

TABLE OF CONTENTS

SECTION I	GENERAL INFORMATION	3
	DEFINITIONS AND ABBREVIATIONS	3
	NOTICE TO OVERSEAS INVESTORS	8
	PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA	10
	FORWARD LOOKING STATEMENTS	11
SECTION II	LETTER OF OFFER SUMMARY	12
SECTION III	RISK FACTORS	15
SECTION IV	INTRODUCTION	23
	SUMMARY OF FINANCIAL INFORMATION	23
	THE ISSUE	30
	GENERAL INFORMATION	31
	CAPITAL STRUCTURE	35
SECTION V	PARTICULARS OF THE ISSUE	40
	OBJECTS OF THE ISSUE	40
	STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS	45
SECTION VI	ABOUT THE COMPANY	47
	HISTORY AND CERTAIN CORPORATE MATTERS	47
	OUR MANAGEMENT	51
SECTION VII	FINANCIAL INFORMATION	56
	FINANCIAL STATEMENTS	56
	ACCOUNTING RATIOS AND CAPITALIZATION STATEMENT	118
	MARKET PRICE INFORMATION	120
SECTION VIII	LEGAL AND OTHER INFORMATION	122
	OUTSTANDING LITIGATIONS AND DEFAULTS	122
	GOVERNMENT AND OTHER APPROVALS	129
	OTHER REGULATORY AND STATUTORY DISCLOSURES	130
SECTION IX	OFFERING INFORMATION	141
	TERMS OF THE ISSUE	141
SECTION X	OTHER INFORMATION	175
	MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION	175
DECLARATION		177



SECTION I óGENERAL INFORMATION

DEFINITIONS AND ABBREVIATIONS

In this Draft Letter of Offer, unless the context otherwise requires, the terms defined and abbreviations expanded herein below shall have the same meaning as stated in this section and references to any statute or regulations or acts or policies shall include amendments thereto, from time to time.

K p " v j k u " F t c h v " N g v v g t " q h " Q h h g t . " w p n g u u " q v j g t y k u g " k p f k e
I g c t u " N k o k v g f ö . " ð D I N ö . " v j g l q w t " ð Shall mean Bharat Gears Limited . " ð q w t ö
c p f " t g h g t g s p a l e n e a n t h e e q u i t y s h a r e h o l d e r s a n d / o r p r o s p e c t i v e i n v e s t o r s i n t h e E q u i t y S h a r e s .

Conventional and general terms/Abbreviations/ Company related and Industry related terms

Term	Description
ð D j c t c v " I g c ð D I N ö " q t " ð v q t " ð v Resulting E q o r c p { ö . " E q o r c p { ö	Bharat Gears Limited, a public limited company incorporated under the provisions of the Companies Act, 1956, as amended and having its registered office at 20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad -121 003, Haryana, India.
ð Y g ö " q t " ð w u `/Rs. /Rupees /INR	Unless the context otherwise indicates or implies, refers to Bharat Gears Limited Indian Rupees
AIF	Alternative Investment Funds
ASBA	Application Supported by Blocked Amount
AY	Assessment Year
AO	Assessing Officer, Income Tax
ACIT	Assistant Commissioner of Income Tax
AGM	Annual General Meeting
Articles or Articles of Association	Articles of Association of our Company, as amended from time to time
Auditor/ Statutory Auditor	The statutory auditors of our Company i.e., S R B C & CO LLP, Chartered Accountants
Board of Directors	Board of Directors of our Company
BSE	BSE Limited
BFSI	Banking, Financial Services and Insurance
CAGR	Compounded Annual Growth Rate
CDP	Collecting Depository Participant
Capital or Share capital	Share capital of our Company
CCI	Competition Commission of India
CDSL	Central Depository Services (India) Limited
CII	Confederation of Indian Industry
CIN	Corporate Identification Number
CNC	Computer Numeric Control
Companies Act	The Companies Act, 1956 or Companies Act, 2013 and rules framed thereunder, as applicable
Client ID	Client Identification Number of the Bidders Beneficiary Account
Competition Act	The Competition Act, 2002
Copyright Act	The Copyright Act, 1957
CPC	The Code of Civil Procedure, 1908
CrPC	The Code of Criminal Procedure, 1973
CSR	Corporate Social Responsibility
CTS	Cheque Truncation System
CWIP	Capital Work in Progress
CIT (A)	Commissioner of Income Tax (Appeals)
Depositories	CDSL and NSDL
Depositories Act	The Depositories Act, 1996 and amendments thereto
DIN	Director Identification Number
DIPP	Department of Industrial Policy and Promotion



Term	Description
DP ID	F g r q u k v q t { " R c t v k e k r c p v ø u " k f g p v k v {
DRT	Debt Recovery Tribunal
Director	Director of our Company, unless otherwise specified otherwise
DP or Depository Participant	Depository Participant as defined under the Depositories Act
EGM	Extra-ordinary General Meeting
Eligible Shareholder(s)	Eligible holder(s) of the equity shares of Bharat Gears Limited as on the Record Date
EPS	Earnings Per Share
EBIT	Earnings Before Interest and Tax
EPF Act	V j g " G o r n q { g g u ø " R t q x k f g p v " H w p f u " c p
FPI	Foreign Portfolio Investor
GDP	Gross Domestic Product
GoI or Government or Central Government	Government of India
GSM	Graded Surveillance Measure
GST	Goods and Services Tax
HUF	Hindu Undivided Family
ICD	Inter Corporate Deposits
ICL	Inter Corporate Loans
IFRS	International Financial Reporting Standards
Ind AS	Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013, as notified under Companies (Indian Accounting Standards) Rules 2015, as amended
Indian GAAP/ I-GAAP	Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read with Companies (Accounting Standards) Rules, 2014, as amended
IT Act	The Income Tax Act, 1961 and amendments thereto
ITAT	Income Tax Appellate Tribunal
Memorandum of Association or MOA	Memorandum of Association of our Company, as amended from time to time
MRTU & PULP Act	Maharashtra Recognition of Trade Union Act and Prevention of Unfair Labour Practices Act, 1971
NAV	Net Asset Value per share
NSE	National Stock Exchange of India Limited
NEFT	National Electronic Fund Transfer
NR/Non- Resident	A person resident outside India, as defined under the FEMA and includes an NRI, FPIs registered with SEBI and FVCIs registered with SEBI
NRE Account	Non-resident external account
NRI	Non-resident Indian
OCB	Overseas Corporate Body
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
PLR	Prime Lending Rate
RBI	Reserve Bank of India
RONW	Return on Net Worth
SCORES	SEBI Complaints Redress System
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI/ Board	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992 and amendments thereto
SEBI Regulations/ SEBI ICDR Regulations	The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
Securities Act	United States Securities Act of 1933, as amended
Stock Exchanges	BSE and NSE
State Government	The Government of a State in India



Term	Description
STT	Securities Transaction Tax
SEBI Listing Regulations/ SEBI (LODR)	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time
SEBI Takeover Regulations/ Takeover Code/ Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and amendments thereto
TP Act	The Transfer of Property Act, 1882
Trade Marks Act	Trade Marks Act, 1999
United States or US	United States of America

