RECEIVE THE MINIMUM SUBSCRIPTION AMOUNT OF 90% OF THE ISSUE (excluding amount reserved for preferential allotment to employees and Group companies) WITHIN 120 DAYS FROM THE DATE OF OPENING OF THE ISSUE, THE COMPANY SHALL REFUND THE ENTIRE SUBSCRIPTION AMOUNT WITHIN 128 DAYS WITH INTEREST FOR DELAY BEYOND 78 DAYS FROM THE DATE OF CLOSURE OF THE ISSUE AS PER SECTION 73 OF THE COMPANIES ACT, 1956.

LEAD MANAGERS TO THE ISSUE



Industrial Development Bank of India (IDBI)
Merchant Banking Division
480, Anna Salai
Nandanam, Madras 600 055

REGISTRARS TO THE ISSUE



Cameo Share Registry Pvt Ltd.,
Subramanian Building
No.1, Club House Road
Madras - 600 002

ISSUE OPENS ON : 21-04-1994
ISSUE CLOSES ON : 18-06-1994
LAST DATE FOR RECEIPT
OF REQUESTS FOR SPLIT FORMS : 30-05-1994

NOTES

1. Please read this Letter of Offer and the instructions contained herein carefully before taking any decision. The instructions contained in the accompanying Composite Application Form are an integral part of the conditions of the 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 the accompanying Composite Application Form including the requests for Split Application Forms should be addressed only to the Administrative Office of the Company quoting the name of the sole/first shareholder, the Registered Folio Number and the Composite Application Form Number as mentioned in the Composite Application Form.
3. Please communicate any change in your address by separate post to the Administrative Office of the Company.
4. The following expressions used in this Letter of Offer shall be construed as mentioned hereunder:

DEFINITIONS:

LGB or the Company :

L.G.Balakrishnan & Bros. Ltd.,

Board :

Board of Directors of LGB

Registrars to the Issue :
Cameo Share Registry Pvt. Ltd.,

RBI :
Reserve Bank of India

The Act :
The Companies Act, 1956

CAF :
Composite Application Form

Articles :
Articles of Association of LGB.

Group Companies :
Elgi Steel Rolling Mills Ltd.
Cyclon Products Ltd.
Rolled Strips and Profiles (P) Ltd.
Consolidated Products (P) Ltd.

Dear Shareholder(s)/ Employee,

Re : Issue of 8,50,000 Equity Shares (hereinafter referred to as the "new equity shares") aggregating Rs.659.37 lakhs for cash under:

- ① 7,50,000 Equity Shares of Rs.10/- each for cash at a premium of Rs.65/- per share aggregating Rs.562.50 lakhs to the existing equity Shareholders of the Company on Rights Basis in the ratio of ONE new equity share for every existing TWO shares held as on the Record Date, i.e., April 5, 1994

AND

- ② 37,500 Equity Shares of Rs.10/- each for cash at a premium of Rs. 65/- per share aggregating Rs.28.12 lakhs to the Employers/ Workers (including Indian Working Directors) of the Company;

AND

- ③ 62,500 Equity Shares of Rs.10/- each for cash at a premium of Rs.100/- per share aggregating Rs.68.75 lakhs on preferential basis to the "Group Companies".

I GENERAL INFORMATION

NAME AND ADDRESS OF REGISTERED OFFICE

L.G. Balakrishnan & Bros. Ltd.
"India House",
6/269, Trichy Road
Coimbatore-641 018.

ADMINISTRATIVE OFFICE:

Krishnanyapuram Road,
Gangapathy,
Coimbatore-641 006.

LISTING ARRANGEMENTS

The Company's existing shares are listed on the Stock Exchanges at Madras and Coimbatore. Application will be made to the respective Stock Exchanges for permission to deal in and for official quotations for the Equity Shares now being offered in terms of this Letter of Offer.

DISCLAIMER CLAUSE

The Company has obtained the Acknowledgement Card in respect of the Draft Letter of Offer along with its observations vide letter no. IMID/RM/108/1011/94 dated January 28, 1994 from Securities and Exchange Board of India (SEBI).

It must be distinctly understood that the vetting of draft Letter of Offer by SEBI should not in any way be deemed / construed

as approval from SEBI for the proposed issue. SEBI does not take any responsibility for the financial soundness of any scheme or project or for the pricing of the issue or for the correctness of any of the statements made or opinions expressed in the offer document. SEBI merely ensures, on the basis of information furnished to it, that adequate disclosures have been made in the offer document to enable the investors to take informed investment decisions.

ISSUE DATES

THE SUBSCRIPTION LIST FOR THE RIGHTS ISSUE WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON THE DAYS INDICATED BELOW.

Issue Opens on	21.04.94
Last date for request of split forms	30.05.94
Issue closes on	18.06.94

Lead Managers to the Issue



The Industrial Development Bank of India (IDBI)
Merchant Banking Division
480, Anna Salai
Nandanam, Madras 600 035.

Co-Manager to the Issue



Central Bank of India
Merchant Banking Cell
48/49, Montiech Lane, Egmore
Madras 600 008.

Registrars to the Issue



Cameo Share Registry Pvt. Ltd.,
Subramanian Building
No. 1, Club House Road,
Madras - 600 002

Advisors to the Issue



M/s Elgi Finance Limited,
"Elgi House"
Trichy Road,
Ramanathapuram,
Coimbatore - 641 045.



M/s Sundaram Finance Services Ltd.
21, Paillos Road,
Madras - 600 002.



M/s Surya Capital Market
G5, Pakshiraja Apartments
Puliakulam Main Road,
Coimbatore - 641 045

Bankers to the Issue



Central Bank of India
V.H. Road,
Coimbatore 641 001.

CREDIT RATING

The Issue of Equity Shares does not require rating, hence no rating done for the present Issue.

STATUTORY DECLARATION

Section 68A of the Act:

Your attention is drawn to sub section (1) of section 68A of the Companies Act, 1956 which is reproduced below.

"Any person who

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

II. CAPITAL STRUCTURE OF THE COMPANY

SHARE CAPITAL

	(Rs)
A. Authorised:	
30,00,000 Equity Shares of Rs 10/- each	3,00,00,000
B. Issued, Subscribed and Paid Up:	
15,00,000 Equity Shares of Rs 10/- each	1,50,00,000

C. PRESENT ISSUE

	Nominal Amount Rs	Issue Amount Rs
i. 7,50,000 Equity shares of Rs 10/- each to the existing shareholders at a premium of Rs 65/- per share	75,00,000	562,50,000
ii. 37,500 Equity Shares of Rs 10/- each at a premium of Rs 65/- per share reserved for preferential allotment to the employees/workers (including working directors) of the Company	3,75,000	28,12,500
iii. 62,500 Equity Shares of Rs 10/- each at a premium of Rs 100/- per share reserved for preferential allotment to Group Companies	6,25,000	68,75,000

D. PAID UP SHARE CAPITAL AFTER THE PRESENT ISSUE

	Rs
23,50,000 Equity Shares of Rs. 10/- each	235,00,000

E. EFFECT OF PROPOSED ISSUE ON SHARE PREMIUM ACCOUNT

i. Balance in Share Premium Account as on 31.3.93	Nil
ii. After the present Issue	574,37,500

Notes:

- The equity shares to be allotted as mentioned in C(iii) shall not be sold/hypothecated/transferred for three years from the date of allotment. The Group Companies viz., Elgi Steel Rolling Mills Ltd., Cyclon Products Ltd., Rolled Strips & Profiles (P) Ltd. and Consolidated Products (P) Ltd. will be offered a total of 62,500 shares.

The Promoters/Group Companies have not disposed of any shares of the Company during the previous 12 months.

- The equity shares to be allotted to the Permanent/Regular Employees under C(ii) above will not exceed 200 Equity Shares per employee. The Company at present has 1350 permanent employees in its rolls. The equity shares to be allotted as mentioned in C(ii) shall not be sold/hypothecated/transferred for three years from the date of allotment.
- The unsubscribed portion, if any, out of the equity shares reserved for preferential allotment mentioned in categories C(ii) and C(iii) shall lapse.

Details of Promoters holding:

Promoters, Directors, Friends and others

	No of shares	% of total
Before the proposed issue (prior to submission of Draft Offer Document to SEBI)	7,11,505	47.43%
After the proposed Rights Issue	11,20,757	48.07%

The promoters have undertaken to subscribe to their rights entitlement in full.

III TERMS OF THE ISSUE

(I) AUTHORITY FOR THE ISSUE

Pursuant to section 81(1-A) of the Companies Act, 1956 the present Rights Issue of Equity Shares has been duly authorised by the shareholders of the Company subject to the approval of appropriate authorities by a Special Resolution passed at the Annual General meeting held on September 25, 1993.

(II) BASIS OF OFFER

a. To existing shareholders

Every Equity shareholder whose name appear on the Register of Members of the company as at the close of business on April 5, 1994 (hereinafter referred to as the "Record Date") is being offered shares on Rights basis in the ratio of ONE new equity share for every TWO existing equity shares held by him on that date.

b. To employees

37,500 Equity shares of Rs. 10/- each for cash at a premium of Rs.65 per share are being offered to the Employees of the Company. Applications by Employees must be made in the prescribed Application Form accompanying this Letter of Offer, completed in full in accordance with the instructions contained in the Application Form and is liable to be rejected if not so made.

The Equity Shares offered to the employees shall not carry the right of renunciation.

The Equity shares to be allotted shall not exceed 200 shares per employee. The Equity Shares still remaining unsubscribed shall be allowed to lapse.

The equity shares allotted to the employees shall not be sold / hypothecated/transferred for a period of 3 years from the date of allotment.

