



PROSPECTUS

Dated: August 10, 2006

DEEP INDUSTRIES LIMITED

(Originally incorporated as Deep Roadways Private Limited on January 01, 1991 with the Registrar of Companies, Gujarat, Dadra and Nagar Haveli under the provisions of Companies Act, 1956, vide registration no. 04-14833. The name of our Company was changed to Deep Industries Private Limited and the word Private was deleted by virtue of our Company being a Deemed Public Limited Company under the provisions of section 43A(1B) of the Companies Act, 1956 on February 06, 1997. Our Company became a Public Limited Company w.e.f May 02, 2002 and a fresh certificate of incorporation, consequent to change of name, was issued in the name of Deep Industries Limited on May 02, 2002.

For details of changes in the address of our registered office, please refer to page no. 43 of this Prospectus)

Registered Office: Opp. Suryanarayan Bunglows, Sabarmati-Kalol State Highway, Motera, Dist: Gandhinagar, Gujarat-380005.

Tel: +9179 27571128; **Fax:** +91 79 27502464; **E-mail:** jshah@deepindustries.com; **Website:** www.deepindustries.com

Contact Person: Mr. Jigar Shah, Chief Financial Officer and Compliance Officer

PUBLIC ISSUE OF 1,13,00,000 EQUITY SHARES OF FACE VALUE Rs.10/- EACH OF DEEP INDUSTRIES LIMITED (HEREINAFTER REFERRED TO AS THE "COMPANY" OR "ISSUER") AT A PRICE OF Rs.36/- FOR CASH AGGREGATING TO Rs.4068 LACS (HEREINAFTER REFERRED TO AS THE "ISSUE") INCLUDING 11,30,000 EQUITY SHARES OF FACE VALUE Rs.10/- EACH RESERVED FOR EMPLOYEES AND DIRECTORS; 28,25,000 EQUITY SHARES OF FACE VALUE OF Rs.10/- EACH RESERVED FOR NRIs AND FIIs; AND 11,30,000 EQUITY SHARES OF FACE VALUE Rs.10/- EACH RESERVED FOR SCHEDULED BANKS/INDIAN MUTUAL FUNDS/INDIAN AND MULTILATERAL DEVELOPMENT FINANCIAL INSTITUTION AND NET ISSUE TO PUBLIC OF 62,15,000 EQUITY SHARES OF FACE VALUE OF Rs.10/- EACH (HEREINAFTER REFERRED TO AS THE NET OFFER TO PUBLIC). THE ISSUE WOULD CONSTITUTE 56.50% OF THE POST ISSUE PAID UP CAPITAL OF THE COMPANY.

THE ISSUE PRICE IS 3.6 TIMES OF THE FACE VALUE

RISKS IN RELATION TO THE FIRST ISSUE

This being the first issue of the Equity Shares of our Company, there has been no formal market for the securities of the Company. The face value of the equity shares is Rs. 10/- each and the issue price is 3.6 times of the face value. The issue price (as determined and justified by our Company in consultation with the Lead Managers) should not be taken to be indicative of the market price of the Equity Shares after the shares are listed. No assurance can be given regarding an active and sustained trading in the shares of the Company or regarding the price at which the equity shares will be traded after listing.

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision investors must rely on their own examination of the issuer and the offer including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. Specific attention of the investors is invited to the statement of Risk Factors starting from Page No. viii of this Prospectus

ISSUERS ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares of the Company are proposed to be listed on the Bombay Stock Exchange Ltd. (BSE), the Designated Stock Exchange. The Company has received in-principle approval from BSE vide its letter no. DCS/Sk/sm/dm/2006 dated May 11, 2006 for listing of the Equity Shares being issued in terms of this Prospectus



| LEAD MANAGER TO THE ISSUE | REGISTRAR TO THE ISSUE |
|---|--|
|  <p>IDBI Capital Market Services Limited 5th Floor, Mafatlal Centre, Nariman Point, Mumbai-400 021. Tel.: +91 22 6637 1212 Fax: +91 22 2288 5850. Website: www.idbicapital.com E-Mail: deep.ipo@idbicapital.com Contact Person: Mr. Prakash K.Saraogi / Mr. Amey V.Belorkar</p> |  <p>Intime Spectrum Registry Limited C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (West), Mumbai - 400 078 Tel.: +91 22 25963838 Fax: +91 22 2596 2691 Website: www.intimespectrum.com E-Mail: deepipo@intimespectrum.com Contact: Mr. Vishwas Attavar</p> |
| ISSUE SCHEDULE | |
| ISSUE OPENS ON : AUGUST 29, 2006 | ISSUE CLOSES ON : SEPTEMBER 4, 2006 |

TABLE OF CONTENTS

| CONTENTS | PAGE NO. |
|--|----------|
| SECTION I – DEFINITIONS AND ABBREVIATIONS | |
| Conventional/General Terms | i |
| Issue Related Terms | ii |
| Company/Industry Related Terms | iv |
| Abbreviations | iv |
| SECTION II – RISK FACTORS | |
| Certain Conventions; Use of Market Data | vi |
| Forward Looking Statements | vii |
| Risk Factors | viii |
| SECTION III – INTRODUCTION | |
| Summary | 1 |
| The Issue | 5 |
| General Information | 6 |
| Capital Structure | 12 |
| Objects of the Issue | 19 |
| Basic Terms of Issue | 22 |
| Basis of Issue Price | 23 |
| Statement of Tax Benefits | 26 |
| SECTION IV – ABOUT OUR COMPANY | |
| Industry Overview | 30 |
| Business Overview | 36 |
| Key Industrial Regulation | 42 |
| History and Corporate Structure | 43 |
| Our Management | 46 |
| Our Promoters and Their Background | 56 |
| Related Party Transactions | 61 |
| Currency of Presentation | 61 |
| Dividend Policy | 61 |
| SECTION V – FINANCIAL STATEMENTS | |
| Auditors' Report | 62 |
| Group Companies | 86 |
| Management's Discussion and Analysis of Financial Condition and Result of Operations | 89 |
| SECTION VI – LEGAL AND REGULATORY INFORMATION | |
| Outstanding Litigations, Material Developments and Other Disclosures | 101 |
| Government/Statutory and Business Approvals | 105 |
| Other Regulatory and Statutory Disclosures | 106 |
| SECTION VII – ISSUE RELATED INFORMATION | |
| Terms of the Issue | 113 |
| Issue Procedure | 115 |
| SECTION VIII – MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION | |
| Main Provisions of the Articles of Association of our Company | 129 |
| SECTION VIII – OTHER INFORMATION | |
| Material Contracts and Documents | 187 |
| Declaration | 188 |



SECTION I - DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

CONVENTIONAL / GENERAL TERMS

“DIL” or “Deep” or “the Company” or “our Company” or “Deep Industries” or “Deep Industries Limited” or “we” or “us” or “our” or “Company” unless the context otherwise requires, refers to Deep Industries Limited, a public limited company incorporated under the provisions of the Companies Act, 1956 with its registered office at Opp. Suryanarayan Bunglows, Sabarmati-Kalol State Highway, Motera, Dist: Gandhinagar, Gujarat - 380005.

| Term | Description |
|--|--|
| Articles/Articles of Association/AoA | Articles of Association of Deep Industries Limited |
| Auditors | The statutory auditors of the Company, Jayesh M Shah & Co., Chartered Accountants |
| Board/Board of Directors | The Board of Directors of Deep Industries Limited or committee thereof |
| Companies Act/ Act | The Companies Act, 1956 as amended from time to time |
| Depositories Act | The Depositories Act, 1996, as amended from time to time |
| Depository | A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time |
| Depository Participant | A depository participant as defined under the Depositories Act |
| Directors(s) | Directors(s) of the Company unless otherwise specified |
| EGM | Extraordinary General Meeting |
| ESOP | Employee Stock Option Plan |
| ESPS | Employee Stock Purchase Scheme |
| FEMA | Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under. |
| Financial Year/ Fiscal/FY | Period of twelve months ended March 31 of that particular year, unless stated otherwise |
| GDP | Gross Domestic Product |
| Government /GoI | The Government of India |
| Indian GAAP | Generally Accepted Accounting Principles in India |
| Insider Trading Regulations | SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, including instructions and clarifications issued by SEBI from time to time. |
| IT Act | Income Tax Act, 1961, as amended time to time and the regulations framed there under |
| Memorandum / Memorandum of Association / MoA | The Memorandum of Association of the Company |
| NBFC | Non-Banking Finance Company |
| RBI | Reserve Bank of India |

DEEP INDUSTRIES LIMITED

ISSUE RELATED TERMS

| Term | Description |
|-----------------------------|--|
| Allotment | Unless the context otherwise requires, issue of equity shares pursuant to this Issue |
| Allottee | The successful Applicant to whom the Equity Shares are being/or have been issued or transferred |
| Applicant | Any prospective investor who makes an application for Equity Shares in terms of this Prospectus |
| Application Form | The form in terms of which the investors shall apply for the Equity Shares of the Company |
| Banker(s) to the Issue | Bankers to the Issue, in this case being, HDFC Bank, ICICI Bank and UTI Bank. |
| BSE | Bombay Stock Exchange Limited |
| Compliance Officer | In this case being Mr. Jigar Shah, our Chief Financial Officer |
| Co-Lead Manager | Co-Lead Manager to the Issue, in this case being Keynote Corporate Services Limited and NEXGEN Capitals Limited |
| Designated Stock Exchange | Designated Stock Exchange shall mean Bombay Stock Exchange Limited |
| Equity Shareholders | Person(s) holding Equity Share(s) of the Company unless otherwise specified in the context thereof |
| Equity Shares | Equity Shares of the Company of face value of Rs. 10 each, unless otherwise specified in the context thereof |
| Face Value | Value of paid up equity share capital per Equity Share, in this case being Rs.10/- each |
| FIPB | Foreign Investment Promotion Board, Ministry of Finance, Government of India |
| FII | Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India |
| IDBI Capital/ IDBICAPS/ICMS | IDBI Capital Market Services Limited |
| IPO | Initial Public Offer |
| Issue/Offer | The fresh issue of 1,13,00,000 new Equity Shares of Rs.10/- each for cash at Rs.36 Issue Price by our Company under this Prospectus. |
| Issue Closing Date | The date on which the Issue closes for subscription |
| Issue Opening Date | The date on which the Issue opens for subscription |
| Issue Period | The period between the Issue Opening Date and Issue Closing Date and includes both these dates |
| Issue Price | The final price at which the Equity Shares are being issued by our Company under this Prospectus, in the case being Rs. 36/-. |
| Keynote | Keynote Corporate Services Limited |
| Lead Manager | Lead Manager to the Issue, in this case being IDBI Capital Market Services Limited |



| Term | Description |
|---------------------------------------|--|
| MoU | Memorandum of Understanding |
| NEXGEN Capitals | NEXGEN Capitals Limited |
| NRI/Non-Resident Indian | A person resident outside India who is a citizen of India or is person of Indian Origin (as defined in Foreign Exchange Management (Deposit) Regulations, 2000). |
| OCB | Overseas Corporate Body |
| Offer Document/ Prospectus | The Prospectus filed with the ROC containing inter alia the Issue Price and the number of Equity Shares to be issued and certain other information |
| Permanent Employees | Permanent Employees of our Company as on date of filing this Prospectus |
| Promoters | Mr. Paras S. Savla, Mr. Rupesh K. Savla, Kanvel Finance Private Limited, Savla Electronics Private Limited and Yash Organochem Private Limited |
| Public Issue Account | In accordance with Section 73 of the Companies Act, 1956, an account opened with the Banker(s) to the Issue to receive monies for the Public issue |
| Qualified Institutional Buyers or QIB | Qualified Institutional Buyers as registered with SEBI under clause 2.2.2 B (v) of SEBI (DIP) Guidelines 2000. |
| Refund Banker | Refund Banker, in this case being HDFC Bank Limited |
| Registered Office | Registered Office of our Company situated at “Opp. Suryanarayan Bunglows, Sabarmati-Kalol State Highway, Motera, Dist: Gandhinagar, Gujarat-380005.” |
| Registrar/Registrar to the Issue | Registrar to the Issue, in this case being Intime Spectrum Registry Limited. |
| Retail Individual Investors | Individual Investors who applies for securities for a value of not more than Rs.1,00,000/-. |
| RoC/ROC | Registrar of Companies, Gujarat, Dadra & Nagar Haveli, situated at ROC Bhawan, Behind Ankur Bus Stand, Naranpura, Ahmedabad – 380 013. |
| SCRR | Securities Contracts (Regulation) Rules, 1957, as amended from time to time. |
| SEBI | The Securities and Exchange Board of India, constituted under the SEBI Act, 1992 |
| SEBI Act | Securities and Exchange Board of India Act, 1992 as amended from time to time |
| SEBI Guidelines | SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended, including instructions and clarifications issued by SEBI from time to time |

DEEP INDUSTRIES LIMITED

INDUSTRY/COMPANY RELATED TERMS

| Term | Description |
|----------------------|---|
| AEC | Ahmedabad Electricity Company |
| CBM | Coal Bed Methane |
| CNG | Compressed Natural Gas |
| GACL | Gujarat Alkalies and Chemicals Limited |
| GAIL | Gas Authority of India Limited |
| GGs | Gas Gathering Station |
| GSPCL | Gujarat State Petroleum Corporation Limited |
| HP | Horse Power |
| IEO | International Energy Outlook |
| IOC | Indian Oil Corporation |
| ISO | International Standards Organisation |
| KVA | Kilo Volt Amper |
| KW | Kilo Watt |
| LoC | Letter of Credit |
| LPG | Liquefied Petroleum Gas |
| MSCFD | Thousand Standard Cubic Feet Per day |
| MT | Metric Tonne |
| ONGC | Oil and Natural Gas Corporation Limited |
| SCM/ SM ³ | Standard Cubic Meter |
| SCMD | Standard Cubic Meter per day |

ABBREVIATIONS

| Abbreviation | Full Form |
|--------------|--|
| A/c | Account |
| AGM | Annual General Meeting |
| AS | Accounting Standards issued by the Institute of Chartered Accountants of India |
| AY | Assessment Year |
| Bn | Billion |
| BSE | The Bombay Stock Exchange Limited |
| BV | Book Value |
| CAGR | Compounded Annual Growth Rate |
| CDSL | Central Depository Services (India) Limited |
| Co-LM(s) | Co- Lead Manager(s) |
| D/E Ratio | Debt Equity Ratio |
| DCA | Department of Company Affairs |
| DP | Depository Participant |



| Abbreviation | Full Form |
|----------------|---|
| EBITDA | Earning Before Interest Tax Depreciation and Amortization |
| EGM | Extraordinary General Meeting of the Company |
| EPS | Earnings Per Share |
| FCNR Account | Foreign Currency Non Resident Account |
| FDI | Foreign Direct Investment |
| FIPB | Foreign Investment Promotion Board |
| FI/ FI(s) | Financial Institution(s) |
| FII(s) | Foreign Institutional Investor (as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000) registered with SEBI. |
| FY/ Fiscal | Financial Year ending March 31 |
| HUF | Hindu Undivided Family |
| IDBI Capital | IDBI Capital Market Services Limited |
| IPO | Initial Public Offering |
| LM(s) | Lead Manager(s) |
| Mn | Million |
| N.A | Not Applicable |
| NAV | Net Asset Value |
| NOC | No Objection Certificate |
| NR | Non-Resident |
| NRE Account | Non-Resident External Account |
| NRI(s) | Non-Resident Indians |
| NRO Account | Non-Resident Ordinary Account |
| NSDL | National Securities Depository Limited |
| P/E Ratio | Price/Earnings Ratio |
| p.a. | Per annum |
| PAN | Permanent Account Number |
| PAT | Profit After Tax |
| QIB | Qualified Institutional Buyer |
| ROCE | Return on Capital Employed |
| ROE | Return on Equity |
| RoNW | Return on Net Worth |
| Rs./Rupees/INR | Indian Rupees |
| UBI | Union Bank of India |
| USA | United State of America |

SECTION II – RISK FACTORS

CERTAIN CONVENTIONS - USE OF MARKET DATA

In this Prospectus, unless the context otherwise requires, unless stated otherwise, the financial data in this Prospectus is derived from our financial statements prepared and restated in accordance with Indian GAAP, the Companies Act and SEBI Guidelines included elsewhere in this Prospectus. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

In this Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and the word “lakhs” or “lacs” means “one hundred thousand” and the word “million” means “ten lac” and the word “Crore” means “ten million”. Throughout this Prospectus, all figures have been expressed in lacs. Unless otherwise stated, all references to “India” contained in this Prospectus are to the Republic of India.

Industry data used throughout this Prospectus has been obtained from industry publications and other authenticated published data. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources

For additional definitions, please refer to the section titled ‘Definitions and Abbreviations’ on page no. i of this Prospectus. In the section titled ‘Main Provisions of the Articles of Association’ on page no. 129 of this Prospectus, defined terms have the meaning given to such terms in the Articles of Association of our Company.



FORWARD-LOOKING STATEMENTS

We have included statements in this Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”.

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:

- Our ability to successfully implement our growth strategy and expansion plans and to successfully launch various projects for which funds are being raised through this issues;
- Change in competition in the Indian and Global Industry;
- Changes in political and social conditions in India;
- General economic and business conditions in India;
- Changes in the value of the Rupee and other currencies; and
- Changes in laws and regulations relating to the Industry in which we operate.
- Any adverse outcome in the legal proceedings in which our company is involved.

For further discussion of factors that could cause our actual results to differ, please refer to the section titled ‘Risk Factors’ beginning from page no. viii of this Prospectus. 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/Co-Lead Managers, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and LMs will ensure that investors in India are informed of material developments until the grant of listing and trading permission by the Stock Exchanges for the Equity Shares allotted pursuant to this Issue.

DEEP INDUSTRIES LIMITED

RISK FACTORS

An investment in Equity Shares involves a high degree of risk. The investor should carefully consider all of the information provided in this Prospectus, including the risks and uncertainties described below, before making an investment in the Company's Equity Shares. If any of the following risks actually occur, Company's business, results of operations and financial condition could suffer, the trading price of the Company's Equity Shares could decline and the investors may lose all or part of their investment.

Note:

The risk factors are as envisaged by the management along with the proposals to address the risk if any. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implications of any risks mentioned herein under:

In this Prospectus, any discrepancies in any table between total and the sums of the amount listed are due to rounding off. Any percentage amounts, as set forth in "Risk Factors", "Management's discussion and analysis of financial condition and results of operations" and elsewhere in this Prospectus, unless otherwise indicated, have been calculated on the basis of the amounts disclosed in the financial statements prepared in accordance with the Indian Accounting Standards.

A. INTERNAL RISK FACTORS

Criminal case filed against our promoter director, Mr. Paras S. Savla and Mr. Rupesh K. Savla for commission of offence punishable under Section 420, 467, 468, 471 and 114 of Indian Penal Code and Section 3 and 7 of the Essential Commodities Act, 1955 in the court of 5th Joint Judicial Magistrate, First Class, Ahmedabad (Rural), Navrangpura, Ahmedabad.

Criminal Case No. 1064/2001 was filed against Mr. Paras S. Savla and Mr. Rupesh K. Savla, promoters of our Company, for commission of offence punishable under Section 420, 467, 468, 471, & 114 of Indian Penal Code and Section 3 and 7 of the Essential Commodities Act, 1955 in the court of 5th Joint Judicial Magistrate, First Class, Ahmedabad (Rural), Navrangpura, Ahmedabad at Exh. 228.

The said case was filed against Mr. Paras Savla and Mr. Rupesh Savla, in their capacity as Directors of Yash Organics Ltd., a company having activity of manufacturing of industrial solvent as per the requirement and specifications of the customers. As part of the normal sales activity of Yash Organics Ltd, it had sold industrial solvents to one M/s Raj Chemicals, Agra and the goods were transported by a tanker on January 03, 2000 to Agra. Their tanker was seized on the outskirts of Ahmedabad by the Ahmedabad Rural Police on the presumption that the tanker originally meant for transportation to Agra was being diverted into the Ahmedabad city. On such assumptions the Ahmedabad Rural Police had filed the case against the driver, conductor, tanker owner and against the directors of Yash Organics Ltd.

By its Judgement Order dated June 11, 2004, the Judicial Magistrate has dismissed the complaint and the accused have been exonerated by giving them the benefit of doubt. However, the State Government has preferred an appeal bearing Criminal Appeal No. 1554 of 2004 before the Hon'ble High Court of Gujarat against the acquittal order, which has not yet been posted for admission. In view of this, the ultimate outcome of the criminal proceedings cannot be predicted.

Disputed Tax Liabilities against our Company for a total amount of Rs.269.14 lacs shown as a Contingent Liability.

- a. For the Assessment Year 2001-02, the Income Tax Assessing Officer has disallowed interest expense of Rs.1,64,070/- and also disallowed Rs.25,850/- out of foreign travel expenditure claimed by us for the Assessment Year 2001-02. The total tax liability arising out of the above amounts to Rs.1.29 lacs. We have gone into appeal with Commissioner of Income Tax (Appeals)-V Ahmedabad vide Appeal No. CIT (A)-V/Ward



1(4)/27/2004-05, against the said order of the Department. The CIT (Appeals)-V, vide Order dated October 18, 2004 has upheld the disallowance of interest expense of Rs.1,64,070/-, but allowed our company's contention of foreign travel expense of Rs.25,850/- as allowable business expenditure. We have preferred an appeal to the Income Tax Appellate Tribunal for disallowance of Rs.1,64,070/- and the case is pending for hearing against the same authority.

Further, for the Assessment year 2001-02, the Income Tax Assessing Officer has imposed penalty of Rs.64,890 i.e., 100% of tax evaded for the same assesment year. We have filed an appeal before Commissioner of Income Tax (Appeals) as original disallowance is pending in appeal against Income Tax Appellate Tribunal.

- b. For the Assessment Year 2002-03, the Assessing Officer has assessed a tax liability of Rs.115.76 lacs arising on account of disallowing the contention of our company that the gas compression charges of Rs.252.86 lacs being disputed by ONGC was not part of the income of our company. We had disputed the stand taken by the Income Tax Department and had preferred an appeal vide Appeal No. CIT (A)-V/ACIT Cir 1/39/2004-05, which was awarded in favour of the Income Tax department. We have further preferred an appeal to the Income Tax Appellate Tribunal and the case is pending for hearing against the same authority.
- c. For the Assessment Year 2003-04, the Assessing Officer has assessed a tax liability of Rs.151.44 lacs arising on account of disallowing the contention of our company that the gas compression charges of Rs.239.15 lacs being disputed by ONGC was not part of the income of our company; disallowance of Interest Expense of Rs.31.52 Lacs claimed in the P& L Account; disallowance of Penalty/fine and interest on late payment of TDS aggregating to Rs.17.58 Lacs claimed by our Company and imposition of Interest under Section 234 amounting to Rs.40.92 Lacs.

Our Group Company, Adinath Exim Resources Limited, which is listed on the Bombay Stock Exchange Limited, has been suspended from trading since January 27, 2004.

The equity shares of Adinath Exim Resources Limited (AERL), which is listed on the Bombay Stock Exchange Limited, has been suspended from trading with effect from January 27, 2004 due to non compliance with the provisions of clause 41 being submission of quarterly results for the period ended December 31, 2002 and March 31, 2003. AERL has subsequently complied with the provisions of the listing agreement and is awaiting withdrawal of suspension from trading from BSE.

Outstanding claim for compensation, filed by one Mrs. Gaggiben Chotabhai Dantani, against our promoter director, Mr. Paras S. Savla, for accident caused due to negligent driving by his driver.

On April 30, 2003, vehicle owned by Mr. Paras S. Savla, which was being driven by his driver, accidentally injured one Mrs. Gaggiben Chotabhai Dantani ("the victim"), who filed an FIR for the same in the Sabarmati Thana, Ahmedabad. She has filed a suit claiming compensation of Rs.1,00,000/-. The Motor Accident Claim Tribunal, vide notice dated January 04, 2005 has directed Mr. Paras S. Savla to represent his case on the said matter. The above referred vehicle being insured for third party with the United India Insurance (UII), Mr. Paras S. Savla has submitted all relevant documents with UII for disposal of the claim at their end.

Show Cause Notice served by Central Excise Authorities on Yash Organics Limited (YOL), in which Mr. Paras S. Savla, a then Director of YOL was made a party. The Additional Commissioner C.E.X, Ahmedabad-II has assessed a penalty of Rs.13,00,000/- which has been later reduced to Rs.2,00,000/- by Commissioner (Appeals) Central Excise, Ahmedabad- III.

Mr. Paras S. Savla was earlier a director on the Board of one Yash Organics Limited ("YOL") which is engaged in manufacture of Industrial Solvent YOL - 18 falling under Chapter No. 27 of the Central Excise Tariff Act, 1985. The Additional Commissioner passed Order-in-Original No. 64/Addl. Commr /2001 dated October 31, 2001 for inappropriate classification of the product of YOL, which resulted in lower payment of excise duty by 16% and imposed a penalty of Rs.13,00,000/- against Mr. Paras S. Savla under Rule 209A of the Central Excise Rules, 1944. Mr. Paras S.

DEEP INDUSTRIES LIMITED

Savla preferred an appeal along with stay application before the Commissioner (Appeals), Central Excise, Ahmedabad - III on January 08, 2002 against this Order, who reduced the penalty to Rs. 2,00,000/-. However, Mr. Paras S. Savla has further filed an appeal with the Honorable Customs, Excise & Gold (Control) Appellate Tribunal, WZB, Mumbai (CEGAT) contending that the penalty amount, being differential duty is only Rs. 15,360/-.

There is one civil suit filed against our promoter director, Mr. Paras S. Savla in the Sidhpur Court vide Suit No. 33/2001 for temporary stay and maintain the status quo under Section 161, Rule 1-2, CPC Order 39 in respect of the Property at Survey No. 1319 and 1320 and City Survey No. 3271 at Sidhpur, North Gujarat, owned by Mr. Paras S. Savla.

Mr. Paras S. Savla had purchased the property situated at Survey No. 1319 and 1320 and City Survey No. 3271 at Sidhpur, North Gujarat, in 1984-85. On the date of purchase, the property was leased to one M/s. H. H. Lokhandwala Prop. Prakashlal Ratilal Rami. Since M/s. H. H. Lokhandwala Prop. Prakashlal Ratilal Rami was not paying rent in respect of the aforesaid property, Mr. Paras S. Savla, subsequently gave the said property on lease basis to one Mr. Ramesh S. Rathod. M/s. H. H. Lokhandwala Prop. Prakashlal Ratilal Rami filed a suit in the Sidhpur Court, against Mr. Paras Savla and Mr. Ramesh Rathod, in respect of the aforesaid property contending that he was the rightful tenant of the said property. The hon'ble Court at Sidhpur has granted a stay order on the aforesaid property and ordered to maintain the status quo till the case is disposed. The hearing of the case is yet to commence.

One of our group company, Adinath Exim Resources Limited, which had made a Public Issue of 31,00,000 Face Value Rs. 10/- each Equity Shares at par on January 18, 1996 was not able to perform as per the promises made in the Offer document.

One of our group company, Adinath Exim Resources Limited, had made a Public Issue of 31,00,000 Face Value Rs. 10/- each Equity Shares at par on January 18, 1996. The Issue Size was Rs.310 lacs comprising of 31,00,000 Equity Shares of Face Value Rs.10/- each for cash at par. The Main Objects for the Issue was to finance the working capital requirement. The Profitability projections made in the offer document and the comparison with actual performance achieved is given below :-

Promises made in the Offer document:

| | (Rs. in Lacs) | | | | |
|--------------------|---------------|---------|---------|---------|-----------|
| Year | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-2000 |
| INCOME | | | | | |
| Export Sales | 2947 | 3288 | 3541 | 3795 | 4048 |
| Other Income | 1 | 1 | 1 | 1 | 1 |
| EXPENDITURE | | | | | |
| Cost of Goods Sold | 2648 | 2954 | 3181 | 3409 | 3636 |
| Gross Profit | 300 | 335 | 361 | 387 | 413 |
| Depreciation | 2 | 2 | 2 | 2 | 2 |
| Interest | 15 | 17 | 18 | 19 | 21 |
| Profit Before Tax | 237 | 270 | 294 | 319 | 344 |
| Taxation | 64 | 73 | 79 | 86 | 93 |
| Net Profit | 173 | 197 | 215 | 233 | 251 |
| Dividend (%) | 15 | 20 | 25 | 30 | 30 |
| EPS (Rs.) | 3.46 | 3.94 | 4.29 | 4.65 | 5.01 |



Actual Performance:

(Rs. in Lacs)

| Year | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-2000 |
|--------------------|---------|---------|---------|---------|-----------|
| INCOME | | | | | |
| Total Income | 22 | 131 | 92 | 86 | 68 |
| EXPENDITURE | | | | | |
| Total Expenditure | 19 | 124 | 84 | 81 | 48 |
| Gross Profit | 3 | 7 | 8 | 5 | 20 |
| Depreciation | 1 | 1 | 3 | 2 | 1 |
| Interest | - | - | - | - | - |
| Profit Before Tax | 2 | 6 | 5 | 3 | 19 |
| Taxation | 1 | 3 | 2 | 2 | 4 |
| Net Profit | 1 | 3 | 3 | 1 | 15 |
| Dividend (%) | - | - | - | - | - |
| EPS (Rs.) | 0.02 | 0.06 | 0.05 | 0.02 | 0.30 |

Contingent Liabilities as on March 31, 2006 not provided for in the books of accounts.

As on March 31, 2006, there are contingent liabilities of Rs.732.01 lacs not provided for in the books of accounts. This consists of Rs.269.14 lacs disputed tax liability; Rs.163.33 lacs bank guarantee, Rs.179.54 lacs outstanding against letters of credit (net of margin) opened with Banks for capital equipment purchase and Rs.120.00 lacs corporate guarantee given to bank for other company.

Provision for huge penalty for Non-performance or sub-performance in the Sale and Service Contracts entered with ONGC and GACL and termination of the contract is at behest of ONGC/ GACL.

The Service Contracts entered into with ONGC and GACL provide for very high penalty for non-performance/sub-performance, which may potentially wipe of the earnings of our company. We have paid the following penalties over the last 5 years:

(Rs. In Lacs)

| Years | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
|-------------------------------------|---------|---------|---------|---------|---------|
| Penalty paid for Contracts executed | 31.74 | 11.93 | 5.73 | 3.01 | 1.51 |

Further, we do not have any right to terminate the contract before the expiry of its term.

Management Perception

Our Company has been continuously handling such service contracts awarded by ONGC since the last 9 years. The amount of penalty incurred by us during the last two years has reduced and we have been able to meet the performance standards as set out in the service contracts. We are also keeping standby compressors at the site to ensure uninterrupted services.

We derive a significant portion of our revenues from our service contracts entered into with ONGC. The loss of such contracts, or significant reduction in the revenues we receive from ONGC may adversely affect our business and revenues.

DEEP INDUSTRIES LIMITED

Management Perception

The Gas Compression Contract is awarded by ONGC by way of a bidding process and the bid is awarded to the lowest price bidder. These contracts so awarded are normally awarded for a period of 2 years with extension option for further 1 year. The company has been successful in bidding tenders and getting work orders from ONGC since the last 9 years due to its capability in executing contracts. The company has also been successful in getting renewal of work orders.

Oil & Exploration Industry in India is substantially owned and managed by the Government/ Government entities like ONGC, GAIL, etc. A change in Government policy or decision can affect the business of the company.

Management Perception

The recent entry of private players like Cairn Energy, NIKO Resources, Assam Gas Company Ltd., Reliance Industries Limited, etc. in the Oil & Gas Exploration Sector, has widened the market scope of our company, thereby reducing the risk of depending primarily on ONGC for our business operations.

We have not commissioned an independent appraisal for the use of proceeds to be raised through the issue.

The uses of proceeds of the issue have been determined based on our management's internal estimates and no bank or financial institution has appraised the use of proceeds to be raised through this issue. Union Bank of India has been appointed as monitoring agency to monitor the use of the proceeds of the issue. Progress in the use of proceeds from the issue would be reported periodically as is statutorily required by SEBI in India.

We are dependent upon the expertise of our promoters, key management and technical personnel for the future performance of our Company. We may be adversely affected if the Company for any reason is unable to avail of their expertise.

The industry in which we operate has a limited number of players and accordingly expertise is limited to a few persons only. Our Company relies on seasoned and experienced professionals who have extensive background in the natural gas compression and service industry and expertise in sales, procurement, engineering, project management, capital formation and operations of Gas/Air compression equipment, Work over Rigs, Drilling Rigs and associated services. Trained and qualified manpower is most critical as the equipments have to run on a 24 hour basis for the whole year and require to be maintained in excellent condition for running without any interruption. We have a team of professionals who are responsible for the day-to-day operations and drive the business growth. The loss of the services of our senior management or other key personnel could seriously impair our ability to continue to manage and expand our business, which may adversely affect our financial condition. Further, we do not maintain any 'key man' life insurance for our senior members of our management team or other key personnel.

Compression Service is a Capital-intensive business requiring huge capital investment. We may be subject to risk associated with hiring compressors from outside to carry our operation since the same may not be immediately available and cost may be high.

Management Perception

Over a period of 12 years, we have been able to acquire and own a set of 10 compressor packages and have also acquired a work over rig to enable us to expand our operations and move towards our goal to become an integrated service provider to the oil and gas sector. Further, the capital intensive nature of our industry coupled with the technical expertise required acts as an entry barrier for new entrants.

We operate in an industry where the demand for the compression equipment is high and there is a time lag for supply of required equipment from manufacturers/assemblers. Our Company does not have any Supply Agreement with any of the manufacturers of compressors or assembler of compressor packager, whether in India or abroad, for guaranteed and timely supply of the compressors/compressor packager. This may lead to loss of opportunities and may affect our profitability.



Management Perception

We currently own a set of 10 compressor packages. Further, over the years our company has developed good relationships with manufacturers/assemblers of compression equipments, in India and abroad, which ensures uninterrupted and timely supply of compressor equipments as and when required.

We have not entered into any formal agreement with any organisation whether in India or abroad for uninterrupted supply of technical know-how or assistance for our business operations. This could result in loss of business operations due to non-adaptability to changes in technology and standards.

Management Perception

Our promoters and employees have gained considerable experience over the years in the business of gas and air compression. We have employed technically qualified and experienced personnel to operate the equipments. Further, our company has gained technical expertise during our association with Hanover Asia, Inc., USA for the Gas Compressor Equipment Lease and Service Agreement entered for the period 2001-2003. We also provide on the job training to our employees to enable us to provide uninterrupted services.

Our inability to manage growth may lead to loss of opportunities and may hamper our future growth plans

We anticipate rapid growth and expansion in our business, production capacity and scope of operations. We may be subject to growth-related risks including capacity constraints and pressure on internal systems and controls. Our Company's ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. The inability of our Company to deal with this growth could have a material adverse impact on our business, operations and prospects. In order to manage our current operations and any future growth effectively, we will need to continue to implement and improve our operational, financial and management information systems and to hire, train, motivate, manage and retain our employees. There can be no assurance that our Company will be able to manage such growth effectively, that our management, personnel or systems will be adequate to support our operations or that we will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

We face competition for our Services both from domestic and overseas Service Providers. Our inability to effectively compete with them may affect our operations and profitability.

Management Perception

In the domestic scenario there are few players to compete in the market. Internationally, several years of consolidations and mergers in the gas compression industry has resulted in few large companies focusing on higher margin application. Further, there are opportunities in international market for a new entity with experienced management to acquire existing compression asset for redeployment and to compete with existing companies by providing compression management services on more timely and effective basis. Our company expects to mitigate the competition risk by further adding other related services in its area of operations like providing services of work over rig. Our aim is to become an integrated service provider to the oil and gas sector.