Issue related terms

Term	Description
Abridged Letter of Offer	The abridged letter of offer to be sent to the Equity Shareholders as on the Record Date with respect to this Issue in accordance with SEBI Regulations
Additional Rights Shares	The Equity Shares applied or allotted under this Issue in addition to the Rights Entitlement
Allotment	Unless the context requires, the allotment of Equity Shares pursuant to the Rights Issue
Allottee	Person to whom Rights Shares are issued/ allotted pursuant to the Issue
Application Supported by Blocked Amount/ ASBA	The application (whether physical or electronic) used by an ASBA Investor to make an application authorizing the SCSB to block the application money payable on application in their specified bank account maintained with the SCSBs
ASBA Account	Account maintained by an ASBA Investor with a SCSB which will be blocked by such SCSB to the extent of the appropriate amount in relation to an application by an ASBA Investor
ASBA Applicants/ ASBA Investor	Eligible Shareholders proposing to subscribe to the Issue through ASBA process and who: <ol style="list-style-type: none"> 1. are holding the securities of our Company in dematerialized form as on Record Date and have applied for their Rights Entitlements and / or additional Equity Shares in dematerialized form; 2. have not renounced their Rights Entitlements in full or in part; 3. are not Renounees; and 4. are applying through blocking of funds in a bank account maintained with the SCSBs. <p>QIBs, Non-Institutional Investors and Investors whose Application Money exceeds ₹ 200,000/- can participate in the Issue only through the ASBA process.</p>
Bankers to the Company	State Bank of India, IDBI Bank Limited, IDFC Bank Limited, HDFC Bank Limited
Bankers to the Issue] _
Composite Application Form / CAF/ Application Form/ Application	The form used by an Investor to make an application for the Allotment of Rights Shares and for application by Renounees
Consolidated Certificate	In case of holding of Equity Shares in physical form, the certificate that our Company would issue for the Equity Shares Allotted to one folio
Controlling Branches of the SCSBs	Such branches of the SCSBs which coordinate with the Lead Manager, the Registrar to the Issue and the Stock Exchanges, a list of which is available on http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes and/or such other website(s) as may be prescribed by the SEBI / Stock Exchange(s) from time to time
Designated Stock Exchange	BSE
Draft Letter of Offer/ DLOF	The Draft Letter of Offer dated December 07, 2018 filed with SEBI for its observations.
Demographic Details	Details of Investors such as address, bank account details for printing on refund orders and occupation
Designated Branch of the SCSBs	Such branches of the SCSBs which shall collect the CAF or the plain paper application, as the case may be, used by the ASBA Investors and a list of which is available on



Term	Description
	http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes
Eligible Shareholder(s)	Equity Holder(s) of Equity Shares as on the Record Date
Equity Share Capital	Equity share capital of our Company
Equity Share(s) or Share(s)	Equity shares of our Company having a face value of ₹ 10/- each unless otherwise specified in the context thereof
Equity Shareholder(s)	Means a holder of Equity Shares of our Company
Financial Year/ Fiscal/ Fiscal Year/ FY	Any period of twelve months ended March 31 of that particular year, unless otherwise stated
Issue/ Rights Issue	K u u w g " q h "] _ " G s w k v { " 10/- p e a c h t a t g a p r e m i n j u r k o f j] " c p e r E q u i t y S h a r e f o r a n a m o u n t a g g r e g a t i n g u p t o ` 1,500 lakhs on a rights basis v q " v j g " g z k u v k p i " G s w k v { " U j c t g j q n f g f u l l y p a i d - w r " G s w k v { " U j c t g * u + " * k 0 g 0 . "] _ q p " v j g " T g e q t f " F c v g 0 " V j g " a t u e o f t h e E q u i t y S h a r e s
Investor(s)	Equity Shareholders as on Record Date and/or Renounees applying in the Issue
Issue Closing Date] _
Issue Opening Date] _
Issue Price	`] p e r E q u i t y S h a r e
Issue Proceeds	The proceeds of the Issue that are available to our Company
Issue Size	V j g " k u u w g " q h "] _ " G s w k v { " U o j ` d , 5 0 0 l a k h s h q
Lead Manager/ LM	Keynote Corporate Services Limited
Letter of Offer	The final letter of offer to be filed with the Stock Exchanges after incorporating the observations received from the SEBI on the Draft Letter of Offer
Listing Agreement	The listing agreements entered into between our Company and the Stock Exchanges
MICR	Magnetic Ink Character Recognition
NECS	National Electronic Clearing Services
Non-ASBA Investor	Investors other than ASBA Investors who apply in the Issue otherwise than through the ASBA process
Non-Institutional Investors	All Investors including sub-accounts of FIIs/ FPIs registered with SEBI, which are foreign corporate or foreign individuals, that are not QIBs or Retail Individual Investors and who have applied for Equity Shares for a cumulative amount of more than ₹ 2 lakhs
Promoters	The Promoters of our Company being Mr. Surinder Paul Kanwar and Mr. Sameer Kanwar
Promoter Group	Unless the context requires otherwise, the entities forming part of the promoter group in accordance with the SEBI ICDR Regulations and which are disclosed by our Company to the Stock Exchange(s) from time to time
Offer Document	Means Draft Letter of Offer/ Letter of Offer/ Abridged Letter of Offer
QIBs or Qualified Institutional Buyers	Qualified institutional buyers as defined under Regulation 2(1) (ss) of the SEBI ICDR Regulations, 2018
Record Date] _
Refund through electronic transfer of funds	Refunds through NECS, Direct Credit, RTGS, NEFT or ASBA process, as applicable
Registrar of Companies/ RoC	Unless specified otherwise, Registrar of Companies, Delhi & Haryana
Registrar to the Issue	Link Intime India Private Limited
Renounees	Any person(s) who has acquired Rights Entitlements from the Equity Shareholders through renunciation
Retail Individual Investors	Individual Investors who have applied for Equity Shares for an amount not more than ₹ 2 lakhs (including HUFs applying through their Karta)
Rights Entitlement	The number of Equity Shares that an Investor is entitled to in proportion to the number of Equity Shares held by the Investor on the Record Date
RTGS	Real Time Gross Settlement
SAF(s)	Split Application Form(s)
SCSB(s)	A Self Certified Syndicate Bank registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offers the facility of ASBA, including



Term	Description
	blocking of bank account. A list of all SCSBs is available at http://www.sebi.gov.in
Working Days	All days other than second and fourth Saturday of the month, Sunday or a public holiday, on which commercial banks in Mumbai are open for business

The words and expressions used but not defined herein shall have the same meaning as is assigned to such terms under the Companies Act, the Securities Contracts (Regulation) Act, 1956, the SEBI ICDR Regulations, the Depositories Act, 1996 and the rules and regulations made thereunder.

P q v y k v j u v c p f k p i " v Sitgm"en" of Tax Benefits ö ä Q w w g t o m f k p i DeNultsvöänd c v k q p u " Financial Information ö " pages"45, 122 and 56, respectively, shall have the meanings given to such terms in these respective sections.