The terms and conditions of the Issue as contained in the Letter of Offer shall apply mutatis mutandis to the Equity Shares offered to the Employees.

c. Preferential Allotment to Group Companies

62,500 Equity Shares of Rs.10/- each for cash at a premium of Rs.100 per share are being offered to the Group Companies. Application by the Group Companies must be made in the prescribed Application Form accompanying this Letter of Offer completed in full in accordance with the instructions contained in the Application Form.

The terms and conditions of the Issue as contained in the Letter of Offer shall apply mutatis mutandis to the Equity Shares offered to the Group Companies.

The equity shares allotted to the Group Companies shall not be sold / hypothecated/transferred for a period of 3 years from the date of allotment.

(1) ENTITLEMENT

As a Shareholder holding fully paid up Equity Shares of the Company as on the Record Date, you are entitled to this Rights Offer. The number of New Equity Shares to which you are entitled are shown in Column 4 of Part-A of the enclosed Application Form. Fractional rights entitlements will be rounded off to the nearest integer. However, where the entitlement to any share holder (s) is nil, they will be issued Rights Application Form with nil entitlement to enable such shareholders to apply for the equity shares under the column Additional Shares.

(2) ACCEPTANCE OF OFFER

You may accept and apply for the Equity Shares hereby offered wholly or in part, by filling in Part-A of the enclosed CAF and submit the same along with the application money to the Bankers to the issue / or to the Administrative Office of the Company before the closure of Banking hours on or before 18th June 1994.

(3) ADDITIONAL SHARES

Shareholders as well as renounees are eligible to apply for additional New Equity Shares over and above the New Equity Shares they are entitled to, provided they have applied for all the New Equity Shares offered to them. The allotment of such additional New Equity Shares will be made at the absolute discretion of the Board and shall be done (as far as possible) on an equitable basis with reference to the number of shares held by them on the Record Date in consultation with the Madras Stock Exchange.

(4) RENUNCIATION

As mentioned earlier, you are entitled for one equity share for every two shares held.

You may renounce all or any of the equity shares you are entitled to in favour of any other person(s) resident in India, Limited Companies, minors (through legal guardians) and Statutory corporations/institutions all being resident in India. However renunciation in favour of Trusts/Registered Societies (Unless the Trust/Registered Society is registered under the Societies Registration Act, 1860 or under any other relevant law and is authorised under its constitution to hold shares of a company) foreign nationals, Hindu Undivided Families, firms and partnerships or Nominees of any of them will not be accepted.

Any renunciation from Resident(s) to Non-Resident(s) is subject to the renounee(s)/ renounee(s) obtaining necessary approval of the RBI under the Foreign Exchange Regulation Act, 1973 and the said permission should be attached to the relevant CAF, failing which the Company will not consider the renounee's application for allotment of equity shares.

Renunciation by Non-Resident Indians and foreign shareholders will be governed by RBI's directives / approval and such shareholders will have to obtain permission from RBI, wherever applicable. The permission letter should be attached to the CAF.

If you desire to apply for shares jointly with any person, who are not already joint shareholders with you, it would amount to renunciation and the procedure for renunciation as above should be followed. The right of renunciation shall be subject to the condition that the Board shall be entitled in its absolute discretion to reject the request for allotment to any renounee(s) without assigning any reasons thereto except where the renunciation is made in favour of existing shareholders.

Renounees are eligible to apply for additional shares over and above the number of shares renounced in their favour and the allotment of such additional shares will be made as mentioned under the head "Basis of Allotment".

(7) REQUESTS FOR SPLIT FORMS

Request for split forms should be sent on or before May 30, 1994 to the Administrative Office of the Company only and not to the Lead Managers to the issue. Only a shareholder to whom this letter of offer has been addressed and not a renounee shall be entitled to obtain split forms. Request for split forms should be for a minimum of 50 Shares or multiples thereof and one Split form for the balance. Split forms cannot be resplit.

(8) BASIS OF ALLOTMENT

The Board will proceed to allot Equity Shares in the following order of priority:

1. Full allotment to the Shareholders who have applied for their rights entitlement either in full or in part and also to the renounee(s) who have applied for New Equity Shares renounced in their favour either in full or in part (subject to other provisions contained under the paragraph entitled "Renunciation")
2. Allotment to the shareholders who, having applied for all the New Equity Shares offered to them as rights, have also applied for additional New Equity Shares. The allotment of such additional New Equity Shares may be made as far as possible, on an equitable basis having regard to the number of existing Equity Shares held by the concerned Shareholders on Record Date.
3. Allotment to the renounee(s) who having applied for all the New Equity Shares renounced in their favour, have applied for additional Equity Shares, provided there is a surplus after making full allotment as provided in (1) and (2) above.
4. To any other person(s) as the Board of Directors may allot in their absolute discretion, provided there is a surplus after making full allotment under (1), (2) and (3) above.

In the event of oversubscription, allotment shall be considered by the Board in a fair and equitable basis with reference to the number of equity shares held by the shareholders on the "Record Date" and in consultation with the Madras Stock Exchange, within the overall size of the rights offer to the equity shareholders of the Company as stated elsewhere in this Letter of Offer.

(9) PRINCIPAL TERMS OF ISSUE

The New Equity Shares now being issued are subject to the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, the terms of this Letter of Offer and the accompanying Composite Application Form. Subject to the above, the principal terms are as under:

Existing Shareholders and Employees

- i) Face value
Each equity share of Rs.10/- each is being issued at a premium of Rs.65/-.

- ii) Terms of payment

	To be allocated towards		
	Equity	Premium	Total
On application	5	30	35
On allotment	5	35	40
	10	65	75

Group Companies

- i) Face value
Each equity share of Rs.10/- each is being issued at a premium of Rs.100/-.

- ii) Terms of payment

	To be allocated towards		
	Equity	Premium	Total
On application	5	30	35
On allotment	5	70	75
	10	100	110

Failure to pay the amount due on allotment on the appointed date will render the allottees liable to pay interest thereon @ 15% p.a. on the amount from the date fixed for payment (the actual payment date in the case of cheques / demand drafts shall be the date of realisation) and non-payment of interest will also render the equity shares (including the amount paid thereon) liable for forfeiture. Excess amount paid on application shall be adjusted towards the allotment money payable on the shares actually allotted to the applicant and the balance amount, if any, will be refunded by the Company to the applicant(s) in accordance with the provisions of Section 73 of the Act. No interest will be payable on application money pending allotment.

(10) RANKING OF NEW EQUITY SHARES

The New Equity Shares to be issued will rank pari-passu in all respects with the existing Equity Shares of the Company save and except that they will not be entitled to any dividend which may be declared or paid by the Company for any period prior to the date of allotment and that such shares will be entitled to pro-rata dividend on the paid up value from the date of allotment for the financial year in which these are allotted.

(11) DISPOSAL OF APPLICATION AND APPLICATION MONEY

No receipt will be issued for Application Money received. However, the Banker to the Issue/Company 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 discretion to accept or reject any application in whole or in part and in either case without assigning any reason therefor. In case the application is rejected in full, the whole of the application money received will be refunded and where an application is rejected in part, the balance of the application money, if any, after adjusting any money due on shares allotted, will be refunded to the applicants.

(12) REFUND/ALLOTMENT

The Company would send by registered post (or by any other permissible manner) refund order to non-allottees and the Letter of Allotment/Share Certificates together with refund orders, if any, to allottees to the sole/first applicant's registered address within six weeks from the date of closing of the subscription list. Adequate funds for posting shall be made available to the Registrars to the Issue by the Company. No interest will be payable on the applications accompanied by stock invest. The applicant's account will get debited only to the extent of amount payable by him on the shares allotted to him.

Refunds will be made by cheque or pay order drawn on the Refund Banker and Bank Charges, if any for encashing such cheques/pay order will be payable by the applicant. Cheques or pay orders for refund will however be payable at par during their validity period at all the places where applications are accepted. In case of joint applications, refund orders, if any, will be addressed to the person whose name appears first on the CAF.

In case of NRI(s) who remit their application money from funds held in NRE/FCNR Account/Direct Remittance, refunds and other disbursements, if any, will be made by way of Indian rupee cheques payable to the credit of NRE Account or foreign currency draft in US\$ as the case may be at the rates of exchange prevailing at such time subject to the approval of RBI.

(13) UNDERWRITING /STANDBY ARRANGEMENTS

The Management of the Company is confident of full subscription of their Rights Issue and has therefore not entered into any stand-by arrangements.

(14) UTILISATION OF PROCEEDS

The subscription received against rights issue will be kept in separate bank accounts and no allotment will be made unless approval is received for allotment from the Madras Stock Exchange and also the listing approvals from each of the other Stock Exchanges (as referred under the head "Listing"). The Company will have access to the subscription money on approval by the Madras Stock Exchange on the Company satisfying the Exchange Authorities with suitable documentary evidence that the minimum subscription of 90% of the issue has been received.

(15) ISSUE OF SHARE CERTIFICATES

Share Certificate (s) or Letter(s) of Allotment or Letter(s) of Regret together with Refund Cheques or pay orders or Stockinvests, if any, will be despatched by Registered Post or as per extant Postal Rules to the first named/sole applicant within six weeks from the closure of the issue at his/her own risk. No interest will be payable on any money paid to the Company pursuant to the letter of offer save and except as mentioned under the heading "Minimum Subscription."

The Company has given an undertaking that the requisite funds will be made available for complying with the requirement of despatch of refund orders/allotment letters/certificates.