The Natural Gas Compression market on rental basis in India is at a nascent stage. Most of the Companies in the Oil & Gas Sector are still carrying out Gas compression activities in house instead of outsourcing it. Any reluctance on the part of these companies to outsource the compression activities may affect our operations and profitability.

Management Perception

There is growing concern among producers of natural gas in India to outsource their compression requirements so as to reduce the capital expenditures on compression equipment and to focus on their core business.

DEEP INDUSTRIES LIMITED

Our Company is a new entrant in the field of work over rigs. As we do not have any prior experience in this field, we may be subject to risks associated with successfully completing contracts, sustaining competition etc.

Management Perception

Our Company has acquired one work over Rig of 100 MT to provide rig services to the oil and gas sector. Since there is a synergy with the existing compression services provided by our company, we expect little difficulty in operating and providing quality services in the rig business. Further, our Company has recently entered into a MoU with PT Indrillco Bakti, Jakarta-13260, Indonesia, for availing technical know-how/collaboration in connection with work over services for 30 to 200 Ton capacity Rigs. We have recently been awarded a contract by ONGC for deployment of the work over Rig for a period of 2 years.

Qualification in the Auditors Report on account of non-booking of disputed income from ONGC for the financial year 2001-02 and 2002-03 by the company

The company has accounted and booked 50% of the hire charges on the Gandhar Project of ONGC Limited due to dispute on non-compliance of conditions in the contract with ONGC. The company has not yet received the disputed income and the chances of receiving the same are remote and hence the same based on conservative accounting policy has not been booked as income in the financial statements.

Our Company has a net negative cash flow from operating activities in the FY 2006 and a net decrease in cash and cash equivalent for the FY 2002 and 2006. The details of the same are given below:

(Rs. In Lacs)

| Years | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
|---|---------|---------|---------|---------|---------|
| Cash Generated From Operations | 276.53 | 27.90 | 353.90 | 497.64 | 41.45 |
| Direct Taxes Refund / (Paid) Net | (28.88) | 0.42 | (22.80) | (16.48) | (59.68) |
| Net Cash from Operating Activities | 247.65 | 28.32 | 331.10 | 481.16 | (18.23) |
| Net increase in Cash and Cash equivalents | (13.93) | 87.45 | 42.05 | 148.93 | (85.80) |

Our Company has bidden for 2 Coal Bed Methane Blocks in consortium with Coal Gas Mart LLC, USA and Adinath Exim Resources Limited. As we do not have any prior experience in this field, we may be subject to risks associated with successfully operating the business, sustaining competition, etc.

Our company has bid for 1 Coal Bed Methane block in Andhra Pradesh jointly with Coal Gas Mart LLC, USA and Adinath Exim Resources Limited, Ahmedabad and 1 Coal Bed Methane block in Madhya Pradesh jointly with Coal Gas Mart LLC, USA. The company has recently entered into Memorandum of Understanding with Coal Gas Mart LLC, USA and Adinath Exim Resources Limited towards the same. Coal Gas Mart LLC, has around 5 years of experience as an operator in exploration and production of oil and gas. Our consortium has been short listed for the 2 CBM Blocks bidden for by the Directorate General of Hydrocarbons and the same has been forwarded to the petroleum ministry for vetting.

Our Company, along with our joint bidders Coal Gas Mart, LLC, USA and Adinath Exim Resources Limited have also submitted a Minimum Work Program (MWP) to GoI. While submitting the respective bids for the 2 blocks, under which the cost for Phase I (2 years from start of contract) of the exploration activity has been given at Rs.1022 Lacs. The company has the option to exit the contract after the completion of the above referred Phase I. The bidders are required to produce Bank Guarantee equal to 35% of the MWP, which comes to about Rs.358 Lacs for two years. For one year the Bank Guarantee comes to Rs.179 Lacs. Our Company's share out of the total Bank Guarantee is Rs.114 Lacs for one year. The Bank Guarantee is to be provided before each activity in the phase, on the basis of the value of the activity to be completed. Our Company intends to meet the margin of 20% for the Bank Guarantee out of internal accruals.



Foreign Exchange Risks

Exchange rate fluctuations may have an impact on the profitability of our Company as some of our revenues are earned in foreign currency and we do not have a risk management system to hedge the risk of foreign exchange fluctuations.

We have not registered our logo and we do not have a registered trademark

We have not registered our logo and we do not have a registered trademark. This may subject us to risk of imitation and loss of revenue owing to misuse of our logo.

We have issued Equity Shares in last twelve months at a price, which is lower than the Issue Price

We have made the following allotments in the last twelve months at a price, which is lower than our current Issue price:

| Date of Allotment | Face Value (Rs.) | Issue Price (Rs.) | Mode of payment | Allottee | No. of Equity Shares allotted |
|-------------------|------------------|-------------------|-----------------|------------------------------|-------------------------------|
| 19/12/2005 | 10.00 | 30.00 | Cash | Promoters and Promoter Group | 2,91,630 |
| 20/02/2006 | 10.00 | 30.00 | Cash | Promoters and Promoter Group | 12,08,370 |
| 27/02/2006 | 10.00 | 30.00 | Cash | Others | 7,00,000 |

Our Promoter Companies, Kanvel Finance Private Limited and Savla Electronics Private Limited have incurred losses during the last three years or have accumulated losses. The details of the same are as under:

Rs. In Lacs

| Particulars as on March 31, | 2003 | 2004 | 2005 |
|--|---------|---------|--------|
| Kanvel Finance Private Limited | | | |
| Reserves | (2.63) | 1.05 | 9.11 |
| PAT | (1.11) | 3.68 | 8.07 |
| Savla Electronics Private Limited | | | |
| Reserves | (29.38) | (22.47) | (8.07) |
| PAT | 4.01 | 6.91 | 14.41 |

B. EXTERNAL RISK FACTORS

Change in dynamics of the Natural Gas Industry may impact the business of the Company

The natural gas is now a dynamic, highly competitive business with flexible pricing, an active spot market, and widespread use of short to medium-term contracts. This is causing a fundamental change in the way each of the traditional participants of the industry operates: producers, pipelines, gas utilities, and industrial users. New market participants as the natural gas marketers, who link buyers and sellers of natural gas, have emerged. The change in industry dynamics may adversely affect the operations of our company. Further, the prices of gas and crude oil are high which enables the oil companies to economically explore more gas and crude. Any downfall in the prices of gas may adversely affect the operations of our company. The compression rental rates may fall if gas prices fall resulting in losses, which might hinder our growth.

Any slowdown in the economic growth in India could cause the business to suffer

Indian Economy performed satisfactory during the year 2004-05 with a GDP growth rate of 6.9%. This growth momentum has been very optimistic for the first half of 2005-06 with the GDP growth at around 8.1%. Any slowdown

DEEP INDUSTRIES LIMITED

in the growth of Indian economy or future volatility in global commodity prices, could adversely affect the business of our Company, including future financial performance, shareholders' funds and ability to implement strategy and the price of our equity shares.

Any significant change in the Government's economic liberalization and deregulation policies could disrupt the business and adversely affect the financial performance of our Company

The Government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies had and could continue to have a significant effect on public & private sector entities, including our Company, on market conditions, prices of Indian securities, including in the future on our Company's Equity Shares. Any significant change in the Government's policies or any political instability in India could adversely affect the business and economic conditions in India and could also adversely affect the business, future financial performance and the price of our Company's Equity Shares.

Sensitivity to the economy and extraneous factors

Our Company's performance is highly correlated to the performance of the economy and the financial markets. The health of the economy and the financial markets in turn depends on the domestic economic growth, state of the global economy and business and consumer confidence, among other factors. Any event disturbing the dynamic balance of these diverse factors would directly or indirectly affect the performance of our Company.

The price of our Equity Shares may be volatile

The Equity Shares of our Company are currently not listed. The price of our Equity Shares on the Indian Stock Exchanges may fluctuate after listing as a result of several factors including -

- Volatility in Indian and global securities market;
- Our results of operations and performance;
- Performance of our competitors and perception in the Indian market about investment in the Oil and Gas Industry;
- Adverse media reports, if any, on our Company or the Oil and Gas Industry;
- Changes in the estimates of our performance or recommendations by financial analysts;
- Significant development in India's economic liberalization and de-regulation policies; and
- Significant development in India's fiscal and environmental regulations.

There can also be no assurance that the price at which our equity shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Issue.

The Issue price of our Equity Shares may not be indicative of the market price of our Equity Shares after the Issue.

The Issue Price of our Equity Shares will be based on numerous factors (discussed in the section titled 'Basis of Issue Price' beginning from page no. 23 of this Prospectus) and may not be indicative of the market price for our Equity Shares after the Issue.

The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. We cannot assure the investors that they will be able to resell their Equity Shares at or above the Issue Price. Among the factors that could affect our share price are:

- Quarterly and other variations in the rate of growth of our financial indicators, such as earnings per share, net income and revenues;



-
- Changes in revenue or earnings estimates or publication of research reports by analysts;
 - Speculation in the press or investment community;
 - General market conditions; and
 - Domestic and international economic, legal and regulatory factors unrelated to our performance.

Certain factors beyond the control of our Company like terrorist attacks, civil unrest, droughts, floods, earthquakes, war etc. or any other acts of violence involving India and other countries can adversely affect our Company and financial markets, where the Equity Shares of our Company will be traded.

Certain events that are beyond our control such as the recent tsunami or seismically generated sea waves capable of considerable destruction on December 26, 2004 and terrorist attacks such as the ones that occurred in New York and Washington, D.C. on September 11, 2001 and New Delhi on December 13, 2001. The other acts of violence or war including civil unrest, military activity and hostilities among countries may adversely affect worldwide financial markets and could lead to economic recession. Any such event could adversely affect our financial performance or the market price of the equity shares.

DEEP INDUSTRIES LIMITED

C. NOTES TO RISK FACTORS

1. Public Issue of 1,13,00,000 equity shares of Rs.10/- each at a price of Rs.36/- for cash aggregating to Rs.4068 lacs.

The book value per share of our Company as on March 31, 2006 is Rs.22.30 as per the audited financials for the year.

3. The Net worth of our Company is Rs.1939.72 Lacs as on March 31, 2006
4. Average cost of acquisition of Equity Shares of face value of Rs.10/- each by our Promoters, is as follows:

| Name of the Promoter | Average Cost of Acquisition per Share (Rs.) |
|-----------------------------------|---|
| Mr. Rupesh K. Savla | Rs. 15.57 per share |
| Kanvel Finance Private Limited | Rs. 19.36 per share |
| Savla Electronics Private Limited | Rs. 19.14 per share |
| Yash Organochem Private Limited | Rs. 24.18 per share |

5. For details of related party transactions, please refer to the section titled 'Related Party Transactions' on page no.62 of this Prospectus.
6. All information shall be made available by the LMs and the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
7. Investors are advised to refer to the section titled 'Basis of Issue Price' on page no.23 of this Prospectus before making an investment in this Issue.
8. Investors may please note that in the event of over-subscription, allotment shall be made on a proportionate basis in accordance with the SEBI Guidelines and in consultation with BSE (the Designated Stock Exchange).

Investors are free to contact the LMs or the Compliance Officer for any clarification or information or for any complaint pertaining to the Issue. For contact details, please refer to the cover page of this Prospectus.



SECTION III – INTRODUCTION

SUMMARY

INDUSTRY

Natural Gas is a mixture of hydrocarbon gases that occurs in porous geological formations beneath the earth's surface along with petroleum deposits, principally methane together with varying quantities of ethane, propane, butane, and other gases, and is used as a fuel and in the manufacture of organic compounds. Natural gas compression is a mechanical process whereby a volume of gas at an existing pressure is compressed to a desired higher pressure. The Natural Gas Compression industry consists of Service Providers in the field of Gas Compression at various stages of gas production from wells, processing and transportation.

Compression Services is required at several intervals of the natural gas production cycle: at the wellhead, at the gathering lines, into and out of gas processing facilities, into and out of storage and throughout the transportation systems. Low pressure or aging natural gas wells require compression for delivery of produced gas into higher pressured gas gathering or pipeline systems. Compressors may also be used in combination with oil and gas production equipment to process and refine oil and gas into more marketable energy sources. In addition, compression services are used for compressing feedstock in refineries and petrochemical plants, and for refrigeration applications in natural gas processing plants. Additionally, compressors are used to re-inject associated gas to lift liquid hydrocarbons and thereby increase the rate of crude oil production from oil and gas wells. Furthermore, compression enables gas to be stored in underground storage reservoirs for subsequent extraction during periods of peak demand. Finally, compressors are used in connection with compressed natural gas vehicle fueling facilities providing an alternative to gasoline.

Traditionally, the compressor equipments were owned by Oil and Natural Gas Producers who carried the compression services themselves. This involved huge investment in the compression equipments with lesser flexibility to use compressor from one oil well/field to another well/field. The advent of rental and contract compression made it possible for oil and natural gas producers, natural gas transporters and processors to improve the efficiency and the financial performance of their operations. Since the compression needs of a well/field change over time, outsourcing of compression equipment enables an oil and gas producer to better match variable compression requirements to the production needs throughout the life of the well/field. Now worldwide, oil and natural gas companies are seeking to streamline their operations and reduce their capital expenditures and other costs.

In India, mainly Deep Industries Limited, John Energy Limited, Shiv-Vani Oil & Exploration Services Limited provide Gas Compression Services. Internationally, the Gas Compression Service market consists of big players like Hanover Asia Inc. (USA) and Universal Compression, USA.

OUR BUSINESS

Our Company provides Air and Gas Compression Services to Oil & Gas Exploration Companies. We provide comprehensive contract compression services, which include operation and maintenance services. We also offer installation services, which for our typical mid-range and smaller horsepower units involve significantly less engineering and cost, than the comprehensive service concept prevalent in the international markets. We also routinely repackage or reconfigure some of our existing fleet to adapt to our customers' needs. We currently compete primarily in the market for transportable natural gas compression units of upto 2400 HP. We also provide transportation services for the transport of liquid. However, we have gradually moved from a liquid transport service provider to compression service providers.

Our Company currently owns a set of 10 compressor packages to execute its services, out of which 2 are currently deployed in USA. Further, 3 compressors have been deployed at ONGC site for executing compression contract. We have a leased facility in Gandhinagar, Gujarat, to undertake refurbishment, repairs and retrofitting of the existing/newly acquired equipment of self and clients.

Our Company has been providing compression services to esteemed clients like ONGC since the last 9 years. Our other clients include GACL, IOC, etc. We have not paid any major contract penalty for any non-performance/sub-performance of contract undertaken, since the last 2 years.

The ultimate aim of our Company is to become an integrated service provider to the Oil & Gas Industry. For this purpose, we have purchased a one 100 Ton Cardwell KB500 Work Over Rig for providing Mobile Work Over Rig services.

DEEP INDUSTRIES LIMITED

Our Company was awarded as a contractor member in good standing by International Association of Drilling Contractors (IADC) and has received ISO 9001-2000 certificate for Quality Management from BVQI (India) Private Limited.

We have joined hands with experienced companies like M/s. Valerus Compression Services, Limited Partnership, ("Valerus") Houston Texas, USA for gas compressors and production equipments to act as Sales Representatives for Valerus in all over Asian Region. We have also entered into a MoU with M/s. PT Indrilco Bakti ("PIB"), Jakarta-13260, Indonesia, under which PIB has agreed to provide technical know-how/collaboration in connection with work over services for 30 to 200 Ton capacity rigs.

Our Management

Our Company is currently managed by the Board of Directors comprising of six directors, out of which two are promoter directors, Mr. Paras S. Savla, Chairman & Managing Director and Mr. Rupesh K. Savla, Managing Director. They are assisted by Mr. Dharen Savla, Executive Director, Mr. Soumendu Saha, General Manager-Gas Compression, Mr. R. K. Mishra, Work Over Rig In-charge and Mr. Jigar Shah, Chief Financial Officer and Compliance Officer. The broad area of their operations is as follows:

Mr. Dharen Savla, Executive Director is in charge of Human Resource and organizes training programmes for implementing jobs for different sites. He is also looking after work over rig activities.

Mr. Soumendu Saha is General Manager-Gas Compression Services and is looking after configuring and designing compressor package according to customer specification.

Mr. R. K. Mishra is Work Over Rig Incharge and is looking after commissioning and operation of work over rigs.

Mr. Jigar Shah is the Chief Financial Officer and Compliance Officer and is looking after finance, tax and audit.

In addition, our Company has three independent directors on our Board, viz. Mr. Probodh Baruah, Mr. Harish G. Bhinde and Mr. Vijay R. Shah.

OUR COMPETITIVE STRENGTH

We face competition from the players in the domestic and international industry. Some of our strengths that differentiate us from our competitors are as under:

- Top management of our Company has several years of experience and expertise in their domain.
- The day-to-day affairs of our Company are looked after by qualified and skilled key personnel with experience, under the supervision of our Managing Directors.
- We currently own 10 compressor sets, which are deployed in the domestic and international market.
- We have compressed more than 340 million cubic metres of natural gas during the last five years.
- We had a Gas Compression Lease & Service Agreement with Hanover Asia, Inc., USA, one of the world's largest Compression Equipment manufacturers, during the period 2001-2003 which enabled us to acquire expertise in the area of gas compression.
- We have a Sales Representation Agreement with Valerus Compression Services Limited Partnership, Houston Texas, USA.
- We have recently entered into an MoU with PT Indrilco Bakti, Jakarta, Indonesia in January 2006, for technical know-how/collaboration and back up support in connection with work over services for 30 to 200 Ton capacity Rigs.
- Our clientele includes ONGC, GACL, IOC, etc. Our company has been successfully providing Gas Compression Services to ONGC since the last 9 years.
- Our Company is moving towards becoming an integrated service provider to the oil and gas sector, and accordingly, we have acquired one 100 Ton Cardwell KB500 Work Over Rig for providing work over services to oil wells.



FINANCIAL SUMMARY

The following summarized restated financial position of our Company has been prepared in accordance with Indian GAAP, the Companies Act, 1956 and the SEBI Guidelines (DIP), 2000 and restated as described in the Auditor's Report, included in the section titled "Financial Statements" beginning from page no. 62 of this Prospectus. The investors should read this financial data in conjunction with our financial statements for each of Financial Year ended March 31, 2002, 2003, 2004, 2005 and 2006, including the Notes thereto and the Reports thereon and the "Management's Discussion and Analysis of Financial Condition and Results of Operations", which appears under the section titled "Financial Statements" beginning from page no. 62 of this Prospectus.

Summary Statement of Profit and Loss Account as Restated

(Rs. in Lacs)

| Financial Year ended | 31.03.2002 | 31.03.2003 | 31.03.2004 | 31.03.2005 | 31.03.2006 |
|--|---------------|---------------|-----------------|---------------|---------------|
| Period | (12 Months) | (12 Months) | (12 Months) | (12 Months) | (12 Months) |
| Income | | | | | |
| Sales: | | | | | |
| Of Services provided by the Company | 972.88 | 892.42 | 1070.17 | 794.06 | 729.49 |
| Other Income | 24.94 | 15.00 | 28.45 | 27.53 | 66.83 |
| Total Income (A) | 997.82 | 907.42 | 1098.62 | 821.59 | 796.32 |
| Expenditure | | | | | |
| Operating Expenses | 753.27 | 624.44 | 821.03 | 406.95 | 265.11 |
| Salaries, Wages and Benefits | 34.05 | 30.26 | 32.00 | 40.75 | 51.54 |
| Administration and other Expenses | 49.42 | 55.84 | 72.40 | 107.58 | 125.71 |
| Depreciation | 68.02 | 78.57 | 73.46 | 92.40 | 88.26 |
| Interest & Financial Charges | 58.41 | 37.61 | 11.84 | 30.74 | 56.87 |
| Misc. and Deferred Rev. Exp. W/off | 0.15 | 0.15 | 0.15 | 0.15 | 0.15 |
| Total Expenditure (B) | 963.32 | 826.87 | 1,010.88 | 678.57 | 587.64 |
| Net Profit before Tax and Extraordinary Items (A-B) | 34.50 | 80.55 | 87.74 | 143.02 | 208.68 |
| Taxation | | | | | |
| Current Tax | 0.50 | 17.00 | 17.00 | 36.00 | 20.00 |
| Excess or Short Provision of Income Tax | 0.00 | 0.00 | 1.04 | 0.00 | 0.26 |
| Deferred Tax | 15.84 | 11.95 | 13.39 | 43.53 | 9.31 |
| Net Profit After Tax but before Extraordinary Items | 18.16 | 51.60 | 56.31 | 63.49 | 179.11 |
| Extraordinary Items (net of tax) | - | - | - | - | - |
| Net Profit after Extraordinary Items | 18.16 | 51.60 | 56.31 | 63.49 | 179.11 |

DEEP INDUSTRIES LIMITED

Summary Statement of Assets and Liabilities as Restated

(Rs. in Lacs)

| As at Period | 31.03.2002 (12 Months) | 31.03.2003 (12 Months) | 31.03.2004 (12 Months) | 31.03.2005 (12 Months) | 31.03.2006 (12 Months) |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| A. Fixed Assets: | | | | | |
| Gross Block | 1094.82 | 1095.54 | 1374.44 | 1744.79 | 2394.90 |
| Less: Depreciation | 283.02 | 340.87 | 413.1 | 413.5 | 467.52 |
| Net Block | 811.80 | 754.67 | 961.34 | 1331.29 | 1927.38 |
| B. Investments | 75.42 | 75.42 | 90.02 | 73.59 | 0.39 |
| C. Current Assets, Loans and Advances | | | | | |
| Inventories | 20.99 | 6.40 | 41.25 | 93.43 | 110.89 |
| Sundry Debtors | 459.04 | 183.76 | 137.47 | 286.11 | 211.48 |
| Cash and Bank balances | 58.95 | 146.40 | 188.45 | 337.38 | 251.58 |
| Loans and Advances | 488.24 | 527.64 | 402.18 | 168.36 | 446.61 |
| Total | 1027.22 | 864.20 | 769.35 | 885.28 | 1020.56 |
| D. Liabilities and Provisions: | | | | | |
| Secured Loans | 282.61 | 117.60 | 103.77 | 259.92 | 281.63 |
| Unsecured Loans | 64.87 | 2.28 | 47.53 | 52.57 | - |
| Current Liabilities | 629.78 | 232.72 | 271.86 | 473.68 | 391.81 |
| Provisions | 15.50 | 46.88 | 70.74 | 125.12 | 111.64 |
| Deferred Tax Liability | 145.36 | 157.31 | 170.70 | 214.23 | 223.53 |
| Share Application Money | - | 339.30 | - | - | - |
| Total | 1138.12 | 896.09 | 664.60 | 1125.52 | 1008.61 |
| E. Networth (A+B+C-D) | 776.32 | 798.20 | 1156.11 | 1164.64 | 1939.72 |
| F. Net worth Represented by | | | | | |
| i. Share Capital | 499.70 | 499.70 | 650.00 | 650.00 | 870.00 |
| ii. Reserves & Surplus | 277.52 | 299.25 | 506.71 | 515.09 | 1095.57 |
| iii. Miscellaneous Expenditure not yet written off | 0.90 | 0.75 | 0.60 | 0.45 | 25.85 |
| Networth (i+ii-iii) | 776.32 | 798.20 | 1156.11 | 1164.64 | 1939.72 |



THE ISSUE

| | |
|--|--|
| Equity Shares Offered | 1,13,00,000 Equity Shares of Rs.10/- each |
| Out of Which: | |
| (a) Reserved for allotment on competitive basis to Employees/Directors | 11,30,000 Equity Shares of Rs.10/- each Allocation on Proportionate basis |
| (b) Reserved for allotment on competitive basis to NRI's/FII's | 28,25,000 Equity Shares of Rs.10/- each Allocation on Proportionate basis |
| (c) Reserved for allotment on competitive basis to Scheduled Banks/Indian Mutual Funds/Indian and Multilateral Development Financial Institution | 11,30,000 Equity Shares of Rs.10/- each Allocation on Proportionate basis |
| (d) Net Offer to the Public | 62,15,000 Equity Shares of Rs.10/- each |
| Out of Which: Retail Portion | Minimum of 31,07,500 Equity Shares of Rs.10/- each Constituting atleast 50% of the Net Offer to the Public. Allocation on a proportionate basis |
| Other than Retail | 31,07,500 Equity Shares of Rs.10/- each Constituting atleast 50% of the Net Offer to the Public. Allocation on a proportionate basis) |
| Under subscription in any of the category, shall be allowed to be met through over subscription in any other category. | |
| Equity Shares outstanding prior to the Issue | 87,00,000 Equity Shares of Rs.10/- each |
| Equity Shares outstanding after the Issue | 2,00,00,000 Equity Shares of Rs.10/- each |
| Use of Issue Proceeds | For detailed discussion on the objects of the issue, please refer to the section titled 'Objects of the Issue' on page no. 19 of this Prospectus for additional information. |

DEEP INDUSTRIES LIMITED

GENERAL INFORMATION

DEEP INDUSTRIES LIMITED

Originally incorporated as Deep Roadways Private Limited on January 01, 1991 with the Registrar of Companies, Gujarat, Dadra and Nagar Haveli under the provisions of Companies Act, 1956, vide registration no. 04-14833. The name of our Company was changed to Deep Industries Private Limited and the word Private was deleted by virtue of our Company being a Deemed Public Limited Company under the provisions of section 43A(IB) of the Companies Act, 1956 on February 06, 1997. Our Company became a Public Limited Company w.e.f May 02, 2002 and a fresh certificate of incorporation, consequent to change of name, was issued in the name of Deep Industries Limited on May 02, 2002. For details of changes in the address of our registered office, please refer to page no. 43 of this Prospectus.

| | |
|--|--|
| Registered Office | Opposite Suryanarayan Bunglows, Sabarmati- Kalol State Highway, Motera, Dist: Gandhinagar, Gujarat- 380005; Tel: +91 79 27571128, Fax: +91 79 27502464 Website: www.deepindustries.comE-mail: info@deepindustries.com Contact Person: Mr. Jigar Shah, Chief Financial Officer and Compliance Officer. |
| Registrar of Companies | Registrar of Companies, Gujarat, Dadra & Nagar Haveli, ROC Bhawan, Behind Ankur Bus Stand, Naranpura, Ahmedabad, Gujarat – 380013 |
| Registration no. of our Company | 04 – 14833 |

BOARD OF DIRECTORS

| Name of Director | Designation |
|-------------------------|------------------------------|
| Mr. Paras S. Savla | Chairman & Managing Director |
| Mr. Rupesh K. Savla | Managing Director |
| Mr. Dharen S. Savla | Executive Director |
| Mr. Vijay R. Shah | Independent Director |
| Mr. Harish G. Bhide | Independent Director |
| Mr. Prabodh G. Baruah | Independent Director |

For more details on our Directors, please refer to the section titled 'Our Management' on page no. 46 of this Prospectus.

Chief Financial Officer and Compliance Officer

Mr. Jigar Shah

Opp. Suryanarayan Bunglows,
Sabarmati-Kalol State Highway,
Motera, Dist: Gandhinagar,
Gujarat-380005.
Tel.: +91 79 2757 1128
Fax: +91 79 2750 2464
Email: jshah@deepindustries.com
Website: www.deepindustries.com

Investors can contact the Compliance Officer in case of any pre-offer or post-issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account, refund orders, etc.



Company Secretary**Mr. Chandan Lakhwani**

Opp. Suryanarayan Bungalows,
Sabarmati-Kalol State Highway,
Motera, Dist: Gandhinagar,
Gujarat-380005.
Tel No: +91 79 2757 1128
Fax no: +91 79 2750 2464
E- mail: info@deepindustries.com
Website: www.deepindustries.com

Legal Advisor to the Issue**Mrs. Swati S. Soparkar**

Advocate
204, "Akansha", Opp. Vadilal House
Near Mount Carmel Railway Crossing
Navragapura, Ahmedabad
Gujarat - 380009
Tel No: +91 79 26430707
Fax No: +91 79 26563214
E-mail: soparkarad1@sancharnet.in

Bankers to the Company**Bank of Baroda**

Usmanpura Branch,
3, Satayavadi Society, Usmanpura,
Ahmedabad, Gujarat - 380 013
Tel No: +91 79 7551971
Fax No: +91 79 27551197
E-mail: usmanp@bankofbaroda.com
Website: www.bankofbaroda.com

UTI Bank Limited

3rd Floor, "Trishul", Opp. Samartheshwar Temple,
Law Garden, Ellisbridge,
Ahmedabad, Gujarat - 380 006
Tel: +91 79 26409322
Fax: +91 79 26409321
E-mail: kedarsing.thakur@utibank.co.in
Web Site: www.utibank.com

Union Bank of India

Asharam Road Branch,
C. U. Shah Chambers,
Near Gujarat Vidyapeeth, Asharam Road,
Ahmedabad, Gujarat - 380 014
Tel No: +91 79 2754 0617
Fax No: +91 79 2754 1711
Website: www.unionbankofindia.com

DEEP INDUSTRIES LIMITED

ISSUE MANAGEMENT TEAM

Lead Manager to the Issue

IDBI Capital Market Services Limited
5th Floor, Mafatlal Centre,
Nariman Point, Mumbai-400021.
Tel: +91 22 6637 1222/1212
Fax +91 22 2288 5850
Contact Person: Mr. Prakash K. Saraogi/Mr. Amey V. Belorkar
E-Mail: deep.ipo@idbicapital.com
Website: www.idbicapital.com

Co-Lead Managers to the Issue

Keynote Corporate Services Limited

307, Regent Chambers,
Nariman Point, Mumbai - 400 021
Tel.: +91 22 2202 5230
Fax: +91 22 2283 5467
Contact Person: Mr. Nipun Lodha
E-mail: deep_ipo@keynoteindia.net
Website: www.keynoteindia.net

NEXGEN Capitals Limited

9-B, Netaji Subhash Marg, Daryaganj,
New Delhi – 110 002
Tel.: +91 11 3011 1333
Fax: +91 22 3088 8866
Contact Person: Mr. Sanjeev Gupta
E-mail: sgupta@nexgencapitals.com
Website: www.nexgencapitals.com

Registrar to the Issue

Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound,
LBS Road, Bhandup (West),
Mumbai - 400 078
Tel.: + 91 22 25963838
Fax: +91 22 2596 2691
Contact Person: Mr. Vishwas Attavar
E-Mail: deepipo@intimespectrum.com
Website: www.intimespectrum.com

Bankers to the Issue

UTI Bank

3rd Floor, "Trishul", Opp. Samartheswar Temple,
Law Garden, Ellisbridge,
Ahmedabad, Gujarat - 380 006
Tel: +91 79 26409322
Fax: +91 79 26409321
Contact Person: Mr. Amit Sanyal
E-mail: kedarsing.thakur@utibank.co.in
Web Site: www.utibank.com



HDFC Bank

26 A, Narayan Properties, Off Saki Vihar Road,
Chandivali, Saki Naka,
Andheri (East), Mumbai - 400 072
Tel: +91 22 2856 9009
Fax: +91 22 28569256
Contact Person: Mr. Viral Kothari
E-mail: viral.kothari@hdfcbank.com
Website: www.hdfcbank.com

ICICI Bank

Capital Markets Division
30, Mumbai Samachar Marg,
Mumbai – 400 001.
Tel.: +91 22 2265 5285
Fax: +91 22 2261 1138
Contact Person: Mr. Sidhartha Routray
E-mail: sidhartha.routray@icicibank.com
Website: www.icicibank.com

Refund Bankers to the Issue**HDFC Bank**

26 A, Narayan Properties, Off Saki Vihar Road,
Chandivali, Saki Naka,
Andheri (East), Mumbai - 400 072
Tel: +91 22 2856 9009
Fax: +91 22 28569256
Contact Person: Mr. Viral Kothari
E-mail: viral.kothari@hdfcbank.com
Website: www.hdfcbank.com

Brokers to the Issue

All members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue

Auditor of the Company**Jayesh M. Shah & Co.**

Chartered Accountants
Flat No.2, Shital Apartment,
11, Shilp Park Society, Usmanpura,
Ahmedabad, Gujarat – 380 013
Tel: +91 79 2755 7047
E-mail: jmshah_co@yahoo.com
Contact Person: Mr. Jayesh M. Shah

DEEP INDUSTRIES LIMITED

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES AMONGST THE LMs

The responsibilities and co-ordination for various activities in this Issue to be carried out by the Lead Managers are given below:

| Sr. No. | Activities | Responsibility | Co-ordinator |
|---------|--|---|-----------------|
| 1. | Capital Structure with the relative components and formalities such as type of instruments, etc. | IDBI Capital | IDBI Capital |
| 2. | Due diligence of the Company's operations/ management/business plans/legal, etc. | IDBI Capital | IDBI Capital |
| 3. | Drafting and design of the Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead Manager shall ensure compliance with the stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI. | IDBI Capital | IDBI Capital |
| 4. | Drafting and approval of Issue and statutory publicity material, etc. | IDBI Capital & NEXGEN Capitals | IDBI Capital |
| 5. | Drafting and approval of all corporate advertisement, brochure and other publicity material | IDBI Capital & NEXGEN Capitals | IDBI Capital |
| 6. | Appointment of Ad Agency and Printers | Keynote & IDBI Capital | Keynote |
| 7. | Appointment of Registrar and Bankers | IDBI Capital & Keynote | IDBI Capital |
| 8. | Marketing of the Issue, which will cover inter alia, <ul style="list-style-type: none"> Formulating marketing strategies, preparation of publicity budget Finalise Media and PR strategy Finalising centers for holding conference for brokers, etc. Finalise collection centres Follow up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Issue material | NEXGEN Capitals & IDBI Capital | NEXGEN Capitals |
| 9. | Finalising of Pricing and allocation | Keynote, NEXGEN Capitals & IDBI Capital | Keynote |
| 10. | Post issue activities including management of Issue Accounts, co-ordination with Registrar and Bank, Refund to Investors, etc. | Keynote | Keynote |
| 11. | The post-offer activities of the Issue will involve essential follow up steps, which will include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refunds business. Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable arrangements with the Issuer Company. | Keynote | Keynote |



The selection of the various agencies like the Registrar to the Issue, Bankers to the Issue, brokers, advertising agencies, printer etc. will be finalized by the Company in consultation with the LMs in terms of the interse allocation of responsibilities. Even if many of these activities will be handled by other intermediaries, the designated LMs shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.

Credit Rating

This being an issue of Equity Shares, credit rating is not required.

Trustees

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

Monitoring Agency

There is no requirement for appointment of Monitoring Agency as per clause 8.17.1 of the SEBI (DIP) Guidelines, 2000, however, our Company has appointed Union Bank of India as the Monitoring Agency to monitor the utilization of proceeds of the Public Issue, on the instructions of the Stock Exchange.

Underwriting

The issue is not underwritten.