NOTICE TO OVERSEAS INVESTORS

The distribution of the Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and the Issue of Rights Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons in whose possession the Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer or CAFs may come are required to inform themselves about and observe such restrictions. Our Company is making this Issue of the Rights Equity Shares on a rights basis to the Equity Shareholders as on Record Date and will dispatch the Letter of Offer/Abridged Letter of Offer and CAFs to such Eligible Equity Shareholders who have provided an Indian address to our Company. Those overseas shareholders, who have not updated our records with their Indian address or the address of their duly authorised representative in India, prior to the date on which we propose to dispatch the Letter of Offer/Abridged Letter of Offer and CAFs, shall not be sent the Letter of Offer/Abridged Letter of Offer and CAFs.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that the Draft Letter of Offer has been filed with SEBI for observations. Accordingly, the Rights Equity Shares may not be offered or sold, directly or indirectly, and the Letter of Offer/Abridged Letter of Offer and CAFs or any offering materials or advertisements in connection with the Issue may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Receipt of this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and CAFs will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, under such circumstances, this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and CAFs must be treated as sent for information only and should not be acted upon for subscription to Rights Equity Shares and should not be copied or redistributed. Accordingly, persons receiving a copy of this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and CAFs should not, in connection with the issue of the Rights Equity Shares or Rights Entitlements, distribute or send the same in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and CAFs is received by any person in any such jurisdiction, or by their agent or nominee, they must not seek to subscribe to the Rights Equity Shares or the Rights Entitlements referred to in this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and CAFs. Envelopes containing a CAF should not be dispatched from any jurisdiction where it would be illegal to make an offer, and all persons subscribing for the Equity Shares in this Issue must provide an Indian address.

Any person who makes an application to acquire Equity Shares offered in this Issue will be deemed to have declared, represented, warranted and agreed that she/he is authorised to acquire the Rights Equity Shares in compliance with all applicable laws and regulations prevailing in her/his jurisdiction. Our Company, the Registrar, the Lead Manager or any other person acting on behalf of us reserve the right to treat any CAF as invalid where we believe that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements and we shall not be bound to allot or issue any Rights Equity Shares or Rights Entitlement in respect of any such CAF. Neither the delivery of this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and CAFs nor any sale hereunder, shall under any circumstances create any implication v j c v " v j g t g " j c u " d g g p " p q " e j c p i g " k p " q w t " E q o r c p { ø u " c h h c k herein is correct as at any time subsequent to the date of this Draft Letter of Offer.

The contents of this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer, CAFs and SAFs should not be construed as legal, tax or investment advice. Prospective investors may be subject to adverse foreign, state or local tax or legal consequences as a result of the offer of Equity Shares. As a result, each investor should consult its own counsel, business advisor and tax advisor as to the legal, business, tax and related matters concerning the offer of the Rights Equity Shares. In addition, neither our Company nor the Lead Manager is making any representation to any offeree or purchaser of the Rights Equity Shares regarding the legality of an investment in the Rights Equity Shares by such offeree or purchaser under any applicable laws or regulations.

NO OFFER IN THE UNITED STATES

The Rights Entitlements and the Rights Equity Shares have not been and will not be registered under the Securities Act, or any U.S. state securities laws and may not be offered, sold, resold or otherwise transferred within the United States or any U.S. state. The offering of the Rights Equity Shares and Rights Entitlements is not, and under no circumstances is to be construed as, an offering of any Rights Equity Shares or Rights Entitlement for sale in the United States or as a solicitation therein of an offer to buy any of the Rights Equity Shares or Rights Entitlement. There is no intention to register any portion of the Issue or any of the securities described herein in the



United States or to conduct a public offering of securities in the United States. Accordingly, this Draft Letter of Offer, Letter of Offer or Abridged Letter of Offer and the enclosed CAF should not be forwarded to or transmitted in or into the United States at any time. In addition, until the expiry of 40 days after the commencement of the Issue, an offer or sale of Rights Entitlements or Rights Equity Shares within the United States by a dealer (whether or not it is participating in the Issue) may violate the registration requirements of the Securities Act.

Neither our Company nor any person acting on our behalf will accept a subscription or renunciation from any person, or the agent of any person, who appears to be, or who our Company or any person acting on our behalf has reason to believe is, either a U.S. Person or otherwise in the United States when the buy order is made. Envelopes containing a CAF should not be postmarked in the United States or otherwise dispatched from the United States or any other jurisdiction where it would be illegal to make an offer, and all persons subscribing for the Rights Equity Shares Issue and wishing to hold such Equity Shares in registered form must provide an address for registration of these Equity Shares in India. Our Company is making the Issue on a rights basis to Eligible Shareholders and the Letter of Offer/ Abridged Letter of Offer and CAF will be dispatched only to Eligible Shareholders who have an Indian address. Any person who acquires Rights Entitlements and the Rights Equity Shares will be deemed to have declared, represented, warranted and agreed that, (i) it is not and that at the time of subscribing for such Rights Equity Shares or the Rights Entitlements, it will not be, in the United States, (ii) it is not a U.S. Person and does not have a registered address (and is not otherwise located) in the United States when the buy order is made, and (iii) it is authorised to acquire the Rights Entitlements and the Rights Equity Shares in compliance with all applicable laws and regulations.

Our Company reserves the right to treat any CAF as invalid which: (i) does not include the certification set out in the CAF to the effect that the subscriber is not a U.S. Person and does not have a registered address (and is not otherwise located) in the United States and is authorised to acquire the Rights Equity Shares or Rights Entitlement in compliance with all applicable laws and regulations; (ii) appears to us or our agents to have been executed in or dispatched from the United States; (iii) appears to us or our agents to have been executed by a U.S. Person; (iv) where a registered Indian address is not provided; or (v) where our Company believes that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements; and our Company shall not be bound to allot or issue any Rights Equity Shares or Rights Entitlement in respect of any such CAF.

Rights Entitlements may not be transferred or sold to any person in the United States.



PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Certain Conventions

Unless otherwise specified or the context otherwise requires, an n " t g h g t g p e g u " j g t g k p " v q " ÷ K p of India and its v g t t k v q t k g u " c p f " r q u u g u u k q p u " c p f " v j g " ÷ I q x g t p o g p ÷ U v c v g " I q x g t p o g p v ø " c t g " v q " v j g " I q x g t p o g p v " q h " K p f k c . " E or the context otherwise requires, all references in v j k u " F t c h v " N g v v g t " q h " Q h h g t " v q " v j U v c v g u ø " c t g " v q " v j g " W p k v g f " U v c v g u " q h " C o g t k e c " c p f " k v u " v

In this Draft Letter of Offer, references to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable.

Financial Data

Unless otherwise specified or the context otherwise requires , the financial data in this Draft Letter of Offer is derived from the Audited Financial Statements of our Company as of and for the financial year ended March 31, 2018 and Unaudited Financial Results for the six (6) months period ended September 30, 2018, which are subjected to Limited Review by Statutory Auditors of the Company, prepared in accordance with recognition and measurement principles of Ind AS 34 and Regulation 33 of SEBI (LODR) Regulations, 2015.

In this Draft Letter of Offer, any inconsistencies in any table between the aggregate and the total of the sums recorded are because of rounding off. Certain figures in decimals has been rounded off and accordingly there may be consequential changes in this Draft Letter of Offer.

Q w t " E q o r c p { ø u " h k p c p e k c n " { g c t " e q o o g p e g u " q f e r e n c e s t o k n " 2 3 " c a particular financial year, unless stated otherwise, are to the twelve months period ended on March 31 of that year.

W p n g u u " v j g " e q p v g z v " q v j g t y k u g " k p f k e c v g u . Risk Factors on page 15 of this Draft Letter of Offer have been calculated on the basis of the Financial Statements of our Company prepared in accordance with Ind AS and the Companies Act, 2013.