(16) LAST DATE FOR SUBMISSION OF FORMS

The last date of receipt of the Forms by any specified collection Centre or the Administrative Office of the Company together with the amount payable on application is June 18, 1994. If the Application Forms together with the amount payable are not received by the Bankers to the Issue / Administrative Office of the Company on or before the closing of the Banking hours on June 18, 1994, the offer contained in this Letter shall be deemed to have been declined.

(7) INSTRUCTIONS FOR SHAREHOLDERS

a) HOW TO APPLY

Application for the shares must be made only in the respective Forms provided by the Company and completed in block letters in English as per the instructions set out in the said Form. Applications which are not complete or are not accompanied by the remittance or proper amount will be rejected. Applications which are incomplete, with regard to any of the particulars required to be given therein or which are not completed in conformity with the terms of this Letter of Offer and the CAF will be liable to be rejected and the application money received in respect thereof will be refunded without interest.

In case of application made under a power of attorney or by Bodies Corporate or Societies, the relevant power of Attorney to make the application, as the case may be, together with a certified copy thereof along with a copy of Memorandum and Articles of Association and/or Bye-laws must be attached to the Application form or lodged separately to the Administrative Office of the Company simultaneously with the submission of Application Form.

Under no circumstances should any part of the Form be detached. In case any of the parts A, B, C and D of the enclosed CAF is/are detached or separated, such application will be rejected.

You may exercise any of the following options with regard to the equity shares offered to you:

OPTIONS AVAILABLE	ACTIONS REQUIRED
1. Accept whole or part of the equity shares offered to you without renouncing the balance.	Indicate in Column 5 of Part A, the number of shares accepted. If you accept all the shares offered to you, you may apply for additional shares. Indicate in Column 6 the additional shares required and complete Columns 7 & 8.
2. Renounce your entitlement for all the shares offered to you to one or more persons jointly not exceeding three (Renounee) without applying for any of the shares offered to you.	Fill in and sign Part B indicating the number of shares renounced in Column 9 and hand over the entire form to the renounee. The renounee should fill in and sign Part C.
3. Accept a part of your entitlement and renounce the balance or a part of it to one or more persons (not exceeding three renounees jointly)	Fill in and sign Part D for the number of Split forms and send the entire Composite Application Form to the Administrative Office of the Company to be received by them not later than the close of business on 30.05.94
OR	
Renounce your entitlement wholly or part of it to more than one person (not exceeding three jointly)	On receipt of the split forms: (a) For the shares you are accepting fill in and sign Part A. (b) For the shares you are renouncing, fill in and sign Part B indicating the number of shares renounced to each renounee in Column 9. (c) Each of the renounee(s) should then fill in and sign Part C.

Notes:

- (i) Last date for receipt of request for split forms is 30.05.94
- (ii) A split form cannot be resplit
- (iii) A renounee is not entitled to a split form
- (iv) The last date for submission of the Composite application Form with remittance is 18.06.94.
- (v) While applying for or renouncing shares, Joint holders must sign in the same order as in the records with the Company.
- (vi) Signatures in languages other than English, Tamil, Hindi, Telugu, Marathi, and Gujarathi or in any of the languages specified in the Eighth schedule of Constitution of India, and thumb impression must be attested by a Magistrate or Notary Public or Special Executive Magistrate under his official seal.

B) MODE OF PAYMENT

a) INSTRUCTIONS FOR RESIDENT SHARE HOLDERS

Payments for the shares applied for may be made along with the CAF at specified collection centre or where there is no collection centre the application may be sent to the Administrative Office of the Company by Registered Post.

Separate cheques/drafts/stockinvests, for payment of application money on equity shares are to accompany each application. Outstation cheques/drafts will not be accepted and application(s) accompanied by such cheques/bank drafts will be rejected. MONEY ORDERS, POSTAL ORDERS AND POST DATED CHEQUES WILL NOT BE ACCEPTED. Such applications will be rejected and will not be considered for allotment.

Only one mode of payment per application will be accepted. Applications accompanied partly with stockinvest and partly with cheque/draft will not be accepted.

Shareholders in Coimbatore, Karur, Madras, Bangalore and Bombay

Shareholders from any of the above centres can deposit their application with the Banker to the Issue or its designated collecting branches as given in the CAF along with cash, stockinvest or cheque / Demand draft. Cheque / Demand draft should be drawn on any bank (including Co-operative Bank) which is situated at and is a member or sub-member of the Banker's Clearing House located at the Centre where the application is accepted.

All cheques or drafts accompanying the applications must be made payable to "Central Bank of India, A/c -LGB RIGHTS ISSUE" and must be crossed "A/c Payee Only". Stockinvests should be drawn in favour of the Company only.

No receipt will be issued for the payment made on application. However, the Bankers to the Issue will stamp and return the acknowledgment slip provided in the Composite Application Form.

Shareholders from other Centres:

Shareholders at centres other than Coimbatore, Bangalore, Madras, Bombay and Karur are requested to send the CAF along with a stockinvest/ demand draft payable at Coimbatore for the application money NET OF BANK COMMISSION and REGISTERED POST CHARGES to the Administrative Office of the Company by REGISTERED POST. The demand draft should be drawn on any bank (including Co-operative Bank) and must be made payable to "Central Bank of India-A/c-LGB RIGHTS ISSUE" and crossed "Account Payee Only". Payment may also be made by Stockinvests in lieu of Demand Drafts. Stockinvests should be drawn in favour of the Company only.

The Company will acknowledge the receipt of the applications along with the remittance by signing and returning the perforated slip appended to the bottom of the CAF.

The Company shall not be liable for any postal delays and applications received through mail after closure of issue will be returned to the applicant.

b) Instructions for Employees

Employees applying under the reservation made for them shall use the separate Application Form meant for this purpose. Employees cannot renounce the offer of Equity Shares made to them. The shares allotted under Employees Quota shall not be sold, hypothecated or transferred in any manner for a period of three years from the date of allotment.

For further instructions, please read the Application Form meant for employees carefully.

c) Payment in Cash

No person shall make an application for subscription to New Equity Shares in cash, if on the date of making the application, the applicant has any deposit or loan (including Debentures) whether originally paid in cash or otherwise remaining unpaid (whether payment has fallen due or not) which by itself or taken together with the present application is Rs.20,000/- or more, in terms of Section 269 SS of the Income Tax Act, 1961.

d) PROCEDURE FOR PAYMENT BY MEANS OF STOCKINVEST

Stockinvest can be used in lieu of Cash/Cheque/Bank Drafts for making applications. Some details of the Stockinvest scheme are given below:

- a. Stockinvest is issued to the applicants for use with applications of new issues of shares.
- b. Stockinvest can be obtained from any Bank issuing these instruments by making necessary application and depositing the amounts with them.
- c. Stockinvests would be issued for the denomination specified by the investor to the issuing branch. The applicant will authorize payment of the maximum sum payable towards application money for the shares applied on the left side of the Stockinvest. The payee will fill in the actual amount receivable on the right side indicating the number of shares for which the payment is appropriated. The amount indicated on the left side should be within the overall ceiling for Stockinvest indicated on the top right side.
- d. The applicant using the Stockinvest should submit the application along with the Stockinvest for the amount payable on application.
- e. Stockinvest is paid on the payee filling in the required particulars on the right side under due authorization and discharged by the authorized signatory and presenting it for payment.
- f. Stockinvest is neither transferable nor negotiable. The issuing bank undertakes to pay the lower of the two sums indicated on the face of the instrument (representing the application money payable on his entitlement of shares/debentures/bonds according to the basis of allotment and his application) in terms of the authorization given by the account holder. Payment will be made only by credit to the payee's account with their banker.
- g. Stockinvest is current for four months from the date of issue indicated on its face and no amount can be claimed on the Stockinvest by the issuing bank branch unless it is presented to it within four months.
- h. Stockinvest is payable at all branches of the issuing bank including all the centres where stock exchanges are present.

i. Stockinvest is valid for payment only when signed by the issuing banker at the appointed place on its face.

j. The account holders instructions to the bank, given therein, are irrevocable.

k. It is understood at the explicit undertaking of the account holder an amount equivalent to the sum mentioned on the left hand side of the Stockinvest is either debited to his account or a lien marked on his deposit account from the date of issue, till full liability under the Stockinvest is extinguished.

l. Bankers lien shall be automatically lifted provided:

i. Valid instrument is presented by the controlling branch of the bank after allotment.

ii. The cancelled instrument is surrendered by the investor.

iii. An indemnity is executed in favour of the bank after the validity period of the stockinvest is over, in cases where the investor has not received the advice of allotment.

m. The cancelled instruments would be directly sent back to the investors by the Registrars to the Issue.

n. The bank shall not be liable for any delay, error, fraud, forgery or any other lapse in the issue or encashment of the Stockinvest. It shall also not be liable for any losses / damages in case of death/insolvency or insolvency of the drawer before actual allotment/delivery of the relative shares/debentures/bonds by the payee company.

o. Stockinvest should be marked account payee and made payable only to the Issuer Company.

p. Stockinvest should be utilised by the purchaser(s) and the purchaser's name/name of one of the purchasers should be invariably indicated as the first applicant in the share application form. Thus, if the signature of the purchaser on the stockinvest and the signature of the first applicant on the application form does not tally, the application should be treated as having been accompanied by a third party stockinvest.

q. Stockinvests are to be used by the purchaser(s) within 10 days of issue and for the purpose, the last day for use of the Stockinvest for submitting share application to the bank is indicated on the face of the Stockinvest with a notation "To be used before"

Separate stockinvests of suitable and appropriate denomination (wherever available) should be submitted with each application form for the shares applied for. In case of stockinvests of fixed denomination, the investor can fill an amount less than the denomination amount depending upon the money required to be paid on application for the shares applied for.