DEEP INDUSTRIES LIMITED

CAPITAL STRUCTURE

The share capital of our Company as on the date of filing of this Prospectus with SEBI is as set forth below:

| Sr. No. | Particulars | Aggregate Nominal Capital (Rs.) | Total Value at Issue Price (Rs.) |
|-----------|--|---------------------------------|----------------------------------|
| A. | Authorized Capital | | |
| | 2,15,00,000 Equity Shares of Rs.10/- each | 21,50,00,000 | |
| B. | Issued Subscribed and Paid-Up Capital before the Issue | | |
| | 87,00,000 Equity Shares of Rs.10/- each fully paid up | 8,70,00,000 | |
| C. | Present Issue in terms of this Prospectus | | |
| | 1,13,00,000 Equity Shares of Rs.10/-each being offered at a premium of Rs.26 per share. | 11,30,00,000 | 40,68,00,000 |
| D. | Out of (C) above Reservation for Specific Category | | |
| | i. 11,30,000 Equity shares of Rs. 10/- each being offered at a premium of Rs.26 per share are reserved for allotment on competitive basis to Employee/ Directors. | 1,13,00,000 | 4,06,80,000 |
| | ii. 28,25,000 Equity shares of Rs. 10/- each being offered at a premium of Rs.26 per share are reserved for allotment on competitive basis to NRIs/FIIs | 2,82,50,000 | 10,17,00,000 |
| | iii. 11,30,000 Equity shares of Rs. 10/- each being offered at a premium of Rs.26 per share are reserved for allotment on competitive basis to Scheduled Banks/ Indian Mutual Funds/Indian and Multilateral Development Financial Institution. | 1,13,00,000 | 4,06,80,000 |
| E. | Net Offer to Public in terms of this Prospectus | | |
| | 62,15,000 Equity Shares of Rs. 10/- each being offered at a premium of Rs.26 per share | 6,21,50,000 | 22,37,40,000 |
| F. | Paid Up Capital after the Issue | | |
| | 2,00,00,000 Equity Shares of Rs. 10/- each | 20,00,00,000 | |
| G. | Share Premium Account | | |
| | Before Public Issue | | 6,27,87,500 |
| | After Public Issue | | 35,65,87,500 |



History of changes made in the Authorized Share Capital

| Date of Change | Authorized Capital pursuant to change |
|-------------------|--|
| Incorporation | 50,000 Equity Shares of Rs.10/- each aggregating to Rs. 5 lacs |
| December 19, 1996 | 10,00,000 Equity Shares of Rs.10/- each aggregating to Rs. 100 lacs |
| February 20, 1997 | 15,00,000 Equity Shares of Rs.10/- each aggregating to Rs. 150 lacs |
| January 18, 1999 | 25,00,000 Equity Shares of Rs.10/- each aggregating to Rs. 250 lacs |
| February 22, 1999 | 50,00,000 Equity Shares of Rs.10/- each aggregating to Rs. 500 lacs |
| February 18, 2003 | 65,00,000 Equity Shares of Rs.10/- each aggregating to Rs. 650 lacs |
| October 20, 2005 | 70,00,000 Equity Shares of Rs.10/- each aggregating to Rs. 700 lacs |
| December 31, 2005 | 2,15,00,000 Equity Shares of Rs.10/- each aggregating to Rs. 2150 lacs |

Notes to Capital Structure:

1. Share Capital History

| Date of Allotment/ Fully Paid-Up | No. of Equity Shares | Face Value (Rs.) | Issue Price (Rs.) | Nature of Payment of Consideration | Reason for Allotment | Value (Rs.) | Cumulative Paid Up Capital (Rs.) |
|-------------------------------------|----------------------------|------------------------|-------------------------|--|------------------------------------|----------------|--|
| 01/01/1991 | 20 | 10.00 | 10.00 | Cash | Initial subscription to Memorandum | 200 | 200 |
| 22/12/1994 | 49,980 | 10.00 | 10.00 | Cash | Further issue of shares | 4,99,800 | 500,000 |
| 08/02/1997 | 9,50,000 | 10.00 | 10.00 | Cash | Further issue of shares | 95,00,000 | 1,00,00,000 |
| 25/02/1997 | 3,00,000 | 10.00 | 10.00 | Cash | Further issue of shares | 30,00,000 | 1,30,00,000 |
| 18/01/1999 | 10,55,000 | 10.00 | 10.00 | Cash | Further issue of shares | 1,05,50,000 | 2,35,50,000 |
| 11/03/1999 | 10,00,000 | 10.00 | 10.00 | Cash | Further issue of shares | 1,00,00,000 | 3,35,50,000 |
| 15/03/1999 | 8,00,000 | 10.00 | 10.00 | Cash | Further issue of shares | 80,00,000 | 4,15,50,000 |
| 06/04/2000 | 4,55,000 | 10.00 | 10.00 | Cash | Further issue of shares | 45,50,000 | 4,61,00,000 |
| 28/03/2001 | 1,82,000 | 10.00 | 10.00 | Cash | Further issue of shares | 18,20,000 | 4,79,20,000 |
| 21/01/2002 | 2,05,000 | 10.00 | 10.00 | Cash | Further issue of shares | 20,50,000 | 4,99,70,000 |
| 21/07/2003 | 15,03,000 | 10.00 | 22.50 | Cash | Further issue of shares | 1,50,30,000 | 6,50,00,000 |
| 19/12/2005 | 2,91,630 | 10.00 | 30.00 | Cash | Further issue of shares | 29,16,300 | 6,79,16,300 |
| 20/02/2006 | 12,08,370 | 10.00 | 30.00 | Cash | Further issue of shares | 1,20,83,700 | 8,00,00,000 |
| 27/02/2006 | 7,00,000 | 10.00 | 30.00 | Cash | Further issue of shares | 70,00,000 | 8,70,00,000 |

DEEP INDUSTRIES LIMITED

2. Promoter's Contribution and Lock-In:

Pursuant to SEBI Guidelines, an aggregate of 20% of the post-issue Equity Share Capital of our Company shall be locked-in by our Promoters for a period of 3 years from the date of allotment in this Issue. The balance Pre-Issue paid-up Equity Share Capital would be locked-in for a period of one year based on Last In First Out (LIFO) basis. The lock-in period shall commence from the date of allotment of Equity Shares in this present Issue.

| Sr. No. | Name of the Promoter | Date of Allotment/ Acquisition | Date when made fully Paid-up | Consideration (Cash, bonus, kind, etc.) | No. of Equity Shares | Face Value (Rs.) | Issue/ Acquisition Price (Rs.) | % of Post-Issue paid-up capital | Lock-in Period (years)* |
|-------------|-----------------------------------|--------------------------------|------------------------------|---|----------------------|------------------|--------------------------------|---------------------------------|-------------------------|
| 1. | Rupesh K. Savla | ¹ 18.01.1999 | 18.01.1999 | Cash | 2,10,830 | 10.00 | 10.00 | 1.05% | 1 Year |
| | | ¹ 18.01.1999 | 18.01.1999 | Cash | 29,170 | 10.00 | 10.00 | 0.15% | 3 Years |
| | | ¹ 06.04.2000 | 06.04.2000 | Cash | 42,500 | 10.00 | 10.00 | 0.21% | 3 Years |
| | | ¹ 20.03.2003 | N.A. | Cash | 14,220 | 10.00 | 10.00 | 0.07% | 3 Years |
| | | Sub-total | | | 2,96,720 | | | 1.48% | |
| | | ² 28.03.2001 | 28.03.2001 | Cash | 30,000 | 10.00 | 10.00 | 0.15% | 3 Years |
| | | ² 21.07.2003 | 21.07.2003 | Cash | 43,000 | 10.00 | 22.50 | 0.22% | 3 Years |
| | | ² 19.12.2005 | 19.12.2005 | Cash | 62,000 | 10.00 | 30.00 | 0.31% | 1 Year |
| | | ² 20.02.2006 | 20.02.2006 | Cash | 43,400 | 10.00 | 30.00 | 0.22% | 1 Year |
| | | Sub-total | | | 1,78,400 | | | 0.89% | |
| Total (1) | | | | | 4,75,120 | | | 2.38% | |
| 2. | Kanvel Finance Private Limited | 08.02.1997 | 08.02.1997 | Cash | 2,50,000 | 10.00 | 10.00 | 1.25% | 3 Years |
| | | 11.03.1999 | 11.03.1999 | Cash | 2,54,000 | 10.00 | 10.00 | 1.27% | 3 Years |
| | | 19.03.1999 | N.A. | Cash | 76,500 | 10.00 | 10.00 | 0.38% | 3 Years |
| | | 08.06.1999 | N.A. | Cash | 7,980 | 10.00 | 10.00 | 0.04% | 3 Years |
| | | 06.04.2000 | 06.04.2000 | Cash | 2,20,000 | 10.00 | 10.00 | 1.10% | 3 Years |
| | | 28.03.2001 | 28.03.2001 | Cash | 25,000 | 10.00 | 10.00 | 0.13% | 3 Years |
| | | 21.01.2002 | 21.01.2002 | Cash | 20,000 | 10.00 | 10.00 | 0.10% | 3 Years |
| | | 20.03.2003 | N.A. | Cash | 40,000 | 10.00 | 10.00 | 0.20% | 3 Years |
| | | 21.07.2003 | 21.07.2003 | Cash | 5,50,000 | 10.00 | 22.50 | 2.75% | 3 Years |
| | | 15.10.2005 | N.A. | Cash | 2,80,000 | 10.00 | 22.50 | 1.40% | 3 Years |
| | | 20.02.2006 | 20.02.2006 | Cash | 5,41,600 | 10.00 | 30.00 | 2.71% | 1 Year |
| | | Total (2) | | | 22,65,080 | | | 11.33% | |
| 3. | Yash Organochem Private Limitied | 21.07.2003 | 21.07.2003 | Cash | 3,63,500 | 10.00 | 22.50 | 1.82% | 3 Years |
| | | 19.12.2005 | 19.12.2005 | Cash | 5,000 | 10.00 | 30.00 | 0.03% | 1 Year |
| | | 20.02.2006 | 20.02.2006 | Cash | 1,00,000 | 10.00 | 30.00 | 0.50% | 1 Year |
| | | Total (3) | | | 4,68,500 | | | 2.34% | |
| 4. | Savla Electronics Private Limited | 11.03.1999 | 11.03.1999 | Cash | 5,00,000 | 10.00 | 10.00 | 2.50% | 3 Years |
| | | 21.07.2003 | 21.07.2003 | Cash | 1,11,500 | 10.00 | 22.50 | 0.56% | 3 Years |
| | | 30.03.2005 | N.A. | Cash | 23,000 | 10.00 | 10.00 | 0.12% | 3 Years |
| | | 19.12.2005 | 19.12.2005 | Cash | 20,000 | 10.00 | 30.00 | 0.10% | 1 Year |
| | | 20.02.2006 | 20.02.2006 | Cash | 5,02,870 | 10.00 | 30.00 | 2.51% | 1 Year |
| | | 08.03.2006 | N.A. | Cash | 11,19,630 | 10.00 | 18.00 | 5.60% | 3 Years |
| | | Total (4) | | | 22,77,000 | | | 11.39% | |
| Grand Total | | | | | 54,85,700 | | | 27.43% | |



- ¹ The Equity Shares have been transferred from joint holding in the name of Mr. Rupesh Savla & Kantilal V. Savla to Mr. Rupesh Savla on 27.04.2006 for Nil consideration.
- ² The Equity Shares have been transferred from joint holding in the name of Mr. Rupesh Savla & Sheetal R. Savla to Mr. Rupesh Savla on 27.04.2006 for Nil consideration.
- ³ One of the largest pre-issue shareholder, Adinath Exim Resources Limited ("Adinath") does not have any role in promoting our company. Though Mr. Paras Savla is a common director in both the companies, the two companies are working independently without any interruption in the business of each other. Hence, the company is not treated as a Promoter. Adinath has divested part of its shareholding in our company on March 08, 2006 to fund its venture in the construction sector. The shareholding of Adinath pre and post the divestment is as under:

| Particulars | Pre-Divestment Shareholding | | Post-divestment Shareholding | |
|-----------------------------|-----------------------------|------------------------|------------------------------|------------------------|
| | No. of Shares | % of Pre-Issue Capital | No. of Shares | % of Pre-Issue Capital |
| Adinath Exim Resources Ltd. | 23,47,630 | 26.98 | 12,28,000 | 14.11 |

- a. In terms of clause 4.16.1 (b) of the SEBI Guidelines, locked in Equity Shares held by the Promoters may be transferred to and amongst the Promoters/ Promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.

Further, in terms of clause 4.16.1 (a) of the SEBI Guidelines, locked in Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.

- b. In terms of clause 4.15 of the SEBI Guidelines, locked-in securities held by promoters may be pledged only with banks or Financial Institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan.
- c. Our Promoter, Mr. Paras S. Savla who is also the Chairman and Managing Director of our Company does not hold any Equity Shares in our Company.

3. Pre Issue and Post Issue Shareholding Pattern of our Company is as under:

| Category | Pre-Issue | | Post Issue | |
|---|------------------|--------------|------------------|--------------|
| | No. of Shares | % Holding | No. of Shares | % Holding |
| Promoters | | | | |
| Rupesh K. Savla | 4,75,120 | 5.46 | 4,75,120 | 2.38 |
| Kanvel Finance Private Limited | 22,65,080 | 26.04 | 22,65,080 | 11.33 |
| Yash Organochem Private Limited | 4,68,500 | 5.39 | 4,68,500 | 2.34 |
| Savla Electronics Private Limited | 22,77,000 | 26.17 | 22,77,000 | 11.39 |
| Sub-total (A) | 54,85,700 | 63.05 | 54,85,700 | 27.43 |
| Promoter Group | | | | |
| Prabhabeen K. Savla | 1,83,000 | 2.10 | 1,83,000 | 0.92 |
| Shantilal M. Savla | 26,500 | 0.30 | 26,500 | 0.13 |
| Kantilal V. Savla | 3,31,000 | 3.80 | 3,31,000 | 1.66 |
| Kantilal V. Savla (HUF) & Rupesh K. Savla | 6,95,800 | 8.00 | 6,95,800 | 3.48 |
| Adinath Exim Resources Limited | 12,28,000 | 14.11 | 12,28,000 | 6.14 |
| Rita K. Shah | 50,000 | 0.57 | 50,000 | 0.25 |
| Sub-total (B) | 25,14,300 | 28.90 | 25,14,300 | 12.57 |

DEEP INDUSTRIES LIMITED

| Category | Pre-Issue | | Post Issue | |
|--|------------------|---------------|--------------------|---------------|
| | No. of Shares | % Holding | No. of Shares | % Holding |
| Total Promoters and Promoter Group(C) =(A) + (B) | 80,00,000 | 91.95 | 80,00,000 | 40.00 |
| Persons acting in Concert (D) | 7,00,000 | 8.05 | 7,00,000 | 3.50 |
| Public (E) | - | - | 1,13,00,000 | 56.50 |
| Grand Total (F) = (C) + (D) + (E) | 87,00,000 | 100.00 | 2,00,00,000 | 100.00 |

- * The post-Issue shareholding of promoters and directors does not include Equity Shares that may be allotted to them under the Employee Reservation Portion of the Issue, which can be determined only after the allotment of Equity Shares pursuant to this Issue.

4. Particulars of top ten shareholders as on the date of filing of this Prospectus with ROC are as follows:

| Sr. No. | Name of Shareholder | No. of Shares |
|---------|---|---------------|
| 1. | Savla Electronics Private Limited | 22,77,000 |
| 2. | Kanvel Finance Private Limited | 22,65,080 |
| 3. | Adinath Exim Resources Private Limited | 12,28,000 |
| 4. | Kantilal V. Savla (HUF) & Rupesh K. Savla | 6,95,800 |
| 5. | Rupesh K. Savla | 4,75,120 |
| 6. | Yash Organochem Private Limited | 4,68,500 |
| 7. | Kantilal V. Savla | 3,31,000 |
| 8. | Prabhaven K. Savla | 1,83,000 |
| 9. | Deep Jyot Holding & Finance Pvt. Ltd. | 1,33,000 |
| 10. | B.N. Mittal (HUF) | 1,00,000 |
| 11. | Sohandevi Bhutoria | 1,00,000 |
| 12. | Ranjit Singh Bhutoria | 1,00,000 |

5. Particulars of top ten shareholders, 10 days prior to the date of filing of this Prospectus with ROC are as follows:

| Sr. No. | Name of Shareholder | No. of Shares |
|---------|---|---------------|
| 1. | Savla Electronics Private Limited | 22,77,000 |
| 2. | Kanvel Finance Private Limited | 22,65,080 |
| 3. | Adinath Exim Resources Private Limited | 12,28,000 |
| 4. | Kantilal V. Savla (HUF) & Rupesh K. Savla | 6,95,800 |
| 5. | Rupesh K. Savla | 4,75,120 |
| 6. | Yash Organochem Private Limited | 4,68,500 |
| 7. | Kantilal V. Savla | 3,31,000 |
| 8. | Prabhaven K. Savla | 1,83,000 |
| 9. | Deep Jyot Holding & Finance Pvt. Ltd. | 1,33,000 |
| 10. | B.N. Mittal (HUF) | 1,00,000 |
| 11. | Sohandevi Bhutoria | 1,00,000 |
| 12. | Ranjit Singh Bhutoria | 1,00,000 |



6. Particulars of top ten shareholders two years prior to the date of filing of this Prospectus with ROC are as follows:

| Sr. No. | Name of Shareholder | No. of Shares |
|---------|---|---------------|
| 1. | Adinath Exim Resources Limited | 22,38,000 |
| 2. | Kanvel Finance Private Limited | 14,43,480 |
| 3. | Savla Electronics Private Limited | 6,11,500 |
| 4. | Kantilal V. Savla (HUF) & Rupesh K. Savla | 6,07,800 |
| 5. | Rupesh K. Savla | 3,69,720 |
| 6. | Yash Organochem Private Limited | 3,63,500 |
| 7. | Kantilal V. Savla | 3,21,000 |
| 8. | Kanvel Share Brokers Private Limited | 2,80,000 |
| 9. | Prabhaben K. Savla | 2,51,000 |
| 10. | Shantilal M. Savla | 14,000 |

7. The Promoters/Promoter Group and Directors of our company have not purchased or sold the Equity Shares of our Company during the period of six months preceding the date of filing of this Prospectus with ROC, other than those mentioned below –

| Name of Transferor | Name of Transferee | Date of Transfer | No. of Shares | Face Value (Rs.) | Consideration Price (Rs.) |
|-----------------------------|-----------------------------|------------------|---------------|------------------|---------------------------|
| Adinath Exim Resources Ltd. | Savla Electronics Pvt. Ltd. | 08.03.2006 | 11,19,630 | 10.00 | 18.00 |

8. Our Company has 20 shareholders as on date of filing this Prospectus.
9. An applicant in the net offer to public category cannot make an application for a number of securities, which exceeds the net offer to the Public.
10. As per SEBI guidelines, a minimum of 50% of the net offer to the public is reserved for allotment to individual investors applying Equity Shares of or for a value of not more than Rs.1,00,000/-. The remaining 50% of the offer to the public is reserved for individuals corporate bodies/institutions, etc applying for Equity Shares for a value more than Rs.1,00,000/-. Unsubscribed portion in either of these categories shall be added to the other category interchangeably
11. Undersubscribed portion in any reserved category may be added to any other reserved category.
12. The unsubscribed portion, if any, after such inter-se adjustments amongst the reserved category shall be added back to the net offer to the public.
13. In case of under-subscription in the net offer to the public portion, spillover to the extent of under-subscription shall be permitted from the reserved category to the net offer to the public.
14. In case of over-subscription, allotment will be on proportionate basis as defined in Para on 'Basis of Allotment'.
15. An over-subscription to the extent of 10% of the Net Offer to Public can be retained for the purpose of rounding off to the nearest integer while finalizing the basis of allotment. Subject to a minimum allotment being equal to 175 shares, which is the minimum application size in this issue, while finalizing the allotment.
16. The Equity Shares offered through this public issue will be fully paid up.
17. None of the natural persons, who are in control of the corporate entities forming the "Promoter Group" of our Company, have been restrained from accessing the Capital Market for any reasons by SEBI or any other authorities.
18. Promoters' contribution has been brought to the extent of not less than the specified minimum promoters' contribution and from persons as defined as promoters under the SEBI Guidelines.
19. There is no "buy back" or "stand by" arrangement for purchase of Equity Shares by the company, its promoters, directors, or Lead Managers for the Equity Shares offered through this Prospectus.

DEEP INDUSTRIES LIMITED

20. Written consent for lock-in has been obtained from the persons whose shares form part of promoters' contribution and form part of lock in.
21. No securities forming part of promoters' contribution consists of any private placement made by solicitation of subscription from unrelated persons either directly or through any intermediary.
22. The Equity Shares to be held by the Promoters under lock-in period shall not be sold/hypothecated/ transferred during the lock-in period. However, the Equity Shares held by Promoters, which are locked in, may be transferred to and among promoters/Promoters' group or to a new Promoter(s) or persons in control of the Company, subject to the continuation of lock-in with the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable. The Promoters may pledge their Equity Shares with banks or financial institutions as additional security for loans whenever availed by our company from banks or financial institutions.
23. Our company has not issued any warrant, option, convertible loan, debenture or any other securities convertible at a later date into equity, which would entitle the holders to acquire further equity shares of the company.
24. At any given point of time, there shall be only one denomination for the Equity Shares of our Company and we shall comply with such disclosure and accounting norms specified by SEBI from time to time.
25. The Equity Shares will be issued and traded on the stock exchange only in dematerialized form. Hence the market lot of the equity shares is 1 (One share).
26. As on the date of this Prospectus, there are no outstanding financial instruments or any other rights, which would entitle the existing Promoters and shareholders, or any other person any option to receive Equity Shares after the offering.
27. Our Company undertakes that there would be no further issue of capital in any manner whether by way of issue of bonus shares, preferential allotment, rights issue, or public issue or in any manner during the period commencing from the submission of offer document to SEBI for this public issue, till the securities offered to in the said document have been listed or the application moneys refunded on account of non-listing or under-subscription or failure of issue.
28. Our Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the issue, by way of split/consolidation of the Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, however if our Company goes in for acquisition and joint ventures, we might consider raising additional capital to fund such activity or use shares as currency for acquisition and/or participation in such joint venture.
29. Our Company has not raised any bridge loan against the proceeds of this issue.
30. Till date our Company has not introduced any ESOP/ESPS.
31. Restrictive Covenants under the lender's agreements about capital structure: In respect to the various agreements entered into by our Company with its lenders, we are bound by certain restrictive covenants regarding our capital structure. As per these restrictive covenants, our Company cannot, without the prior approval of the Banks/FIs prepay any outstanding loan amount, issue any debentures, raise loans, deposits from public, issue equity or preference capital, issue bonus shares, change its capital structure or create any charge on its assets or give any guarantees. Also we shall not without the prior written approval of the Banks/FIs buy back, cancel, retire, reduce, redeem, purchase, re-purchase, acquire any of its share capital, issue any further share capital. Further, our Company is also prohibited from creating any subsidiary or undertaking mergers, amalgamations and re-organizations with the creditors or shareholders, without the prior consent of its lending institutions. Also, our Company shall not, without the prior permission of its lender, invest any part of the loan money advanced, by way of deposits, loans, share capital or otherwise in any concern. Our Company shall not declare or pay any dividend to its shareholders during any financial year unless it has paid all the pending dues. We shall not make any investments by way of deposits, loans, share capital, revalue its assets, carry out general trading other than sale of its own products, enter into a arrangement for sale of its products and purchase of raw materials without the prior written approval of the bank. Pursuant to the aforesaid covenants, we have obtained the requisite approvals from Banks/FIs.



OBJECTS OF THE ISSUE

The Objects of the present issue of Equity Shares are:

A. To raise funds for the following purposes:

1. Procurement of Plant and Machinery for business expansion.
2. To meet the additional Working Capital requirement on account of increased operations.
3. General Corporate Purposes.

B. To get the Equity Shares of our Company listed on the BSE

C. To meet the expenses of the issue

The Main Object clause and objects incidental or ancillary to the Main Objects of the MoA of our Company enables us to undertake the existing activities and the activities for which the funds are being raised by us through the present issue.

FUNDS REQUIREMENT AND MEANS OF FINANCE

The Funds Requirement and Means of Finance as estimated by our management are given below:

REQUIREMENT OF FUNDS

(Rs. In Lacs)

| Sr. No. | Particulars | Amount |
|---------|--|----------------|
| 1. | Plant & Machinery | 5145.24 |
| 2. | Office Equipments | 5.00 |
| 3. | Additional Working Capital Requirement | 100.00 |
| 4. | Contingencies | 76.45 |
| 5. | IPO - Issue Expenses | 400.00 |
| 6. | General Corporate Purposes | 301.31 |
| | Total | 6028.00 |

MEANS OF FINANCE

The project is proposed to be funded by equity (by way of this proposed public issue) and term loan from Banks/FIs. The proposed means of finance for the Project will be as under:

(Rs. In Lacs)

| Sr. No. | Particulars | Amount |
|---------|--|----------------|
| 1. | Pre-Issue Allotment to Promoter & Promoter Group | *450.00 |
| 2. | Pre-Issue Allotment to Others | *210.00 |
| 3. | Initial Public Offer | 4068.00 |
| 4. | Term Loan | 1300.00 |
| | Total | 6028.00 |

*Our Company has already made pre-issue allotment to Promoters, Promoter Group and Others of 22 Lacs Equity Shares of Face Value Rs.10/- each at a price of Rs.30/- per equity share aggregating to Rs.660 Lacs.

DEEP INDUSTRIES LIMITED

Detailed Break Up of Funds Requirements:

1. Purchase of Capital Equipment

The total expenses towards purchase and installation of the compressor package as estimated by the management of our company is Rs.5145.24 Lacs. On the basis of purchase order placed and quotations received from various vendors on compressor packages, we estimate that around Rs.4379 Lacs will be required for purchasing the compressor packages. In addition, we estimate to incur Rs.766.24 Lacs towards custom duty, custom clearance, transportation, transit expenses, pre-operative and installation expenses for the above referred equipments. The details of orders placed/quotations received by us in respect of the said compressor packages is given below:

(Rs. in Lacs)

| Sr. No. | Particulars | Qty | Amount | Name and Address of the Supplier | Date of Quotation |
|---------|--|-----------|----------------|--|----------------------------------|
| 1. | Gas Compressor (1265 HP) Package 3.5 MMSCFD consisting Driver: Caterpillar G-3516 TA, Compressor: G.E. Gemini D- 504, Cylinders. | 1 | 335.00 | M/s Shreyash Equipments Ltd. Kharsalia, Gujarat | Order Placed on January 3, 2006. |
| 2. | Gas Compressor Package 3.5 MMSCFD consisting Driver: Caterpillar G-3516 TA, Compressor: G.E. Gemini D- 504, Cylinders. | 3 | 990.00* | Valerus Compression Services Limited Partnership 11335 Clay Rd.; Ste.190 Houston, Texas 77041 | August 29, 2005 |
| 3. | Packaged Gas Compressor; (2500 HP) consisting Natural Gas Engine (Make: Caterpillar: Model G-3608) driven reciprocating Gas Compressor (Make: G.E. Gemini Model F- 604) and Air-X- changer | 6 | 2904.00* | Valerus Compression Services Limited Partnership 11335 Clay Rd.; Ste.190 Houston, Texas 77041 | October 14, 2005 |
| 4. | Dresser –Rand 20 & 13 x 5.5 2 RDS2 Skid Mounted Compressor Package along with Separators, Volume Bottles, Coolers, Instrumentation, Control Panel, Piping/Tubing and Waukesha L 7042 G Natural gas Engine. | 1 | 150.00 | Visat Oil Tech Ltd.2-A, Sola Suryanarayan Bunglows, Near Siddhchakra Apartment, Sabarmati - Kalol State Highway, Motera, Gandhinagar, Gujarat. | Purchased and delivery received |
| | Total | 11 | 4379.00 | | |

* Quotation from Valerus is in USD and the same has been converted at the exchange rate of USD1= Rs.44

2. Purchase of Office Equipment

Office Equipment has been estimated at Rs. 5 Lacs, which is mainly towards furniture and fixtures required for the site offices and other misc. assets.

3. Investment in Additional Working Capital Requirements

Our anticipated business growth, mainly from the area of providing compression services would push up the working capital requirement on account of the higher inventory levels to be maintained, longer credit period to be offered to our clients, and miscellaneous current assets. As per our internal estimate, the incremental requirement for the working capital would be Rs. 100 lacs, which we plan to finance entirely by the proceeds of this Issue. The basis of estimation of working capital is given below:



| Particulars | Holding Period Days |
|-----------------|---------------------|
| Sundry Debtors | 90 |
| Inventory | 77 |
| Sundry Creditor | 15 |

4. Contingencies

Contingency has been provided on non-firm cost of Plant and Machinery. This includes contingencies arising due to foreign exchange fluctuations. It may be mentioned that our Company is actively negotiating the prices of machineries and therefore the proposed contingency provision is considered adequate by our Company.

5. Issue Expenses

The expenses of the Issue payable by our Company inclusive of the brokerage, fees payable to the Lead Manager to the Issue, Registrar to the Issue, Legal Advisors, Stamp Duty, printing, publication, advertising and distribution expenses, bank charges, listing fees, and other miscellaneous expenses will be met out of the proceeds of the present issue. The break-up of issue expenses is given below:

(Rs. in Lacs)

| Particulars | Amount |
|--|---------------|
| Fees to the intermediaries (LM, Co-LM, Registrar, etc.) | 234.72 |
| Advertising & Marketing expenses | 90.00 |
| Miscellaneous (including ROC filing fees, printing etc.) | 75.28 |
| Total | 400.00 |

6. General Corporate Purposes

Our Company intends to use part of the issue proceeds amounting to Rs. 301.31 Lacs from this issue for general corporate purposes including marketing and promotional expenses to strengthen our business operations and brand.

MEANS OF FINANCE

Term Loans from Banks/FIs

Our Company has received sanction of Term Loan of Rs.1300 Lacs from Union Bank of India vide its letter dated February 3, 2006.

We hereby confirm that excluding the amount to be raised through the proposed public issue, firm arrangements of finance through verifiable means towards 75% of the stated means of finance have been made.

SCHEDULE OF IMPLEMENTATION/UTILIZATION OF ISSUE PROCEEDS

Break-up of the utilization of issue proceeds and the year-wise deployment is given below:

| Sr. No. | Particulars | Date of Commencement | Date of Completion |
|---------|--|----------------------|--------------------|
| 1. | Placement of Order of Capital Equipments | December, 2005 | August, 2006 |
| 2. | Acquisition of Capital Equipments | December, 2005 | September, 2006 |
| 3. | Commissioning of Capital Equipments | March, 2006 | October, 2006 |

SOURCES AND DEPLOYMENT OF FUNDS

We hereby certify to have already deployed funds to the extent of Rs.496.34 Lacs on the objects of this issue upto June 30, 2006 from our internal sources and pre-issue allotment of equity shares. The expenditure incurred has also been certified by our statutory auditor, Jayesh M. Shah & Co., Chartered Accountants vide their certificate dated July 05, 2006. The details of the same are as under:

DEEP INDUSTRIES LIMITED

(Rs. in Lacs)

| Deployment of Funds | Amount |
|---|---------------|
| Purchase of Machinery | 154.29 |
| Advances paid for Purchase of Machinery | 303.03 |
| Issue Expenses | 39.02 |
| Total | 496.34 |

INTERIM USE OF PROCEEDS

Pending utilization of the proceeds out of the Issue for the purposes described above, our Company intends to temporarily invest the funds in Fixed Deposits with Scheduled Commercial Banks for the necessary duration, as may be approved by our Board or a duly authorized committee thereof.

MONITORING OF UTILIZATION OF FUNDS

Our Company has appointed Union Bank of India, as the Monitoring Agency to monitor the utilization of proceeds of the Public Issue.

No part of the Issue proceeds will be paid by us as consideration to our Promoters, Directors, Key managerial personnel or companies promoted by our Promoters except in the course of normal business.

BASIC TERMS OF ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of this Prospectus, Application Form and other terms and conditions as may be incorporated in the allotment advice and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, as applicable, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, Registrar of Companies and/or other authorities, as in force on the date of the Issue and to the extent applicable.



BASIS OF ISSUE PRICE

Investors should read the following summary with the Risk Factors included from page no. viii and the details about our Company and our financial statements included in this Prospectus. The trading price of the Equity Shares of our Company could decline due to these risks and you may lose all or part of your investments.

QUALITATIVE FACTORS

- Top management of our Company has several years of experience and expertise in their domain.
- The day-to-day affairs of our Company are looked after by qualified and skilled key personnel with experience, under the supervision of our Managing Directors.
- We currently own 10 compressor sets, which are deployed in the domestic and international market.
- We have compressed more than 340 million cubic metres of natural gas during the last five years.
- We had a Gas Compression Lease & Service Agreement with Hanover Asia, Inc., USA, one of the world's largest Compression Equipment manufacturers, during the period 2001-2003 which enabled us to acquire expertise in the area of gas compression.
- We have a Sales Representation Agreement dated August 19, 2004, with Valerus Compression Services Limited Partnership, Houston Texas, USA., a Texas based Partnership firm, for acting as Sales Representative for Valerus in the Asian region for Gas Compression Equipments. Under the terms of agreement, our company has been given rights to solicit orders for Gas Compression equipment, Production equipments, GE compressor parts and Valves, including field service, repairs, onsite machining, compressor revamps and spare parts, whether manufactured by Valerus, in the Asian Region. Further, Valerus has agreed to supply the company with appropriate quantities of Sales and technical literature, inform us of significant contacts, proposals, and correspondence with customers and prospects in the Asian Region and supply us with technical, commercial and financial advice to support discussions and negotiations with customers and prospects. For the sales executed through our Company, Valerus shall pay commission to us based on the net price of each product, which is sold in the Asian region on a project-by-project basis.
- We have recently entered into an MoU with PT Indrillco Bakti, Jakarta, Indonesia in January 2006, for technical know-how/collaboration and back up support in connection with work over services for 30 to 200 Ton capacity Rigs.
- Our clientele includes ONGC, GACL, IOC, etc. Our company has been successfully providing Gas Compression Services to ONGC since the last 9 years.
- Our Company is moving towards becoming an integrated service provider to the oil and gas sector, and accordingly, we have acquired one 100 Ton Cardwell KB500 Work Over Rig for providing work over services to oil wells.

QUANTITATIVE FACTORS

1. Adjusted Earnings Per Share

| Period Ended | EPS (Rs.) | Weight |
|-------------------------------|-------------|--------|
| 31.03.2004 | 0.93 | 1 |
| 31.03.2005 | 0.98 | 2 |
| 31.03.2006 | 2.64 | 3 |
| Weighted Average (Rs.) | 1.80 | |

Notes:

- (i) The Earnings per Share has been computed on the basis of the restated profits and losses of the respective years.
- (ii) The denominator considered for the purpose of calculating Earnings per Share is the weighted average number of Equity Shares outstanding during the year.

DEEP INDUSTRIES LIMITED

2. Price Earning Ratio

(a) Price/Earning Ratio (P/E) in relation to Issue Price of Rs.36

| Particulars | P/E Ratio |
|--|-----------|
| P/E Ratio based on the EPS as on 31.03.2006 of Rs.2.64 | 13.64 |
| P/E Ratio based on the Weighted Average EPS of Rs.1.80 | 19.98 |

(b) Industry PE – Oil Drilling/ Allied Service Industry

| Particulars | P/E Ratio |
|-----------------|-----------|
| Industry | |
| - Highest | 40.5 |
| - Lowest | 9.9 |
| - Average | 11.2 |

Source: Capital Market; July 31 – August 13, 2006

3. Return on Net Worth (RONW%)

| Period Ended | Return on Net Worth (RONW%) | Weight |
|-------------------------|-----------------------------|--------|
| 31.03.2004 | 4.87 | 1 |
| 31.03.2005 | 5.45 | 2 |
| 31.03.2006 | 9.23 | 3 |
| Weighted Average | 7.24 | |

4. Minimum Return on increased Net Worth required after the issue, to maintain a pre-issue EPS of Rs.2.64 as on March 31, 2006 is 8.79%.