Currency and Units of Presentation

C n n " t g h g t g p e g u " v q " ö T w t g g u ö : K p T k ö p : T ö K ö ö . " ö j g " q h h k e k c n " t g h g t g p e g u " v q " ö W U F ö . " q t " ö W U & ö " q t " ö & ö the United States of America v g f " U v c v g C n n " t g h g t g p e g u " v q " ö G W T ö currency of the member states of the European Union. In this " q h h k e k F t c h v " N g v v g t " q h " Q h h g t " c n n " t i n t e r c h a n g e a b l e g u " v q " ö n c e * u + ö " q t " ö n c

Please Note:

- One million is equal to 1,000,000/10 lakhs;
- One billion is equal to 1,000 million/100 crores;
- One lakh/lac is equal to 100 thousand;
- One crore is equal to 10 million/100 lakhs



FORWARD LOOKING STATEMENTS

V j k u " F t c h v " N g v v g t " q h " Q h h g t " k p e n w f g u " u v c v g o g p v u " y j k e j
 ò c k o g f ö . " õ g y k w m v ' ã n . k ' m õ k u u { " n k m g n { ö . " õ c t g " n k m g n { ö . " õ d g n k g x g
 c e j k g x g ö . " õ c p v k e k r c v g ö . " õ g u v k o c v g ö . " õ g u v k o c v k p i ö . " õ k p
 v q ö . " õ v c t i g v ö . " õ r t k k g g " v q õ q ð w t g q l g õ v l g õ u j q w n f
 r w t u w g ö . " c p f " u k o k n c t " g z r t g u k q p u " q t " x c t k c v k q p u " q h " u w e

All forward looking statements are subject to risks, uncertainties and assumptions about us 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, but are not limited to:

- < General economic conditions;
- < Changes in political and social conditions in India and also in other countries with whom the company has direct business relevance;
- < The outcome of legal or regulatory proceedings that we are or might become involved in;
- < Contingent liabilities, environmental problems and uninsured losses;
- < Increasing competition in the industry;
- < Strikes or work stoppages by our employees;
- < Accidents and natural disasters;
- < Loss of or shut down of operations at any of our manufacturing facility;
- < Volatility in the supply or price of raw materials;
- < Failure to respond to the technological advances;
- < Failure to safeguard the reputation of our brand or failure to enhance our brand recognition;
- < Downturn in automobile industry;
- < Developments affecting the Indian economy;
- < Changes in laws and regulations that apply to the industry;
- < Uncertainty in global financial markets;

H q t " c " h w t v j g t " f k u e w u u k q p " q h " h c e v q t u " v j c v "page 15 of f " e c w u g
 this Draft 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 our Company nor the Lead Manager nor any of their respective affiliates or advisors 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 and Stock Exchanges " t g s w k t g o g p v u . " q w t " E q o
 Manager shall ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.



SECTION II 6 LETTER OF OFFER SUMMARY

Our Company is primarily engaged in the business of manufacturing of automotive gears, manufacturing of gear boxes, other automotive components and construction of industrial furnaces. The Company has three manufacturing locations; two in the state of Maharashtra at Mumbra and Lonand and one in the state of Haryana at Faridabad.

Objects of the Issue:

The proposed utilization of Issue Proceeds is set forth below:

(in ` lakhs)

Sr. No.	Particulars	Amount
1.	Financing of Identified Equipment	1,668.11
2.	Issue Expenses]
	Total]

Means of Finance

(in ` lakhs)

Sr. No.	Source	Amount
1.	Proceeds of the Issue	Up to 1,500.00
2.	Internal Accruals]
	Total]

Intention and extent of participation by our Promoter(s) and Promoter Group in the Issue:

Our Promoter(s) and entities forming part of our Promoter Group have, *vide* their letters dated December 4, 2018 (the "**Subscription Letters**") indicated their intention to: subscribe, jointly and/or severally to the full extent of their Rights Entitlement and subscribe to the full extent of any Rights Entitlement renounced in their favour by any other Promoter or member of the Promoter Group of our Company.

Our Company is in compliance with Regulation 38 of the SEBI Listing Regulations and will continue to comply with the minimum public shareholding requirements pursuant to the Issue.

Financial Information:

The following table sets forth summary financial information derived from the Audited Financial Statements, prepared in accordance with the Accounting Standards prescribed under Companies Act, 2013 as of and for the Fiscal ended March 31, 2018 (Ind AS); March 31, 2017 (Indian GAAP) and March 31, 2016 (Indian GAAP) and the Unaudited Financial Results for the six (6) months period ended September 30, 2018, which are subjected to Limited Review by Statutory Auditors of the Company, prepared in accordance with recognition and measurement principles of Ind AS 34 and Regulation 33 of SEBI (LODR) Regulations, 2015.

(` in lakhs)

Particulars	For the six months period ended September 30, 2018 (Ind AS)	For the Fiscal		
		2018 (Ind AS)	2017 (I-GAAP)	2016 (I-GAAP)
Share Capital	814.28	814.28	781.78	781.78
Net Worth	8,498.11	7,782.20	6,530.84	7091.86
Total Income	30,033.36	51,541.63	43,553.09	43,331.06
Profit / (loss) after tax	742.10	630.30	(126.06)	23.96
Basic and Diluted EPS (in `)	9.12*	7.93	(1.61)	0.31
Net asset value per share (in `)	104.36	95.57	83.54	90.71
Total borrowings	17,114.78	13,385.23	8,819.88	9,841.30

*Not Annualized



Notes:

1. The Financial Statements for the year ended March 31, 2018 have been audited by the current Statutory Auditors S R B C & CO LLP.
2. The Financial Statements for the year ended March 31, 2017 and March 31, 2016 have been audited by the erstwhile Statutory Auditors of the Company M/s Deloitte Haskins Sells, Chartered Accountants.
3. The Financial Statements for the Fiscal 2017 and 2016 are prepared in accordance with I-GAAP and Financial Statements for Fiscal 2018 has been prepared in accordance with Ind AS. Hence the numbers are strictly not comparable.

Auditor Qualifications:

No reservations, qualifications and adverse remarks have been made by our statutory auditors in their reports which requires any adjustments to the audited financial statements for Fiscals 2018, 2017, 2016 and the Unaudited Financial Results for the six (6) months period ended September 30, 2018, which are subjected to Limited Review by Statutory Auditors of the Company, prepared in accordance with recognition and measurement principles of Ind AS 34 and Regulation 33 of SEBI (LODR) Regulations, 2015. The Financial Statements for the year ended March 31, 2017 and March 31, 2016 have been audited by the erstwhile Statutory Auditors of the Company - M/s Deloitte Haskins Sells.