Disposal of Applications made by Stockinvests

The procedure for disposal of applications made by Cash or Cheque or bank draft will apply mutatis mutandis to applications accompanied by Stockinvest except the following:

1. In case of non-allotment, the Registrars to the Issue will return the Stockinvest to the investor without encashing. The bank will lift the lien on the account on submission of the same by the investor.
2. On allotment/partial allotment, the Registrars to the Issue will fill in the amount which would be less than or equal to the amount filled in by the investor before presenting the Stockinvest to the issuing Banker for payment to the extent of the allotment. The Bank will lift the lien on the balance amount in the investor's account.

The cancelled instruments with non-allotment advice shall be returned by the Company to the investors directly.

The Registrars to the Issue have been authorised by the Company to sign on behalf of the Company for realising the proceeds of the stockinvest of the allottees from the issuing bank or to affix non-allotment advice on the instrument or cancel the stockinvest of the non-allottees or partial allottees who have enclosed more than one stockinvest. Such cancelled instrument shall be sent back by the Registrars directly to the investors.

e) For Non Resident Indian (NRI) Shareholders

Non Resident shareholders are requested to follow the instructions as under. The instructions under the head "Residents" will also apply to the extent applicable.

The application form should be accompanied by a Non Repatriation / Repatriation Undertaking where applicable as per the form prescribed by the RBI.

The applicants applying with repatriation benefit must apply out of the funds from NRE/FCNR Accounts and applicants applying with non repatriation benefits may apply also out of funds from NRO Account.

Applicants should deposit their applications with the Company (for non-residents only) along with

- (a) An Indian MICR Rupee draft purchased from abroad drawn on any bank in Coimbatore, India

OR

A MICR cheque / stockinvest drawn in Indian rupees on their Non-resident (External) (NRE) Account or Foreign Currency Non-Resident (FCNR) Non Resident Ordinary (NRO) account maintained in Coimbatore

OR

An Indian rupee MICR draft/stockinvest purchased out of NRE/FCNR/NRO account maintained anywhere in India and payable at Coimbatore, India.

OR

Applicants who have applied for equity shares by debit to their NRE/FCNR/NRO Account should indicate the NRE/FCNR/NRO account number in the box provided in the application form so that disbursements if any, can be credited to the respective account(s).

Refunds will be made as under:

- (a) where applications are accompanied by Indian Rupee Drafts purchased abroad and payable at Coimbatore, India, refunds will be made in US Dollars equivalent to Indian Rupees to be refunded. Indian Rupees will be converted into US Dollars at the rate of exchange which is prevalent on the date of the refund. The exchange risk on such refunds shall be borne by the concerned applicant and LOB will not bear any part of the risk.
- (b) Where the applications made are accompanied by NRE/FCNR/NRO cheques payable at Coimbatore, refunds will be credited to NRE/FCNR/NRO accounts respectively on which such cheques are drawn.

In case of applications by overseas Companies and other corporate bodies owned pre-dominantly by Non Resident Individuals of Indian Nationality Origin, a certificate in the prescribed Form OAC/OAC-1 from an overseas Auditor /Chartered Accountant /Certified Public accountant should be submitted along with the application.

Non resident applicants who have purchased Indian Rupee drafts by debit to their NRE/FCNR/NRO Account(s) maintained in India must enclose the necessary certificates along with the application from the Banks to the effect that the drafts have been purchased out of funds held in such accounts, otherwise such applications will be considered incomplete and are liable to be rejected.

Allotment to Non-Resident Indian Shareholders will be governed by RBI's directives / approval and such shareholders will have to obtain permission from RBI, where applicable. The permission letter should be attached to the CAF.

Issue and allotment of equity shares in favour of such Non-resident(s) will be subject to the provisions of the Foreign Exchange Regulation Act, 1973.

18) TAX BENEFITS

The Company has been advised by its auditors M/s K.S.R & Co., Chartered Accountants, Coimbatore, that in accordance with the Income Tax Act, 1961, (herein referred to as "the I.T. Act") and other applicable tax laws in force, the following benefits are available to the Company and its members:

A. To the Company :

- a. The Equity Shares of the Company are listed in the recognised stock exchange in accordance with the provisions of the Securities Contracts (Regulations) Act, 1956. The Company, is therefore, a company in which the public are substantially interested as defined under Section 2(18) of the Income Tax Act, 1961 as a result of which the Income of the Company is assessed at the lower rates of tax applicable to such companies.
- b. Section 80 M of the Income Tax Act 1961 provides that where the gross total income of a domestic company for any previous year includes any income by way of dividends from other domestic companies, there shall be allowed a deduction of an amount equal to the income by way of dividend received by it from other domestic companies, not exceeding the amount of the dividend distributed by the company on or before the due date for furnishing the return of Income except in the case of Dividend from the Unit Trust of India which is exempted only upto 4/5th of the income for the assessment year 1994-95 and only upto 2/5th of the income for the assessment year 1995- 96 and fully taxable thereafter.
- c. In accordance with and subject to the conditions specified in Section 80 HHC of the Income Tax Act, 1961, the company shall be eligible to a deduction of the profits attributable to its exports of goods subject to the provisions of the said section.
- d. In accordance with and subject to the conditions prescribed under Section 80 IA of the Income Tax Act, 1961, the company shall be entitled to a deduction from total income of 30% of the profits and gains derived from the new Industrial undertaking (other than covered by the Eleventh Schedule of the Income Tax Act, 1961) for a period of 10 assessment years beginning with the assessment year relevant to the previous year in which the said undertaking commences the production.

B. To the Resident Members :

- a) Members of the Company who are Individuals, Hindu Undivided Families or Association of Persons or Body of Individuals referred to in Section 80 L of the Income Tax Act, 1961, will be entitled to deduction from the total income, upto a maximum of Rs.10,000/= in the aggregate per year in respect of any income of the nature specified in the said section, including dividends received from the company, subject to the provisions of the said Section.

- b) No Income-tax will be deducted at source for dividend received from the company in case of a shareholder being a resident individual provided:
- if the aggregate amount of such dividend distributed or paid during the financial year by the Company to its shareholders does not exceed Rs.2,500/-; or
 - if the shareholder furnishes to the company a declaration in writing, in duplicate, in the prescribed form and verified in the prescribed manner to the effect that his estimated total income of the previous year in which such dividend income is to be included in computing his total income will be less than the minimum liable to income-tax as computed under the provisions of the Act; or
 - Pursuant to Section 197 of the Income Tax Act, 1961, the member can avail of the facility of no tax or deduction of tax being made at a lower rate by furnishing a certificate obtained from the Assessing Officer.
- c) i) Members being a domestic company will be eligible for deduction under Section 80 M of the Income Tax Act 1961, of an amount equal to the income by way of dividends which is to be included in the total income of the member and it does not exceed the amount of dividend distributed by the company as dividend to its shareholders on or before the due date of filing the return of income.
- ii) A scheduled bank or a public financial institution or a state financial corporation or a state industrial investment corporation or a company registered under section 25 of the Companies Act, 1956 will be entitled to a deduction of 60 percent of income from dividend from this company under the said section.
- d) Any income of mutual funds set up by public sector banks or public financial institutions or authorised by the Securities and Exchange Board of India or the Reserve Bank of India will be exempt from income tax, for their income from investment in shares of the company subject to the provisions of Section 10(23D) of the Income-tax Act, 1961
- e) Under Section 48 of the Income Tax Act, 1961, long term capital gains arising from the sale of shares will be computed after indexing the cost of acquisition/improvement. Long term capital gains would be charged to tax at flat rates, subject to the other provisions of the Income Tax Act, 1961.
- f) Shares held in the company are not an asset as defined in the Wealth Tax Act, 1957 with effect from the Assessment Year 1993-94 and consequently the members are not liable to Wealth tax in respect of the value of shares held by them.
- C. To The Non-Resident Members of the Company:**
- The shareholders being Non-resident Indian individual shall be entitled to receive dividend without deduction of tax at source or with deduction of tax at a lower rate provided such shareholder furnishes a certificate obtained from the Assessing Officer under Section 197 of the Income-tax Act, 1961.
 - A non-resident Indian has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961, according to which:
 - Under Section 115E of the Income-Tax Act, 1961, where the total income of an assessee consists only of investment income or income by way of long term capital gains or both, interest on debentures of the company and dividends on shares of the Company acquired out of convertible foreign exchange shall be taxed at the rate of 20%, subject to other provisions of the Act.
 - Any long term capital gain arising from the transfer of shares or debentures shall be exempted from the income tax entirely/ proportionately under Section 115F of the Income-Tax Act, 1961, provided that they are acquired out of convertible foreign exchange and the amount of net consideration is invested wholly or in part in any of the specified assets within a period of six months after the date of transfer of asset. The amount so exempted shall be chargeable to tax if new assets are transferred or converted within 3 years from the date of acquisition of the specified assets.
 - Under Section 115G of the Income-Tax Act, 1961, a Non-Resident Indian is not obliged to file a return of income under Section 139(1), where his total income consists only of investment income and/or income from long term capital gains and tax deductible at source has been deducted from such income.
 - Under Section 115H of the Income Tax Act 1961, where a Non-Resident Indian in any previous year becomes assessable as resident in India in respect of his total income of any subsequent year, he may furnish to the Income Tax Officer a declaration in writing along with his return on income under Section 139 of the Income Tax Act 1961, for the assessment year for which he is so assessable to the effect that the provisions of Chapter XIIA of the Income Tax Act 1961 shall continue to apply to him in relation to the investment income derived from any foreign exchange asset being an asset of the nature referred to in sub clause (ii) to (v) of Clause (f) of Section 115 C of the Income Tax Act 1961, and if he does so, the provisions of the said Chapter shall continue to apply to him in relation to such income for that assessment year and for every subsequent assessment year until the transfer or conversion (otherwise than by transfer) in to money of such assets.
 - Under Section 115-I, of the Income Tax Act, 1961, a Non-Resident Indian may elect not to be governed by the special provisions of Chapter XII-A for any assessment year and, if he does so, his total income for that assessment year shall be computed and taxed in accordance with the other provisions of the Income-tax Act, 1961.
 - Under Section 48 of the Income-Tax Act, 1961, in computing capital gains arising from transfer of shares of an Indian Company, protection is provided to all non-resident Indians from fluctuation in the value of rupee in terms of foreign currency in which the original investment in shares was made.
 - Gift made by a citizen of India or a person of Indian origin who is not a resident in India to any of his relatives in India in the form of shares acquired by him with convertible foreign exchange will be wholly exempt from Gift Tax under Section 5(i)(d) of the Gift Tax Act, 1958.