5. Net Asset Value (NAV)

| Period Ended | NAV (Rs. Per Share) |
|--------------|---------------------|
| 31.03.2006 | 22.30 |
| After Issue | 30.04 |
| Issue Price | 36.00 |

6. Comparison with Industry Peer Set:

| Companies | EPS (Rs) | P/E | RoNW (%) | NAV (Rs) |
|--|----------|-------|----------|----------|
| Shiv-Vani Oil & Gas Exploration Services Ltd. ¹ | 9.1 | 19.2 | 14.4 | 79.8 |
| Aban Loyd Chiles Offshore Ltd. ¹ | 18.7 | 40.5 | 29.5 | 76.8 |
| Deep Industries Ltd. ² | 2.64 | 13.64 | 9.23 | 22.30 |

¹ Information for Peer Group has been taken from Capital Market Vol.XXI/11, July 31 – August 13, 2006.

² NAV, EPS and RoNW for our Company are based on fiscal year ending March 31, 2006 and as per the restated audited financial statements prepared by our statutory auditor, Jayesh M. Shah & Co, Chartered Accountants. For details, please refer to the section titled “Financial Statements” beginning on page 62 of this Prospectus.



CONCLUSION

The Equity Shares are being issued at a price of Rs.36 per share. The face value of the Equity Shares is Rs.10/- per share. The Issue Price is 3.6 times the face value. The Equity Shares are being issued at a P/E multiple of 13.64 times on the basis of EPS of Rs.2.64 (as on 31/03/2006). The highest P/E multiple in the industry is 40.5 while the lowest is 9.9. The Industry Average P/E stands at 11.2. The P/E of the nearest comparable listed companies viz. Shiv-Vani Oil & Gas Exploration Services Limited and Aban Loyd Chiles is 19.2 and 40.5 respectively. Thus, the P/E multiple of Deep Industries Ltd. is comparable to the industry average and less than the nearest comparables.

The pre-issue book value of the shares as on March 31, 2006 is Rs.22.30 per share.

Minimum Return on Net Worth required, after the issue, to maintain pre-issue EPS (as on 31/03/2006) of Rs.2.64 is 8.79%. The company has generated a Return on Net Worth of 9.23% for the year ended March 31, 2006.

Taking into account the above qualitative and quantitative parameters, the Lead and Co-Lead Managers believes that the Issue Price of Rs. 36 per Equity Share is justified.

DEEP INDUSTRIES LIMITED

TAX BENEFITS STATEMENT

The Board of Directors
Deep Industries Ltd.
Opp. Suryanarayan Bungalows,
Sabarmati Kalol State Highway,
Motera, Dist: Gandhinagar
Gujarat – 380 005.

Dear Sirs,

We hereby certify that the enclosed annexure states the tax benefits available to Deep Industries Limited (the “company”) and to the Shareholders of the company under the provisions of the Income Tax Act, 1961 and other direct and indirect tax laws presently in force.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the company.

A Shareholder is advised to consider in his/her/its own case, the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

For **Jayesh M. Shah & Co.**

Jayesh M. Shah
Chartered Accountant
Proprietor
Membership No: 30638

Date : 4th February, 2006
Place : Ahmedabad



ANNEXURE TO THE CERTIFICATE

The following tax benefits shall be available to the company and the prospective shareholders under Indian direct and indirect tax laws.

A. To the Company

Under the Income Tax Act, 1961 ("IT Act")

By virtue of Section 10(34) of the IT Act, income earned by way of dividend income referred to in Section 115(O) of the IT Act, from another domestic company is exempt from tax. Under Section 115JAA (1A) credit shall be allowed of any MAT paid under Section 115JB of the Act for any A.Y. commencing on or after April, 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the nominal provisions of Income-tax Act. Such MAT credit shall be available for set-off up to 5 succeeding years in which MAT credit initially arose.

B. To the Members of the Company

B.1. Under the Income tax Act, 1961

Resident Members

1. By virtue of section 10(34) of the IT Act, income earned by way of dividend income from domestic company referred in Section 115(O) of the Act, are exempt from tax in the hands of the shareholders.
2. In terms of section 10(38) of the Act, any long-term capital gains arising to a shareholder from transfer of long-term capital asset being as equity shares in a Company would be liable to tax in the hands of the shareholders if the following conditions are satisfied:
 - (a) The transaction of sale of such equity share is entered into on or after 1st October 2004.
 - (b) The transaction is chargeable to such securities transaction tax as explained below.
3. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholders, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax at the rate of 0.075% of the value payable by both buyer and seller. The non-delivery based sale transactions are liable to tax @ 0.015% of the value payable by the seller.
4. The securities transaction tax will be charged from the assessment year 2006-07 as under:
 - Delivery based purchase and sale of equity shares will be liable to Securities Transaction Tax at the rate of 0.10% and
 - Non-delivery based sale transactions will be liable to securities transaction tax at the rate of 0.02%
5. Certain transactions have been specially excluded from the definition of a Speculative Transaction by Finance Act, 2005. Now an eligible transaction (a transaction which, inter-alia, is carried out electronically on a recognized stock exchange) in derivatives will not be regarded as a speculative transaction. Consequently gain/loss thereof will not be regarded as speculation gain/loss.
6. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.
7. In terms of section 10(23D) of the Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutes or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including dividend from their investments in the shares of the company.

DEEP INDUSTRIES LIMITED

8. Under section 48 of the Act, if the Company's shares are sold after being held for more than twelve months, the gains (in cases not covered under section 10(38) of the Act), if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.
9. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by:
 - a. National Bank for agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act, 1981;
 - b. National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
 - c. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;
 - d. National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
 - e. Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989.
10. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of shares of the company, as and when it is listed, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely –
 - a. the issue is made by a public company formed and registered in India;
 - b. the shares forming part of the issue are offered for subscription to the public.
11. Under section 54F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
12. Under section 112 of the Act and other relevant provisions of the Act, long term capital gains (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares in the company, shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48. The amount of such tax should however, be limited to 10% (plus applicable surcharge) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
13. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e. if shares are held for a period not exceeding 12 months), arising on transfer of shares in the company on a recognized stock exchange, shall be taxed at a rate of 10% (plus applicable surcharge).

Non – Residential Indians/Non – Resident Shareholders (Other than FIIs)

Apart from benefits as mentioned in points 1, 2, 3, 4, 5, 6, 9, 10 and 11 of B above

14. Under section 115-I of the Act, the non-resident Indian shareholder has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follow:



- a. Under Section 115E of the Act, where shares in the company are acquired or subscribed for in convertible Foreign Exchange by a Non- Resident Indian, capital gains arising to the non- resident on transfer of shares held for a period exceeding 12 months on a recognized stock exchange, shall (in cases not covered under section 10(38) of the Act) be concessionaly taxed at the flat rate of 10% (plus applicable surcharge) (without indexation benefit but with protection against foreign exchange fluctuation).
- b. Under provisions of section 115F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange (in cases not covered under section 115E of the Act) shall be exempt from Income Tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

Foreign Institutional Investors (FIIs)

Apart from benefits as mentioned in points 1, 2, 3, 4, 9 and 10 of B above

15. The income by way of short term capital gain or long term capital gains (not covered under section 10(38) of the Act) realized by FIIs on sale of shares in the Company would be taxed at the following rates as per Section 115AD of the Income Tax Act, 1961.

- Short term capital gains – 30% (plus applicable surcharge)
- Long term capital gains – 10% (without cost indexation plus applicable surcharge)

(Shares held in the Company would be considered as a long-term capital asset provided they are held for a period exceeding 12 months).

B2. Under the Wealth Tax Act, 1957

Shares held in a Company will not be treated as an asset within the meaning of Section 2 (ea) of Wealth Tax Act, 1957; hence Wealth Tax Act will not be applicable.

B3. Under the Gift Tax Act, 1958

Gift made after 1st October 1998 is not liable for any gift tax and hence gift of shares of the company would not be liable for any gift tax.

Notes:

1. All the above benefits are as per the current tax law as amended by the Finance (No.2) Act, 2005. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
2. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which then Non-resident has fiscal domicile.
3. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

DEEP INDUSTRIES LIMITED

SECTION IV – ABOUT OUR COMPANY

INDUSTRY OVERVIEW

The information presented in this Section has been extracted from various publicly available documents and sources, including officially prepared from the Government and its various ministries and has not been prepared or independently verified by the Issuer or the LMs.

NATURAL GAS COMPRESSION INDUSTRY

Natural Gas

Natural Gas is a mixture of hydrocarbon gases that occurs in porous geological formations beneath the earth's surface along with petroleum deposits, principally methane together with varying quantities of ethane, propane, butane, and other gases, and is used as a fuel and in the manufacture of organic compounds.

Natural Gas Compression is a mechanical process whereby a volume of gas at an existing pressure is compressed to a desired higher pressure. The Natural Gas Compression industry consists of Service Providers in the field of Gas Compression at various stages of gas production from wells, processing and transportation.

Need for Gas Compression

Natural Gas Compressors are used in various applications in order to boost the pressure of the gas such as:

Wellhead Compression: During the life of an Oil Well or Gas Well, as more and more oil & gas is produced, the natural reservoir pressure typically declines. When the natural reservoir pressure declines below the line pressure of the gas gathering or pipeline system (used to transport the gas to market), gas stops flowing naturally into the pipeline. Compression equipment is applied in both field and gathering systems to boost the well's pressure levels allowing gas to be brought to market.

Gas Gathering: When there are numerous wells in the near vicinity and the pressure is not sufficient for them to naturally flow and reach its destination, compression is used to gather the gas from different wells into Gas Gathering Stations and then transport it to its destination.

Gas Storage Facilities: Since Gas requires large spaces for storage, when at low pressure, Compression is done to increase the pressure of Gas so that it can fit into smaller spaces.

Gas Processing: Compression is required to build the pressure of gas so that it can be processed in the plant.

Pipeline Booster Stations: When gas is transported over a long distance, there is a drop in pressure in the course of the transportation. Compression is required to boost the pressure back again to enable it to travel further.

Injection: Compression is used in gas storage projects to inject gas into underground reservoirs during off-peak seasons for withdrawal later during periods of high demand. Further, in secondary oil recovery operations, compression is used to inject natural gas into wells to maintain reservoir pressure.

Gas Lift: When the reservoir pressure decreases in the Oil & Gas Wells and oil does not flow up naturally to the top on its own, Compression is used to re-inject natural gas down producing oil wells to help lift liquids to the surface, known as gas lift operations.

Summarizing the above applications, typically, compression is required at several intervals of the natural gas production cycle: at the wellhead, at the gathering lines, into and out of gas processing facilities, into and out of storage and throughout the transportation systems. In addition to such wellhead and gas field gathering activities, natural gas compressors are used in a number of other applications, most of which are intended to enhance the productivity of oil and gas wells, gas transportation lines and processing plants.

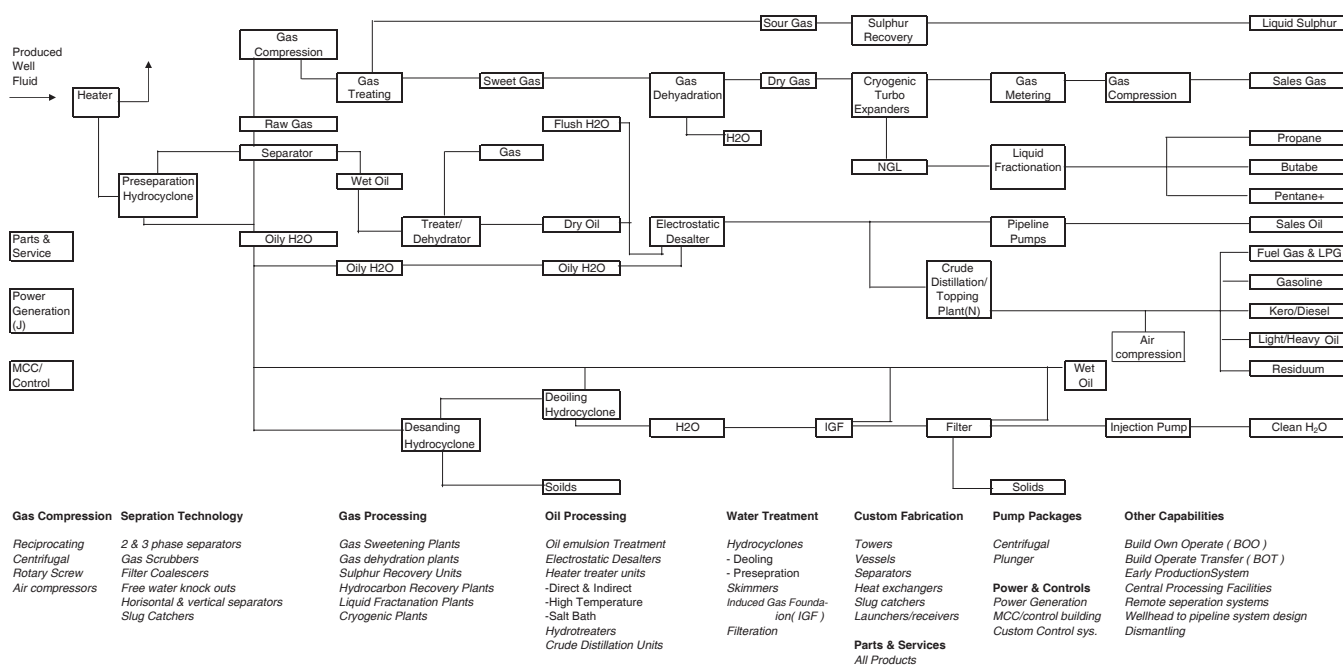
Compressors are used to increase the efficiency of a low capacity gas field by providing a central compression point from which the gas can be removed and injected into a pipeline for transmission to facilities for further processing. As gas is transported through a pipeline, compression equipment is applied to allow the gas to continue to flow in the pipeline to its destination. Additionally, compressors are used to re-inject associated gas to lift liquid hydrocarbons and thereby increase the rate of crude oil production from oil and gas wells. Furthermore, compression enables gas to be stored in

underground storage reservoirs for subsequent extraction during periods of peak demand. Finally, compressors are often used in combination with oil and gas production and processing equipment to process and refine oil and gas into higher value added and more marketable energy sources, as well as used in connection with compressed natural gas vehicle fuelling facilities providing an alternative to gasoline.

Natural Gas Compression Process

1. Gas enters the Compressor skid
2. Goes through the inlet separator where excess / free water/ foreign material is removed
3. Goes into first stage compressor cylinder and is compressed
4. When compressed, temperature increases,
5. Gas goes to cooler for cooling
6. When cooled, liquid is formed
7. Goes to separator to separate liquid
8. Steps 3 to 7 are repeated till desired pressure is achieved.

Process Diagram



DEEP INDUSTRIES LIMITED

INDUSTRY OUTLOOK

The most fundamental force driving the demand for gas compression and production and processing equipment is the growing global consumption of natural gas. As more gas is consumed, the demand for compression and production and processing equipment increases. The following have contributed to the rise in growth opportunities in the Natural Gas Sector:

- Increased worldwide Natural Gas consumption, particularly due to rising worldwide energy demand and preference of natural gas as the “fuel of the future” because it provides the best mix of environmental soundness, economy and availability of any energy source
- Increasing use of natural gas as a fuel source in Oil Field power generation
- Implementation of international environmental and conservation laws prohibiting the flaring of natural gas, which increases the need for gathering systems
- Continued aging of the worldwide natural gas reserve base and the attendant decline of wellhead pressures

The Indian and global industry has been witnessing rise in Natural Gas consumption over the years resulting in increase in production by the producers to match the demand.

Natural Gas Consumption in India

Energy needs in India are catered mainly by coal, oil, natural gas, hydropower, nuclear power and wind power in that order. The contribution by natural gas is only 8% of total energy requirement in India, as against around 24% at global levels. Nevertheless, with more gas finds in India, and with LNG gaining greater acceptance, the share of natural gas in India's energy consumption is set to scale up significantly in the medium to long term.

Natural gas is a preferred fuel in most of the industries as it is the cheapest relative to other crude based products and at the same more cleaner and environmental friendly as well. Natural gas consumption has increased at 6.3% CAGR in the past 10 years in India. The demand for natural gas is far exceeding the availability and it is expected to remain so for the next two decades as the new gas finds and LNG imports plus expected natural gas import from Iran will not be sufficient to cater fully to India's growing natural gas needs.

More than 70% of demand for natural gas comes from power and fertilizer sectors in India. Other major industries using natural gas are sponge iron, petrochemicals, automobile fuel etc. New power plants are coming with natural gas as fuel and fertilizer plants using naphtha is also expected to switch to natural gas over a period of time as naphtha has become very expensive in recent years, but the main concern is availability of natural gas and its price.

Indian consumption of natural gas has risen faster than any other fuel in recent years. Its demand is estimated around 150 million metric standard cubic metres per day (mmscmd) whereas the supply is around 80 mmscmd only. Hence, there lies a gap of 70 mmscmd at present. Reliance Industries Limited is expected to commence production from 2006-07 and the estimated figure is 40 mmscmd. But by 2006-07, the demand for natural gas in India is expected to scale up to around 230 mmscmd thereby leaving a big gap again. By 2025 the expected demand is around 390 mmscmd of natural gas and as a result demand is expected to outpace supply for a very long time.

Natural gas can provide a clean fuel and at a lower cost compared to crude oil based fuels. The cost of natural gas is not even half the price of crude oil based fuels at present. With price of crude oil breaching \$55 per barrel twice in the last six months, it is imperative that alternative to crude oil has to be explored seriously and natural gas is the most suitable option in this regard.

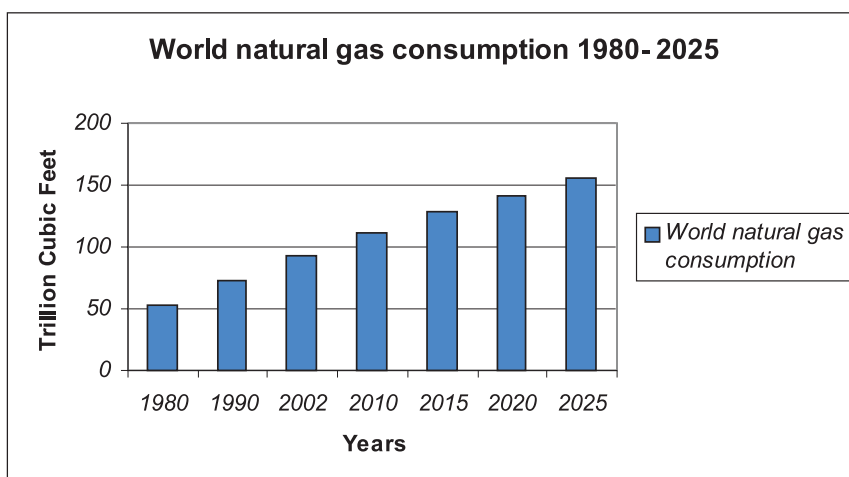
The share of natural gas in the country's energy consumption is set to scale up significantly from around 7% at present to about 20% by 2025. India plans to import LNG from Iran, Turkmenistan and Myanmar to partly satisfy the surging demand. With more gas finds, LNG imports set to increase natural gas availability, they will still not be able to cater to the growing domestic requirements. But with slow but purposeful move away from administered pricing regime, atleast in respect of new gas finds, the natural gas industry is posed for significant scaling up of revenues and profitability.

(Source: Capital Line: April, 2005)



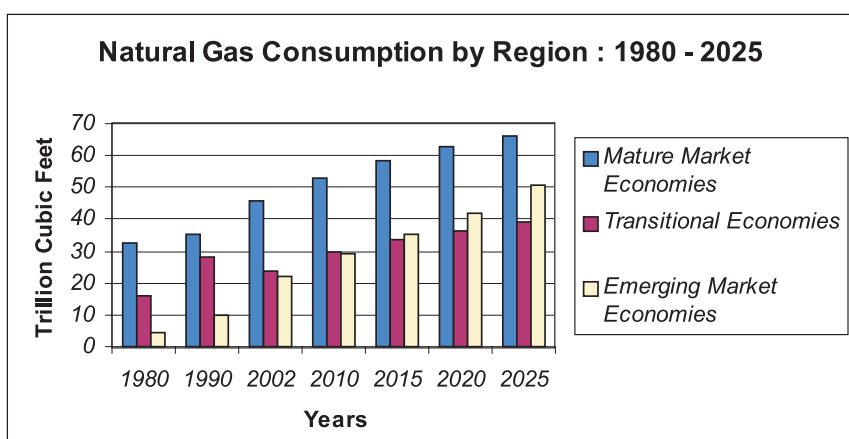
Natural Gas Compression Worldwide

Natural Gas is projected to be the fastest growing component of world primary energy consumption in the *International Energy Outlook 2005 (IEO2005)*. Consumption of natural gas worldwide increases in the forecast by an average of 2.3 percent annually from 2002 to 2025, compared with projected annual growth rates of 1.9 percent for oil consumption and 2.0 percent for coal consumption. From 2002 to 2025, consumption of natural gas is projected to increase by almost 70 percent, from 92 trillion cubic feet to 156 trillion cubic feet, and its share of total energy consumption on a Btu basis is projected to grow from 23 percent to 25 percent. The electric power sector accounts for almost one-half of the total incremental growth in worldwide natural gas demand over the forecast period.



Source: Data up to 2002: EIA, *International Energy Annual*, 2002 DOE/EIA-0219 (2002), website: eia.doe.gov/iea
Data after 2002: EIA Systems for the analysis of Global Energy Markets, 2005

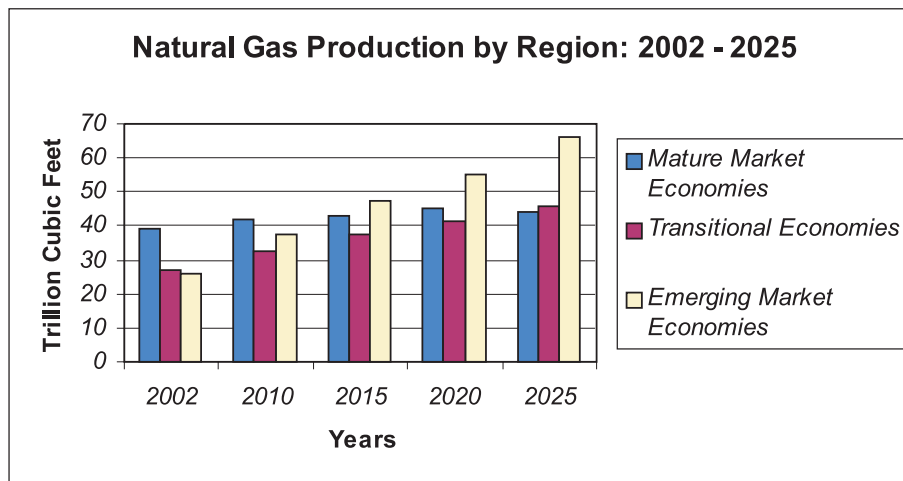
On a regional basis, the largest increases in natural gas consumption worldwide are projected for the transitional economies of Eastern Europe and the former Soviet Union (EE/FSU) and for emerging Asia. Natural gas use in the EE/FSU expands by 63 percent over the projection period; and in emerging Asia, gas use is expected to nearly triple from 2002 to 2025. In the mature market economies, where natural gas markets are more established, consumption of natural gas is projected to increase by a more modest annual average of 1.6 percent from 2002 to 2025, with the largest incremental growth in the mature market economies projected for North America, at 11 trillion cubic feet.



Source: Data upto 2002: EIA, *International Energy Annual*, 2002 DOE/EIA-0219 (2002), website: eia.doe.gov/iea
Data after 2002: EIA Systems for the analysis of Global Energy Markets, 2005

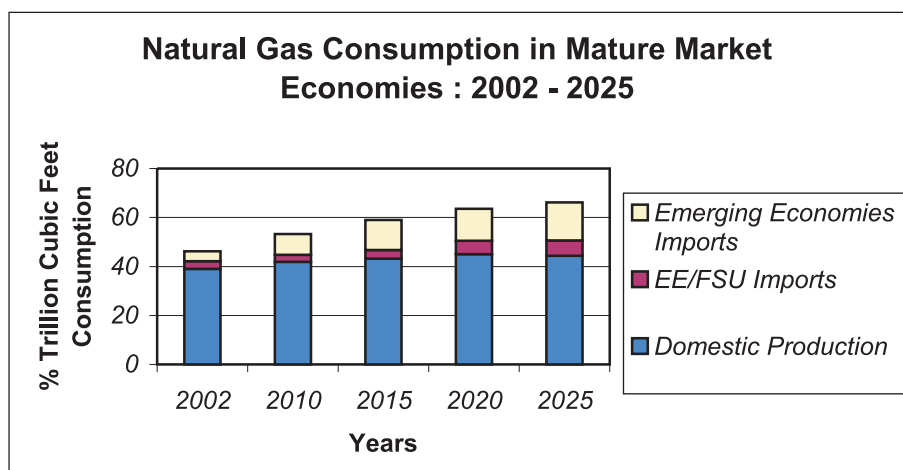
DEEP INDUSTRIES LIMITED

The emerging economies are also expected to show the strongest growth in natural gas production, with a projected average increase of 4.1 percent per year from 2002 to 2025 in the reference case. In contrast, natural gas production in the transitional economies is projected to grow at an average annual rate of 2.3 percent, and production in the mature market economies is expected to increase by an average of only 0.6 percent per year from 2002 to 2025.



Source: Data upto 2002: EIA, International Energy Annual, 2002 DOE/EIA-0219 (2002), website: eia.doe.gov/iea
Data after 2002: EIA Systems for the analysis of Global Energy Markets, 2005

The disparity between the increase projected for natural gas consumption in the mature market economies and the much smaller increase projected for their gas production points to an increasing dependence on the transitional and emerging market economies for gas supplies. In 2002, the mature market economies accounted for 42 percent of the world's total natural gas production and 50 percent of the world's natural gas consumption; in 2025, they are projected to account for only 29 percent of production and 43 percent of consumption. As a result, the mature market economies are expected to rely on imports of natural gas from other parts of the world to meet almost one-third of their natural gas consumption in 2025, up from 15 percent in 2002.



Source: Data upto 2002: EIA, International Energy Annual, 2002 DOE/EIA-0219 (2002), website: eia.doe.gov/iea
Projections: EIA, Systems for the Analysis of Global Energy Markets, 2005

This shows that the world and mainly the U.S. market, for both the purchase and rental of natural gas compression equipment, is expected to continue to improve due to the increased demand for natural gas, the continued aging of the natural gas reserve base and the attendant decline of wellhead pressures, the discovery of new reserves and the continuing interest in outsourcing compression by independent producers.



Outsourcing Services of Gas Compression

Gas producers, transporters and processors historically owned and maintained most of the compression equipment used in their operations. Changing well and pipeline pressures and conditions over the life of a well often required producers to reconfigure or change their compressor units to optimize the well production or pipeline efficiency. Due to the technical nature of the equipment, a dedicated local parts inventory, a diversified fleet of natural gas compressors and a highly trained staff of field service personnel are necessary to perform such functions in the most economic manner. These requirements have resulted in diversion of time, energy and resources from their core business activities of Oil & Gas production. The advent of rental and contract compression made it possible for oil and natural gas producers, natural gas transporters and processors to improve the efficiency and financial performance of their operations. Outsourcing contract compression equipment offers customers/producers the following advantages:

- The ability to efficiently meet their changing compression needs over time while limiting their capital investments in compression equipment;
- Access to the compression service provider's specialized personnel and technical skills, including engineers, field service and maintenance employees, which generally leads to improved run-times and production rates; and
- Overall reduction in their compression costs through the reduction or elimination of capital investment in equipment, spare parts inventory and other expenditures associated with owning and maintaining compressor units.

Outsourcing of compression equipment enables an oil and gas producer to better match variable compression requirements to the production needs throughout the life of the well. Further, outsourcing typically provides the customer more timely and technically proficient service and maintenance, which often reduces operating cost. Worldwide, oil and natural gas companies are seeking to streamline their operations and reduce their capital expenditures and other costs and outsourcing the compression activities.

Competition in the Gas Compression Service Sector

The compression market on rental basis in India is at a nascent stage and the Oil & Gas producers in India are now intending to outsource their compression requirements so as to focus on their core business. Domestically, John Energy Limited and Shiv-Vani Oil & Exploration Services Limited provide Gas compression services. However, they are focusing their efforts more on rig business. Currently, there are not many players in the domestic market who have the capability and experience in compression service industry. Further new players would require time and money to understand and execute compression contracts effectively and thus there will be time lag for competition to come into play in a major way in an industry where sub-performance/non-performance of contract attract heavy penalty.

Internationally, Hanover Company Inc., USA and Universal Compression, USA are the major companies in the Gas Compression business.

The ability of our Company to design tailor made compressor package for flexible use by the customers would provide the competitive edge to the company to cater to the international market.

DEEP INDUSTRIES LIMITED

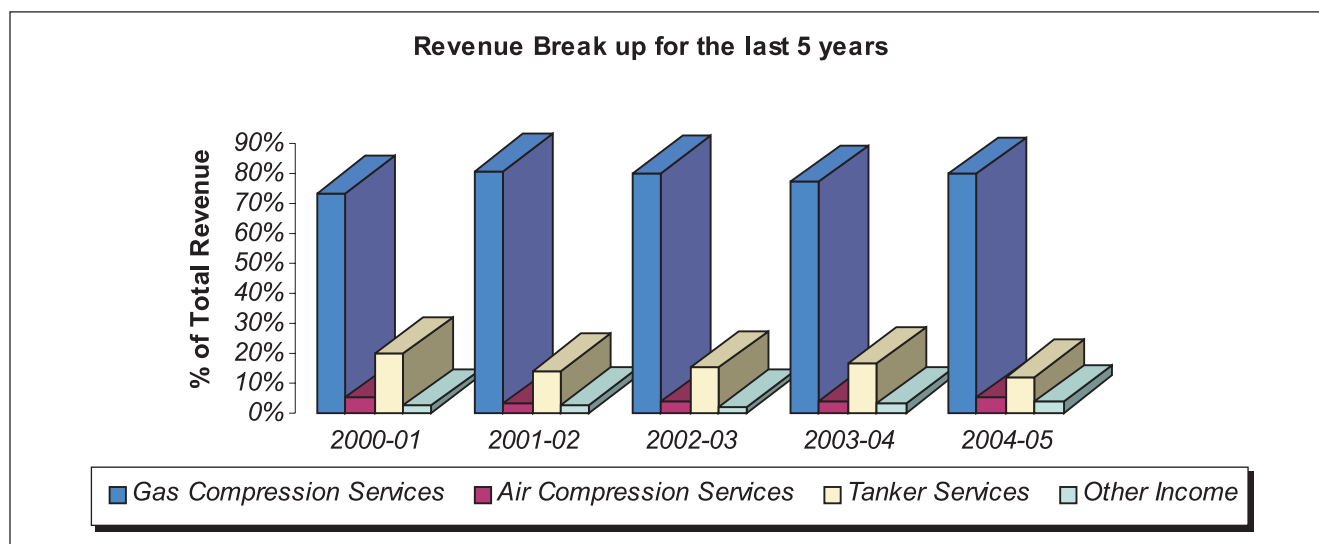
BUSINESS OVERVIEW

OUR BUSINESS

Our Company was incorporated in the year 1991 with the registered office at Ahmedabad, primarily for providing value added, dedicated and professional services to the Oil & Gas clients in India. After 9 years of compression services to the domestic oil and gas exploration companies, including Oil & Natural Gas Corporation Limited (ONGC), GACL and others, we are now expanding our operations to the international market, viz., United States of America, Middle East and Asian countries.

Our Activities

We provide Air and Gas Compression Services to Oil & Gas Exploration Companies. We currently compete primarily in the market for transportable natural gas compression units of up to 2400 HP. We also provide transportation services for transport of liquid. However, we have gradually moved from a liquid transport service provider to compression service providers. The current primary activity of our company includes providing compression services to our clients as is reflected below in the revenue break up for the last 5 years given below:



We are in the business of providing comprehensive contract Air & Gas compression services, which include operation and maintenance services. When providing full contract compression service, we work closely with a customer's field service personnel so that the compressor can be adjusted to efficiently match changing characteristics of the gas produced. We provide maintenance services on substantially all of our fleet units. Maintenance services include the scheduled preventive maintenance, repair and general up-keep of compressor equipment. We also offer installation services, which for our typical mid-range and smaller horsepower units involve significantly less engineering and cost than the comprehensive service concept prevalent in the international markets. We also routinely repackage or reconfigure some of our existing fleet to adapt to our customers' needs.

We generally operate the large horsepower compressors under comprehensive compression services contracts and include the operations fee as part of the contract compression rate. Large horsepower units are more complex and, by operating the equipment ourselves, we reduce maintenance and overhaul expenses. Our field compression equipment is maintained in accordance with daily, weekly, monthly and annual maintenance schedules. These maintenance procedures are updated as technology changes and as our operations group develops new techniques and procedures. In addition, because our field technicians provide maintenance on substantially all of our contract compression equipment, they are familiar with the condition of our equipment and can readily identify potential problems. In our experience, these procedures maximize equipment life and unit availability and minimize avoidable downtime. Generally, each of our units undergoes a major overhaul once every six to eight years. A major overhaul involves the rebuilding of the unit to materially extend its economic useful life or to enhance the unit's ability to fulfill broader or different contract compression applications.



We believe that our fabrication and after market service businesses provide us with opportunities to cross-sell our contract compression services. We have standard contracts for rates and terms on the compressors in our fleet. Through negotiations, these rates and contracts may be modified. Optional items such as oil, antifreeze, freight, insurance and other items may be either itemized or included in the basic monthly contract compression rate. Initial period of contract for Gas Compression are usually 2 years with extension of one years, with some projects committed for as long as five years. At the end of the initial term, contract compression services can continue at the option of the customer on a month-to-month basis or the compressor may be returned or replaced with a different compressor.

Our Company was awarded as a contractor member in good standing by International Association of Drilling Contractors (IADC) and has received ISO 9001-2000 certificate for Quality Management from BVQI (India) Private Limited.

Our achievement is mainly due to our experienced professionals who have extensive background in the natural gas compression and service industry and expertise in sales, procurement, engineering, project management, capital formation and operations of Gas/Air compression equipment, Work over Rigs, Drilling Rigs and other associated services. Our work force is around 71 personnels who have vast and diversified experience in the field of technical, logistics, administration, etc. which enable us in operating our compressors, rigs and maintenance facilities as per International oil field standards. The experience gained over years of servicing to the Oil & Gas Sector enables us to design and configure compressor packages with flexible capacity options to meet multiple requirements of our clients.

We have leased a facility in Gandhinagar, to undertake refurbishment, repairs and retrofitting of the existing/newly acquired equipment of own self or the clients. Our company also builds compressor packages on outsource basis in India. We intend to package or supply new technology and environment friendly CNG, Process gas compressors and associated equipment for CNG plants in India.

We have joined hands with experienced companies like M/s Valerus Compression Services Limited, Partnership, Houston Texas for Gas Compressors and production equipments to act as Sales Representatives for Valerus in all over Asian Region. We have recently, in January 2006, entered into a MoU with PT Indrillco Bakti, Jakarta-13260, Indonesia, for providing of technical know-how/collaboration in connection with work over services for 30 to 200 Ton capacity Rigs. Further, we are in process of joining hands with reputed suppliers/manufacturers of oil and gas equipment to further strengthen our service activities to the Oil & Gas Sector.

OUR MISSION

Our goal is to provide full service and offering “Total Solutions” for the Oil & Gas handling needs of the energy industry. In order to achieve the company’s goal of becoming leading Oilfield service provider, specializing in natural gas handling, including gas compression, treating facilities and production equipment, we will implement a strategy to provide equipment in a timely manner that meets and exceeds design and service requirement of the customers. In addition, we will strive to offer innovative solutions to gas producers and users to lower their cost and add flexibility to their over all operations. Our company is prepared to undertake significant growth by focusing on specialized activities and offering a broad spectrum of skills to serve a wide clientele base for Oil Gas Exploration, Engineering, Servicing, Transportation, Natural Gas Compression and other allied services furnishing entire range of activities from concept to completion as required by Oil, Gas and Petrochemical Industries. Our company endeavors to achieve a reputation of providing quality and timely services.