Outstanding Litigations:

A summary of outstanding litigation proceedings pertaining to our Company as on the date of this Draft Letter of Offer is provided below. For details of the material outstanding litigation proceedings including (i) criminal proceedings; (ii) material civil proceedings; (iii) actions taken by statutory or regulatory authorities; and (iv) claims

Sr. No.	Outstanding Litigations	Number of Matters	Financial implications to the extent quantifiable (₹ in lakhs)
1.	Filed against our Company		
	a. Civil	2	-
	b. Labour Related	6	2.14
	c. Direct Tax	7	3.66
	Total	15	5.80
2.	Filed by our Company		
	a. Civil	3	9.50
	b. Labour related	7	40.26
	c. Criminal	2	14.51
	Total	12	64.27

The amounts mentioned above may be subject to additional interest/ penalties being levied by the concerned authorities for delay in making payment or otherwise. The amount of interest/ penalties that may be levied is unascertainable as on date of this Draft Letter of Offer. For further details regarding these legal proceedings, please

Risk Factors:

For details of potential risks associated with our ongoing business activities and industry, investment in Equity Shares of the Company, material litigations which impact the business of the Company and other economic factors



Contingent Liabilities:

As of March 31, 2018, we have certain contingent liabilities that had not been provided for, as per Ind AS 37. Details of the same are as under:

(in lakhs)

Sr. No.	Particulars	Amount
	Contingent liabilities:	
	Claims against the Company not acknowledged as debt	
1.	In respect of employees:	
	(i) the Company has filed an appeal in the Bombay High Court against the order passed by Third Labour Court on issue of back wages and reinstatement of 11 employees	40.26
	(ii) in respect of claim of permanency of services and/or back wages (less subsistence allowance paid, if any) filed by set of temporary/permanent employees	Not ascertainable
2.	Others:	
	(i) the Company has filed an appeal in the Appellate Tribunal, Delhi against the order passed by Regional Provident Fund Commissioner, on issue of provident fund dues on subsistence allowance	1.27
	(ii) the Company has filed an appeal in the Appellate Tribunal, Delhi against the order passed by Regional Provident Fund Commissioner, on issue of provident fund dues on difference of wages of certain employees	0.87

For more information, refer to the Financial Statements for the year ended 31st March 2018.

Related Party Transactions:

For details of related party transactions of our Company, as per the requirement under Section 46 of the Companies Act, 2013, refer to the Financial Statements for the year ended 31st March 2018.

Financing Arrangements:

There have been no financing arrangements whereby the Promoters, members of the Promoter Group, our Directors and their relatives have financed the purchase, by any other person, of securities of our Company other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of this Draft Letter of Offer.

Issuance of Equity Shares for Consideration other than cash:

Our Company has not issued Equity Shares for consideration other than cash during the last one year immediately preceding the date of filing of this Draft Letter of Offer.



SECTION III - RISK FACTORS

An investment in equity shares involves a high degree of risk. The risks described below together with other information contained in this Draft Letter of Offer should be carefully considered by the prospective investors before making an investment decision. Prospective investors should carefully consider all the information contained in this Draft Letter of Offer. Information related to the financial performance of our Company. The risks described in this section are those that we consider to be the most significant to our business, results of operations, financial condition, cash flows and prospects. Additional risks not presently known to us or that we currently deem immaterial may also adversely affect our business operations. If any or a combination of the following events occur, our business, results of operations, financial condition and prospects could materially suffer, the trading price of our Equity Shares could decline and you may lose all or part of your investment. Unless otherwise stated, we are not in a position to specify or quantify the financial or other risks mentioned herein.

The following risk factors have been determined by our Board of Directors on the basis of their materiality. In accordance with Clause (VI) in Part B of Schedule VI of the SEBI ICDR Regulations, the following factors have been considered for determining the materiality: (i) Some events may not be material individually, but may be found material collectively, (ii) some events may have material impact qualitatively instead of quantitatively; and (iii) some events may not be material at present but may have material impact in the future.

INTERNAL RISK FACTORS

1. Our Company is a party to certain litigations, the outcome of which could adversely affect our business operations and financial condition

Our Company is party to certain legal proceedings and claims in relation to certain civil, criminal and tax matters incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Any adverse decision may render us liable to liabilities/penalties and may adversely affect our business and results of operations. A classification of these legal and other proceedings are given in the following table:

Sr. No.	Outstanding Litigations	Number of Matters	Financial implications to the extent quantifiable (₹ in lakhs)
1.	Filed against our Company		
	a. Civil	2	-
	b. Labour Related	6	2.14
	c. Direct Tax	7	3.66
	Total	15	5.80
2.	Filed by our Company		
	a. Civil	3	9.50
	b. Labour related	7	40.26
	c. Criminal	2	14.51
	Total	12	64.27

The amounts mentioned above may be subject to additional interest/ penalties being levied by the concerned authorities for delay in making payment or otherwise. The amount of interest/ penalties that may be levied is unascertainable as on date of this Draft Letter of Offer. For further details regarding these legal proceedings, refer to the section on Defaults on this Draft Letter of Offer.

2. We require certain approvals and licenses in the ordinary course of business and are required to comply with certain rules and regulations to operate our business, and failure to obtain, retain and renew such approvals and licenses or comply with such rules and regulations, in a timely manner or at all may adversely affect our operations



Being a manufacturing company, we require several statutory and regulatory permits, licenses and approvals to operate our business. Many of these approvals are granted for a fixed period of time and need renewal from time to time. We are required to renew such permits, licenses and approvals periodically. There can be no assurance that the relevant authorities will issue such permits or approvals to our Company or that they will issue these in time. Further, these permits, licenses and approvals are subject to several conditions and our Company may not be able to continuously meet the conditions and this may lead to cancellation, revocation or suspension of relevant permits / licenses / approvals. Failure by our Company to renew, maintain or obtain the required permits, licenses or approvals may result in the interruption of our

3. A portion of our land at our Mumbra Plant is in the process of being acquired by Thane Municipal Corporation (TMC) along with Mumbai Metropolitan Region Development Authority (MMRDA)

A certain portion of our land is in the process of being acquired by TMC along with MMRDA for proposed 60 meters widening of old Mumbai-Pune Road and proposed widening of Airoli-Katai Road. As a compensation for the acquisition of the abovementioned land, our Company is to receive Transferable Development Rights (TDRs) in the form of a Development Rights Certificate to be granted by TMC. Some of the manufacturing facilities/ structures (such as Effluent Treatment Plant/ Sewage Treatment Plant/ Water Tank etc.) set up at Mumbra Plant maybe required to be shifted/ re-located on account of the proposed road widening work to be carried out by TMC/MMRDA which might temporarily disrupt the manufacturing operations of the Company and there can be no surety that TMC/ MMRDA will compensate the Company for the costs and/or damages, if any, caused due to shifting/ re-locating of manufacturing facilities.

4. We are subject to the restrictive covenants of banks/ lenders in respect of the Loans/Credit Limits and other Banking Facilities availed from them

Some of our financing arrangements contain restrictive covenants whereby we are required to obtain approval from our lenders, regarding, amongst other things such as entering into borrowing arrangements with other banks and other parties, taking up new projects for large scale expansion, making investment in or giving loans to other parties, formulation of any scheme of amalgamation or reconstruction or merger or de-merger, dilution of promoter and promoter group shareholding, etc. There can be no assurance that such consents will be granted or that we will be able to comply with the financial covenants stipulated under our financing arrangements. In the event we breach any restrictive, financial or other covenants contained in certain of our financing arrangements, we may be required under the terms of the relevant financing arrangements to immediately repay our borrowings either in whole or in part, together with any related costs. This may adversely impact our results of operations and cash flows.

5. Some of our Group Companies have incurred losses during the last three fiscal years

As set forth below, some of our Group Companies have incurred losses during last three fiscal years (as per their respective audited financial statements):

(` in lakhs)

Sr. No.	Particulars	For the year ended		
		March 31, 2018	March 31, 2017	March 31, 2016
1.	Raunaq EPC International Limited	(98.89)	246.97	510.82
2.	Xlerate Driveline India Limited	(49.42)	(137.70)	(131.81)

6. Our Company has entered into certain related party transactions and may continue to do so in the future

Our Company has entered into transactions with certain of its related parties. For details of related party transactions of our Company, as per the requirements w p f g t " K p f " C U " 4 6 " ÷ T g n c v g f " R c t g p f k p i " O c t e j " 5 3 p " c p 2 k c h r " U g c u 5 g o f t h i s D r a f t B e h e p O f f e r . c i g "



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 can be no assurance that it could not have been achieved on more favourable terms had such transactions not been entered into with related parties. Further, it is likely that our Company will continue to enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations.