IV. PARTICULARS OF THE ISSUE

(1) Objects of the Issue

The objects of the present issue are to part finance the cost of expansion and modernisation of the existing units at Arun, Ganapathy and Vedasandur and to augment long term resources for working capital.

Funds Requirements and Financing Plan:

TOTAL REQUIREMENTS OF FUNDS	(Rs lakhs)
For the Expansion cum modernisation scheme	550.00
Margin money for working capital	109.37
	<u>659.37</u>

a) Expansion cum Modernisation Scheme Rs. 550 lakhs

	Rs lakhs					
	1994-95			1995-96		
	Arisar	Garapathy	Veda sandar	Arisar	Garapathy	Veda sandar
Land	-	-	-	-	-	-
Building	-	-	-	-	-	-
Plant & Mach	100	100	100	-	100	150
Total	100	100	100	-	100	150

Assumptions for working out requirements of funds:

- ① The proposed expansion scheme at Arisar will commence by April 1994 and will be completed by January 1995. The expansion cum modernisation at Garapathy as also the expansion at Vedasandar will commence in April 1994 and will be completed by June 1995.
- ② No additions to land and buildings is necessary as the existing facilities are sufficient for the proposed schemes.
- ③ The plant and machinery have been identified by the Company and the cost has been estimated on the basis of prevailing prices.

Note: The funds requirements are based on the Company's own assessments and have not been appraised by any bank or financial institution and shall not be subject to monitoring by any bank/financial institution.

b) Working Capital Requirements: Rs 109.37 lakhs

The Company's turnover is expected to increase from Rs.6865 lakhs in 1993-94 to Rs.9045 lakhs in 1995-96 after the completion of the proposed projects. In tune with this turnover, the Company expects an increase in its working capital from Rs.1559 lakhs in 1993-94 to Rs.2256 lakhs in 1995-96. The margin money estimated at Rs.110 lakhs will be met out of the proceeds of the Rights Issue and the balance will be funded by additional bank borrowings and other current liabilities.

Sr. No.	1993-94		1994-95		1995-96	
	Amount in lakhs	Equiva less days	Amount in lakhs	Equiva less days	Amount in lakhs	Equiva less days
1. Inventory	1280	65-70	1480	70-75	1525	70-75
2. Receivables	1209	65-60	104	70-75	1764	70-75
	2489		1684		3289	
Less payables	940	40-45	968	40-45	1033	40-45
Net working capital	1559		2128		2256	
Total Turnover	6865		7850		9045	

Name:

Inventory : The Company has been maintaining 2.5 months stock of raw material. The inventory holding has been estimated keeping in view the increase in volume of exports.

Receivables : An average outstanding of 65 days is expected in respect of exports. For local sales, a credit period of 65-75 days has been estimated.

Payables : The payables has been estimated on the basis of past experience.

FINANCING PLAN

The cost of the proposed expansion cum modernisation schemes and the margin money requirements aggregating Rs.659.37 lakhs will be funded out of the proceeds of the proposed rights issue.

V. COMPANY, MANAGEMENT AND PROJECT

1. BRIEF HISTORY

The Company was incorporated as a Private Limited Company with the Registrar of Companies, Tamilnadu on 24th March, 1956 with the main objective of building bus bodies and to act as transport operators. The Company was then converted into a Public Limited Company in 1975 and 1,69,000 equity shares were offered to the public including an offer for sale of 71,000 equity shares of Rs.10 each. The share capital after the issue was Rs.40 lakhs. The company issued bonus shares in the ratio of 1:1 in 1978 increasing the subscribed capital to Rs.80 lakhs. This was further increased to the present level of Rs.150 lakhs through bonus issues in 1982 and 1993.

The Company was initially operating a fleet of buses and later on diversified into the manufacture of industrial and automotive chains. The Company was the first to develop chains for original equipment manufacturers. It obtained a licence in 1960 for the manufacture of 1 lakh metres of chains per annum. This has gradually been increased over the years to 10 lakh metres per annum in 1980. In 1989, the Company obtained a licence to put up a new factory with a capacity of 18 lakh metres per annum. The Company has over the years diversified into specialised areas such as Reclaimed Rubber products, Pollution Control and Monitoring Equipment, Tyre Retreading, Engine Overhauling and distribution of MICO products. These expansions and diversifications were financed through internal accruals and through borrowings from institutions/banks.

The Company presently has four automotive and industrial chain manufacturing units located at Arisar, Garapathy, Mysore and Karur.

2. MAIN OBJECTS OF THE COMPANY

The main objects of the Company are set out in the Memorandum and Articles of Association of the Company and which includes establishing Manufacturing industry for the manufacture of automotive and industrial chains, bus body building, tyre retreading, reclaiming rubber and manufacture of various machinery required for the engineering industry.

3. SUBSIDIARY COMPANIES

The Company has a wholly owned subsidiary, viz., Elgibi Engineering Works Ltd. (EEW). EEW is engaged in the manufacture of Automotive and Industrial Chains, Bus Body building, Automobile Services, etc. Its turnover for the year ended March 31, 1993 was Rs 733 lakhs on which it earned a net profit of Rs. 9 lakhs.

4. PROMOTERS

The Company was promoted by Late Shri L.R.G.Naidu. The Company presently functions under the guidance of Shri L.G.Balakrishnan and Shri L.G.Varadarajulu, both sons of Shri L.R.G.Naidu.

Shri L.G.Balakrishnan, Diplomaholder in Automobile Engineering has been instrumental in developing the image of today's Elgi Group, which reflects a business history of over 5 decades. The founder of the Elgi Group, late Shri L.R.G.Naidu, operated a fleet of buses in the thirties and forties in and around Coimbatore. Under the guidance of Shri L.G.Balakrishnan, LGB has diversified into bus body building industry and later into manufacturing of Automobile Chains, garage equipment and compressors, etc.

Shri L.G. Varadanjulu, Diplomaholder in Automobile Engineering is the Chairman and Managing Director of Elgi Equipments Ltd. He has over 3 decades of experience in the industry and is instrumental in the effective progress of the Group in perfecting the technology, professional service, planned investment and disciplined expansion of the Group from construction of bus bodies to manufacture of tyre retreading and machinery based on modern technology.

Shri H. Vijayakumar B.Sc., Science graduate, has been the Managing Director of the Company since 1987. He has been responsible for the development of the overseas market for the Automotive and Industrial Chains manufactured by LGB.

Shri L.G. Balakrishnan and Shri L.G. Varadanjulu have been actively involved in day-to-day operations of the Company. They have also promoted other companies viz., Elgi Equipments Ltd., Elgi Tyre and Tread Ltd., Elgi Polytex Ltd., Elgi Finance Ltd., etc.

5. FINANCIAL HIGHLIGHTS OF GROUP COMPANIES

A. Listed Companies (not falling under the purview of section 370 (1B) of the Act) :

Financial highlights for the last three years

A. 1 Elgi Equipments Ltd.:

	Rs lakhs		
	1990-91	1991-92	1992-93
Sales	7151	8900	10991
Other Income	96	105	79
Profit after tax	191	171	232
Dividend (%)	22%	22%	30%
Share Capital	100	100	200
Reserves and surplus	1249	1399	1470
Net worth	1349	1499	1670
EPS (Rs)	19.10	17.10	11.60
Book Value (Rs)	134.90	149.90	83.50

Contingent Liability as on 31st March, 1993:

1. Disputed Excise Duty Rs. 17.17 lakhs.
2. Disputed Sales Tax Liability Rs. 9.19 lakhs.

A. 2 Elgi Tyre and Tread Limited:

	Rs lakhs		
	1990-91	1991-92	1992-93
Sales	6253	7961	8919
Other income	400	504	549
Profit after tax	224	634	294
Dividend (%)	20%	30%	30%
Share Capital	190	190	190
Reserves and surplus	753	1338	1542
Net worth	943	1528	1732
EPS (Rs)	11.78	33.36	15.47
Book Value (Rs)	49.63	80.42	91.15

Contingent Liability as on 31st March, 1993:

1. Disputed Excise Duty- Rs. 51.12 lakhs.
2. Disputed Sales Tax Liability- Rs. 23.99 lakhs.
3. Disputed Income Tax- Rs. 14.11 lakhs.

A. 3 Super Spinning Mills Ltd.,

	Rs lakhs		
	1990-91	1991-92	1992-93
Sales	5231	6316	5827
Other income	159	181	202
Profit after tax	362	365	165
Dividend (%)	18%	18%	18%
Share Capital	300	300	300
Reserves & surplus	1391	1642	1753
Net worth	1691	1942	2053
EPS (Rs)	12.10	10.20	5.50
Book Value (Rs)	56.37	64.70	68.43

A.4 Elgi Rubber Products Ltd.