OUR BUSINESS STRATEGY

Our business strategy is to meet the evolving needs of our customers by providing consistent and dependable services and products, and to take advantage of our size and broad geographic scope to expand our customer base. The key elements of our business strategy are described below:

- *Provide a wide range of quality compression services and products.* We plan to continue to leverage our field compression capabilities to provide services and products to customers in all segments of the natural gas compression market, including field and pipeline compression, fabrication and after market services.
- *Seek opportunities for preferred relationships.* We intend to continue to enter into strategic alliances, preferred vendor and similar long-term relationships to provide this full range of services and products to our customers.
- *Seek opportunities in select international markets.* We plan to continue to expand our existing operations in USA, Russia and Asia Pacific and offer our services in other key markets. We believe that our experience in international markets and our reputation for providing reliable contract compression services and fabricating high quality, specifically engineered compressors provides us with a solid foundation from which to further expand our business internationally.
- *To provide complete solution.* We plan to provide complete solutions in work over services. For this we have acquired one rig and we are in process to acquire equipment and technical know how to provide integrated services.

DEEP INDUSTRIES LIMITED

In order to achieve our goal of becoming the leading Oilfield service provider, specializing in natural gas handling, including gas compression, treating facilities and production equipment, our company will implement a strategy to provide equipment in timely manner that meets and exceeds design and service requirement of the customers. In addition, we will strive to offer innovative solutions to gas producers and users to lower cost and add flexibility to their over all operations. Our company is prepared to undertake significant growth by focusing on specialized activities and offering a broad spectrum of skills to serve a wide clientele base for Oil Gas Exploration, Engineering, Servicing, Transportation, Natural Gas Compression and other allied services furnishing entire range of activities from concept to completion as required by Oil, Gas and Petrochemical Industries. Our company endeavors to achieve a reputation of providing quality and timely services.

INFRASTRUCTURE FACILITIES

Land

Our Company currently occupies 2125 sq. mtrs. of land taken on lease from our promoters Mr. Paras S. Savla and Mr. Rupesh K. Savla at a monthly lease rental of Rs.7,000/-. The lease is valid upto March 31, 2010.

Plant & Machinery Owned/Proposed to be acquired by our Company

Our company is in the business of providing services to the Oil & Natural Gas producers and others. For executing its business, we own a set of Gas Compressors, Air Compressors, Gas Engines, Diesel Engines, Alternators, and other related machinery and spare parts, the details of which are given below:

(i) Compressor Packages owned by our Company:

We currently own a set of 10 compressor packages, which include Engine (Electric/Gas/Diesel based) and compressors to execute our services, out of which 2 are currently deployed in USA. The capacity, description, make, year of manufacture and location of the compressor packages is given below:

| Sr. No. | Capacity | Description | Make | Mfg Year | Location |
|---------|----------|-----------------------|----------------|--------------|--|
| 1. | 1230 HP | Gas Engine | Waukesha | 2004 1999 | ONGC Site - Unit 1, CTF Shobhasan, Mehsana, Gujarat, India |
| | 2400 HP | Compressor | Ingersoll Rand | | |
| 2. | 1265 HP | Gas Engine | Caterpillar | 2004 | ONGC Site- Unit 2, CTF Shobhasan, Mehsana, Gujarat, India |
| | 2400 HP | Compressor | Ariel | | |
| 3. | 1265 HP | Gas Engine | Caterpillar | 2004 | ONGC Site - Unit 3, CTF Shobhasan, Mehsana, Gujarat, India |
| | 2400 HP | Compressor | Ariel | | |
| 4. | 200 HP | Electric Motor | Siemens | 2003 | GACL Site - Unit-I, Dahej, Gujarat, India |
| | 400 HP | Compressor | K.G.Khosla | | |
| 5. | 400 HP | Motor | Kirloskar | 2003 | GACL Site - Unit-II, Dahej, Gujarat, India |
| | 800 HP | Compressor | K.G.Khosla | | |
| 6. | 350 HP | Diesel Engine | Cummins | 2002 | Motera, Dist: Gandhinagar, Gujarat, India |
| | 800 HP | Mobile Air Compressor | K.G.Khosla | | |
| 7. | 530 HP | Gas Engine | Waukesha | 1997 | ONGC Gas Gathering Station-5, Ankleshwar, Gujarat, India |
| | 800 HP | Compressor | Gemini | | |
| 8. | 1200 HP | Compressor | Dresser Rand | 1999 | ONGC Gas Gathering Station-5, Ankleshwar, Gujarat, India |
| | 800 HP | Gas Engine | Waukesha | 2001 | |
| 9. | 530 HP | Gas Engine | Waukesha | 1997 | Leased to Valerus, USA |
| | 800 HP | Compressor | Gemini | | |
| 10. | 530 HP | Gas Engine | Waukesha | 1997 | Leased to Valerus, USA |
| | 800 HP | Compressor | Gemini | | |



(ii) Other Equipments owned by our company:

Other equipments owned by us, which can be used to meet specific customer requirement of compression. These increase the flexibility of our Company to meet varied customer needs in a short time. The capacity, description, make, and location of these equipments is given below:

| Sr. No. | Capacity | Description | Make | Location |
|---------|----------|---------------------------------|-----------------|---|
| 1. | 200 HP | Engine Gas | Cummins | Motera, Dist: Gandhinagar, Gujarat, India |
| | 125 KVA | Alternator | Kirloskar | |
| 2. | 66 HP | Diesel Engine | Shaktiman | Motera, Dist: Gandhinagar, Gujarat, India |
| | 66 KVA | Alternator | Jyoti | |
| 3. | 66 HP | Diesel Engine | Shaktiman | Motera, Dist: Gandhinagar, Gujarat, India |
| | 66 KVA | Alternator | Jyoti | |
| 4. | 125 HP | Diesel Engine | Leyland | Motera, Dist: Gandhinagar, Gujarat, India |
| | 110 KVA | Alternator | Jyoti | |
| 5. | 480 HP | Diesel Engine | Caterpillar | Motera, Dist: Gandhinagar, Gujarat, India |
| | 350 HP | Mud Pump Transmission Equipment | UPETROM Allison | |
| 6. | 1200 HP | Compressor | Khosla Crepelle | 210 KG Air Comp currently with S. Mark, Industries, Chattral, Gujarat, India. |
| 7. | 200 HP | Motor Electric | Siemens | Deployed at GACL Site, Dahej, Gujarat, India. |
| 8. | 400 HP | Motor Electric | ABB | Deployed at GACL Site, Dahej, Gujarat, India. |
| 9. | 200 HP | Gas Engine | Waukesha | Motera, Dist: Gandhinagar, Gujarat, India |
| 10. | 200 HP | Gas Engine | Waukesha | Motera, Dist: Gandhinagar, Gujarat, India |
| 11. | 800 HP | Compressor Frame | Gemini | Valerus, USA |
| 12. | 1230 HP | Gas Engine | Waukesha | Valerus, USA |
| 13. | 1230 HP | Gas Engine | Waukesha | Valerus, USA |

(iii) Work Over Land Rig and related components owned by the company.

Our company has purchased one 100 Ton Work Over Land Rig in May 2005 for venturing into work over rig related services. We are yet to put the same for commercial use. The capacity, description, make, and location of the work over rig is given below:

| Sr. No. | Capacity | Description | Make | Location |
|---------|----------|--------------------|-------------|---|
| 1. | 100 TON | Rig Carrier | Cardwell | Motera, Dist: Gandhinagar, Gujarat, India |
| 2. | 100 TON | Rig Mast | Cardwell | |
| 3. | 525 HP | Engine Diesel | Caterpillar | |
| 4. | 20 FT | Bunk House - 2 | Rishit | |
| 5. | 300 TON | Sub Structure | Simplex | |
| 6. | - | Catwalk on Trailer | Assembled | |
| 7. | 800 HP | Mud Pump | OPI Limited | |
| 8. | 1300 HP | Mud Pump | OPI Limited | |

For details of the list of Plant and Machinery proposed to be acquired by our Company from the proceeds of this Public Issue, please refer to the section titled "Objects of Issue" on page no. 19 of this Prospectus.

DEEP INDUSTRIES LIMITED

UTILITIES

Power

Power is already available from Torrent Power AEC Ltd. to the extent of 10 KW for industrial use and 32 KW for domestic use. The existing power requirement will be sufficient for the needs of our company. The power requirement for the main machineries, viz., the compressors is provided by our client at whose project site these compressors shall be installed.

Water

The client shall provide the water requirement of the unit at sites, if any. Otherwise there is no specific requirement of water except normal use.

MANPOWER

The company currently has total manpower strength of 71 for carrying out its business operations at a total manpower cost of Rs.5,35,925/- per month. The detail of the same is provided under:

(Amount in Rs.)

| Sr. No. | Particulars | No. of persons | No. of shifts | Total persons | Av. Cost per month/person | Total cost Per Month |
|---------|---|----------------|---------------|---------------|---------------------------|----------------------|
| 1. | Managing and Wholetime Director | 3 | 1 | 3 | 21,667 | 65,000 |
| 2. | General Manager | 1 | 1 | 1 | 62,500 | 62,500 |
| 3. | Rig In Charge | 1 | 1 | 1 | 40,000 | 40,000 |
| 4. | Chief Financial Officer & Company Secretary | 2 | 1 | 2 | 13,630 | 27,260 |
| 5. | Manager | 8 | 1 | 8 | 11,213 | 89,700 |
| 6. | Site In Charge | 2 | 1 | 2 | 12,315 | 24,630 |
| 7. | Mechanics | 8 | 2 | 16 | 4,789 | 76,627 |
| 8. | Operator | 8 | 2 | 16 | 3,572 | 57,150 |
| 9. | Helper | 2 | 2 | 4 | 2,750 | 11,000 |
| 10. | Stores | 4 | 1 | 4 | 2,530 | 12,650 |
| 11. | Administration Staff | 3 | 1 | 3 | 4,467 | 13,400 |
| 12. | Budget, Audit & Accounts | 4 | 1 | 4 | 5,437 | 21,750 |
| 13. | Others | 7 | 1 | 7 | 4,894 | 34,258 |
| | Total | | | 71 | | 5,35,925 |

Proposed Employees

Our Company proposes to recruit further 25 employees to carry out the business activities smoothly on expansion. Our Company proposes to deploy the compressors, procured from the issue proceeds, both in India and abroad. Hence, the requirement of personnel is both in India and abroad. The requirement details is given below:

| Sr. No. | Designation | ONGC Ltd. | Indonesia | U.S.A. | Total Employees |
|---------|-------------------------|-----------|-----------|----------|-----------------|
| 1. | Plant Manager | 1 | - | - | 1 |
| 2. | Country Manager | - | 1 | 1 | 2 |
| 3. | Operation & Maintenance | - | - | 1 | 1 |
| 4. | Shift Manager | 3 | - | - | 3 |
| 5. | Mechanic | 3 | 1 | 3 | 7 |
| 6. | Operator | 7 | 1 | - | 8 |
| 7. | Helper | 3 | - | - | 3 |
| | Total | 17 | 3 | 5 | 25 |



CAPACITY AND CAPACITY UTILISATION

Since our Company is in the business of providing air & gas compression services to the Oil & Gas Sector and not a manufacturing concern the details are not available.

PURCHASE OF PROPERTY

There is no property which our Company has purchased or acquired or proposes to purchase or acquire which is to be paid for whole, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Prospectus.

Our Company has taken land of approx. 2125 sq. mtrs on leasehold basis from Mr. Paras S. Savla and Mr. Rupesh K. Savla, our promoter directors, for use as Registered Office and workshop shed and godown for storage of spare parts & consumables. The same is located at Opp. Suryanarayan Bunglows, Sabarmati-Kalol State Highway, Motera, Dist: Gandhinagar, Gujarat-380005. The lease agreement is valid for 5 years effective from 1st April 2005 and up to 31st March 2010. The lease rentals payable is Rs. 3500/- per month each to Mr. Paras S. Savla and Mr. Rupesh K. Savla.

Insurance

| Sr. No. | Particulars | Insurance Company | Nature of Policy |
|---------|---|--|--|
| 1. | Plant and machinery, Air Compressors, Tankers, stocks and spare parts and buildings | Oriental Insurance Co. Ltd., United India Assurance Co. Ltd., Bajaj Alliance General Co. Ltd., IFFCO TOKIO General Insurance Co. Ltd. | Fire and Breakdown |
| 2. | Vehicles | United India Assurance Co. Ltd., Bajaj Alliance General Co. Ltd., IFFCO TOKIO General Insurance Co. Ltd. | Motor Car Insurance |
| 3. | Staff Insurance | United India Assurance Co. Ltd., Bajaj Alliance General Co. Ltd., Oriental Insurance Co. Ltd., Cholamandalam GIC Ltd. | Staff Mediciam, Public Liability |
| 4. | Directors | Bajaj Alliance General Co. Ltd. | Travel Protector Mediciam |
| 5. | Miscellaneous. (Safe Transit, Xerox Machine) | United India Assurance Co. Ltd., IFFCO TOKIO General Insurance Co. Ltd. | Transit Insurance, Electric Equipumnt Break down |

The assets of our Company consisting of building, plant & machinery, vehicles, etc. are adequately insured.

Environmental Aspects

There is no environmental aspect, which is of concern to our company.

Research & Development

Our Company does not carry out any Research and Development Program.

Export Obligation

Our company is paying full duty on imports and currently there is no export obligation on our company.

MARKETING & SELLING ARRANGEMENTS

In the domestic market, our Company primarily gets business from ONGC. The contract is awarded by ONGC through a tender process in which bid is invited and contract is awarded to the lowest bidder. However, with the recent opening of the Oil & Gas Sector for the private sector, our company can directly approach the clients.

Further, in the international market, our company has developed good business relationships with M/s Valerus Compression Services Limited Partnership, a Texas, USA based Partnership firm with whom the company already has Gas Compression Equipment Operation Lease Agreement for giving on operating lease 3 Compressor Packages for a period of 5 years which guarantees a minimum operation lease rent of USD3500 per month for each unit. The Company deploys its compressors in the USA market through Valerus since Valerus is an established player in the USA market and currently it is difficult for the company to directly enter the USA market and place its own personnel overseas to carry out contracts directly. Thus, the Company has entered into a Gas Compression Equipment Lease Agreement with Valerus under which the Company gives compressors on lease basis to Valerus who further deploys these compressors in the USA market.

DEEP INDUSTRIES LIMITED

COLLABORATION

Our Company has recently entered into a MoU with PT Indrillco Bakti, Jakarta-13260, Indonesia, for availing technical know-how/collaboration in connection with work over services for 30 to 200 Ton capacity Rigs.

Major Customers

Currently, our Company has ongoing Gas & Air Compression Contracts with ONGC and GACL. The details about our major customers and revenues generated from them over last 5 years is given below:

(Rs. In Lacs)

| Particulars | 2004-05 | 2003-04 | 2002-03 | 2001-02 | 2000-01 |
|---|---------------|---------------|---------------|---------------|---------------|
| ONGC – Gas Compression Services for Commercial Supply | 544.88 | 689.56 | 726.55 | 787.73 | 441.24 |
| GACL – Gas Compression Services as fuel booster | 111.74 | 56.15 | - | - | - |
| ONGC – Air Compression Services for Well Servicing | 40.68 | 35.95 | 32.00 | 26.84 | 28.48 |
| ONGC – Transport Services | 20.29 | 58.41 | 48.60 | 66.44 | 53.46 |
| IOC – Transport Services | 21.82 | 15.75 | 23.86 | 24.69 | 47.31 |
| Total | 739.41 | 855.82 | 831.01 | 905.70 | 570.49 |

Apart from ONGC and GACL, with whom we already have existing contracts, our company has recently bid for work over rig related services with Gujarat State Petroleum Corporation Ltd., for operation and maintenance contract for compressor units with NIKO Resources Ltd. and for Gas Booster Compressor applications with Bangladesh Gas Field Corporation Ltd. In the overseas market, we are negotiating with Valerus, USA and an oil company in Jakarta, Indonesia for deployment of our compressors.

OTHER BUSINESS

Recent Initiative

The Government of India, as part of its policy of inviting private participation in the Oil & Gas exploration sector, had invited bids for 10 blocks of Coal Bed Methane (CBM), located across India, for Gas Exploration activities. The bidding process involves submission of bid, technical evaluation of the bidder (which takes around 2-3 months), successful satisfaction of other parameters and finally issue of formal Letter of Intent (LOI). Once the LOI is issued, the company enters into a formal contract with Gol and can start exploration activities. The exploration activities is divided into different phases with option to the company to quit the contract after the end of each phase.

The CBM bidding was open till June 30, 2006 wherein around 54 bidders including all major oil and gas exploration companies, either individually or under a consortium, have made their bids for these CBM blocks. Our Company, which is already owning compression equipments and rigs, essential for gas exploration, has found ample opportunities in bidding for these blocks. Accordingly, the company has bid for 1 CBM block in Andhra Pradesh jointly with Coal Gas Mart LLC, USA and Adinath Exim Resources Limited, Ahmedabad and 1 CBM block in Madhya Pradesh jointly with Coal Gas Mart LLC, USA. The company has recently entered into Memorandum of Understanding with Coal Gas Mart LLC, USA and Adinath Exim Resources Limited towards the same. Our consortium has been short listed for the 2 CBM Blocks bid for by the Directorate General of Hydrocarbons and the same has been forwarded to the petroleum ministry for vetting.

Our Company, along with our joint bidders Coal Gas Mart, USA and Adinath Exim Resources Limited have also submitted a Minimum Work Program (MWP) to Gol. While submitting the respective bids for the 2 blocks, under which the cost for Phase I (2 years from start of contract) of the exploration activity has been given at Rs.1022 Lacs. The company has the option to exit the contract after the completion of the above referred Phase I. The bidders are required to produce Bank Guarantee equal to 35% of the MWP, which comes to about Rs.358 Lacs for two years. For one year the Bank Guarantee comes to Rs.179 Lacs. Our Company's share out of the total Bank Guarantee is Rs.114 Lacs for one year. The Bank Guarantee is to be provided before each activity in the phase, on the basis of the value of the activity to be completed. Our Company intends to meet the margin of 20% for the Bank Guarantee out of internal accruals.

KEY INDUSTRIAL REGULATION

All Commercial Acts are applicable to our Company and there is no specific Act or regulation applicable to the industry in which our Company operates.



HISTORY AND CORPORATE STRUCTURE

OUR HISTORY AND BACKGROUND

Our Company was incorporated in the year 1991. We provide Air and Gas Compression Services to Oil & Gas Exploration Companies. We currently compete primarily in the market for transportable natural gas compression units of upto 2400 HP. We also provide transportation services for transport of liquid. However, we have gradually moved from a liquid transport service provider to compression service providers. The current primary activity of our company includes providing Compression services to our clients.

HISTORY AND MAJOR EVENTS

The Key events in the business of our company are as follows:

| Year | Milestone Achieved |
|------|--|
| 1991 | Commenced activities of providing liquid transportation services |
| 1994 | Strategic shift from providing Crude Oil/Liquid transport services to providing Air/Gas Compression Services |
| 1994 | Bagged contract to provide High Pressure Air Compressors on charter hire basis to ONGC, for its Ahmedabad project |
| 1997 | Bagged contract to provide Natural Gas Compressors on charter hire basis to ONGC, for its Mehsana project |
| 1998 | Bagged contract to provide Natural Gas Engine based power generation packages on charter hire basis. |
| 2001 | Entered into Gas Compression Equipment Lease and Service Agreement with Hanover Asia Inc., USA for taking on lease Gas Compressors. |
| 2004 | Entered into Sales Representation Agreement with Valerus Compression Services Limited Partnership, USA to act as Sales Representatives in the Asian Region. |
| 2005 | Purchased one 100 Ton Cardwell KB 500 S Axle Mobile Rig as a step towards becoming an integrated service provider to the Oil & Gas Sector. |
| 2005 | Awarded ISO 9001 – 2000 certification. |
| 2005 | Awarded as a contractor member in good standing by International Association of Drilling Contractors (IADC) |
| 2006 | Entered in to Memorandum of Understanding with PT Indrillco Bakti, Jakarta, Indonesia for availing technical know-how/collaboration in connection with work over services for 30 to 200 Ton capacity Rigs. |

Changes in our Registered Office

Our registered office is currently situated at Opposite Suryanarayan Bunglows, Sabarmati-Kalol State Highway, Motera, Dist: Gandhinagar, Gujarat – 380 005.

The registered office of our Company was initially at 1, Super Bazar, Naranpura Char Rasta, Naranpura, Ahmedabad, Gujarat – 380 013.

On February 01, 1996, the registered office of our Company was shifted to A/1Hightech Apartments, Neelkanth Park, Navrangpura, Ahmedabad, Gujarat – 380 009.

On February 08, 1997 the registered office of our Company was shifted to 705 Premium House, Opposite Gandhi Gram Railway Station, Ellis Bridge, Ahmedabad, Gujarat – 380 006.

On April 30, 1998 the registered office of our Company was shifted to the present premises at Opposite Suryanarayan Bunglows, Sabarmati- Kalol State Highway, Motera, Gandhinagar, Gujarat – 380 005.

DEEP INDUSTRIES LIMITED

MAIN OBJECTS OF OUR COMPANY

To provide latest equipments like Air Compressor, Gas Compressor, rigs and other equipments, efficient services like operation and maintenance, man power deployment and execution of turnkey projects related to oil gas sector on charter hire basis and carry on business of transport operators, cartegers and haulage contractors, garage proprietors, owners, charters and lessors of road vehicles of every description and to act as carriers of goods by road, rail, water, air cartage contractors, forwarding, transporting and commission agents, custom agents, wharfingers, cargo superintendents, packers, warehouseman, store-keeper and job-masters and carry on any where in India and out of India the business of running of transportation of all kinds on such lines/routes as the Company may deem fit and to transport all types of goods and generally to carry on the business of the common carriers.

Changes in Memorandum of our Company

Since incorporation of our Company, the following changes have been incorporated in the Memorandum, after approval of the members:

| Sr. No. | Particulars | Date of Resolution | AGM/ EGM |
|---------|---|--------------------|----------|
| 1. | Authorized Capital was increased from Rs. 5 Lacs to Rs.100 Lacs | 19/12/1996 | EGM |
| 2. | Name was changed to Deep Industries Private Limited | 05/02/1997 | EGM |
| 3. | Name was changed to Deep Industries Limited | 05/02/1997 | EGM |
| 4. | Authorized Capital was increased from Rs.100 Lacs to Rs.150 Lacs | 20/02/1997 | EGM |
| 5. | Authorized Capital was increased from Rs.150 Lacs to Rs.250 Lacs | 18/01/1999 | EGM |
| 6. | Authorized Capital was increased from Rs.250 Lacs to Rs.500 Lacs | 22/02/1999 | EGM |
| 7. | Authorized Capital was increased from Rs.500 Lacs to Rs.650 Lacs | 18/02/2003 | EGM |
| 8. | Alteration of Main Objects | 15/12/2004 | EGM |
| 9. | Authorized Capital was increased from Rs.650 Lacs to Rs.700 Lacs | 20/10/2005 | EGM |
| 10. | Authorized Capital was increased from Rs.700 Lacs to Rs.2150 Lacs | 31/12/2005 | EGM |

SUBSIDIARIES

We do not have any subsisting Subsidiaries as on the date of filing of this Prospectus.

SHAREHOLDING AGREEMENT

We do not have any subsisting Shareholding Agreements as on the date of filing of this Prospectus.

OTHER MAJOR AGREEMENTS

Our Company has entered into the following agreements/MoU:

- (i) Sales Representation Agreement dated August 19, 2004, with M/s Valerus Compression Services Limited Partnership ("Valerus"), a Texas based Partnership firm, having its principal office at 12200 West Little New York, Houston, Texas 77041, USA, for acting as Sales Representative for Valerus in the Asian region for Gas Compression Equipments. Under the terms of agreement, our company has been given rights to solicit orders for Gas Compression equipment, Production equipments, GE compressor parts and Valves, including field service, repairs, onsite machining, compressor revamps and spare parts, whether manufactured by Valerus, in the Asian Region. Further, Valerus has agreed to supply the company with appropriate quantities of Sales and technical literature, inform us of significant contacts, proposals, and correspondence with customers and prospects in the Asian Region and supply us with technical, commercial and financial advice to support discussions and negotiations with customers and prospects. For the sales executed through our Company, Valerus shall pay commission to us based on the net price of each product, which is sold in the Asian region on a project-by-project basis.
- (ii) Gas Compression Equipment Operation Lease Agreement dated February 10, 2005 with M/s Valerus Compression Services Limited Partnership, a Texas based Partnership firm for giving on operating lease 2 Compressors Packages,



with (2) 12.5", (1) 10", (1) 5.25" cylinders, Gemini A354 four throw compressor driven a Waukesha H24GLD engine. The lease is valid for a period of 5 years and guarantees a minimum operation lease rent of USD3500 per month for each unit. The Company deploys its compressors in the USA market through Valerus since Valerus is an established player in the USA market and currently it is difficult for the company to directly enter the USA market and place its own personnel overseas to carry out contracts directly. Thus, the Company has entered into a Gas Compression Equipment Lease Agreement with Valerus under which the Company gives compressors on lease basis to Valerus who further deploys these compressors in the USA market.

- (iii) Memorandum of Understanding dated January 20, 2006 with PT Indrillco Bakti (PIB), Jakarta-13260, Indonesia, for availing technical know-how/collaboration in connection with work over services for 30 to 200 Ton capacity Rigs. Under the terms of the MoU, PIB will fully and promptly furnish our Company with technical know-how/collaboration, which means and includes all technical expertise, technical information and application know-how for 30 and 200 Ton work over rig as per scope of work. The same is valid for a period of 3 years upto January 19, 2009.

MATERIAL CONTRACTS

The company has the following material contracts as on date of filing of this Prospectus:

| Name of Client | Site | Contract Start Date | Contract Completion Date | Brief Description of Contract | Value of Contracts (Rs. in Lacs) |
|----------------|-------------------------------|---------------------|--------------------------|---|----------------------------------|
| ONGC Ltd. | Mehsana, Gujarat | July 11, 2004 | July 10, 2006 | Compression of Natural Gas at the rate of 2,00,000 SM ³ per day, by providing all necessary equipments, manpower, consumables, lubricants, spare parts etc. at a contract price of Rs.760 per 1000SM ³ . | 1109.60 |
| ONGC Ltd. | Ahmedabad, Gujarat | May 17, 2004 | May 16, 2007 | Providing 1 No. Mobile Air Compressor, along with operating crew for minimum 80 operating hours of compressor and 1000KM of free run of compressor unit at a contract price of Rs.285000/- per month. | 68.40 |
| GACL | Dahej, Dist: Bharuch, Gujarat | May 29, 2005 | May 31, 2007 | Compression of Natural Gas at the rate of 15,000 to 30,000 SM ³ per day, by providing all necessary equipments, manpower, consumables, lubricants, spare parts etc. | 72.92 |
| IOC | Ahmedabad, Gujarat | September 01, 2005 | August 31, 2007 | Contract for transportation of Bulk Petroleum Product. | 24.79 |
| GACL | Dahej, Dist: Bharuch, Gujarat | January 01, 2006 | December 31, 2007 | Compression of Natural Gas at the rate of 20,000 to 35,000 SM ³ per day and delivery of compressed natural gas at the specified outlet conditions by providing all necessary equipments, manpower, consumables, lubricants, spare parts etc. | 78.84 |
| | | | | Total | 1354.55 |

There are no employment contracts and sales commission agreements sale and service contracts.

STRATEGIC AND FINANCIAL PARTNERS

We do not have any strategic or financial partner.

DEEP INDUSTRIES LIMITED

OUR MANAGEMENT

BOARD OF DIRECTORS

Our Company is currently managed by a Board of Directors comprising of 6 directors. The following table sets forth the details regarding our Board of Directors as on the date of filing of this Prospectus. Mr. Paras S. Savla is presently our Chairman and Managing Director.

| Name, Age, Father's Name & Address | Designation | Date of Appointment | Other Directorship |
|---|--|---|---|
| Mr. Paras S. Savla 34 years S/o Mr. Shantilal Savla 35/36 Basant Bahar Bungalows, B/H Big Daddy's Restaurant, Bopal, Ahmedabad - 380 058 | Chairman and Managing Director (CMD) | 12.05.1998 Appointed as CMD w.e.f. 01.03.2005 Not liable to retire by rotation | Savla Electronics Pvt. Ltd. Yash Organochem Pvt. Ltd. Adinath Exim Resources Ltd. |
| Mr. Rupesh K. Savla 33 years S/o Mr. Kantilal Savla 13, Krishna Society, Near Law Garden, Ellisbridge, Ahmedabad - 380 006 | Managing Director (MD) | 12.05.1998 Appointed as MD w.e.f. 01.03.2005 Liable to retire by rotation | Kanvel Finance Pvt. Ltd. |
| Mr. Dharen S. Savla 25 years S/o Mr. Shantilal Savla 35/36 Basant Bahar Bungalows, B/H Big Daddy's Restaurant, Bopal, Ahmedabad - 380 058 | Executive Director | 21.06.2004 Liable to retire by rotation | Nil |
| Mr. Harish G. Bhide 65 years S/o Mr. Gopalji Bhide A-603, Krishan Height, Thakkar Govind Nagar, Malad (East), Mumbai – 400097 | Independent Director | 28.11.2005 Liable to retire by rotation | Nil |
| Mr. Prabodh G. Baruah 59 years S/o Mr. Golapchandra Baruah 1204, Verona Building, Hiranandani Complex, Powai, Mumbai – 400 076 | Independent Director | 28.11.2005 Liable to retire by rotation | Nil |
| Mr. Vijay R. Shah 53 years S/o Mr. Ratilal Shah 3 New Meghdoot Apartment, 1, Srimali Society, Naranpura, Ahmedabad – 380 009 | Independent Director | 28.11.2005 Liable to retire by rotation | Kautilya Fin Securities Ltd. |



Brief Profile of our Directors

Mr. Paras S. Savla, who is the Chairman and Managing Director of our Company, is a Commerce Graduate from Gujarat University. He is the promoter director of our Company and under his direction and leadership our Company has witnessed growth in its operation over the years. Under his vision, our Company has moved from a transportation service provider to a compression service provider to the Oil and Gas Sector. He is having experience of more than 9 years in the gas compression services sector.

Mr. Rupesh K. Savla, who is the Managing Director of our Company, is a Commerce Graduate from Gujarat University and Masters in Business Administration from Bentley College, USA. He is having experience of more than 9 years in the co ordination and execution of projects in the gas compression services. Under his vision, and support from Mr. Paras S. Savla, our Company is moving towards becoming an integrated service provider to the Oil & Gas Sector. He is instrumental in conceptualizing and expanding the operation of our company into Work Over Rig Services.

Mr. Dharen S. Savla is a Masters in Business Administration from Swinburne University of Technology, Victoria, Australia having passed out in 2003. Since then, he has been associated with our Company, looking after the Human Resource Department, devising training needs and programs, in line with the job requirements at site and at the office. He is also looking after Work Over Rig activities. He has been appointed as a director on the Board with effect from June 21, 2004.

Mr. Harish G. Bhide, a Diploma in Mechanical Engineering from L. D. College, Moorvi, Gujarat University, has more than 40 years of experience in the area of marketing and conducting on the job training programmes and developing of various training modules. He has worked with Indian Oil Corporation Limited for 32 years - Marketing Division - in the area of Terminal Operations and LPG Operations. He has been on the panel of Oil Industry Safety Directorate (OISD) for conducting Safety Audits of Petroleum Terminals and LPG Bottling Plants. He has earlier worked as a consultant with Reliance Petroleum Limited for imparting training for Graduate Engineer Trainees for Pol/LPG Marketing. He has also worked as a consultant to Reliance Industries Limited, for training managers and staff for Retail Marketing Operations.

Mr. Prabodh G. Baruah, a post-graduate in Petroleum Technology and Bachelor Degree in Mechanical Engineering has 35 years of vast experience in Oil & Gas Industry. He started his career with Assam Gas Company 35 years back and specializes in Gas Technology. He was instrumental in providing gas to the first gas based Power Plant and the fertilized factory in India. He has worked as a member of the Task Group of the Ministry of Petroleum and Natural Gas to implement the vision of integrating the petroleum pipelines in India. He has also served as the Chairman of the Institution of Engineers of India.

Mr. Vijay R. Shah, a Fellow Member of the Institute of Chartered Accountants of India, with 23 years of experience in Accounts and Finance. He has been into practice undertaking various statutory audits, taxation and project appraisals.

Borrowing Powers of the Directors

Resolution under section 293 (1) (d) and Section 293(1)(a)

By an ordinary resolution passed at the EGM of the Company held on October 20, 2005, the Board of Directors of the Company has been authorized pursuant to Section 293(1)(d) of the Companies Act, 1956, to borrow from such sum or sums of money in any manner from time to time as may be required for the purpose of business of the Company with or without security and upon such terms and conditions as they may think fit notwithstanding that the moneys to be borrowed by the Company (apart from the temporary loans obtained by the Company's bankers in the ordinary course of the business) may exceed the aggregate of paid up share capital of the Company and its free reserves, that is to say that the total amount so borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs.50 crores (Rupees Fifty Crores only).

By an ordinary resolution passed at the EGM of the Company held on October 20, 2005, the Board of Directors of the Company has been authorized pursuant to Section 293(1)(a) of the Companies Act, 1956, to create such security as the Board of Directors may deem fit on amounts to be borrowed by the Company upto Rs.50 Crores (Rupees Fifty Crores only).

Compensation to Managing Directors and Executive Director

Mr. Paras S. Savla - Chairman & Managing Director

Vide a Board Resolution dated February 01, 2005, Mr. Paras S. Savla was appointed as the Chairman & Managing

DEEP INDUSTRIES LIMITED

Director of our Company with effect from March 01, 2005. Vide a resolution passed at the General Meeting of our Company on March 01, 2005, Mr. Paras S. Savla was appointed as the Chairman and Managing Director for a period of five years. As per the terms of the said resolution Mr. Paras S. Savla is entitled to draw his salary and benefits as per his service conditions with our Company and in respect of which all expenses including contribution towards provident funds, pension and gratuity shall be reimbursed by our Company as stated herein under:

A. Remuneration:

- (i) Basic Salary of Rs. 25,000/- per month.

B. Perquisites in addition to the above:

- (i) Company's Contribution towards Provident Fund and Superannuation fund – The Company is not providing any amount towards contribution of Provident Fund and Superannuation Fund to the Managing Directors.
- (ii) Gratuity –As per rules of the Company, it is paid in cash basis.
- (iii) Earned/Privilege Leave- As per rules of the Company, Leave accumulated but not availed during the tenure may be allowed to be carried forward to the extent of maximum 36 days for the year and 72 days for the whole of employment tenure.
- (iv) Provision of self- driven car for the business of the Company.
- (v) Telephone at Residence for official use to be paid by the company.
- (vi) Cost of Mobile Instrument and its bill will be paid by the Company.
- (vii) Life Insurance Premium upto Rs.1,50,000/- to be paid by the Company under Employer- Employee Scheme.
- (viii) Perquisites such as reimbursement of expenses for electricity, to be borne by the company.

The Board of Directors are authorized to provide for reimbursement of entertainment, traveling and other expenses actually and properly incurred in course of the business of our Company and such other benefits/amenities and other privileges as may from time to time be available to other executives of the Company.