7. ***We employ a large labour force and in case any labour disputes arise in the course of our business operations, the same could disrupt operations and adversely affect the results of operations and financial condition of Our Company***

Our current manufacturing processes are labour intensive. We employ a large number of skilled and unskilled labourers. Any disputes between the management and labour in our Company can result in a disruption of our manufacturing activities and thereby affect the profitability of our Company.

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes certain financial obligations on employers during employment and upon retrenchment. Under Indian law, workers also have a right to establish trade unions. Furthermore, it may become difficult for us to maintain flexible labour policies in case cost of labour in our industry increases. Whilst we believe that presently, we share good relationship with our employees, we may experience unrest or slowdowns, increase in wage costs and employee numbers. These eventualities may adversely impact our operations and financial condition.

8. ***Our business is dependent on the manufacturing facilities. The loss of or shutdown of operations at any of the manufacturing facilities may have a material adverse effect on the business, financial condition and results of operations***

V j g " E q o r c p { ø u " o c p w h c e v w t (Thane, Maharashtra), Faridabad (Haryana) and Lonand (Satara, Maharashtra) are subject to operating risks, such as breakdown or failure of critical equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect the operating results. Although the Company normally carries out planned shutdowns of the aforesaid plants for maintenance and takes precautions to minimize the risk of any significant operational problems at these facilities, the business, financial condition and results of operations may be adversely affected by any disruption of operations at the facilities, including due to any of the factors mentioned above.

9. ***Our future success depends on our ability to satisfy changing client needs by offering better products in a timely manner and maintaining quality and competitiveness of such products***

Our future success depends on our ability to satisfy changing client needs by offering better products in a timely manner and maintaining quality and competitiveness of such products. Our competitors may gain significant advantages if they are able to offer products satisfying client needs earlier than we are able to, which may materially and adversely impact our sales and productivity. Unanticipated delays or cost overruns in implementing new product development plans, expansion plans or capacity enhancements could also materially and adversely impact our financial condition and results of operations.

Customer preferences especially in many of the developed markets appear to be moving in favor of more fuel efficient and environmental friendly vehicles. Furthermore, in many countries there has been significant pressure on the automotive industry to reduce carbon dioxide emissions. In many markets these preferences are driven by increasingly stringent government regulations, rising fuel prices and customers' environmental considerations. Our business and operations may be significantly impacted if we experience delays in developing products that reflect changing customer preferences. In addition, deterioration in the quality of our components could force us to incur substantial costs and damage our reputation. There can be no assurance that the market acceptance of our future products will meet our sales expectations, in which case we may be unable to realize the intended economic benefits of our investments and our revenues and profitability may decrease materially.



10. Demand for our products is cyclical in nature and a substantial decrease in our sales during certain quarters of fiscal could have a material adverse impact on our financial performance

Demand for auto components is driven by the demand from Original Equipment Manufacturers (OEMs) and from replacement market in auto sector. The industry has been cyclical in the past and we expect this trend to continue. The future growth of our business depends on our ability to adjust to the variation in demand, in a timely manner and at competitive prices. Any such inability could adversely affect our operations and profitability.

11. Our success depends largely on the senior management personnel and the Company's ability to attract and retain the senior personnel

Our success depends on the continued services and performance of the members of the management team and other key personnel. Competition for senior management personnel in the industry is intense and the Company may not be able to retain the existing senior management team or attract and retain new senior management talent in the future. The loss of the services of the senior managerial personnel could seriously impair the ability to continue to manage and expand the Company which may adversely affect the business, results of operations and financial condition.

12. We have certain contingent liabilities which had not been provided for in our balance sheet

As of March 31, 2018, we have certain contingent liabilities that have not been provided for, as per Ind AS 37, details of the same are as under:

		(in Lakhs)
Sr. No.	Particulars	Amount
	Contingent liabilities:	
	Claims against the Company not acknowledged as debt	
1.	In respect of employees:	
	(i) the Company has filed an appeal in the Bombay High Court against the order passed by Third Labour Court on issue of back wages and reinstatement of 11 employees	40.26
	(ii) in respect of claim of permanency of services and/or back wages (less subsistence allowance paid, if any) filed by set of temporary/permanent employees	Not ascertainable
2.	Others:	
	(i) Company has filed an appeal in the Appellate Tribunal, Delhi against the order passed by Regional Provident Fund Commissioner, on issue of provident fund dues on subsistence allowance	1.27
	(ii) Company has filed an appeal in the Appellate Tribunal, Delhi against the order passed by Regional Provident Fund Commissioner, on issue of provident fund dues on difference of wages of certain employees	0.87

In the event that any of our contingent liabilities become crystallized, our business, financial condition and results of operations may be adversely affected.

13. Our insurance coverage may not be adequate to protect us against all potential losses, which may have an adverse effect on our business, financial condition and results of operations

Our operations are subject to various risks inherent in the sectors in which we operate, such as fire, theft, robbery, earthquake, flood, acts of terrorism and other force majeure events. Our insurance cover includes, among other things, insurance under Business Suraksha Classik Policy (including loss of profit clause), Public/ Product Liability Insurance, etc. However, we may not have identified every risk and further may not be insured against every risk, including operational risk that may occur and the occurrence of an event that causes losses in excess of the limits specified in our policies, or losses arising from events or risks not covered by insurance policies or due to the same being inadequate, could materially harm our financial



condition and future results of operations. There can be no assurance that any claims filed will be honoured fully or timely under our insurance policies. Also, our financial condition may be affected to the extent we suffer any loss or damage that is not covered by insurance or which exceeds our insurance coverage. In addition, we may not be able to renew certain of our insurance policies upon their expiration, either on commercially acceptable terms or at all.

14. *We have incurred substantial indebtedness which increases our vulnerability to various risks which may have an adverse effect on our business and results of operations*

As of September 30, 2018, we have ₹ 17,114.78 Lakhs of outstanding debt as per the financials of the Company.

Our level of indebtedness has important consequences to us, such as:

- increasing our vulnerability to general adverse economic, industry and competitive conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry;
- affecting our credit rating;
- limiting our ability to borrow more money both now and in the future; and
- increasing our interest expenditure and adversely affecting our profitability, since almost all of our debt bears interest at floating rates.

If any of these risks were to materialize, our business and results of operations may be adversely affected.

15. *Our Promoter and promoter group will continue to exercise significant control over our business and shall be in a position to direct corporate actions which may be allegedly detrimental to the interest of other shareholders*

Our Promoter and Promoter Group hold 54.85% of our equity share capital. As a result, they are in a position to continue to exercise significant control over our business and all matters requiring shareholder approval, including timing and distribution of dividends, election of officers and directors, our business strategy and policies, approval of significant corporate transactions such as mergers and business combinations and sale of assets. Their control could approve or impede a merger, consolidation, takeover or other business combination involving us.