	Rs lakhs		
	1990-91	1991-92	1992-93
Sales	308	347	390
Other income	85	88	36
Profit/(Loss) after tax	13	4	(2)
Dividend (%)	18%	12%	12%
Share Capital	20	20	20
Reserves & surplus	89	91	89
Net worth	109	111	109
EPS (Rs)	6.50	2.00	Nil
Book Value (Rs)	54.50	55.50	54.50

A. 5 Elgi Finance Ltd.

	Rs lakhs		
	1990-91	1991-92	1992-93
Income	202	382	664
Profit after tax	62	72	93
Dividend (%)	22%	24%	24%
Share Capital	238	238	238
Reserves and surplus	162	183	219
Net worth	400	421	457
EPS (Rs)	2.64	3.03	3.91
Book Value (Rs)	16.84	17.69	19.23

B. UNLISTED COMPANIES (WITHIN THE PURVIEW OF SECTION 370(1B) OF THE ACT)

B.1 Elgi Steel Rolling Mills Limited (ESRM):

ESRM is having a cold rolling mill, which can convert the hot rolled steel strips to the required specification to meet LGB's raw material requirement for making chain plates and rollers. Close association with ESRM will enable LGB to buy the hot rolled strip directly from the manufacturers instead of purchasing the final product at a higher cost from the Steel manufacturers; thereby reducing costs and unnecessary holding of inventory.

Financial highlights of ESRM for the last three years are as follows:

	1990-91	1991-92	Rs lakhs 1992-93
Sales	174	194	338
Other Income	80	88	129
Profit after tax	17	10	12
Dividend (%)	--	10%	10%
Share Capital	20	20	20
Reserves and surplus	45	53	65
Net worth	65	73	85

B.2 Cyclon Products Limited (CPL):

CPL produces cycle chains and provides a base for meeting LGB's requirements of chains for both the local and export markets. It manufactures pedalling chains, which is used for moped segment of LGB.

Financial highlights of CPL for the last three years are as follows:

	1990-91	1991-92	Rs lakhs 1992-93
Sales	200	267	308
Other Income	3	3	4
Profit after tax	4	3	5
Dividend (%)	--	--	--
Share Capital (Rs. 100 each)	0.50	3.50	3.50
Reserves and surplus	18.53	21.23	24.70
Net worth	19.03	24.73	28.20

B.3 Consolidated Products Private Limited (CPPL):

CPPL is doing manufacturing activities like Tumbling, Roller Cutting, Machining, Fitting and Sub-assembly of Automotive and Industrial Chains and Tools, which are some of the major processes of Chain manufacturing. Facilities are also available with CPPL to verify/check the defects of chains like preloading, length measuring etc.

Financial highlights of CPPL for the last three years are as follows:

	1990-91	1991-92	Rs lakhs 1992-93
Sales	38.75	44.10	44.51
Other Income	0.75	1.18	0.71
Profit after tax	1.05	0.85	0.90
Dividend (%)	22%	22%	23%
Share Capital	3.47	3.47	3.47
Reserves and surplus	1.92	2.03	2.14
Net worth	5.39	5.50	5.61

B.4 Rolled Strips & Profiles Private Limited (RSP)

RSP is a precision wire drawing unit engaged in re-drawing of hot rolled rod to the required size for the manufacture of Pins for Chains. In addition, they supply flattened wire rods for the manufacture of bushes.

Financial highlights of RSP for the last three years are as follows:

	1990-91	1991-92	Rs lakhs 1992-93
Sales	443	465	559
Other Income	12	22	55
Profit/(Loss) after tax	19	(0.27)	3.38
Dividend (%)	--	--	20%
Share Capital (Rs. 100 each)	0.07	4.07	4.07
Reserves and surplus	59.09	59.09	61.67
Net worth	59.16	63.16	65.74

There are no litigations against the Promoters/Promoter Companies or disputes, defaults, overdues by Promoters/Promoter Companies to financial Institutions and Banks. No proceedings initiated for economic offences against the promoter / promoter companies.

4. MANAGEMENT & ORGANISATION

The Company is managed by a Board comprising 9 members with Shri L.G. Balakrishnan as the Chairman. Shri L.G. Balakrishnan, a diploma holder in Automobile Engineering has been instrumental in building the group from a fleet operator to its present diversified status.

The day-to-day affairs of the company are looked after by Shri B. Vijayakumar, Managing Director with a team of qualified and experienced professionals.

BOARD OF DIRECTORS

Name and address	Other Directorships
1. Shri L.G. Balakrishnan Chairman S/o Shri L.R.G. Naidu "Vijay" No. 1, G.D. Naidu Street Race Course Coimbatore Industrialist	M/s Elgi Tyre and Tread Limited M/s Sri Ramnarayana Mills Limited M/s Precot Mills Ltd M/s Prins General Finance Limited M/s C.G.F. Investments Co. Ltd. M/s Royalaseema Passenger & Goods Transports Ltd M/s Coimbatore Private Industrial Estate Limited, M/s Ellargi & Co. (P) Ltd M/s Elgi Steel Rolling Mills Limited.
2. Shri L.G. Varadarajulu Director S/o Shri L.R.G. Naidu "Sujay" 15, Tea Estates Race Course Coimbatore-641 018 Industrialist	Chairman cum Managing Director M/s Elgi Equipments Ltd. Chairman M/s Precot Mills Ltd M/s Elgi Tyre and Tread Ltd M/s Premier Instruments & Controls Ltd Director M/s Elgi Polytext Ltd M/s Karnataka Automotive Tubes Ltd M/s Elgi Finance Ltd M/s Lakshmi Synthetic Machinery Mfrs. Ltd M/s Elgi Ultra Appliances (P) Ltd M/s Ellargi & Co. (P) Ltd M/s Magna Electro Castings Ltd
3. Shri B. Vijayakumar Managing Director S/o Shri L.G. Balakrishnan "Vijay" No. 1, G.D. Naidu Street Race Course Coimbatore-641 018 Industrialist	M/s Elgibi Engineering Works Ltd M/s Super Spinning Mills Ltd M/s Elgi Rubber Products Ltd M/s Standard General Finance Ltd M/s Elgi Equipments Ltd M/s Elgi Sullair Ltd M/s Elgi Steel Rolling Mills Ltd M/s Coimbatore Private Industrial Estate Ltd. M/s Ellargi & Co. (P) Ltd

- | | | |
|----|--|--|
| 4. | <p>Shri P.S. Srinivasan
Director</p> <p>S/o Shri Sitarama Iyer
"Sri Lakshmi"
44A, West Ponnurangam Road
R.S.Puram
Coimbatore-641 002
Advocate</p> | <p>M/s Ransay Fittings (P) Ltd
M/s Ellis Engineering (P) Ltd</p> |
| 5. | <p>Shri A. Selvazaj Palaniswamy
Director</p> <p>S/o Shri V. Palaniswamy Naidu
"Chandrabh Nilayam"
Palaniswamy Road,
Coimbatore-641 018
Business</p> | <p>M/s Madras Spinners Ltd
M/s Sree Narayana Textiles (P) Ltd
M/s Lakshmi Precision Tools Ltd
M/s Coimbatore Private Industrial
Estate Ltd
M/s Tubes and Malleables Ltd.</p> |
| 6. | <p>Shri C. Nachiappan
Director</p> <p>S/o Shri Chinna Gounder
2, Park Road, Fairlands
Salem
Business</p> | <p>M/s Aquamarine (P) Ltd
M/s Tamilnadu Marineplast (P) Ltd</p> |
| 7. | <p>Shri P. Balasubramanian
Director</p> <p>S/o Shri Paruthothama Naidu
156, Tea Estates
Race Course
Coimbatore-641 018
Business</p> | <p>M/s Rayalaseema Passenger &
Goods Transports Ltd.</p> |
| 8. | <p>Shri K. Gnanasankaran
Director</p> <p>S/o Shri Karuppuswamy
121-B Race Course
Coimbatore-641 018
Industrialist</p> | <p>M/s Magna Electro Castings Ltd
M/s Coimbatore Associated
Spinners (P) Ltd</p> |
| 9. | <p>Shri N. Krishnasamaraj
Director</p> <p>S/o Shri S. Narayanaswamy
62, Balasubramaniam Road
Coimbatore-641 018
Industrialist</p> | <p>M/s Magna Electro Castings Ltd
M/s Festo Elgi (P) Ltd</p> |

5. CHANGE IN DIRECTORS AND AUDITORS

A. Changes in the Board of Directors during the last 3 years

During the year 1990-91, Shri V. Rajan retired from the Board and Sri N. Krishnasamaraj was appointed as Director.

During the year 1991-92, Shri L. G. Balakrishnan was appointed as a Director and became the Chairman of the Company

During the year 1992-93, Shri L. G. N. Anand resigned from the Board.

B. Changes in the Auditors during the last 3 years

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

VI. PROJECT INFORMATION

1. Project

LGB proposes to expand / modernise the capacity at Annur, Ganapathy and Vedasandur plants. The salient features of the scheme are as follows:

Expansion project:

Annur Plant- Automotive chains:

The Company has set up a new production facility at Annur a year back to manufacture 6 lakh metres of Automotive Chains. This project was financed through internal accruals of Rs.225 lakhs and assistance from IDBI to the tune of Rs.75 lakhs. The unit commenced commercial production in January 1993 and will operate in full capacity in the year 1993-94.

The Company, now proposes to install additional equipment which would enable it to double its capacity at the plant. This will result in reduction in the cost of production by spreading the overhead costs over a larger volume and increase the company's competitiveness in the domestic and international markets. This project is estimated to cost Rs.100 lakhs and the Company expects commercial production to commence by 1994-95.