Mr. Rupesh K. Savla – Managing Director

Vide a Board Resolution dated February 01, 2005, Mr. Rupesh K. Savla was appointed as the Managing Director of our Company with effect from March 01, 2005. Vide a resolution passed at a general meeting of our Company on March 01, 2005, Mr. Rupesh K. Savla was reappointed as the Managing Director for a period of five years. As per the terms of the said resolution Mr. Rupesh K. Savla is entitled to draw his salary and benefits as per his service conditions with our Company and in respect of which all expenses including contribution towards provident funds, pension and gratuity shall be reimbursed by our Company as stated herein under:

A. Remuneration:

- (i) Basic Salary of Rs. 20,000/- per month.

B. Perquisites in addition to the above:

- (i) Company's Contribution towards Provident Fund and Superannuation fund – The Company is not providing any amount towards contribution of Provident Fund and Super Annuation Fund to the Managing Directos.
- (ii) Gratuity –As per rules of the Company, it is paid in cash basis.
- (iii) Earned/Privilege Leave- As per rules of the Company, Leave accumulated but not availed during the tenure may be allowed to be carried forward to the extent of maximum 36 days for the year and 72 days for the whole of employment tenure.
- (iv) Provision of self- driven car for the business of the Company.
- (v) Telephone at Residence for official use to be paid by the company.
- (vi) Cost of Mobile Instrument and its bill will be paid by the Company.
- (vii) Life Insurance Premium upto Rs.1,50,000/- to be paid by the Company under Employer- Employee Scheme.
- (viii) Perquisites such as reimbursement of expenses for electricity, to be borne by the company.



The Board of Directors are authorized to provide for reimbursement of entertainment, traveling and other expenses actually and properly incurred in course of the business of our Company and such other benefits/amenities and other privileges as may from time to time be available to other executives of the Company.

Mr. Dharen S. Savla – Executive Director

Vide a resolution passed at the Extra-Ordinary General Meeting held on June 21, 2004, Mr. Dharen S. Savla was appointed as Executive Director of our Company with effect from June 21, 2004. Mr. Dharen S. Savla is entitled to draw his salary and benefits as per his service conditions with the Company and in respect of which all expenses including contribution towards provident funds, pension and gratuity shall be reimbursed by the Company as stated herein under:

A. Remuneration:

- (i) Basic Salary of Rs.20,000/- per month.

B. Perquisites in addition to the above:

- (i) Company's Contribution towards Provident Fund and Superannuation fund – The Company is not providing any amount towards contribution of Provident Fund and Superannuation Fund to Wholetime directors.
- (ii) Earned/Privilege Leave- As per rules of the Company, Leave accumulated but not availed during the tenure may be allowed to be carried forward to the extent of maximum 36 days for the year and 72 days for the whole of employment tenure.
- (iii) Provision of self- driven car for the business of the Company.
- (iv) Telephone at Residence for official use to be paid by the company.
- (v) Cost of Mobile Instrument and its bill will be paid by the Company
- (vi) Life Insurance Premium upto Rs.1,10,000/- to be paid by the Company under Employer- Employee Scheme.

The Board of Directors are authorized to provide for reimbursement of entertainment expenses, travelling expenses and other expenses in connection with business of the Company and such other benefits/amenities and other privileges as may from time to time be available to other executives of the Company.

DEEP INDUSTRIES LIMITED

CORPORATE GOVERNANCE

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance and the SEBI Guidelines in respect of corporate governance will be applicable to our Company immediately upon the listing of our Company's Equity Shares on the Stock Exchanges. Our Company undertakes to adopt the Corporate Governance Code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges prior to the listing of our Equity Shares. Our Company has complied with such provisions, including with respect to constitution of the following Board Committees: the Audit Committee, Investor Grievance Committee and the Remuneration Committee.

We believe in adopting the best corporate governance practices, based on the following principles in order to maintain transparency, accountability and ethics:

1. Recognition of the respective roles and responsibilities of Board and the management;
2. Independent verification and assured integrity of financial reporting;
3. Protection of shareholder's right and priority for investor relations; and
4. Timely and accurate disclosure on all material matters concerning operations and performance of the company.

At present, the following committees have been formed in compliance with the Corporate Governance norms.

- a. Audit Committee
- b. Remuneration Committee
- c. Shareholders Grievance Committee

Audit Committee

The Audit Committee was constituted in pursuance of the Resolution passed by the Board of Directors at its meeting held on July 21, 2003 and was reconstituted on November 28, 2005

The Audit Committee provides directions to and reviews functions of the Audit department. The Committee evaluates internal audit policies, plans, procedures and performance and reviews the other functions through various internal audit reports and other year-end certificates issued by the statutory auditors. Quarterly and Annual Accounts are placed before the Audit Committee, prior to being presented to the Board along with the recommendations of the Audit Committee.

The terms of reference of Audit Committee complies with the requirements of Clause 49 of the listing agreement entered into with the Stock Exchanges. The Audit Committee of the company comprise of three directors, all of whom are independent and non-executive.

| Sr. No. | Name of Director | Designation of the Committee |
|---------|-----------------------|------------------------------|
| 1. | Mr. Vijay R. Shah | Chairman |
| 2. | Mr. Harish G. Bhinde | Non-Executive Members |
| 3. | Mr. Prabodh G. Baruah | Non-Executive Members |

The terms of reference of the Audit Committee are given below:

- a. Review the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommend the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- c. Review with the management the quarterly, half yearly/annual financial statements before submission to the Board, focussing primarily on:
 - i. Any change in accounting policies and practices.
 - ii. Major accounting entries based on exercise of judgment by management.



- iii. Qualifications in draft audit report.
- iv. Significant adjustments arising out of audit.
- v. The going concern assumption.
- vi. Compliance with accounting standards.
- vii. Compliance with legal requirements concerning financial statements.
- viii. Any related party transactions i.e transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of company at large.
- d. Review with the management, external and internal auditors, the adequacy of internal control systems.
- e. Review the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- f. Discuss with internal auditors any significant findings and follow up thereon.
- g. Discuss with external auditors before the audit commences nature and scope of audit as well as have post audit discussion in the area of concern.
- h. Review the company's financial and risk management policies.
- i. Any other matter that may be delegated by the Board from time to time.

Remuneration Committee

The Remuneration Committee was constituted in pursuance of the Resolution passed by the Board of Directors at its meeting held on November 28, 2005.

The Committee performs the functions of Remuneration Committee as recommended in the Listing Agreement entered into with the Stock Exchanges. It determines our policy on specific packages for Executive Directors.

Composition of the Remuneration Committee: The Remuneration Committee of the company comprise of three directors, all of whom are independent and non-executive.

| Sr. No. | Name of Director | Designation of the Committee |
|---------|-----------------------|------------------------------|
| 1. | Mr. Vijay R. Shah | Chairman |
| 2. | Mr. Harish G. Bhinde | Non-Executive Members |
| 3. | Mr. Prabodh G. Baruah | Non-Executive Members |

The terms of reference of the Remuneration Committee are given below:

- a. The committee should operate to determine the remuneration package of the Executive Directors/whole time directors.
- b. The Committee should determine on behalf of the Board and on behalf of the Shareholders with agreed terms of reference, the Company's Policy on specific remuneration package for executive directors/whole-time directors including pension rights & any compensation payment.
- c. The Chairman of the remuneration Committee should be present at the Annual General Meeting to answer the shareholders queries, if any.

Shareholders Grievance Committee

The Shareholders Grievance Committee was constituted in pursuance of the Resolution passed by the Board of Directors at its meeting held on November 28, 2005.

We have designated personnel to solve investors' problems along with our Registrars, Intime Spectrum Registry Limited. The Investors Grievances Committee will look into redressal of shareholder and investor complaints, issue of duplicate/split/consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/transmission of shares and debentures and reference to statutory and regulatory authorities.

DEEP INDUSTRIES LIMITED

Composition of the Investor Grievance Committee: The Investor Grievance Committee consists of three independent non-executive directors.

| Sr. No. | Name of Director | Designation of the Committee |
|---------|-----------------------|------------------------------|
| 1. | Mr. Vijay R. Shah | Chairman |
| 2. | Mr. Harish G. Bhinde | Non-Executive Members |
| 3. | Mr. Prabodh G. Baruah | Non-Executive Members |

The terms of reference of the Shareholders Grievance Committee are given below:

- To monitor the process of expeditious transfers of shares.
- To monitor and review the redressal of complaints relating to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.
- To monitor and review from time to time the systems/procedures relating to processing of transfer of shares, etc.
- To obtain outside legal or professional services, if considered necessary
- To fix the record date for the purposes as required under the Companies Act and/or Listing Agreement.
- Any other matter relating to the functioning of the committee or it's working.
- To approve and / or refuse transfer of shares of the Company.
- To approve re-issue of share certificates against split, cancellation, consolidation, re-mat and lost share certificates.
- To approve dematerialization/materialization of share certificates.

Shareholding of the Directors in our Company

A Director need not hold any shares in our Company to qualify him for the office of the Director of our Company. The following table provides the details of the Shareholding of our directors as on date:

| Sr. No. | Name of Director | No. of Shares | % of pre-issue paid up Share Capital |
|---------|---------------------|---------------|--------------------------------------|
| 1. | Mr. Rupesh K. Savla | 4,75,120 | 5.46% |

Interest of Promoters and/or Directors

All the Directors of our Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or committees thereof as well as to the extent of remuneration and/or reimbursement of expenses and/or perquisites payable to them under the Articles. The Managing Directors and other directors will be interested to the extent of remuneration paid to them for service rendered by them as officer and employee of our company. The Directors may also be deemed to be interested to the extent of:

- The shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a Director/Member respectively.
- The shares, if any, out of the present issue that may be subscribed for and allotted to them or their relatives or any Company in which they are Directors/Members of to firms in which they are partners.
- The Directors of the Company are also interested to the extent of any dividend payable to them and other distributions in respect of the abovementioned Equity Shares.
- Transactions, if any, with entities in which directors are interested have been disclosed as related party transactions in the Auditors Report.

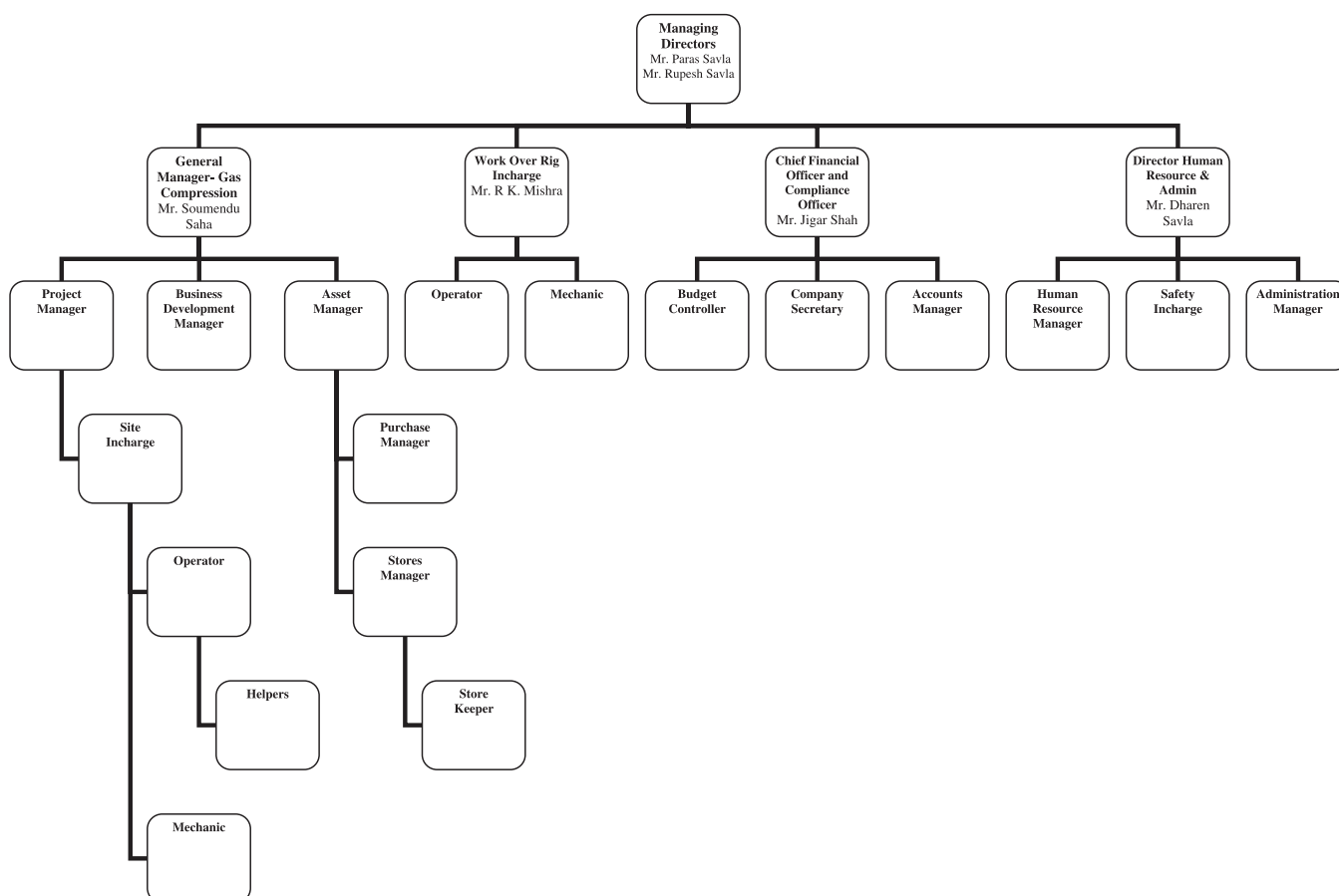
The registered office of the company is situated on premises owned by Mr. Paras S. Savla and Mr. Rupesh K. Savla, Managing Directors of our Company. In respect of these premises, our company has entered into a Lease Deed dated March 02, 2005 for a period of 5 years with effect from April 1, 2005. The Lease rentals payable for the occupation of these premises is Rs.3,500/- each to Mr. Paras S. Savla and Mr. Rupesh K. Savla, who will be deemed to be interested to the extent of these Lease rentals.



Changes in the Board of Directors during the last three years

| Sr. No. | Name of the Director | Date of Appointment/ Resignation | Particulars of Change |
|---------|-------------------------|-------------------------------------|------------------------------------|
| 1. | Mr. Kewal Krishna Arora | 27.04.2002 | Resignation due to Pre occupation |
| 2. | Mr. Rahul Arora | 27.04.2002 | Appointed as Additional Director |
| 3. | Mr. Rahul Arora | 28.09.2002 | Regularised as Director in the AGM |
| 4. | Mr. Dharen S. Savla | 21.06.2004 | Appointed as Additional Director |
| 5. | Mr. Rahul Arora | 01.12.2004 | Ceased to be a Director |
| 6. | Mr. Dharen S. Savla | 28.09.2004 | Regularised as Director in the AGM |
| 7. | Mr. Vijay R. Shah | 28.11.2005 | Appointment as Additional Director |
| 8. | Mr. Harish G. Bhinde | 28.11.2005 | Appointment as Additional Director |
| 9. | Mr. Prabodh G. Baruah | 28.11.2005 | Appointment as Additional Director |

ORGANISATION CHART



DEEP INDUSTRIES LIMITED

KEY MANAGEMENT PERSONNEL

The details of our Key Management Personnel other than the directors are as under:

For the details of Directors, please refer to the section titled "Our Management" on page no. 46 of this Prospectus.

| Sr. No. | Name, Age & Designation | Qualification and Experience | Date of Joining | Remuneration (Rs.) | Functional Responsibility | Previously Employed with |
|---------|--|---|-----------------|--------------------|---|-------------------------------------|
| 1. | Mr. Soumendu Saha 34 years. General Manager – Gas Compression Services | Mechanical Engineer 7 Years | 01.02.2006 | 7,50,000 | Configuring and designing tailor made compressor packages for clients. | Ingersol Rand Limited |
| 2. | Mr. R. K. Mishra 36 years Rig Incharge | ITI Diesel Mechanic 11 years | 01.10.2004 | 1,15,000 | Commisioning and operation of work over rigs | Shiv Vani Universal Limited |
| 3. | Mr. Lalchand Bhardwaj 54 years Site Incharge | Diploma in Mechanical Engineering 22 Years | 01.01.1999 | 1,57,690 | Site Incharge – ONGC Mehsana Site | KG Khosla Compressor Limited |
| 4. | Mr. Abhay Sharma 45 years Site Incharge | Bachelor of Arts 10 Years | 01.06.2001 | 1,62,500 | Site Incharge – GACL Dahej | John Energy Limited |
| 5. | Mr. Ramesh Yadav 36 years Marketing Manager | Master of Science (Physics) 8 Years | 01.04.2001 | 2,05,400 | Marketing of Compression Services business | Visat Oil Tech Limited |
| 6. | Mr. Anish Shah 34 years Business Development Manager | Bachelor of Commerce 8 Years | 01.04.2000 | 1,61,200 | Bidding for tenders and billing of clients | Visat Oil Tech Limited |
| 7. | Mr. Mansukh Parmar 33 years Asset Manager | Bachelor of Arts 11 Years | 01.07.2005 | 85,800 | Ensuring adequate inventory of spares, stores, consumables and maintaining records of assets. | John Energy Limited |
| 8. | Mr. Nitin Andhariya 43 years Purchase Manager | Diploma in Mechanical Engineering 20 Years | 01.04.2000 | 1,43,000 | Supervising, Purchase of Stores and Spares | Gujarat Steel Tube Limited |
| 9. | Mr. Jigar Shah 27 years Chief Financial Officer | Chartered Accountant 2.5 Years | 03.05.2005 | 1,96,690 | Looking after Finance, Tax and Audit | Practicing Chartered Accountant |
| 10. | Mr. Chandan Lakhwani 28 years Company Secretary | Company Secretary | 25.01.2006 | 1,56,000 | Statutory and legal compliances | - |
| 11. | Mr. Vipul Shah 30 years Accounts Manager | Bachelor of Commerce, Diploma in Computer Application 7 Years | 01.01.2000 | 1,23,500 | Accounts Finalization | Mount Processors Private Limited |
| 12. | Ms. Jayshree Doshi 32 years Budget Controller | Bachelor of Commerce, Diploma in I.T., Diploma in Mass Comm. 7 Years | 17.04.2005 | 91,000 | Preparing and controlling expenditure budgets for contracts at various sites. | Efficient Engineering (I) Pvt. Ltd. |

We further undertake that all the above-mentioned Key Managerial Personnel are in the employment of our Company as permanent employees.



Shareholding of Key Managerial Personnel

As on the date of filing of this Prospectus, none of the above-mentioned Key Managerial Personnel hold any Equity Shares of our Company.

Changes in the Key Managerial Personnel during last 1 year

| Sr. No. | Name & Designation | Date of Joining | Date of Leaving |
|---------|--|-----------------|-----------------|
| 1. | Mr. Kantibhai T. Mochi, Rig Incharge | 01.12.2004 | 31.03.2005 |
| 2. | Ms. Jayshree Doshi, Budget Controller | 17.04.2005 | - |
| 3. | Mr. Jigar K. Shah, Chief Financial Officer | 03.05.2005 | - |
| 4. | Mr. Mansukh Parmar, Asset Manager | 01.07.2005 | - |
| 5. | Mr. Peeyush Khurana, General Manager | 01.01.2005 | 30.09.2005 |
| 6. | Mr. S. G. Roy, General Manager – Asset | 01.10.2004 | 30.11.2005 |
| 7. | Mr. Chandan Lakhwani, Company Secretary | 25.01.2006 | - |
| 8. | Mr. Surendra Sharma, Site Incharge - GACL | 01.06.2005 | 31.01.2006 |
| 9. | Mr. Soumendu Saha, General Manager – Gas Compression division | 01.02.2006 | - |
| 10. | Mr. Deepak Vats, Work Over Rig Incharge | 21.01.2006 | 31.03.2006 |
| 11. | Mr. Hiren Patel, Project Manager | 01.07.2005 | 09.07.2006 |

ESOP/ESPS Scheme to Employees

Presently, we do not have ESOP/ESPS scheme for employees.

Bonus or Profit Sharing Plan for our Key Managerial Personnel

There is no Bonus (other than ex-gratia bonus) or Profit Sharing Plan for our Key Managerial Personnel.

DEEP INDUSTRIES LIMITED

OUR PROMOTERS AND THEIR BACKGROUND

The promoters of our Company are Mr. Paras S. Savla, Mr. Rupesh K. Savla, Kanvel Finance Private Limited, Yash Organochem Private Limited and Savla Electronics Private Limited.

PROMOTERS WHO ARE INDIVIDUALS

The promoters of our Company who are individuals are Mr. Paras S. Savla and Mr. Rupesh K. Savla



Mr. Paras S. Savla - Chairman & Managing Director Mr. Paras S. Savla, is a Commerce Graduate from Gujarat University. He is the promoter director of our Company and under his vision our Company has moved from a transportation service provider to a compression service provider to the Oil and Gas Sector. He is having experience of more than 9 years in the gas compression services sector. PAN No.: AADPS0170NVoter ID No.: Not AllottedDriving License No.: GJ01/900975/02 dated 25.01.2002Bank Account No.: 241725- (Savings Account) Bank of Baroda, Usmanpura Branch, AhmedabadPassport No. F3817519 issued at Ahmedabad on 11.07.2005



Mr. Rupesh K. Savla - Managing DirectorMr. Rupesh K. Savla, is a Commerce Graduate from Gujarat University and Masters in Business Administration from Bentley College, USA. He is having experience of more than 9 years in co-ordination and execution of projects in the gas compression services. Under his vision, and support from Mr. Paras S. Savla, our Company is moving towards becoming an integrated service provider to the Oil & Gas Sector. PAN No.: AACPS6257PVoter ID No.: Not AllottedDriving License No.: GJ01/978004/02Bank Account No.: 112293- (Current Account) Bank of Baroda, Usmanpura Branch, AhmedabadPassport No.: Z-1025575

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the above Promoters have been submitted to BSE, where the Equity Shares are proposed to be listed, at the time of filing of this Prospectus with them.

PROMOTERS WHO ARE COMPANIES

Kanvel Finance Private Limited (KFPL)

Kanvel Finance Private Limited was incorporated under the Companies Act, 1956 vide Certificate of Incorporation dated January 3, 1995 having Registration No. 04-24063 of 1994-95, with the Registrar of Companies, Gujarat, Dadra & Nagar Haveli. KFPL is having its registered office at 13, Krishna Co. Op. Hsg. Soc., Opposite Ellis Bridge Gymkhana, Ellis Bridge, Ahmedabad. The Permanent Account No. of the Company is AABCK9223F and the Bank A/c No. is 17037 with Bank of Baroda, Usmanpura Branch, Ahmedabad. The promoter of KFPL is Mr. Rupesh K. Savla.

The main activities of the company are trading in shares and securities and to carry out the business of an investment company.

The company is duly registered with RBI as a Non-Banking Finance Company, without accepting public deposits, vide registration No. B.01.004.57 dated March 31, 2003.



Board of Directors as on July 31, 2006

1. Mr. Rupesh K. Savla
2. Mrs. Prabhaben K. Savla
3. Mrs. Rita K. Shah
4. Mrs. Sheetal R. Savla

Shareholding Pattern of the company as on July 31, 2006

| Name of the Shareholders | No. of Shares | % of Shareholding |
|--------------------------------------|---------------|-------------------|
| Rupesh K. Savla | 19,86,800 | 63.59 |
| Prabhaben K. Savla | 4,88,450 | 15.63 |
| Kantilal Savla | 2,88,550 | 9.24 |
| Kantilal Savla (HUF) | 1,95,100 | 6.24 |
| Rita K. Shah | 1,00,100 | 3.20 |
| Kanvel Share Brokers Private Limited | 65,000 | 2.08 |
| Sanjay L. Karani | 100 | 0.00 |
| Jigar Shah | 100 | 0.00 |
| Sheetal R. Savla | 100 | 0.00 |
| Aarav R. Savla | 100 | 0.00 |
| Rupesh K. Savla (HUF) | 100 | 0.00 |
| Total | 31,24,500 | 100.00 |

Financial Performance

(Rs. in lacs)

| Particulars as on March 31, | 2003 | 2004 | 2005 |
|-----------------------------|--------|--------|--------|
| Equity Capital | 312.45 | 312.45 | 312.45 |
| Reserve | (2.63) | 1.05 | 9.11 |
| Net worth | 309.67 | 313.47 | 321.56 |
| Total Income | 4.13 | 14.52 | 12.71 |
| PAT | (1.11) | 3.68 | 8.07 |
| Earning Per Share (Rs.) | 0.00 | 0.12 | 0.26 |
| NAV per share (Rs.) | 9.91 | 10.03 | 10.29 |

The equity shares of the Company are not listed on any stock exchange. There have been no changes in the capital structure of the company and there have been no amalgamations/takeovers during the past 3 years.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the company, or its promoters and directors.

The company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is not under winding up.

Yash Organochem Private Limited (YOPL)

Yash Organochem Private Limited is incorporated under the Companies Act, 1956 vide Certificate of Incorporation dated August 24, 1999 having Registration No.04-36468 of 1999, with the Registrar of Companies, Gujarat, Dadra & Nagar Haveli. YOPL is having its registered office at 6th floor, Astron Tower, Opp. Iscon Temple, Sharkhej-Gandhinagar Highway,

DEEP INDUSTRIES LIMITED

Ahmedabad. The Permanent Account No. of the Company is AAACY1108Q and the Bank A/c No. is 117350 with Bank of Baroda, Usmanpura Branch, Ahmedabad. The promoter of YOPL is Mr. Paras S. Savla.

The main activities of the company is to manufacture and deal in oils, lubricants, chemicals, petrochemicals, solvents, varnishes, benzene, auto care products, lubricating additives, perfumes, candles, emulsifiers, liquid parafins, placitizers, wax, petroleum jelly, greases, fuel oils, hydraulic break fluids and petroleum products, its by products and derivatives.

Board of Directors as on July 31, 2006

1. Mrs. Priti P. Savla
2. Mr. Manoj S.Savla
3. Mr. Paras S. Savla
4. Mr. Ranchodbhai Patel

Shareholding Pattern of the company as on July 31, 2006

| Name of the Shareholders | No. of Shares | % of Shareholding |
|--------------------------|------------------|-------------------|
| Manoj S. Savla | 5,82,600 | 34.73 |
| Priti P. Savla | 5,30,000 | 31.59 |
| Dharen S. Savla | 5,65,000 | 33.68 |
| Paras S. Savla | 100 | 0.01 |
| Total | 16,77,700 | 100.00 |

Financial Performance

(Rs. in lacs)

| Particulars as on March 31, | 2003 | 2004 | 2005 |
|-----------------------------|--------|--------|--------|
| Equity Capital | 167.77 | 167.77 | 167.77 |
| Reserve | 0.48 | 0.51 | 2.52 |
| Net worth | 166.90 | 167.29 | 169.63 |
| Total Income | 5.19 | 7.27 | 7.56 |
| PAT | 0.02 | 0.03 | 2.00 |
| Earning Per Share (Rs.) | 0.001 | 0.002 | 0.119 |
| NAV per share (Rs.) | 9.95 | 9.97 | 10.11 |

The equity shares of the Company are not listed on any stock exchange. There have been no changes in the capital structure of the company and there have been no amalgamations/takeovers during the past 3 years.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the company, or its promoters and directors.

The company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is not under winding up.

Savla Electronics Private Limited (SEPL)

Savla Electronics Private Limited is incorporated under the Companies Act, 1956 vide Certificate of Incorporation dated April 02, 1985 having Registration No.11-35836 of 1985, with the Registrar of Companies, Maharashtra. SEPL is having its registered office at Krishna Villa, 2nd floor, RBH Road, Mumbai. The Permanent Account No. of the Company is AAFCS3743Q and the Bank A/c No. is 113788 with Bank of Baroda, Usmanpura Branch, Ahmedabad. The promoter of SEPL is Mr. Paras S. Savla.

The main activities of the company is manufacturing, designing, distributing and otherwise deal in any manner in all types of computers, other electronic data processors and devices and equipments, software and to carry on the business of electronic data processing center.



Board of Directors as on July 31, 2006

1. Mr. Manoj S. Savla
2. Mr. Paras S. Savla

Shareholding Pattern of the company as on July 31, 2006

| Name of the Shareholders | No. of Shares | % of Shareholding |
|-----------------------------|-----------------|-------------------|
| Manoj S. Savla | 80,401 | 30.91 |
| Priti P. Savla | 70,500 | 27.10 |
| Dharen S. Savla | 60,500 | 23.26 |
| Manoj S. Savla (HUF) | 25,000 | 9.61 |
| Adinath Exim Resources Ltd. | 21,750 | 8.36 |
| Paras S. Savla | 1,100 | 0.42 |
| Urmilaben Shah | 750 | 0.29 |
| Dipak Shah | 71 | 0.03 |
| Shantilal Savla | 53 | 0.02 |
| Mukesh Savla | 1 | 0.00 |
| Ketaki Savla | 1 | 0.00 |
| Prabhaben S. Savla | 1 | 0.00 |
| Total | 2,60,128 | 100.00 |

Financial Performance

(Rs. in lacs)

| Particulars as on March 31, | 2003 | 2004 | 2005 |
|---|---------|---------|--------|
| Equity Capital | 260.13 | 260.13 | 260.13 |
| Reserve | (29.38) | (22.47) | (8.07) |
| Net worth | 229.32 | 236.32 | 250.82 |
| Total Income | 16.56 | 9.16 | 15.54 |
| PAT | 4.01 | 6.91 | 14.41 |
| Earning Per Share (Rs.) (Face Value Rs.100/- per share) | 1.54 | 2.65 | 5.54 |
| NAV per Share (Rs.) (Face Value Rs.100/- per share) | 88.15 | 90.85 | 96.42 |

The equity shares of the Company are not listed on any stock exchange. There have been no changes in the capital structure of the company and there have been no amalgamations/takeovers during the past 3 years.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the company, or its promoters and directors.

The company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is not under winding up.

We undertake and confirm that the details of Permanent Account Number, Bank Account Number, the Company Registration Number and the address of the Registrar of Companies of all our above Promoters Companies, have been submitted to BSE where the Equity Shares are proposed to be listed, at the time of filing this Prospectus with them.

DEEP INDUSTRIES LIMITED

Common Pursuits

Our Promoters do not have any interest in any venture that is involved in any activities similar to those conducted by our Company.

Interest of Promoters

Please refer to the section titled 'Our Management' on page no. 46 of this Prospectus. Further, the promoters who are companies are interested to the extent of equity shares that they are holding and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

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

Payment or Benefit to our Promoters

For details of payments or benefits paid to the promoters, please refer to the paragraph "Compensation to Managing Directors and Executive Director" in the section titled 'Our Management' on page no. 46 of this Prospectus.



RELATED PARTY TRANSACTIONS

For the details of related party transactions, please refer to the section titled "Financial Statements" beginning on page no. 62 of this Prospectus.

CURRENCY OF PRESENTATION

Our currency of presentation in this Prospectus is Indian Rupee (Rs.) only else otherwise mentioned.

DIVIDEND POLICY

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

The details of dividend paid by our Company during the last 5 years, as per the Audited Accounts of our Company for the fiscal ending March 31, 2002, 2003, 2004, 2005 and 2006 is given below:

(Rs. in lacs)

| For the year ended | March 31, 2002 | March 31, 2003 | March 31, 2004 | March 31, 2005 | March 31, 2006 |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Paid-up Equity Share Capital | 499.70 | 499.70 | 650.00 | 650.00 | 870.00 |
| Face Value (Rs.) | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Rate of Dividend | Nil | 5.00% | 5.00% | 7.50% | 5.00% |
| Amount of Dividend | Nil | 26.49 | 32.50 | 48.75 | 33.89 |
| Corporate Dividend tax | Nil | 3.39 | 4.25 | 6.37 | 4.75 |

DEEP INDUSTRIES LIMITED

SECTION V – FINANCIAL STATEMENTS

AUDITORS' REPORT

Auditors Report as required by Part II of Schedule II of the Companies Act, 1956

The Board of Directors

Deep Industries Ltd.

Opp. Suryanarayan Bunglows,
Sabarmati-Kalol State Highway,
Motera, Dist: Gandhinagar,
Gujarat-380005.

Dear Sirs,

We have examined and found correct the Audited Accounts of Deep Industries Ltd for the past five financial years ended on March 31 2002, 2003, 2004, 2005 and 2006 the last date up to which the accounts of the Company have been made up and audited by us. At the date of signing this report, we are not aware of any material adjustment, which would affect the result shown by these accounts drawn up in accordance with the requirements of Part II of Schedule II to the Companies Act, 1956.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (the Act), and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (SEBI Guidelines) for the purpose of the Offering Memorandum as aforesaid, we report that:

The restated profits of the Company for the financial years ended March 31 2002, 2003, 2004, 2005 and 2006 are as set out in Annexure I to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustment and regroupings as in our opinion are appropriate and more fully described in the Notes appearing in Annexure III to this report.

The restated assets and liabilities of the Company as at March 31 2002, 2003, 2004, 2005 and 2006 are as set out in Annexure II to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the Notes appearing in Annexure III to this report.

Significant Accounting Policies and Notes on Accounts for the year ended March 31, 2006 are appearing in Annexure IV to this report.

We have examined the restated cash flow statement relating to the Company for the year ended 31st March 2002, 2003, 2004, 2005 & 2006 appearing in Annexure V to this report.

The rates of dividends paid by the Company in respect of the financial years ended March 31 2002, 2003, 2004, 2005 & 2006 are as shown in Annexure VI to this report.

We have examined the following restated financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer document:

- a. Accounting Ratios as appearing in Annexure VII to this report
- b. Capitalization Statement as appearing in Annexure VIII to this report
- c. Statement of Tax Shelters as appearing in Annexure IX to this report
- d. Details of Secured Loans as appearing in Annexure X to this report
- e. Details of Unsecured Loans as appearing in Annexure XI to this report
- f. Details of Investments as appearing in Annexure XII to this report
- g. Details of Sundry Debtors as appearing in Annexure XIII to this report
- h. Details of Loans and Advances as appearing in Annexure XIV to this report



-
- i. Details of Contingent Liabilities as appearing in Annexure XV to this report
 - j. Details of Related Party, relationship and significant transactions with related parties as appearing in Annexure XVI to this report
 - k. Principle Terms of Secured Loans and Assets Charged as Securities as appearing in Annexure XVII to this report.

In our opinion the above restated financial information of the Company read with Significant Accounting Policies and Notes on Account attached in Annexure III & IV respectively to this report, after making adjustments and regroupings as considered appropriate has been prepared in accordance with paragraph B (1) Part II of Schedule II of the Act and the SEBI Guidelines.