16. *Changes in technology may impact the business by making the plants less competitive*

Application of advanced technology in making automotive gears and components may require the Company to make additional capital expenditure for upgrading the manufacturing facilities. In case the Company is unable to keep up with the growth rate of technology improvement or process change, the company may be unable to service the demand which may adversely affect the revenue.

17. *Volatile price of steel which is the main raw material consumed by the Company and spiraling cost of LPG/Propane/Natural Gas may affect the profitability of the Company*

The principal raw material in making automotive Gears is alloy steel and alloy steel forgings. Off late, the steel prices have been on an upward trend. Any increase in the prices of the steel would adversely impact the business of the Company. Though we have been able to pass on the increase in prices of steel to our customers in the past, we cannot assure the same to continue in future. Further, there has been a trend of increasing prices of LPG/Propane/Natural Gas and any such increase in cost may affect the profitability of the Company.

18. *Major part of our revenue comes from a limited number of our customers. The loss of any of our major Customers or a decrease in the volume of orders may adversely affect our revenue and profitability*

At present, we derive most of our revenues from the orders received from the limited or few customers. In the Financial Year ended March 31, 2018, our top five customers have contributed more than 50% of our total sales. Our business and results of operations will be adversely affected if we are unable to develop and maintain a continuing relationship with our key customer(s) or develop and maintain relationships with other



new customers. The loss of a significant customer or a number of significant customers due to any reason whether internal or external related to their business may have a material adverse effect on our business prospects and results of operations.

19. The objects for which we propose to utilize Issue proceeds are neither appraised by any Bank or Financial Institution nor any independent agency is appointed to monitor the deployment of proceeds. Our management will have the flexibility in applying the issue proceeds

The fund requirements and proposed deployment are based on internal estimates of our management and have not been appraised by any Bank or Financial Institution. Shareholders/investors shall rely on Non-appraisal of estimates by external agencies such as Banks or Financial Institutions makes such estimates susceptible to change any time in future.

Further, as per SEBI ICDR Regulations, appointment of monitoring agency is required only for Issue size above ₹ 10,000 Lacs. Since, our issue size is below this amount, we have not appointed a monitoring agency to monitor the utilisation of Issue proceeds.

The objects of the issue are as stated in the prospectus on page 40. We cannot assure you that the issue proceeds will be utilized in conformity with the cost or schedule of implementation as described under the said chapter. Our funding requirements for the objects and deployment schedule are based on current conditions and are subject to change in light of external factors which may not be in our control. This may also include rescheduling the proposed utilization of issue proceeds at the discretion of our management. Our Company may make necessary changes to such utilization in conformity with the provisions of the Companies Act and SEBI ICDR Regulations in relation to the change in the objects of the issue. Accordingly, shareholders /investors in the offer will need to rely on our ability to utilize the issue proceeds as expected in a timely manner, we may not be able to derive expected benefits from the proceeds of the issue and our business and financial results may suffer.

20. Our ability to pay dividends will depend upon earnings, financial condition, cash flows, working capital

Our Company has not declared any dividend in the past four years. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital and shall have distributable profits or that we will declare dividends in the future. Additionally, the terms and conditions of any financing we obtain in the future, may include restrictive covenants which may also affect some of the rights of our shareholders, including the payment of the dividend.

EXTERNAL RISK FACTORS

21. Deterioration in global economic conditions could have a material adverse impact on our sales and results of operations

The automotive industry and the demand for automobiles are influenced by general economic conditions including among other things, rates of economic growth, availability of credit, disposable income of consumers, interest rates, environmental and tax policies, safety regulations, freight rates and fuel and commodity prices. As Auto Components industry caters directly to Automotive industry, negative trends in any of these factors impacting the regions where we operate would materially and adversely affect our business, financial condition and results of operations.

The Indian automotive industry is affected materially by the general economic conditions in India and around the world. Muted industrial growth as a result of continuing high levels of inflation and interest rates continues to pose risks to overall growth in this market. The automotive industry in general is cyclical and economic slowdowns in the recent past have affected the manufacturing sector, including the automotive and related industries in India. A continuation of negative economic trends or further deterioration in key economic metrics such as the growth rate, interest rates and inflation as well as reduced availability of financing for vehicles at competitive rates could materially and adversely affect our sales in India and results of operations.



In addition, the Indian automotive market and the Indian economy are influenced by economic and market reactions to economic developments in one country can have adverse effects on the securities of companies and the economy as a whole. A loss of investor confidence in the financial systems of other emerging markets may cause volatility in Indian financial markets and indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India.

Uncertainties in the global financial markets may have an adverse impact on the exchange rate between Rupee vis-à-vis other currencies. The exchange rate between Rupee and other currencies is variable and may continue to remain volatile in future depending upon the foreign exchange reserve position of India. Fluctuations in the exchange rates may have a serious impact on the revenues from the export business.

In the event the growth rate / recovery of global economy is slower than expected, or if there is any significant financial disruption, this could have a material adverse effect on our cost of funding, portfolio of financing loans, business, prospects, financial condition, results of operations and the trading price of our Securities.

22. *Financial instability in Indian and Global financial markets could adversely affect our Company's results of operations and financial condition*

The Indian economy and financial markets are significantly influenced by worldwide economic, financial and market conditions. Any financial turmoil, especially in the United States of America, Europe or China, may have a negative impact on the Indian economy. Although economic conditions differ in each country, investors' reactions to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. A loss in investor confidence in the financial systems, particularly in other emerging markets, may cause increased volatility in Indian financial markets. Indian financial markets have also experienced the contagion effect of the global financial turmoil, evident from the sharp decline in SENSEX, BSE's benchmark index. Stock exchanges in India have in the past experienced substantial fluctuations in the prices of listed securities. Any prolonged financial crisis may have an adverse impact on the Indian economy, thereby resulting in a material and adverse effect on our Company's business, operations, financial condition, profitability and price of its Shares.

23. *Political instability or significant changes in the economic liberalisation and deregulation policies of the Government or in the government of the states where we operate could disrupt its business*

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. Our businesses, and the market price and liquidity of its securities may be affected by changes in exchange rates and controls, interest rates, government policies, taxation, social and ethnic instability and other political and economic developments in or affecting India. In recent years, India has been following a course of economic liberalisation and our business could be significantly influenced by economic policies followed by the Government.

However, there can be no assurance that such policies will continue in the future. The rate of economic liberalisation could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in India could change as well.

24. *Natural disasters and other disruptions could adversely affect the Indian economy and could cause our business and operations to suffer and the trading price of our Equity Shares to decrease*

Our operations may be damaged or disrupted as a result of natural disasters such as earthquakes, floods, heavy rainfall, epidemics, tsunamis and cyclones and other events such as protests, riots and labour unrest. Such events may lead to the disruption of information systems and telecommunication services for sustained periods. They also may make it difficult or impossible for employees to reach our business locations which may affect our manufacturing processes. Damage or destruction that interrupts our production could adversely affect our business. It may also cause us to incur substantial additional expenditure to repair or replace damaged equipment or rebuild parts of our infrastructure. We may also be liable to our customers for disruption in supply resulting from such damage or destruction. Our insurance coverage for such liability may not be sufficient. Any of the above factors may adversely affect our business, our financial results and the price of our Equity Shares.