Ganapathy Plant

The Chain division at Ganapathy commenced operation around 3 decades back and the capacity has been increased over the years to the present level of 36 lakh automotive timing chains, 1000 tonnes of Industrial Roller Chains and Conveyor Chains and 6.5 lakh Chain Tensioners and sprockets. A programme for plant modernisation and quality upgradation has been initiated. Keeping in view the recent introduction of 100 CC Japanese type motor cycles in the country and the need for capturing overseas markets, further, new chains or changes in specifications for the existing chains are being introduced to meet the stringent requirements of overseas buyers. This will necessitate additional expenditure for Research and Development in the form of latest product testing machines and replacement of some of the older types of production machinery. The cost of the project is estimated to Rs.200 lakhs

Vedasandur Plant

This Company has commenced manufacture at the new facility at Vedasandur with a capacity of 1200 tpa for drawing of wires for use in industrial chains. The cost of the project was Rs.300 lakhs which was financed by term loans from IDBI (Rs.179 lakhs), internal accruals (Rs.106 lakhs) and Subsidy from SIPCOT (Rs.15 lakhs). The Company started Commercial production in February 1993. The Company proposes to set up additional facilities at this plant to manufacture special types of industrial chains of pitches varying between 5mm and 75mm. These facilities are estimated to cost Rs.250 lakhs.

Margin Money

The Company's turnover is expected to grow from Rs.5901 lakhs (1992-93) to Rs.9045 (1995-96) after the completion of the proposed projects. In tune with this turnover, the Company expects an increase in its working capital by Rs.700 lakhs in three years. The margin money estimated at Rs.110 lakhs will be met out of the proceeds of the present issue and the balance will be funded by additional bank borrowings and other current liabilities.

2. LOCATION, LAND & BUILDINGS:

The proposed capital expenditure programme will be implemented at the company's existing locations at Annur, Ganapathy and Vedasandur. No additions to land and buildings are envisaged as the existing facilities are considered sufficient to take care of the requirements.

3. PLANT AND MACHINERY

The plant and machinery proposed to be acquired by the Company for its present expansion cum modernisation scheme include Bush curling machines, atmosphere controlled heat treatment furnace, toolroom machines, presses (20T, 63T), double action press (40T), Colouring furnace, shot peening machine, etc. The machinery will be purchased from reputed indigenous suppliers. Orders are expected to be placed for the machinery by May 1994 and the Company expects to complete the installation by December 1994.

4. TECHNOLOGY AND PROCESS:

The process for the manufacture of automotive and industrial chains are substantially similar. Various components such as roller, plates, pin and bushes are produced using hydraulic presses and special purpose machines. The components are tumbled to remove burr and in some cases ground to get uniform size and proper finish. The components are heat treated and later assembled using special purpose machines. After thorough inspection, the chains are riveted, closed (if required), greased and packed.

The Company does not propose to enter into any outside collaboration agreement for its proposed schemes as it has developed adequate in-house expertise.

5. RAW MATERIALS

The main raw material used for the production of chain components are cold rolled steel strips (for plates, rollers and bushes), hot rolled steel strips, hot rolled steel wire rods and cold drawn steel flat wires (for pins and flattened wire for bushes), seamless steel tubes and bright bars. The main sources of supply are TISCO, Mukund Iron and Steel Ltd and Tata Metal and Strips Ltd. The requirement of raw material is expected to increase from Rs.1468 lakhs in 1992-93 to Rs.2280 lakhs by 1995-96. The Company does not foresee any problem in the availability of raw material in the future.

6. UTILITIES

Power

The Company has an aggregate connected power load of 2625 KVA from TNEB which is sufficient to meet requirements after implementing the present schemes.

Water

The manufacturing process does not require much water and adequate supply of water is available.

Manpower

The Company has 1350 employees on its rolls at present comprising 145 technical / supervisory personnel, 900 workers and 150 sales / service personnel and 155 non-technical personnel. The company does not anticipate any increase in the requirements of manpower due to the present expansion cum modernisation schemes.

Effluent Disposal

The Company has obtained clearance from the Tamil Nadu Pollution Control Board for its present operations. No further environmental clearance is required for the proposed schemes.

7. SCHEDULE OF IMPLEMENTATION

The Company proposes to carry out an expansion cum modernisation scheme at the three units at Annur, Ganapathy and Vedasandur at a cost of Rs.550 lakhs. The scheme will be implemented in two Phases with an outlay of Rs.300 lakhs and Rs.250 lakhs respectively. The schedule of implementation as envisaged is as follows:

	I Phase	II Phase
Expansion at Annur		
Placement of orders	April 1994	-
Delivery	December 1994	-
Commissioning	January 1995	-
Expansion-cum-Modernisation of Ganapathy		
Placement of orders	April 1994	January 1995
Delivery	December 1994	May 1995
Commissioning	January 1995	June 1995
Expansion at Vedasandur		
Placement of orders	April 1994	January 1995
Delivery	December 1994	May 1995
Commissioning	January 1995	June 1995
Sources		
	1994-95	1995-96
Rights proceeds	659.37	-
Amount to/fd	-	250.00
Total	<u>659.37</u>	<u>250.00</u>
Application		
a) Land	-	-
b) Building	-	-
c) Plant and machinery	300.00	250.00
d) Margin money towards Working Capital	109.37	-
e) Surplus	250.00	-
Total	<u>659.37</u>	<u>250.00</u>

The temporary surplus, if any, will be used for reducing bank borrowings for working capital.

8. MARKETING AND SELLING ARRANGEMENTS

The major products manufactured by the Company are Automotive and Industrial Chains. Automotive chains are used in motor cycles and mopeds while Industrial Chains find application in various industries such as textiles, sugar, oil and water drilling, etc.

The Company markets its products through a large network of dealers and distributors spread over the country. The Company has four regional offices located at Delhi, Bombay, Calcutta and Madras and 12 branch Offices. These Offices have over the years have created an extensive dealer network to market the Company's products.

The Company presently has a market share of about 43% in the Chain market (excluding conveyor chains). In spite of the recessionary trends in the Automobile Market, the Company has been able to maintain its market share by successfully penetrating the Replacement market, resulting in greater volume of sales.

Exports:

The Company has been developing exports for its products. The total exports by the Company increased from Rs.640 lakhs in 1991-92 to Rs.965 lakhs in 1992-93. The Company presently exports its products to USA, Canada and European Countries. The Company has obtained certification under ISO-9001 which is expected to further bolster export efforts of the Company.

9. FINANCIAL PROJECTIONS

The projected performance of the Company, based on in-house estimates of the Company's management, is given below:

	Rs lakhs		
	1993-94	1994-95	1995-96
Capacity Utilisation	90%	90%	90%
<i>Sales Turnover</i>			
- Manufacturing	4985	5887	6863
- Trading	1740	1828	2047
- Other Income	140	135	133
Total Income	6865	7850	9045
Gross Profit	947	1085	1250
Interest / Lease rentals	365	389	419
Depreciation	145	194	223
Profit before tax	437	502	608
Tax	95	155	213
Profit after tax	342	347	395
Dividend	25%	15%	15%
Net cash accruals	456	506	583
Equity	150	235	235
Reserves & Surplus	1367	2255	2616
Net Worth	1517	2490	2851
EPS (Rs.)*	22.83	14.77	16.81
Book Value (Rs.)*	101.13	105.96	121.32
Cash EPS (Rs.)*	32.47	23.02	26.30

* On enhanced capital, except for the year 1993-94, when the EPS has been calculated on pre-issue capital.

Assumptions:

- Capacity utilisation cannot be strictly quantified with volume because of various possible product mixes. However, the capacity utilisation has been calculated assuming 90% usage of the rated capacity of equipment.
- The Volume of Sales is expected to increase at an average rate of 15% p.a.
- The raw materials and selling price have been maintained at present levels.
- Depreciation has been provided for the existing and new assets at the same rate as applicable on date.

As a matter of abundant caution, the investors attention is drawn to the fact that above financial projections are only indicative and are subject to change.

VII. FINANCIAL HIGHLIGHTS OF THE COMPANY:

The financial highlights based on the audited accounts of the Company for the last five financial years is given below:

PROFIT & LOSS DATA

	(9 months)		Rs lakhs		
	1988-89	1989-90	1990-91	1991-92	1992-93
Gross Sales	1885	3104	3593	5323	5901
other income	122	188	200	224	150
Gross profit before depreciation interest & Lease rentals	193	317	498	787	580
Interest / lease rentals	146	170	203	306	366
Depreciation	40	57	63	96	109
Profit before tax	7	90	252	385	405
Prov for tax	0	33	103	173	131
Net profit	7	57	129	213	274
Dividend(%)	--	20%	22%	25%	30%

BALANCE SHEET DATA

	1988-89	1989-90	1990-91	1991-92	1992-93
Equity share capital	100	100	100	100	100
Reserves & surplus	393	435	703	874	1104
Net worth	493	535	803	974	1204
Net fixed assets	269	345	623	726	1148
Current assets	1344	1359	2023	2584	3007
Book Value (Rs)	49.30	53.50	80.30	97.40	120.40
Cash EPS (Rs)	4.70	11.40	19.20	30.90	38.30
EPS (Rs)	0.70	5.70	12.90	21.20	27.40

i) Contingent liabilities-

Disputed Sales tax and Provident fund Liabilities

	0.23	0.75	4.54	6.58
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The Company has during the current financial year (93-94) declared bonus shares aggregating Rs.50 lakhs by capitalising a portion of its reserves and surplus. The NAV and EPS for the year ended March 31 1993 after adjustment for bonus would therefore be Rs.80.26 and Rs.18.26 respectively.