This report is intended solely for your information and for inclusion in the Offer document in connection with the specific Public Offer of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

For **Jayesh M Shah & Co**
Chartered Accountants

Sd/-

(Jayesh M Shah)
Proprietor
Membership No. 30638

Date : May 21, 2006

Place : Ahmedabad

DEEP INDUSTRIES LIMITED

ANNEXURE I

SUMMARY STATEMENT OF PROFIT AND LOSS ACCOUNT, AS RESTATED

(Rs. in lacs)

| Financial Year ended Period | 31.03.2002 (12 Months) | 31.03.2003 (12 Months) | 31.03.2004 (12 Months) | 31.03.2005 (12 Months) | 31.03.2006 (12 Months) |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Income | | | | | |
| Sales: | | | | | |
| Of Services provided by the Company | 972.88 | 892.42 | 1070.17 | 794.06 | 729.49 |
| Other Income | 24.94 | 15.00 | 28.45 | 27.53 | 66.83 |
| Total Income (A) | 997.82 | 907.42 | 1098.62 | 821.59 | 796.32 |
| Expenditure | | | | | |
| Operating Expenses | 753.27 | 624.44 | 821.03 | 406.95 | 265.11 |
| Salaries, Wages and Benefits | 34.05 | 30.26 | 32.00 | 40.75 | 51.54 |
| Administration and other Expenses | 49.42 | 55.84 | 72.40 | 107.58 | 125.71 |
| Depreciation | 68.02 | 78.57 | 73.46 | 92.40 | 88.26 |
| Interest & Financial Charges | 58.41 | 37.61 | 11.84 | 30.74 | 56.87 |
| Misc. and Deferred Rev. Exp. W/off | 0.15 | 0.15 | 0.15 | 0.15 | 0.15 |
| Total Expenditure (B) | 963.32 | 826.87 | 1,010.88 | 678.57 | 587.64 |
| Net Profit before Tax and Extraordinary Items (A-B) | 34.50 | 80.55 | 87.74 | 143.02 | 208.68 |
| Taxation | | | | | |
| Current Tax | 0.50 | 17.00 | 17.00 | 36.00 | 20.00 |
| Excess or Short Provision of Income Tax | 0.00 | 0.00 | 1.04 | 0.00 | 0.26 |
| Deferred Tax | 15.84 | 11.95 | 13.39 | 43.53 | 9.31 |
| Net Profit After Tax but before Extraordinary Items | 18.16 | 51.60 | 56.31 | 63.49 | 179.11 |
| Extraordinary Items (net of tax) | - | - | - | - | - |
| Net Profit after Extraordinary Items | 18.16 | 51.60 | 56.31 | 63.49 | 179.11 |

Note: The above statement should be read with the Notes on adjustments and significant accounting policies & notes to the accounts for restated financial statements as appearing in Annexure III and IV to the report.



ANNEXURE II

SUMMARY STATEMENT OF ASSETS AND LIABILITIES AS RESTATED

(Rs. in lacs)

| As at Period | 31.03.2002 (12 Months) | 31.03.2003 (12 Months) | 31.03.2004 (12 Months) | 31.03.2005 (12 Months) | 31.03.2006 (12 Months) |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| A. Fixed Assets: | | | | | |
| Gross Block | 1094.82 | 1095.54 | 1374.44 | 1744.79 | 2394.90 |
| Less: Depreciation | 283.02 | 340.87 | 413.1 | 413.5 | 467.52 |
| Net Block | 811.80 | 754.67 | 961.34 | 1331.29 | 1927.38 |
| B. Investments | 75.42 | 75.42 | 90.02 | 73.59 | 0.39 |
| C. Current Assets, Loans and Advances | | | | | |
| Inventories | 20.99 | 6.40 | 41.25 | 93.43 | 110.89 |
| Sundry Debtors | 459.04 | 183.76 | 137.47 | 286.11 | 211.48 |
| Cash and Bank balances | 58.95 | 146.40 | 188.45 | 337.38 | 251.58 |
| Loans and Advances | 488.24 | 527.64 | 402.18 | 168.36 | 446.61 |
| Total | 1027.22 | 864.20 | 769.35 | 885.28 | 1020.56 |
| D. Liabilities and Provisions: | | | | | |
| Secured Loans | 282.61 | 117.60 | 103.77 | 259.92 | 281.63 |
| Unsecured Loans | 64.87 | 2.28 | 47.53 | 52.57 | - |
| Current Liabilities | 629.78 | 232.72 | 271.86 | 473.68 | 391.81 |
| Provisions | 15.50 | 46.88 | 70.74 | 125.12 | 111.64 |
| Deferred Tax Liability | 145.36 | 157.31 | 170.70 | 214.23 | 223.53 |
| Share Application Money | - | 339.30 | - | - | - |
| Total | 1138.12 | 896.09 | 664.60 | 1125.52 | 1008.61 |
| E. Networth (A+B+C-D) | 776.32 | 798.20 | 1156.11 | 1164.64 | 1939.72 |
| F. Net worth Represented by | | | | | |
| i. Share Capital | 499.70 | 499.70 | 650.00 | 650.00 | 870.00 |
| ii. Reserves & Surplus | 277.52 | 299.25 | 506.71 | 515.09 | 1095.57 |
| iii. Miscellaneous Expenditure not yet written off | 0.90 | 0.75 | 0.60 | 0.45 | 25.85 |
| Networth (i+ ii -iii) | 776.32 | 798.20 | 1156.11 | 1164.64 | 1939.72 |

Note: The above statement should be read with the Notes on adjustments and significant accounting policies & notes to the accounts for restated financial statements as appearing in Annexure III and IV to the report.

DEEP INDUSTRIES LIMITED

ANNEXURE III

NOTES TO ADJUSTMENTS CARRIED OUT IN RESTATED FINANCIAL STATEMENTS

Qualifications in the Auditors Report and Changes in the Significant Accounting Policies during the preceding five years.

Financial Year 2004-05

Qualification on account of change in accounting policy of providing depreciation on fixed assets by the company.

In audited accounts up to the year ended March 31, 2004, the company had been accounting for depreciation on fixed assets based on the Written Down Value (WDV) Method. During the year 2004-05 the company has revised its accounting policy of providing depreciation from written down value method to the Straight Line Method (SLM) on all assets except tankers and shed and office building. The change in the above accounting policy has resulted in a surplus of Rs.3,10,38,526/- and a tax debt of Rs.98,53,038/- on account of deferred tax relating to the previous years. Consequently, the net profit of the current year is higher by Rs.2,11,85,488/-. Had the company followed the Written Down Value basis of depreciation accounting, the charge for the year would have been higher by Rs.53,54,736/- and the deferred tax charge would have been lower by Rs.18,02,404/-.

Notes to Adjustments carried out in Restated Financial Statements

The effect of change in the depreciation method from WDV Method to SLM for the period prior to FY 2001-02 has been adjusted in the opening Reserves and Surplus, Accumulated Depreciation and Deferred Tax Liability in the Restated Balance Sheet as appearing in Annexure II of this report. The same is reflected by an increase of Rs. 161.66 lacs in the Reserves and Surplus, increase of Rs. 82.02 lacs in the Deferred Tax Liability and a cumulative decrease of Rs.243.68 lacs in the Accumulated Depreciation resulting in increase in the Net Fixed Assets.

To make the depreciation figure comparable with the depreciation of FY 2004-05, the method for providing depreciation has been changed from Written Down Value Method to Straight Line Method for the financial year ending March 2002 to March 2004 in the Restated Profit and Loss Account as appearing in Annexure I of this report.

On change of method of providing depreciation, financial figures of Depreciation, Profit Before Tax, Provision of Deferred Tax, Net Profit After Tax, Balance of Profit & Loss Account and Net Block of Fixed Assets has been changed respectively for the F.Y. 2001-02 to 2003-04. Net effect of changes in the restated financial statements are summarised as under.

(Rs. in lacs)

| Particulars | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
|------------------------------------|---------|---------|---------|---------|---------|
| Depreciation Reduced By | 28.82 | 22.66 | 15.23 | - | - |
| Net Profit before Tax increased by | 28.82 | 22.66 | 15.23 | - | - |
| Deferred Tax increased by | 9.70 | 7.63 | 5.13 | - | - |
| Net Profit after Tax increased by | 19.12 | 15.03 | 10.10 | - | - |

Financial Year 2001-02 and 2002-03

Qualification on Account of non-booking of disputed income from ONGC by the company

The company has accounted and booked 50% of hire charges on the Gandhar Project of ONGC Limited due to dispute on Non compliance of conditions in the contract with ONGC. The disputed income has not yet been received by the company and the chances of receiving the same are bleak and hence effect of the qualification has not been made in the restated financial statement.



ANNEXURE IV

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2006.

A. Significant Accounting Policies:

1. Basis of Preparation of Financial Statements

The financial statements have been prepared in compliance with all material aspects of the mandatory Accounting Standards issued by the ICAI and the relevant provisions of the Companies Act, 1956.

Financial Statements are based on historical cost and are prepared on accrual basis.

2. Fixed Assets and Depreciation

- (a) Fixed Assets are stated at cost of acquisition less accumulated depreciation. The installation and direct attributable major expenses incurred on the addition of the assets are capitalized to respective assets. Capital work-in-progress is stated at the amount expended up to the date of Balance sheet.
- (b) (i) Depreciation on Gas Compressor is provided on Straight Line Method @ 4.75% considering the useful life of the asset.
(ii) Depreciation on Shed & construction at contactor site is provided on Written Down Value Method @ 33.33% considering the period of the contract.
(iii) Depreciation on Tanker & Office Building is provided on Written Down Value Method as per the rate prescribed in Schedule XIV and in accordance with Section 205(2) of the Companies Act, 1956.
(iv) Depreciation on Fixed Assets other than stated above in Para 1, 2 & 3 is provided on Straight Line Method as per rate prescribed in Schedule XIV and in accordance with Section 205(2) of the Companies Act, 1956.
(v) Assets costing Rs. 5000/- each are fully depreciated in the year of acquisition.

3. Investments

Investments that are intended to be held for more than one year, from the date of acquisitions are classified as long-term investment and are carried at cost. During the year the company has made provision of Rs. 7820/- for diminution in the value of Long Term Investments . In absence of break up value of the unquoted shares and investments the same are valued at cost price.

4. Debtors

Debtors are stated at the book value after making provisions for the doubtful debts.

5. Inventories

Inventories of spare parts and oil are valued at cost or market price whichever is lower.

6. Foreign Currency Transactions

Foreign currency transactions in respect of capital goods are recorded in the books by applying the prevailing exchange rates and/or at the hedging rate as on the date of the transaction. In case of forward LC contract and discounted transactions the same are accounted at the booked hedging rate. In case of spares and other foreign exchange transaction the same are recorded in the books at the exchange rate prevailing as on the date of transactions.

7. Basis of Accounts

Revenue/Income and costs/expenditures are generally accounted on accrual as they are earned or incurred.

8. Retirement Benefit

In case of retirement benefits, company has parted with only provident fund as per the approved scheme. Except that no other retirement/leave encashment liability has been determined.

DEEP INDUSTRIES LIMITED

9. Tax on Income

Current Tax is determined on the basis of the amount of tax payable in respect of taxable income for the year.

Fringe Benefit Tax is provided as per provision of the Income Tax Act, 1961.

Deferred tax is calculated at current statutory income tax rate and is recognized on timing differences, being the difference between taxable income and accounting income that originate in the one period and are capable of reversal in one or more subsequent periods. Deferred tax assets subject to the consideration of prudence, are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

10. Income

Company's Income comprises of Air Compressor and Gas Compressor Hire Charges & Tankers Hire Charges.

11. Other Income

Other Income is consisting of interest, dividend, and discount, profit/loss on sale of investment and assets and miscellaneous income.

12. Contingent Liabilities

Provision is made for all known liabilities. Contingent Liabilities, if any, are disclosed in the account by way of a note.

B. Managerial Remuneration

Director Remuneration:

| Particulars | Amount (Rs. in lacs) |
|--------------|----------------------|
| Salaries | 7.80 |
| Perquisites | 10.38 |
| Total | 18.18 |

Computation of Net Profit in accordance with Section 198 & 309 of the Companies Act, 1956

| Particulars | Amount (Rs. in lacs) |
|--|----------------------|
| Profit before Taxes as per Profit and Loss Account | 208.69 |
| Add: Managerial Remuneration | 18.18 |
| Add: Loss on Sale of Fixed Assets | 6.55 |
| Less: Profit on Sale of Fixed Assets | 5.51 |
| Less: Profit on Sale of Investments | 43.92 |
| Net Profit | 183.99 |

| Sr. No. | Particulars | Amount Paid (Rs. in Lacs) | Maximum Amount Restricted upto 10% of Net Profit |
|---------|--------------------------------|---------------------------|--|
| 1. | Chairman and Managing Director | 6.72 | 18.40 |
| 2. | Managing Director | 7.28 | |
| 3. | Executive Director | 4.18 | |



C. Contingent Liability not provided for in respect of:

| Particulars | Amount (Rs. in lacs) |
|--|----------------------|
| Counter Guarantee given to the Bankers | 163.33 |
| LC issued by the Bankers (Net of margin money) | 179.54 |
| Tax Matters: Disputed Liability in respect of Income Tax Demand (Matters under Appeal) | 269.14 |
| Corporate Guarantee to Bank of Baroda for other company | 120.00 |

D. Capital Commitment expenses to the extent not provided for during the year – Rs. Nil

E. In the opinion of the board, the current assets, loans and advances are approximately of the value stated if realized in the ordinary course of business. The provision for all known liabilities re adequate and not in excess of the amount reasonably necessary.

F. Other Information pursuant to paragraphs 3, 4, 4A, 4B and 4D of Para-II of the Schedule VI is given as under so far as applicable to the Company.

(a) The company has not employed any person drawing remuneration of Rs.2,00,000/- per month or more or Rs.24,00,000/- per annum.

(b) As there is no manufacturing activity information in respect of installed capacity, production capacity, raw material consumption, opening and closing stock of goods produced and consumption of indigenous and imported raw materials and spares thereof and turnover of goods produced is not given.

(c) Value of imports calculated on CIF basis

| Particulars | 2005-06 | 2004-05 |
|---------------|----------------|----------------|
| Capital Goods | Rs.2,30,60,153 | Rs.3,13,27,076 |
| Spare Parts | Rs. 5,67,279 | Rs. 32,76,058 |

(d) Expenditure in Foreign Currency

| Particulars | 2005-06 | 2004-05 |
|-------------------------|--------------|---------------|
| Gas Compressor Expenses | Rs.71,42,385 | - |
| RIG Expenses | Rs. 1,91,178 | - |
| Travelling Expenses | Rs. 9,63,906 | Rs. 11,39,804 |

(e) Earnings in Foreign Currency

| Particulars | 2005-06 | 2004-05 |
|--------------|--------------|---------|
| Hire Charges | Rs.15,72,678 | - |

G. Figures are rounded off to the nearest rupee and the previous year figures are regrouped wherever necessary.

H. Payment to Statutory Auditors

| Particulars | 2005-06 | 2004-05 |
|------------------|------------------|--------------------|
| Audit Fees | Rs. 16,836 | Rs.15,000/- |
| Taxation Matters | Rs.11,224 | Rs.10,000/- |
| Others | Rs.58,060 | Rs.38,570/- |
| Total | Rs.86,120 | Rs.63,570/- |

DEEP INDUSTRIES LIMITED

I. Segment Reporting

The company is engaged in the service activity having mainly the hire charges income and there are no separate reportable segment as per Accounting Standard 17 - "Segment Reporting" issued by the Council of the Institute of Chartered Accountants of India.

J. Related Party Disclosures

As per the Accounting Standard on "Related Party Disclosures" (AS 18) issued by the Institute of Chartered Accountants of India, the related parties and the details of transaction with them are as follows:

| Name of Party | Nature of Payment | Amount (Rs.) |
|--------------------------------|--------------------------|--------------|
| Visat Automobiles | Petrol, Diesel and Other | 5302822 |
| Adinath Exim Resources Ltd. | Loan Interest | 252625 |
| Savla Electronics Pvt. Ltd. | Loan Interest | 123499 |
| Kanvel Finance Private Limited | Loan Interest | 201170 |
| Mita M. Savla | Lease Deposit Interest | 1676 |
| Priti P. Savla | Lease Deposit Interest | 4189 |
| Paras S. Savla | Land Rent | 42000 |
| Avni D. Savla | Salary | 80000 |
| Avni D. Savla | Perquisites | 100000 |
| Rupesh K. Savla | Land Rent | 42000 |
| Paras S. Savla | Remuneration | 300000 |
| Rupesh K. Savla | Remuneration | 240000 |
| Dharen S. Savla | Remuneration | 240000 |
| Paras S. Savla | Perquisites | 372146 |
| Dharen S. Savla | Perquisites | 177947 |
| Rupesh K. Savla | Perquisites | 488037 |

K. Current Liability related to Small Scale Industrial Undertakings

Sundry Creditors of Rs. 54,30,602 presented in Schedule 11 under the head Current liabilities. In absence of details of Small Scale Industrial Undertakings to whom the company owes a sum, it is not possible to identify outstanding of Sundry Creditors related to Small Scale Industrial Undertakings for more than 30 days as at 31st March, 2006.



ANNEXURE V

CASH FLOW STATEMENT AS RESTATED

(Rs. In Lacs)

| Particulars | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
|--|-----------------|----------------|-----------------|-----------------|-----------------|
| Cash Flow From Operating Activities | | | | | |
| Net Profit Before Tax and Extraordinary items | 34.50 | 80.55 | 87.74 | 143.02 | 208.69 |
| Adjustment for: | | | | | |
| Depreciation | 68.02 | 78.57 | 73.46 | 92.40 | 88.26 |
| Other Income | - | - | - | - | - |
| Interest Expenses | 51.75 | 32.68 | 7.45 | 20.85 | 47.77 |
| Loss / (Profit) on Sale of Assets | (1.79) | (1.55) | (0.48) | (6.43) | 1.04 |
| Loss/ (Profit)on Sale of Investments | - | - | (12.23) | (3.64) | (43.92) |
| Misc. Exp. Written Off | 0.15 | 0.15 | 0.15 | 0.15 | 0.15 |
| Operating Profit Before Working Capital Changes | 152.63 | 190.40 | 156.09 | 246.35 | 301.99 |
| Adjustment: | | | | | |
| Decrease/ (Increase) in Inventories | (18.91) | 14.59 | (34.85) | (52.18) | (17.46) |
| Decrease/ (Increase) in Debtors & Other Current Assets | (407.61) | 219.98 | 193.52 | 101.65 | (161.21) |
| Increase/ (Decrease) in Trade Payable & Other Liabilities | 550.42 | (397.07) | 39.14 | 201.82 | (81.87) |
| Cash Generated From Operations | 276.53 | 27.90 | 353.90 | 497.64 | 41.45 |
| Direct Taxes Refund / (Paid) Net | (28.88) | 0.42 | (22.80) | (16.48) | (59.68) |
| Net Cash from Operating Activities (A) | 247.65 | 28.32 | 331.10 | 481.16 | (18.23) |
| Cash Flow From Investing Activities | | | | | |
| Net Purchase of Fixed Assets | (118.48) | (21.44) | (280.13) | (462.34) | (684.36) |
| Net Purchase/ Sale of Investments | - | - | (14.60) | 16.43 | 73.20 |
| Profit on Sale of Assets & Investments | 1.79 | 1.55 | 12.71 | 10.07 | 42.88 |
| Net Cash From Investing Activities (B) | (116.69) | (19.89) | (282.02) | (435.84) | (568.28) |
| Cash Flow From Financing Activities | | | | | |
| Proceeds from Issue of Capital/Share Premium | 20.50 | - | 338.18 | - | 660.00 |
| Preliminary Expenses | - | - | - | - | -25.55 |
| Net Proceeds from Secured Loans | (88.93) | (165.01) | (13.83) | 156.16 | 21.71 |
| Net Proceeds from Unsecured Loans | (24.71) | (62.59) | 45.25 | 5.04 | (52.57) |
| Share Application | - | 339.3 | (339.3) | - | - |
| Interest Paid | (51.75) | (32.68) | (7.45) | (20.85) | (47.77) |
| Dividend Paid (Including Dividend Tax) | - | - | (29.88) | (36.75) | (55.11) |
| Net Cash From Financing Activities (C) | (144.89) | 79.02 | (7.03) | 103.6 | 500.71 |
| Net increase in Cash and Cash equivalents (A+B+C) | (13.93) | 87.45 | 42.05 | 148.93 | (85.80) |
| Cash and Cash equivalent at the beginning of the year | 72.88 | 58.95 | 146.40 | 188.45 | 337.38 |
| Cash and Cash equivalent at the end of year | 58.95 | 146.40 | 188.45 | 337.38 | 251.58 |

DEEP INDUSTRIES LIMITED

ANNEXURE VI

STATEMENT OF DIVIDEND PAID

(Rs. in lacs)

| For the year ended | March 31, 2002 | March 31, 2003 | March 31, 2004 | March 31, 2005 | March 31, 2006 |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Paid-up Equity Share Capital | 499.70 | 499.70 | 650.00 | 650.00 | 870.00 |
| Face Value (Rs.) | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Rate of Dividend | Nil | 5.00% | 5.00% | 7.50% | 5.00% |
| Amount of Dividend | Nil | 26.49 | 32.50 | 48.75 | 33.89 |
| Corporate Dividend tax | Nil | 3.39 | 4.25 | 6.37 | 4.75 |



ANNEXURE VII

ACCOUNTING RATIOS

| Particulars | For the year ended | | | | |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2002 | March 31, 2003 | March 31, 2004 | March 31, 2005 | March 31, 2006 |
| Earnings per Share (Rs.) | 0.38 | 1.03 | 0.93 | 0.98 | 2.64 |
| Return on Net Worth (%) | 2.34 | 6.46 | 4.87 | 5.45 | 9.23 |
| Net Asset Value/Book Value Per share (Rs.) | 15.54 | 15.97 | 17.79 | 17.92 | 22.30 |

1. Earnings per Share (Rs.) = Adjusted Net Profit available to equity shareholders/Weighted Average No. of Equity Shares (As per AS-20)
2. Return on Net Worth (%) = Adjusted Net Profit available to equity shareholders/Net Worth * 100
3. Net Asset Value/Book Value per Share (Rs.) = Net Worth /No. of equity shares outstanding at the end of the period

DEEP INDUSTRIES LIMITED

ANNEXURE VIII

CAPITALISATION STATEMENT

(Rs. in lacs)

| Particulars | Pre Issue as at March 31, 2006 | Post Issue at Issue Price of Rs.36 per share |
|--|-----------------------------------|--|
| Debt | | |
| Short Term Debt | 604.20 | 604.20 |
| Long Term Debt (Including Deferred Tax) | 404.42 | 1704.42 |
| Total Debt | 1008.62 | 2308.62 |
| Shareholders Funds | | |
| Share Capital /Share App. | 870.00 | 2000.00 |
| Reserves & Surplus | 1095.57 | 4033.57 |
| Less: Misc. expenditure | (25.85) | (25.85) |
| Total Shareholders Funds | 1939.72 | 6007.72 |
| Long Term Debt/Shareholders Funds | 0.52 | 0.38 |

Notes:

1. Short Term Debt represents debts which are due within twelve months from March 31, 2006 and includes installment of long term debt repayable within 12 months.
2. Long term debt represent other than short-term debts as defined above
3. The figures disclosed above are based on the restated financial statements of the Company as at 31.03.2006.
4. The figures for the Misc. Exp. In the post issue has been presumed to be as of 31st March 2006.



ANNEXURE IX

STATEMENT OF TAX SHELTERS

(Rs. in Lacs)

| For the year ended | March 31, 2001 | March 31, 2 200 | March 31, 2003 | March 31, 2004 | March 31, 2005 |
|--|-------------------|----------------------------|-------------------|-------------------|-------------------|
| Profit before current and deferred taxes, as restated | 104.42 | 34.50 | 80.55 | 87.74 | 143.02 |
| Tax Rate % | 39.2 | 35.7 | 36.75 | 35.875 | 36.5925 |
| Tax impact (A) | 40.93 | 12.32 | 29.60 | 31.48 | 52.33 |
| Adjustments (B) | | | | | |
| Permanent differences | | | | | |
| Deduction under chapter VI of the Income Tax Act | 1.01 | Tax Liability u/s 115JA | 0.17 (u/s 80M) | 0.05 (u/s 80G) | 0.77 |
| Carried forward Loss | | | 12.47 | - | |
| Other adjustments | -1.45 | | 1.06 | 0.22 | -1.77 |
| Total (i) | -0.44 | - | 13.70 | 0.27 | -1.00 |
| Temporary differences | | | | | |
| Difference between book depreciation and tax depreciation | 64.25 | 47.05 | 23.03 | 39.78 | 129.35 |
| Research & Development Exp. | - | - | - | - | - |
| Total (ii) | 64.25 | 47.05 | 23.03 | 39.78 | 129.35 |
| Net Adjustment (B=i+ii) | 63.81 | 47.05 | 36.73 | 40.05 | 128.35 |
| Tax saving thereon (C) | 25.01 | 16.80 | 13.49 | 14.37 | 46.97 |
| Net Tax Payable (D =A-C) | 15.92 | (4.48) | 16.11 | 17.11 | 5.36 |
| Tax Paid as per Income Tax Returns | 15.92 | 0.43* | 16.11 | 17.11 | 35.55* |

* Income Tax was paid as per the provisions of MAT

Note: The figures of all the years are as per the Returns of Income filed.

DEEP INDUSTRIES LIMITED

ANNEXURE X

SECURED LOANS

(Rs. in Lacs)

| Particulars | As At | | | | |
|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2002 | March 31, 2003 | March 31,4 200 | March 31, 2005 | March 31, 2006 |
| Term Loan | 263.65 | 79.14 | 66.69 | 135.50 | 184.83 |
| Working Capital Loan* | 18.96 | 38.46 | 37.08 | 124.42 | 96.80 |
| Total | 282.61 | 117.60 | 103.77 | 259.92 | 281.63 |

* Working Capital Loan pertains to Bank Overdraft against stocks and book debts.



ANNEXURE XI

UNSECURED LOANS

(Rs. in Lacs)

| Particulars | As At | | | | |
|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2002 | March 31, 2003 | March 31, 2004 | March 31, 2005 | March 31, 2006 |
| From Bodies Corporate | 13.32 | - | 44.90 | 49.53 | - |
| Others | 51.55 | 2.28 | 2.63 | 3.04 | - |
| Total | 64.87 | 2.28 | 47.53 | 52.57 | - |

During the Financial Year 2005-06, the company has repaid unsecured loan amounting to Rs. 52.57 Lacs outstanding as on March 31, 2005.

DEEP INDUSTRIES LIMITED

ANNEXURE XII

INVESTMENTS

Long-Term Investments

(Rs. in Lacs)

| Particulars | As At | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2002 | March 31, 2003 | March 31, 2004 | March 31, 2005 | March 31, 2006 |
| Trade (Quoted) | 2.13 | 2.13 | 16.72 | 0.29 | 0.29 |
| Trade (Unquoted) | 0.10 | 0.10 | 0.10 | 73.30 | 0.10 |
| In Subsidiary Company (Unquoted) | 73.20 | 73.20 | 73.20 | - | - |
| Total | 75.43 | 75.43 | 90.02 | 73.59 | 0.39 |
| Market Value of Quoted Investments | 1.25 | 1.25 | 16.80 | 0.24 | 0.21 |



ANNEXURE XIII

SUNDRY DEBTORS

(Rs. in Lacs)

| Particulars | As At | | | | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2002 | March 31, 2003 | March 31, 2004 | March 31, 2005 | March 31, 2006 |
| Outstanding for more than six months | 0.06 | 0.38 | 0.87 | 136.07 | 121.80 |
| Others | 458.98 | 183.38 | 136.60 | 150.04 | 89.68 |
| Total | 459.04 | 183.76 | 137.47 | 286.11 | 211.48 |

DEEP INDUSTRIES LIMITED

ANNEXURE XIV

LOANS & ADVANCES

(Rs. in Lacs)

| Particulars | As At | | | | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2002 | March 31, 2003 | March 31, 2004 | March 31, 2005 | March 31, 2006 |
| Share Application Money | 400.00* | 400.00* | 54.59 | - | - |
| Advance Tax | 34.89 | 18.97 | 40.74 | 57.22 | 99.63 |
| Loans to Subsidiary | 6.51 | 35.47 | 184.93 | - | - |
| Other Loans and Advances | 45.50 | 72.44 | 118.52 | 107.64 | 343.28 |
| Earnest Money Deposit | 1.35 | 0.75 | 3.40 | 3.50 | 3.70 |
| Total | 488.24 | 527.63 | 402.18 | 168.36 | 446.61 |

* Share Application Money Pending Allotment of Rs.400 lacs is given to Visat Oil Tech. Limited, subsidiary company of Deep Industries Limited.



ANNEXURE XV

CONTINGENT LIABILITIES

(Rs. in Lacs)

| Particulars | As At | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2002 | March 31, 2003 | March 31, 2004 | March 31, 2005 | March 31, 2006 |
| Bank Guarantee | 215.32 | 166.25 | 187.77 | 64.39 | 163.33 |
| Disputed Tax Liabilities | - | - | - | 117.05 | 269.14 |
| LC issued by the bankers (Net of Margin Money) | - | - | - | 299.79 | 179.54 |
| Corporate Guarantee provided to Bank of Baroda for other company | 160.55 | 56.10 | 38.01 | - | 120.00 |
| Total | 275.87 | 222.35 | 225.78 | 481.23 | 732.01 |

DEEP INDUSTRIES LIMITED

ANNEXURE XVI

LIST OF RELATED PARTIES, NATURE OF RELATIONSHIP AND DETAILS OF TRANSACTIONS

A. List of Related Parties and Nature of Relationship

| Particulars | Financial Year Ended | | | | |
|---|---|--|---|--|--|
| | March 31, 2002 | March 31, 2003 | March 31, 2004 | March 31, 2005 | March 31, 2006 |
| Nature of Relationship | Name of the Party | | | | |
| Subsidiaries Company | Visat Oil Tech Ltd. | Visat Oil Tech Ltd. | Visat Oil Tech Ltd. | Visat Oil Tech Ltd. (Upto 24.03.2005) | |
| Associates | | | | Visat Oil Tech Ltd. (w.e.f 24.03.2005) | Visat Oil Tech Ltd. (Upto 30.11.2005) |
| Key Management Personnel (KMP) | Paras Savla Rupesh Savla | Paras Savla Rupesh Savla | Paras Savla Rupesh Savla | Paras Savla Rupesh Savla Dharen Savla (w.e.f. 21.06.2004) | Paras Savla Rupesh Savla Dharen Savla |
| Relative of Key Management Personnel (RKMP) | Mita M. Savla Priti P. Savla Manoj Savl Manoj Savla Shantilal M. Savla (HUF) Dharen Savla Kantilal V. Savla Manoj Savla | Dharen Savla Kantilal V. Savla | Dharen Savla | Dharen Savla (Upto 21.06.2004) Manoj Savla (HUF) Mita M. Savla Prabhaven S. Savla Priti P. Savla Shantilal M. Savla (HUF) | Mita M. Savla Priti P. Savla Avni D. Savla Kantilal V. Savla |
| Enterprises significantly influenced by KMP or RKMP (with whom transaction has taken place) | Horn Ok Please Transport Ltd. Yash Organochem Pvt. Ltd. Savla Electronics Pvt. Ltd. Adinath Exim Resources Ltd. Kanvel Finance Pvt. Ltd. | Yash Organochem Pvt. Ltd. Savla Electronics Pvt. Ltd. Adinath Exim Resources Ltd. Kanvel Finance Pvt. Ltd. Visat Automobiles Horn Ok Please Transport Ltd. | Adinath Exim Resources Ltd. Visat Automobiles Horn Ok Please Transport Ltd. | Adinath Exim Resources Ltd. Kanvel Finance Pvt. Ltd. Savla Electronics Pvt. Ltd. Visat Automobiles | Adinath Exim Resources Ltd. Savla Electronics Pvt. Ltd. Visat Automobiles Kanvel Finance Pvt. Ltd. Yash Organochem Pvt. Ltd. |



B. Details of Transaction with Related Parties and Details of Outstanding Balances

(Rs. in Lacs)

| Particulars | Nature of Relationship | Financial Year ended | | | | |
|---|---|----------------------|----------------|----------------|----------------|----------------|
| | | March 31, 2002 | March 31, 2003 | March 31, 2004 | March 31, 2005 | March 31, 2006 |
| Purchases | Enterprises significantly influenced | 3.02 | 4.27 | 9.39 | 24.43 | 53.03 |
| Tanker Hire Charges | Enterprises significantly influenced | 3.96 | 7.47 | 41.35 | 1.10 | 0.00 |
| Finance | | | | | | |
| Equity | KMP | - | - | 9.68 | - | 31.62 |
| Contribution recd. | RKMP | 2.00 | - | 30.83 | - | 34.65 |
| | Enterprises significantly influenced | 18.50 | - | 297.68 | - | 383.73 |
| Equity Contribution paid. | Subsidiaries Company | - | - | (400) | - | - |
| Unsecured Loans | RKMP | 4.81 | (18.15) | - | - | - |
| | Enterprises Significantly Influenced Associates | 4.98 | (46.72) | 44.90 | (5.77) | 39.13 |
| | | - | - | - | - | 36.32 |
| Security Deposit | RKMP | - | - | - | 10.40 | (10.40) |
| Guarantee recd. | KMP RKMP, Enterprises significantly influenced | - | - | (306.47) | 559.00 | (60.00) |
| Guarantees issued | Subsidiaries Company | 14.63 | (104.45) | (18.09) | - | - |
| | Associates | - | - | - | (38.01) | 120.00 |
| Advance Given/ (Repayment) | Subsidiaries Company | (2.61) | 28.96 | 149.46 | - | - |
| | Associates | - | - | - | (109.16) | (75.77) |
| | Enterprises significantly influenced | 16.58 | 6.76 | 16.41 | (39.75) | - |
| Expenses | KMP | - | - | - | - | 0.84 |
| Land Rent | RKMP | 0.24 | 0.72 | 0.24 | - | - |
| | Enterprises significantly influenced | 1.08 | 1.08 | 1.08 | - | - |
| | | | | | | |
| Vehicle Rent | Subsidiaries Company | 0.24 | 0.29 | 2.54 | - | - |
| | Associates | - | - | - | 1.18 | - |
| | Enterprises significantly influenced | 9.06 | 16.40 | 40.77 | - | - |
| Interest | RKMP | 0.07 | - | - | - | - |
| | RKMP | 2.45 | 1.55 | 0.88 | 0.96 | 0.06 |
| | Enterprises significantly influenced | 3.03 | 3.87 | - | 4.82 | 5.77 |
| Remuneration and Perquisites | KMP | 3.80 | 5.65 | 5.40 | 6.84 | 18.18 |
| | RKMP | - | - | 0.96 | - | 1.80 |
| Outstanding Balances | | | | | | |
| Share Application Money Pending Allotment | KMP | - | 10.12 | - | - | - |
| | RKMP | - | 31.18 | - | - | - |
| | Enterprises significantly influenced | - | 298.00 | - | - | - |
| Unsecured Loans | RKMP | 18.15 | - | - | - | -- |
| | Enterprises significantly influenced | 46.72 | - | - | - | - |
| Sundry Creditors | KMP | 0.14 | - | 0.36 | 0.50 | 0.58 |
| | RKMP | 0.24 | - | 0.12 | - | 0.08 |

DEEP INDUSTRIES LIMITED

(Rs. in Lacs)

| Particulars | Nature of Relationship | Financial Year ended | | | | |
|---|---|----------------------|----------------|----------------|----------------|----------------|
| | | March 31, 2002 | March 31, 2003 | March 31, 2004 | March 31, 2005 | March 31, 2006 |
| Sundry Debtors | Enterprises significantly influenced | 6.31 | 6.42 | 5.54 | 3.15 | 2.08 |
| | Subsidiary Companies | 0.24 | - | 0.39 | - | - |
| | Associates | - | - | - | 0.71 | 0.21 |
| Lo/Advances Payment | Enterprises significantly influenced | 1.04 | 5.36 | 1.88 | 0.43 | - |
| Investments | Subsidiaries Company | 6.51 | 35.47 | 184.93 | - | - |
| | Associates | - | - | - | 75.77 | - |
| | Enterprises significantly influenced | 16.58 | 23.34 | 39.75 | - | - |
| Share Application Advance Given Pending Allotment | Subsidiaries Company | 73.20 | 73.20 | 73.20 | - | - |
| | Associates | - | - | - | 73.20 | - |
| Guarantee Recd. | Subsidiaries Company | 400.00 | 400.00 | - | - | - |
| Guarantees Issued Security Deposits | KMP, RKMP, Enterprises significantly influenced | 356.47 | 356.47 | 50.00 | 609.00 | 549.00 |
| | Subsidiary Company | 160.55 | 56.10 | 38.01 | - | - |
| | Associates | - | - | - | - | 120.00 |
| | RKMP | - | - | - | 10.40 | - |



ANNEXURE XVII

PRINCIPAL TERMS OF SECURED LOANS AND ASSETS CHARGED AS ON MARCH 31,2006

Working Capital Loans

(Rs. in Lacs)

| Name of Lender | Overall Limits Available | Interest Rate (%) | Repayment Schedule | Security Created | Outstanding Amount |
|----------------|--------------------------|-------------------|--------------------|---|--------------------|
| UTI Bank | 125.00 | 10.00 | Working Capital | <ul style="list-style-type: none"> First Charge on Debtors & Stock Guarantee of Mr. Paras S. Savla and Mr. Rupesh K. Savla Equitable mortgage of land at Modasa bearing survey no. 135/A/2/2 owned by Mr. Rupesh K. Savla & Mr. Manoj Savla, brother of Mr. Paras S. Savla | 96.80 |
| Total | | | | | 96.80 |

Term Loans

(Rs. in Lacs)

| Name of Lender | Overall Limits Available | Interest Rate (%) | Repayment Schedule | Security Created | Outstanding Amount |
|----------------|--------------------------|-------------------|--|--|--------------------|
| Bank of Baroda | 300.00 | 11.75 | Repayable in 60 equal monthly instalments of Rs.5,00,000 | <ul style="list-style-type: none"> Guarantee of Mr. Paras S. Savla, Mr. Rupesh K. Savla, Dharen S. Savla, Kanvel Finance Pvt. Ltd., Adinath Exim Resources Ltd. Hypothecation of Existing Air Compressor & Gas Compressor Mortgage of Land situated at F.P. 186 TPS No.21, R.S.No. 242/1 of Moje Tal & Dist Gandhinagar owned by Mr. Paras S. Savla & Mr. Rupesh K. Savla | 71.51 |
| Bank of Baroda | 124.00 | 11.75 | 48 monthly installment of Rs.2,58,335 and 1 installment of Rs.2,58,255 | <ul style="list-style-type: none"> Guarantee of Mr. Paras S. Savla, Mr. Rupesh K. Savla, Dharen S. Savla, Kanvel Finance Pvt. Ltd., Adinath Exim Resources Ltd. Hypothecation of Existing Air Compressor & Gas Compressor Mortgage of Land situated at F.P. 186 TPS No.21, R.S.No. 242/1 of Moje Tal & Dist Gandhinagar owned by Mr. Paras S. Savla & Mr. Rupesh K. Savla | 98.17 |
| HDFC Bank | 5.40 | 2.17 | 33 monthly installment of Rs.15,975 | Hypothecation of vehicle financed & Personal Guarantee of Mr. Paras S. Savla | 2.62 |
| ICICI Bank | 4.35 | 3.00 | 33 monthly installment of Rs.13,100 | Hypothecation of vehicle financed & Personal Guarantee of Mr. Paras S. Savla | 3.42 |
| ICICI Bank | 10.00 | 2.85 | 34 monthly installment of Rs.30,154 | Hypothecation of vehicle financed & Personal Guarantee of Mr. Paras S. Savla | 8.41 |
| ICICI Bank | 5.90 | 2.90 | 34 monthly installment of Rs.17,775 | Hypothecation of vehicle financed & Personal Guarantee of Mr. Paras S. Savla | 0.70 |
| Total | | | | | 184.83 |

DEEP INDUSTRIES LIMITED

GROUP COMPANIES

The following are the brief details of our group companies:

Adinath Exim Resources Limited (“Adinath”)

The company was incorporated as Adinath Exim Resources Ltd. on January 20, 1995 with Registration No.04-24300, registered with the Registrar of Companies, Gujarat, Dadra & Nagar Haveli and obtained the Certificate of Commencement of Business on January 25, 1995.