RISKS RELATING TO THE ISSUE

25. *The price of the Rights Equity Shares may be volatile*

The trading price of our Rights Equity Shares may fluctuate after the Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant factors such as the performance of our competitors, the Indian automotive components industry and the perception in the market about investments in the automotive components industry, changes in the estimates of our performance or recommendations by financial analysts and announcements by us or others regarding new projects, strategic partnerships, joint ventures, or capital commitments etc. In addition, if the stock markets in general experience a loss of investor confidence, the trading price of our equity shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of our equity shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could adversely affect the price of our equity shares.

26. *Any future issuance of equity shares by our Company or sale of our equity shares by any of our significant shareholders may adversely affect the trading price of our equity shares*

Any future issuance of Equity Shares by us could dilute your shareholding. Any such future issuance of our Equity Shares or sale of our Equity Shares by any of our significant shareholders may also adversely affect the trading price of our Equity Shares and could impact our ability to raise capital through an offering of our securities. We cannot assure you that we will not issue further equity shares or that the shareholders will not dispose of, pledge, or otherwise encumber their equity shares. In addition, any perception by investors that such issuances or sale might occur could also affect the trading price of our equity shares.

**SECTION IV - INTRODUCTION****SUMMARY OF FINANCIAL INFORMATION**

The following tables set forth summary financial information derived from our Audited Financial Information for the year ended March 31, 2018 and Unaudited Financial Results for the six (6) months period ended September 30, 2018, which are subjected to Limited Review by Statutory Auditors of the Company, prepared in accordance with recognition and measurement principles of Ind AS 34 and Regulation 33 of SEBI (LODR) Regulations, 2015. The summary of financial information presented below should be read in conjunction with our Financial Information presented in our Draft Letter of Offer.

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BALANCE SHEET

as at 31 March, 2018

₹ lacs

Particulars	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
A. ASSETS			
1. Non-current assets			
(a) Property, plant and equipment	11210.68	10162.06	11073.15
(b) Capital work-in-progress	236.32	159.46	347.94
(c) Intangible assets	100.23	116.63	141.34
(d) Financial assets			
(i) Loans	128.66	114.24	98.46
(ii) Others	157.81	203.25	200.11
(e) Deferred tax assets (net)	208.14	78.51	7.70
(f) Other non-current assets	450.93	494.93	573.28
Total non-current assets	12492.77	11329.08	12441.98
2. Current assets			
(a) Inventories	7702.76	6242.95	5734.42
(b) Financial assets			
(i) Trade receivables	12817.78	9232.05	7983.53
(ii) Cash and cash equivalents	24.65	46.01	68.08
(iii) Bank balances other than (ii) above	509.15	517.53	514.39
(iv) Loans	52.16	36.50	33.50
(v) Others	356.93	198.44	152.39
(c) Other current assets	2558.26	1414.22	1179.35
(d) Current tax assets (net)	58.72	37.91	62.95
Total current assets	24080.41	17725.61	15728.61
Total assets	36573.18	29054.69	28170.59
B. EQUITY AND LIABILITIES			
1. EQUITY			
(a) Equity share capital	814.28	781.78	781.78
(b) Other equity	6967.92	5865.74	5989.17
Total equity	7782.20	6647.52	6770.95
LIABILITIES			
2. Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	7867.70	3725.12	5121.58
(ii) Other financial liabilities	114.72	-	-
(b) Provisions	449.57	435.51	447.97
(c) Other non-current liabilities	1256.32	1186.63	1059.69
Total non-current liabilities	9688.31	5347.26	6629.24
3. Current liabilities			
(a) Financial liabilities			
(i) Borrowings	4982.51	5237.38	4271.67
(ii) Trade payables	11706.80	8902.77	7551.97
(iii) Other financial liabilities	1772.88	2428.72	2338.95
(b) Provisions	91.42	90.47	111.70
(c) Other current liabilities	307.68	400.57	496.11
(d) Current tax liabilities (net)	241.38	-	-
Total current liabilities	19102.67	17059.91	14770.40
Total equity and liabilities	36573.18	29054.69	28170.59



STATEMENT OF PROFIT AND LOSS

for the year ended 31 March, 2018

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
1. Revenue from operations	51383.67	43437.38
2. Other income	157.96	114.05
3. Total income (1+2)	51541.63	43551.43
4. Expenses		
(a) Cost of materials and components consumed	24347.81	18974.37
(b) Changes in inventories of finished goods and work-in-progress	(743.93)	(387.32)
(c) Excise duty on sale of goods (including scrap sale)	645.41	2759.28
(d) Employee benefits expense	8726.34	7716.46
(e) Finance costs	1684.24	1481.44
(f) Depreciation and amortisation expense	1828.11	1669.26
(g) Other expenses	14129.35	11566.02
Total expenses	50617.33	43779.51
5. Profit/(Loss) before tax (3-4)	924.30	(228.08)
6. Tax expense/(credit) (net)		
(a) Current tax	425.00	-
(b) Deferred tax	(131.00)	(82.00)
Total tax expense/(credit)	294.00	(82.00)
7. Profit/(Loss) for the year (5-6)	630.30	(146.08)
8. Other comprehensive income		
Items that will not be reclassified to profit or loss		
- Re-measurement gains on defined benefits obligations	3.95	33.84
- Income tax effect	(1.37)	(11.19)
Other comprehensive income for the year (net of tax)	2.58	22.65
9. Total comprehensive income for the year (7+8)	632.88	(123.43)
10. Earnings per share (Face value of ₹ 10/- each):		
Basic and Diluted - in ₹	7.93	(1.87)



STATEMENT OF CASH FLOWS

for the year ended 31 March, 2018

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
A. Cash flows from operating activities:		
Net profit/(loss) before tax	924.30	(228.08)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	1828.11	1669.26
Loss on sale/write off of property, plant and equipment (net)	0.65	1.57
Finance costs	1375.71	1259.80
Interest income	(70.35)	(95.59)
Rent expenses	8.10	7.66
Employee benefits expense	7.65	6.27
Liabilities/provisions no longer required written back	(28.53)	(16.54)
Allowance for doubtful debts	23.17	20.94
Bad debts written off	9.08	6.53
Provision for slow and non-moving inventory	46.00	-
Other amounts written off	0.99	-
Unrealised exchange loss (net)	10.50	33.75
Operating profit before working capital changes	4135.38	2665.57
Changes in working capital		
Adjustments for (increase)/decrease in operating assets:		
Inventories	(1505.81)	(508.53)
Trade receivables	(3517.86)	(1322.66)
Financial assets - loans	(26.30)	(21.34)
Financial assets - others	(98.86)	(43.76)
Other current and non-current assets	(1079.44)	(309.14)
Adjustments for increase/(decrease) in operating liabilities:		
Trade payables	2816.75	1367.42
Other financial liabilities	(70.96)	(7.09)
Other current and non-current liabilities	(16.98)	65.24
Provisions	36.91	(33.69)
Cash generated from operations	672.83	1852.02
Income tax (paid)/refund (net)	(59.64)	173.56
Net cash flows from operating activities (A)	613.19	2025.58
B. Cash flows from investing activities:		
Purchase of property, plant and equipment and intangible assets (including capital work-in-progress, capital advances)	(2141.22)	(581.60)
Proceeds from sale of property, plant and equipment	17.67	15.85
Bank balances (including non-current) not considered as cash and cash equivalents (net)	(2.17)	(9.37)
Interest received	48.27	84.47
Increase in balance in unpaid dividend account	5.86	1.91
Net cash flows used in investing activities (B)	(2071.59)	(488.74)