Changes in Accounting Policies during the last three years:

There has been no changes in the accounting policies during the last three years.

Details of revaluation

Company has not revalued any of its assets so far.

VIII. STOCK MARKET DETAILS

The quotations of the company's equity shares of Rs.10/- each on Madras Stock Exchange were as under:

Year	Highest (Rs)	Lowest (Rs)	Average (Rs)	Volume (Quantity)
1990	118	36	77	—
1991	270	75	172.50	50576
1992	390	188	289	50245
1993				
April	170	153	161.50	1250
May	205	152	178.50	3150
June	270	205	237.50	5375
July	245	200	222.50	3150
August	255	230	242.50	3227
September	245	163.33	204.16	4750
October	217	180	198.50	7125
November	235	203	219	8475
December	252.50	230	241.25	6037
1994				
January	325	250	287.50	9017
February	342	310	326	6159

Current market price Rs.190 (Ex-rights) at Madras Stock Exchange on 4th April 1994.

IX. JUSTIFICATION OF PREMIUM

For arriving at the premium, the following factors have been considered:

The financial highlights for the past five years is as below:

A. PAST FIVE YEARS

	Rs lakhs				
	(9 Months)				
	1988-89	1989-90	1990-91	1991-92	1992-93
Gross sales	1885	3104	3593	5323	5901
Other income	122	188	200	224	150
Gross profit before depreciation interest &					
Lease rentals	193	317	498	787	880
Profit before tax	7	90	232	385	405
Prov for tax	0	33	103	173	131
Net profit	7	57	129	212	274
Equity share capital	100	100	100	100	100
Reserves & surplus	393	435	703	874	1104
Net worth	493	535	803	974	1204
Book Value (Rs.)	49.30	53.50	80.30	97.40	120.40
EPS (Rs.)	0.70	5.70	12.90	21.28	27.40

B. FUTURE THREE YEARS

	1993-94	1994-95	1995-96
Sales	6725	7715	8910
Other Income	140	135	135
Gross Profit	947	1085	1250
Profit before tax	437	502	608
Tax	95	155	213
Profit after tax	342	347	395
Dividend	25%	15%	15%
Equity	150	235	235
Reserves & Surplus	1367	2255	2616
Net Worth	1517	2490	2851
EPS (Rs.)	22.83	14.77	16.81
Book Value (Rs)	101.13	105.96	121.32

- The Company's shares have been quoted at a high premium during the past, indicating investor confidence in the Company. The current market price of equity shares Rs. 190 (Ex-rights) on 04.04.1994 at the Madras Stock Exchange. The average market price of the Company's equity share based on the average of high and low price during the period April 93 to February 1994 on the Madras Stock Exchange works out to Rs.229.
- The fair value of the share as per guidelines issued by the Office of the erstwhile Controller of Capital Issue (CCI) works out to Rs.109/- on the basis of weighted average tax liability of the Company and at a capitalisation rate of 8%.
- Based on the above parameters of past financial performance, projected earnings and the market price of the shares, the issue price of Rs.75/- is justified. The EPS of Rs.18.26 (after adjusting for bonus) for 1992-93 gives an Issue price earning multiple of only 4.10 and on the projected EPS for 1994-95 of Rs. 14.77 the Issue Price Earnings multiple is 5.08. The Industry Composite P/E multiple for Engineering-Generals is 19.7 (Source Capital Markets Volume VIII/16 dated November 7, 1993)

In view of the above, the Company and the Lead Managers, in consultation with whom the premium has been decided, are of the opinion that the premium is reasonable and justified.

XI. STATUTORY / INSTITUTIONAL DUES, OUTSTANDING LITIGATION

Institutional and Statutory Dues:

There is no default in meeting the statutory dues and institutional dues by the Company.

Outstanding Litigation

The Company does not have any outstanding litigations pertaining to matters likely to affect the operations and finance of the Company including tax liability of any nature except the following:

Excise duty in dispute	Rs. 11.00 lakhs
Provident Fund demands in dispute	Rs. 02.50 lakhs

a) Central Excise:

Applicability of Excise duty levy on Reclaimed rubber for the period 1981-83 to the tune of Rs 11 lakhs is under dispute. The Tribunal has held in favour of the Department and the Company has appealed to the Supreme Court.

b) Provident Fund:

There is a dispute between the Provident Fund authorities and the Management of the Company regarding the coverage of PF applicability to the tune of Rs.2.50 lakhs. The Management is of the opinion that the coverage will be from the date of commercial production and not from the date of trial production as alleged by the Department. The said case is in the High Court of Karnataka.

The Company has made provisions for both these amounts in its accounts.

There are no criminal proceedings launched against the company and the directors for any alleged offenses under the statutes specified in paragraph 1 of part I of schedule XIII of the Companies Act 1956. There are no pending litigations, defaults, disputes, proceedings related to economic offenses initiated against the Promoters, Company Directors etc.

XII. PARTICULARS REGARDING PREVIOUS CAPITAL ISSUES DURING THE LAST THREE YEARS BY LISTED GROUP COMPANIES

There are no listed companies under the Same Management within the meaning of Sec 370(1B) of the Companies Act, 1956.

The particulars of the capital issues made by the listed Group Companies not falling under the purview of Section 370(1B) of the Act are as follows

Name of the Company	Elgi Equipments Ltd	Elgi Finance Ltd
Year of Issue	1993-94	1990-91
Type of Issue	Rights Issue of PCDs	Rights Issue of Equity
Amount of Issue	Rs. 750 lakhs	Rs. 129.60 lakhs
Date of Closure of Issue	14.10.1993	28.12.1990
Date of Completion of Delivery of Letter of Allotment/Share Certificates	2.12.1993	7.3.1991
Date of completion of project where object of the issue was financing a project		Issue proceeds utilised for financing working Capital
Investors Complaint pending, if any		NIL

Statement of Financial Projections made in the Letter of Offer
Elgi Equipments Ltd for the year ended March 1994
Projections made in the Letter of Offer

	Rs lakhs
Net sales and Other Income	12129
Gross profit	1370
Profit before tax	545
Profit after tax	354
Equity Share Capital	250
Free Reserves	2221
Net worth	2471
Book Value per share (Rs)	98.84
EPS (Rs)	14.16

The actual results for the year ended March 31, 1994 are awaited.

Elgi Finance Ltd: No projections made in the Letter of Offer.

There has been no delay in respect of refund/ despatch of certificates/ listing in respect of the above issues.

Other Non-Section 370(1B) listed Group Companies, viz., Elgi Tyre and Tread Ltd and Soper Spinning Mills Ltd. have not made any Public/Rights Issue during last three years.

XIII. PARTICULARS REGARDING PREVIOUS CAPITAL ISSUES DURING THE LAST 5 YEARS

The Company has not made any Capital Issue during the past five years other than a issue of bonus shares in September 1993. Hence, there are no investors complaints pending against the company.

XIV. STATUTORY INFORMATION

Information required to be given vide Ministry of Finance Circular No.F2/SI/76 dated 5th February, 1977 read with their circular of even number dated 8th March is given below:

1. The unaudited results of the Company for the period from April 1993 to February 1994 are given hereunder:

	Rs lakhs
Sales/Turnover	6432
Other Income	134
Gross Profit before Depreciation and interest	937
Interest	373
Depreciation	133
Profit before tax	431
Provision for tax	105
Net profit	326

2. There are no material charges and commitments affecting the financial position of the Company.

3. (a) Weekend prices of the Equity Shares for the last four weeks on Madras Stock Exchange

Week ended on :	Highest Rs	Lowest Rs
1. 11 th March	335	320
2. 18 th March	325	275
3. 25 th March	275	193 XA
4. 31 st March	193	190

(c) Current Market Price as on 4th April 1994 Rs. 190 (Ex-right)

The Highest and Lowest prices of the Equity Shares on the Madras Stock Exchange during the period April 1, 1993 to March 31, 1994 were Rs. 342 and Rs. 152 respectively.

XV. MANAGEMENT PERCEPTION OF RISK FACTORS

The Management does not perceive any material risk other than the normal business risks. The statements made hereunder are as a measure of abundant caution in the interest of general investors:

While the project cost has been estimated after making adequate provision for contingencies, there could be cost overrun.

Orders for major plant and machinery are yet to be placed. Any delay in procuring them or escalation in their cost may adversely affect the financial projections / implementation schedule.

In the absence of stake of any Financial Institution / Bank, there shall be no monitoring of the funds proposed to be raised through this issue by them and the deployment of funds collected from the issue is left entirely to the discretion of the Company management.

The future projections and estimates of requirements of funds proposed to be raised through this issue have not been appraised by any bank or financial institution and are the Company's own in-house assessments.

Any recession in the user industries viz. engineering, automobile etc. shall affect the operations of the Company.

MINIMUM SUBSCRIPTION

If the Company does not receive application money for at least 90% of the issued amount (excluding amount reserved for preferential allotment to employees of the Company and Group Companies), the entire subscription will be refunded to the applicants within ninety days from the date of closure of the issue. If there is delay in the refund of application money by more than 8 days after the Company becomes liable to pay the excess amount, the Company will pay interest for the delayed period, at the rates prescribed in sub-sections (2) and (2A) of Section 73 of the Act.

No statement made in this Letter of Offer is contrary to the provisions of the Companies Act, 1956 and the rules made thereunder.

By Order of the Board of Directors
 For L.G. Balakrishnan & Bros. Ltd.

B. VIJAYAKUMAR
 Managing Director

Place : Coimbatore.
 Dated : 07-04-1994.
 Encl. : Composite Application Form