The company was originally incorporated with the object of acting as merchant exporter. As a part of the strategic decision, the Company commenced Non-Banking Financial activities. Currently, the company is a NBFC company registered with the Reserve Bank of India vide Registration No. 01.00025 dated February 20, 1998, to carry on the business of non-banking financial institution.

Registered Office: 1, Super Bazar, Near Naranpura cross road, Naranpura, Ahmedabad

Principal Activity: To carry on and to undertake the business of finance company, financing in all types of lease operations

Board of Directors: Mr. Paras S. Savla (Chairman), Mr. Manoj Savla, Mr. Jigar Shah, Mr. Hitesh Vanavari.

Shareholding Pattern of Adinath Exim Resources Limited as on July 31, 2006 is as under:

| Category of Shareholders | No. of Shares | % of Shareholding |
|--------------------------|------------------|-------------------|
| Promoters* | 20,89,200 | 50.91% |
| Mutual Funds and UTI | 2,50,000 | 6.09% |
| Private Corporate Bodies | 98,900 | 2.41% |
| Indian Public | 16,66,000 | 40.59% |
| Total | 41,04,100 | 100% |

* The Promoters include

| Name of the Shareholders | No. of Shares | % of Shareholding |
|-----------------------------------|------------------|-------------------|
| Savla Electronics Private Limited | 4,84,700 | 23.20 |
| Paras S. Savla | 1,15,200 | 5.51 |
| Manoj S. Savla | 1,04,600 | 5.01 |
| Shantilal M. Savla | 3,57,400 | 17.11 |
| Priti P. Savla | 3,25,100 | 15.56 |
| Prabhaben S. Savla | 21,100 | 1.01 |
| Mita M. Savla | 3,19,000 | 15.27 |
| Dharen S. Savla | 2,64,900 | 12.68 |
| Shanil Savla | 48,600 | 2.33 |
| Shail Savla | 48,600 | 2.33 |
| Total | 20,89,200 | 100.00 |

The Equity Shares of Adinath are listed on the Bombay Stock Exchange Limited and the same are in the compulsory list of trading in dematerialization w.e.f. January 02, 2002. The Equity Shares of Adinath have been suspended from trading with effect from January 27, 2004, due to non compliance with the provisions of clause 41 being submission of quarterly results for the period ended December 31, 2002 and March 31, 2003. The last traded price of the equity share is Rs.1.25 as on February 14, 2002.



The brief audited financials of the company for the past three Financial Years are as follows:

(Rs. In Lacs)

| For the year ended March 31st | 2003 | 2004 | 2005 |
|---|-------------|-------------|-------------|
| Equity Capital | 455.23 | 455.23 | 455.23 |
| Reserve | 35.41 | 51.24 | 65.60 |
| Net worth | 486.59 | 504.48 | 520.83 |
| Total Income | 11.61 | 23.15 | 22.66 |
| PAT | 2.96 | 15.83 | 14.36 |
| Earning Per Share (Rs.) | 0.07 | 0.39 | 0.35 |
| NAV Per Share (Rs.) | 11.86 | 12.29 | 12.69 |

There have been no changes in the capital structure of the Company and there have been no amalgamations/ takeovers during the past three years.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the company, or its promoters and directors.

The company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is not under winding up.

DISASSOCIATION

Our promoters have disassociated themselves from the following Companies during the last 3 years:

Visat Oil Tech Limited

Visat Oil Tech Limited ("VOTL") was incorporated vide certificate of incorporation No. 04 -17561 on March 17, 1994 with the Registrar of Companies, Gujarat, Dadra & Nagar Haveli, with the main object of dealing in of all types of oil and water wells, drilling rigs, mud pumps, extraction of oil, cleaning of oilwells and pips, oil exploring equipments and their accessories and to undertake all types servicing and maintaining of oil and water wells and fields. VOTL was promoted by Mr. Jhaverchand L. Chheda. Investment in VOTL was made by our Company to benefit from synergy in operations. However, the association did not benefit as envisaged and further our company was in requirement of funds for our expanding business operations. Our Company has sold our entire investment in VOTL on November 30, 2005, in order to concentrate on our core business.

DEEP INDUSTRIES LIMITED

CHANGES IN ACCOUNTING POLICIES IN THE LAST THREE YEARS

Financial Year 2004-05

Qualification on account of change in accounting policy of providing depreciation on fixed assets by the company.

In audited accounts up to the year ended March 31, 2004, the company had been accounting for depreciation on fixed assets based on the Written Down Value (WDV) Method. During the year 2004-05 the company has revised its accounting policy of providing depreciation from written down value method to the Straight Line Method (SLM) on all assets except tankers and shed and office building. The change in the above accounting policy has resulted in a surplus of Rs.3,10,38,526/- and a tax debt of Rs.98,53,038/- on account of deferred tax relating to the previous years. Consequently, the net profit of the current year is higher by Rs.2,11,85,488/-. Had the company followed the Written Down Value basis of depreciation accounting, the charge for the year would have been higher by Rs.53,54,736/- and the deferred tax charge would have been lower by Rs.18,02,404/-



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

You should read the following discussion and analysis of our financial condition and results of operations together with our restated financial statements for each of the fiscal years ended March 31, 2002, 2003, 2004, 2005 and 2006, including the notes thereto and the reports thereon in the Section titled 'Financial Statements' beginning from page no. 63 of this Prospectus. You should also read the section titled "Risk Factors" beginning on page vii of this Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to our Company on a standalone basis, and, unless otherwise stated, is based on our restated financial statements, which have been prepared in accordance with Indian GAAP, the accounting standards and other applicable provisions of the Companies Act, 1956, and the SEBI guidelines. Our fiscal year ends on March 31 of each year so all references to a particular fiscal year are to the twelve months ended March 31 of that year.

OVERVIEW OF THE BUSINESS OF OUR COMPANY

We provide Air and Gas Compression Services to Oil & Gas Exploration Companies. We currently compete primarily in the market for transportable natural gas compression units of up to 2400 HP. We have a fleet of 10 Compressors packages to carry out the services. We provide comprehensive contract compression services, which include operation and maintenance services through our domestic and international fleet. When providing full contract compression service, we work closely with the customer's field service personnel so that the compressor can be adjusted to efficiently match changing characteristics of the gas produced. We provide maintenance services on substantially all of our fleet units. Maintenance services include the scheduled preventive maintenance, repair and general up-keep of compressor equipments. We also offer installation services, which for our typical mid-range and smaller horsepower units involve significantly less engineering and cost than the comprehensive service concept prevalent in the international markets. We also routinely repackaging or reconfigure some of our existing fleet to adapt to our customers' needs.

We generally operate the large horsepower compressors under comprehensive compression services contracts and include the operations fee as a part of the contract compression rate. Large horsepower units are more complex and, by operating the equipment ourselves, we reduce maintenance and overhaul expenses. Our field compression equipment is maintained in accordance with daily, weekly, monthly and annual maintenance schedules. These maintenance procedures are updated as technology changes and as our operations group develops new techniques and procedures. In addition, because our field technicians provide maintenance on substantially all of our contract compression equipment, they are familiar with the condition of our equipment and can readily identify potential problems. In our experience, these procedures maximize equipment life and unit availability and minimize avoidable downtime. Generally, each of our units undergoes a major overhaul once every six to eight years. A major overhaul involves the rebuilding of the unit to materially extend its economic useful life or to enhance the unit's ability to fulfill broader or different contract compression applications.

We believe that our fabrication and after market service businesses provides us with opportunities to cross-sell our contract compression services. We have standard contracts for rates and terms on the compressors in our fleet. Through negotiations, these rates and contracts may be modified. Optional items such as oil, antifreeze, freight, insurance and other items may be either itemized or included in the basic monthly contract compression rate. Initial period of contract for Gas Compression are usually 2 years with extension of one years, with some projects committed for as long as five years. At the end of the initial term, contract compression services can continue at the option of the customer on a month-to-month basis or the compressor may be returned or replaced with a different compressor.

Our Company was awarded as a contractor member in good standing by International Association of Drilling Contractors (IADC) and has received ISO 9001-2000 certificate for Quality Management from BVQI (India) Private Limited.

Our achievement is mainly due to our experienced professionals who have extensive backgrounds in the natural gas compression and service Industry and expertise in sales, procurement, engineering, project management, capital formation and operations of Gas/Air compression equipment, Work over Rigs, Drilling Rigs and associated services. Our work force is about 70 personnel who have vast and diversified experience in the field of technical, logistics, administration, etc., which enable us in operating our compressors, rigs and maintenance facilities as per International oil field standards.

We have leased a facility in Gandhinagar to undertake refurbishment, repairs and retrofitting of the existing/newly acquired equipments of the clients or our equipments. Our company also builds compressor packages on outsource basis in India.

DEEP INDUSTRIES LIMITED

We intend to package or supply new technology and environment friendly CNG, Process gas compressors and associated equipment for CNG plants in India.

We have joined hands with experienced company like Valerus for Gas Compressors and production equipments to act as Sales Representatives for Valerus in the Asian Region. Further, we have recently entered into a MoU with PT Indrillco Bakti, Jakarta-13260, Indonesia, for availing technical know-how/ collaboration in connection with work over services for 30 to 200 Ton capacity Rigs.

FACTORS AFFECTING OUR RESULTS OF OPERATION

Our financial condition and results of operation are affected by numerous factors including the following:

General Economic and Business Conditions

The performance of our Company is dependent upon national and global growth as the company provides services in both the domestic as well as global industry.

India's GDP growth rate of 8.4% in 2005-06, one of the highest in the world, has been marked by continuous economic reforms, deregulation of the economy, a healthy capital market, robust industrial and agricultural growth as well as increased foreign investments in the country. Further, the revival of USA and global economies has further strengthened the country's and the company's prospects.

The advent of globalization and benefits to Oil & Gas Producers from outsourcing compression services has created opportunities for the company. Apart from providing compression services to domestic clients like ONGC, we have also been able to make foray in the USA Gas Compression service market.

Global Industry Outlook:

The share of natural gas in the country's energy consumption is set to scale up significantly from around 7% at present to about 20% by 2025. India plans to import LNG from Iran, Turkmenistan and Myanmar to partly satisfy the surging demand. With more gas finds, LNG imports set to increase natural gas availability, they will still not be able to cater to the growing domestic requirements. But with slow but purposeful move away from administered pricing regime, atleast in respect of new gas finds, the natural gas industry is poised for significant scaling up of revenues and profitability.

From 2002 to 2025, consumption of natural gas is projected to increase from 92 trillion cubic feet to 156 trillion cubic feet, and its share of total energy consumption on a Btu basis is projected to grow from 23 percent to 25 percent. The electric power sector accounts for almost one-half of the total incremental growth in worldwide natural gas demand over the forecast period.

Domestic Scenario:

Government initiatives in upstream activities (particularly under the NELP) have begun to yield results with the gas discoveries in the Krishna-Godavari basin and off the coast of Orissa. This is an important step towards improving the country's energy security, Oil majors are not only bidding for blocks under the NELP but also investing in buying equity stakes for India in oilfields abroad and taking corrective measures to improve recovery from the existing fields within the country. These steps are essentially focused on improving the country's oil reserve base and enhancing production levels. With the increased production of oil and gas in the coming years, the demand for Company's services is slated to go up substantially.

Demand

The demand for our Company's services is primarily from the Oil and Gas sector. The demand for consumption of Natural Gas will have an effect on the demand for the services of our company. Further, the prospects and earnings growth of the customers and industries we serve will have an impact on our ability to generate revenues.

Competition

In India, currently, the Gas Compression Services Sector is at a nascent stage and the Oil & Gas producers in India are now intending to outsource their compression requirements so as to focus on their core business. Domestically, John Energy Limited and Shiv-Vani Oil & Exploration Services Limited provide Gas compression services. However, they are focusing their efforts more on rig business. Currently, there are not many players in the domestic market who have the



capability and experience in compression service industry. Further new players would require time and money to understand and execute compression contracts effectively and thus there will be time lag for competition to come into play in a major way in an industry where sub-performance/non-performance of contract attract heavy penalty.

Internationally, Hanover Company Inc., USA and Universal Compression are the major companies in the Gas Compression business.

The ability of the Company to design tailor made compressor package for flexible use by the customers would provide the competitive edge to our company to cater to the international market.

Other Factors

Success of our Company is highly dependent on diligently meeting all the obligations under the Contract executed with the Clients. Any contravention, sub-performance/ Non-performance etc. results into high penalties, which may affect the profitability of our Company. Thus, proper monitoring of execution of Contracts, maintaining standby machines and critical component inventory, at the site of the Client becomes important.

Results of Operations

Sales

The Company derives its income primarily as contract charges for providing compression services to Oil and Gas sector. The Contracts are generally for 2 years with an extension clause of 1 year. The contracts generate a steady flow of income through out the contract period. The contracts are awarded by way of a tender process, to the lowest bidder. Apart from contract charges, the revenues for the year ended 31st March 2006, also contains lease income from deployment of 2 compressor packages in USA through Valerus Compression Services Limited Partnership, a Texas, USA based Partnership firm with whom the company has a Gas Compression Equipment Operation Lease Agreement. The company has also acquired a 100MT work over Rig during the year, which is slated to be deployed in short time. The company has already received LOI from ONGC for deployment for the RIG at its Rajamundry, Andhra Pradesh. This will enable the Company to move towards its aim of becoming an integrated service provider.

Expenses

Our expenses mainly consist of machinery operating and maintenance expenses, depreciation, personnel expenses, interest and financial charges in addition to normal overheads, the details of which are given below:

Operating Expenses

The operating expenses comprises of machinery operating expenses, maintenance expenses and technical charges. These are the main expenses in our industry and critically affect the margins of the company. Our company has been successful in reducing these expenses over a period of time due to experience gained in efficiently executing service contracts. The operating expenses as a percentage of total expenses stood at 36.34% for the year ended on 31st March, 2006 when compared to 51.25% in 2004-05.

Depreciation

Our depreciation expenses mainly consist of depreciation on the plant and machinery, which is owned by our company. The depreciation expenses as a percentage to total expenses was 12.10% as per audited accounts for the year ended 31st March 2006.

Administration and Other Expenses

Administrative and other expenses consist of traveling expenses, professional fees, audit fees, remuneration to directors, vehicle expenses, telephone expenses, Bank Charges, Insurance premium, stationery & printing expenses etc. Administrative and Other Expenses as a percentage to total expenses was 16.34% for the year ended 31st March 2006.

Interest and Finance Charges

Interest and Finance charges represent expenses incurred in respect of our short-term and long-term bank loans and other charges incurred by us in respect of letters of credit and other financing arrangements and facilities availed. The average cost of debt has remained at around 10%. Interest & finance charges as a percentage to total expenses stood at 7.80% for the year ended 31st March 2006.

DEEP INDUSTRIES LIMITED

Taxation

Provision of income tax (excl. Provision for Deferred Tax) is based upon the established tax computation for fiscal year 2004-2005 and any excess or shortfall will be accounted on completion of assessment.

We availed benefits of carry forward losses in fiscal 2003 and have paid Minimum Alternate Tax ("MAT") under Indian taxation laws in the year 2002. MAT involves the payment of tax on a company's book profits in the event that the tax payable in accordance with the tax law is less than a certain limit. A depreciation tax shield would be available in respect of fixed assets acquired by our Company in future as per applicable tax rates prevailing at that time.

Adjustments

The fiscal information for the year 2001, 2002, 2003, 2004, 2005 and 2006 has been restated in compliance with SEBI Guidelines. In accordance with the Indian GAAP, the effects of restatement are shown as a cumulative effect on our adjusted profit and loss.

RESULTS OF OPERATIONS

The following table sets forth certain information with respect to our Financial and Operational data for the financial information with common size statement in percentage for the Financial Year ended March 31, 2002, 2003, 2004, 2005 and 2006.

(Rs. In lacs)

| Financial Year ended Period | 31.03.2006 (12 Months) | | 31.03.2005 (12 Months) | | 31.03.2004 (12 Months) | | 31.03.2003 (12 Months) | | 31.03.2002 (12 Months) | |
|--|---------------------------|---------------|---------------------------|---------------|---------------------------|---------------|---------------------------|---------------|---------------------------|---------------|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| INCOME | | | | | | | | | | |
| Sales | | | | | | | | | | |
| Of Services Provided by the Company | 729.49 | 91.60 | 794.06 | 96.65 | 1070.17 | 97.41 | 892.42 | 98.35 | 972.88 | 97.50 |
| Other Income | 66.83 | 8.39 | 27.53 | 3.35 | 28.45 | 2.59 | 15 | 1.65 | 24.94 | 2.50 |
| Total Income (A) | 796.32 | 100.00 | 821.59 | 100.00 | 1098.62 | 100.00 | 907.42 | 100.00 | 997.82 | 100.00 |
| EXPENDITURE | | | | | | | | | | |
| Operating Expenses | 265.10 | 33.29 | 406.95 | 49.53 | 821.03 | 74.73 | 624.44 | 68.81 | 753.27 | 75.49 |
| Salaries, Wages and Benefits | 51.54 | 6.47 | 40.75 | 4.96 | 32 | 2.91 | 30.26 | 3.33 | 34.05 | 3.41 |
| Administration and other Expenses | 125.71 | 15.79 | 107.58 | 13.09 | 72.4 | 6.59 | 55.84 | 6.15 | 49.42 | 4.95 |
| Depreciation | 88.26 | 11.08 | 92.4 | 11.25 | 73.46 | 6.69 | 78.57 | 8.66 | 68.02 | 6.82 |
| Interest & Financial Charges | 56.87 | 7.14 | 30.74 | 3.74 | 11.84 | 1.08 | 37.61 | 4.14 | 58.41 | 5.85 |
| Misc. Expenses not written off | 0.15 | 0.02 | 0.15 | 0.02 | 0.15 | 0.01 | 0.15 | 0.02 | 0.15 | 0.02 |
| Total Expenditure (B) | 587.63 | 73.79 | 678.57 | 82.59 | 1010.88 | 92.01 | 826.87 | 91.12 | 963.32 | 96.54 |
| Profit before Tax and Extraordinary Items (A-B) | 208.69 | 26.21 | 143.02 | 17.41 | 87.74 | 7.99 | 80.55 | 8.88 | 34.50 | 3.46 |
| Taxation : | | | | | | | | | | |
| Current Tax | 20.00 | 2.51 | 36 | 4.38 | 17 | 1.55 | 17 | 1.87 | 0.5 | 0.05 |
| Excess/Short provision for Tax | 0.27 | 0.03 | 0 | 0.00 | 1.04 | 0.09 | 0 | 0.00 | 0 | 0.00 |
| Deferred Tax | 9.31 | 1.17 | 43.53 | 5.30 | 13.39 | 1.22 | 11.95 | 1.32 | 15.84 | 1.59 |
| Net Profit before Extraordinary Items | 179.11 | 22.49 | 63.49 | 7.73 | 56.31 | 5.13 | 51.60 | 5.69 | 18.16 | 1.82 |
| Extraordinary Items (net of tax) | - | | - | | - | | - | | - | |
| Net Profit after Extraordinary Items | 179.11 | 22.49 | 63.49 | 7.73 | 56.31 | 5.13 | 51.60 | 5.69 | 18.16 | 1.82 |



COMPARISON OF FISCAL 2006 WITH FISCAL 2005

Net Sales

Our net sales were Rs.729.49 lacs for the year ended March 2006 as against Rs.794.06 lacs for the year ended March 31, 2005. The sales mainly comprise of income from gas compression service. The marginal decrease in turnover is due to reduction in transportation income from which the company is moving out so as to concentrate on its core business of providing service to oil and gas sector.

Other Income

Other income increased from Rs.27.53 lacs in fiscal 2005 to Rs.66.83 lacs for the year ended March, 2006, mainly due to one-time profit on sale of shares to the tune of Rs 43.95 lacs during the year ended March, 2006.

Operating Expenses

Our Operating expenses as a percentage of Net Sales (excluding other income) has reduced from 51.25% in fiscal 2005 to 36.34% for the year ended March, 2006 due to higher efficiency in operations.

Salary

Salary, Wages and Benefit as a percentage of Net Sales (excluding other income) has increased from 5.13% in fiscal 2005 to 7.07% for the year ended March, 2006. This is mainly due to new recruitment of technical personnel for expanding the operations of the compression services of our company.

Administrative and Other Expenses

As a percentage of Net Sales (excluding other Income) our Administrative Expenses increased to 16.34% for the year ended March, 2006 as against 13.55% for the fiscal 2005. This is mainly due to increase in fringe benefit tax, insurance premium and other miscellaneous administrative expenses.

Interest & Finance Charges

As a percentage of Net Sales (excluding other Income) our Interest & Finance Expenses increased to 7.80% for the year ended March, 2006 as against 3.87% for the fiscal year 2005. This is due to fresh term loans raised during the year to pay off the suppliers for capital goods acquired during the previous year.

Depreciation

As a percentage of Net Sales (excluding other Income) our depreciation increased marginally to 12.10% for the year ended March, 2006 as against 11.64% for the fiscal 2005. This is on account of increase in the gross block of fixed Assets.

Net Profit before Tax

Net Profit before tax is Rs.208.69 Lacs for the year ended March, 2006 as against Rs.143.02 Lacs for the fiscal 2005. The Operating and Net Profit Margins of the company has gone up due to reduction in operating costs.

Review of Financial Position

Fixed Assets

Fixed assets comprises of buildings, plant and machinery, furniture, office equipment, computers, vehicles and capital work in progress. Fixed assets increased by Rs.650.11 Lacs, or 37.26%, from Rs.1744.79 Lacs as of March 31, 2005 to Rs.2394.90 Lacs as of March, 2006. During this period, there were net additions of fixed assets of Rs.650.11 Lacs, consisting of Work Over Rig, Compressor, vehicles and other fixed assets.

Investment

We have no major investments in shares. The investments of Rs.0.39 Lacs comprises mainly 500 shares of Mangalore Refinery Project Ltd. at cost of Rs 0.29 Lacs and investment in unquoted 1000 shares of Mehsana Nagrik Sahakari Bank Ltd amounting to Rs.0.10 lacs.

DEEP INDUSTRIES LIMITED

Current Assets

Current assets include inventories, debtors, cash and bank balances, and loans and advances. Current assets have increased in line with the growth of our business activities.

Current assets increased by Rs.135.29 lacs from Rs.885.28 lacs as on March 31, 2005 to Rs.1020.57 lacs as on March, 2006, due to increase in loans and advances.

Inventories made up 10.86% of total current assets as on March, 2006 . Inventories mainly comprise of spare parts of machinery.

Debtors accounted for 20.72% of total current assets as on March, 2006. Debtors increased from Rs.286.11 Lacs as on March 31, 2005 to Rs.211.48 Lacs as on March, 2006. Debtor's turnover has decreased from around 135 days to 105 days.

Debtors on an overall level have increased in the FY 2005 and FY 2006 as a comparison to FY 2004, the same has also led to an increase in the debtors outstanding for more than six months. The same is attributable to the nature of business and clientele serviced as the recoveries from ONGC have been delayed. The same are considered to be recoverable and not shown as doubtful by the auditors.

Cash and bank balances accounted for 24.65% of total current assets as on March, 2006.

Loans and advances accounted for 43.76% of total current assets as on March, 2006. Loans and advances have increased from Rs.168.36 Lacs as on March 31, 2005 to Rs. 446.61 Lacs as on March, 2006. The increase in advances is mainly due to increase in advances made for capital goods.

Current Liabilities and Provisions

Current Liabilities include Sundry Creditors against Capital Goods, Expenses Payable, other payables and tax provisions.

Current liabilities and provisions decreased from Rs.598.80 lacs as on March 31, 2005 to Rs.503.45 lacs as on March, 2006, in line with the growth in our business activities.

Non-Current Liabilities

Non-Current liabilities consist of long term secured loans, long term unsecured loans and deferred tax liabilities. Non-current liabilities have decreased by Rs.21.55 lacs or 4.09%, from Rs.526.72 lacs as on March 31, 2005 to Rs.505.17 lacs as on March, 2006 mainly attributable to increase in long term secured loans by Rs.21.71 Lacs, decrease in long term unsecured loans by Rs.52.56 Lacs and increase in deferred tax liabilities by Rs.9.31 Lacs.

Networth

Networth has increased by Rs.800.47 lacs from Rs.1165.10 Lacs as on March 31, 2005 to Rs.1965.57 Lacs as on March, 2006 on account of improved profitability.

COMPARISON OF FISCAL 2005 TO FISCAL 2004

In comparison to fiscal 2004, during fiscal 2005, the sales of our Company has decreased from Rs.1070.17 Lacs to Rs.794.06 Lacs. This was mainly because our Company decided to discontinue our transport business to concentrate more on the Compression Service business. However, we were able to reduce our operating expenses as a percentage of Net Sales (excluding other income). In spite of the increase in Salary, wages & benefits, Administrative Expenses, interest and financial charges, the Net Profit of our Company after taxes increased from Rs.56.31 Lacs in fiscal 2004 to Rs. 63.49 Lacs in fiscal 2005.

Net Sales

Our net sales comprising of Tanker Hire Charges Income, Gas Compression Income and Air Compression income, decreased from Rs.1070.17 Lacs in fiscal 2004 to Rs.794.06 Lacs in fiscal 2005, which was a decrease of 25.80%. This decrease was mainly because our company decided to discontinue its transportation business and to concentrate on higher margin yielding Gas and Air Compression Business. This resulted in higher bottom line for the company and is reflected in the increase in Net Profit (before tax) Margin, which has gone up from 7.99% of Total Income in fiscal 2004 to 17.41% of the Total income in fiscal 2005.



Operating Expenses

Our Operating expenses as a percentage of Net Sales (excluding other income) has reduced from 76.72% in fiscal 2004 to 51.25% in fiscal 2005, mainly because our company has been able to minimize penalties on contracts and achieved higher efficiency in operations.

Salary

Salary, Wages and Benefit has increased from Rs. 31.99 lakhs in fiscal 2004 to Rs.40.74 lakhs in fiscal 2005. This is mainly due to new recruitment of technical personnel for expanding the operations of the compression services of our Company.

Administrative and other expenses

Administrative and Other Expenses increased from Rs.72.40 Lacs in fiscal year 2004 to Rs.107.58 lacs in fiscal 2005. This increase has been mainly on account of high Bank Charges incurred by our company in connection with raising fresh Loans and increase in traveling expenses during fiscal 2005, in connection with development of the business of our Company.

Interest and Finance Charges

The interest and finance charges incurred by our company has increased from Rs.11.84 Lacs in fiscal 2004 to Rs.30.74 Lacs in fiscal 2005. This increase is mainly due to new Term Loan of Rs.121.50 lacs and working capital loan of Rs.125 lacs raised during the year by our company to expand the business activities of our Company.

Depreciation

The depreciation expenses of our Company have increased from Rs.73.46 lacs in fiscal 2004 to Rs.92.40 lacs in fiscal 2005. The same was mainly due to addition of fixed assets during the year.

Net Profit after Tax

The Net Profit of our company has increased from Rs.56.31 Lacs in fiscal 2004 to Rs.63.49 Lacs in fiscal 2005. The Net Profit Margin has increased from 5.13% in fiscal 2004 to 7.73% in fiscal 2005, mainly on account of gains made from diversion of resources from relative low yielding transport services to relative high yielding compression services.

Fixed Assets

Fixed Assets comprise of buildings, plant and machinery, furniture, office equipment, computers, vehicles, etc. Fixed Assets (Gross) increased by Rs.370.35 lacs, or 26.94%, from Rs.1374.44 lacs as of March 31, 2004 to Rs.1744.79 lacs as of March 31, 2005, mainly due to addition of plant and equipments.

Investment

The investments of Rs. 90.02 lacs shown as on March 31, 2004, represents mainly investments in shares of Visat Oil Tech Limited. We have sold some investments during fiscal 2005. The investments of Rs.73.59 lacs shown as on March 31, 2005 mainly represent investments in 732000 shares of Visat Oil Tech Ltd at cost of Rs.10/- per share. The same has been sold during the 8 month period ending November 30, 2005.

Current Assets

Current assets consist of inventories, debtors, cash and bank balances, and loans and advances. Current assets have generally increased in line with the growth of our business activities. Current assets increased by Rs.115.93 lacs or 15.07% from Rs.769.35 lacs as on March 31, 2004 to Rs.885.28 lacs as on March 31, 2005, due to increases in inventories, cash and bank balance and receivables.

Inventories made up 10.55% of total current assets as on March 31, 2005 and comprises mainly of spares of machineries.

Debtors accounted for 32.32% of total current assets as on March 31, 2005. Debtors have increased from Rs.137.47 lacs as on March 31, 2004 to Rs.286.11 lacs as on March 31, 2005. Debtor's turnover has increased from 45 days to around 122 days. This increase is mainly on account of withholding of some bills by ONGC, pending some clarifications. The same will be realized in due course of time.

DEEP INDUSTRIES LIMITED

Cash and bank balances accounts for 38.11% of total current assets as on March 31, 2005. There is increase of Rs. 148.93 Lacs during the financial year 2004-2005 mainly on account of margin money deposits for opening letters of credit for acquiring Capital Equipments.

Loans and Advances accounted for 19.02% of total current assets as on March 31, 2005. Loans and Advances decreased from Rs. 402.18 lacs as on March 31, 2004 to Rs. 168.36 lacs as on March 31, 2005.

Current Liabilities and Provisions

Current Liabilities comprise Sundry Creditors against goods, Expenses Payable, other payables, Gratuity Payable and tax provisions.

Current Liabilities have increased marginally as compared with fiscal 2004 and provision for taxation increased in line with the growth on our business activities.

Current liabilities and provisions increased by 74.77% from Rs.342.60 lacs as on March 31, 2004 to Rs.598.80 lacs as on March 31, 2005. The main reason for the increase was on account of increase in creditors for capital equipments purchased during the year for which the company has got supplier's credit.

Non-Current Liabilities

Non-current liabilities consist of long term secured loans; long term unsecured loans and deferred tax liabilities. Non-current liabilities have increased marginally in fiscal year 2005.

Non current liabilities increased by Rs.204.72 lacs or 63.58%, from Rs.322 lacs as on March 31, 2004 to Rs.526.72 lacs as on March 31, 2005 mainly due to increase in long term secured loans by Rs.156.15 lacs.

The increase in long term secured loan is mainly due to fresh loan of Rs.125 lacs taken by our Company from UTI Bank and term loan of Rs.121.50 lacs from Bank of Baroda. There was also reduction of working capital loan of Mehsana Nagrik Co-operative Bank Ltd of Rs.37.08 lacs, reduction in Equipment Finance loan from ICICI, CitiCorp and HDFC Bank. There was also increase in long term unsecured loans by Rs.5.04 lacs from Rs.47.53 lacs as on March 31, 2004 to Rs.52.57 lacs as on March 31, 2005 arising out of unsecured loans from shareholders and associates. There was increase in deferred tax liabilities by Rs.43.53 lacs from Rs.170.70 lacs as on March 31, 2004 to Rs.214.23 lacs as on March 31, 2005.

Networth

Networth increased by Rs.8.53 lacs or 0.73% from Rs.1156.11 lacs as on March 31, 2004 to Rs.1164.64 lacs as at fiscal year 2005 mainly due to increase in profit and declaration of dividend.

COMPARISON OF FISCAL 2004 TO FISCAL 2003

In comparison to fiscal 2003, during fiscal 2004, the Net Sales (excluding other income) of our Company has increased from Rs.892.42 Lacs to Rs.1070.17 lacs. Inspite of an increase in the operating expenses and administrative expenses, the Net profit (after tax) of our Company has increased from Rs.51.60 lacs to Rs.56.31 lacs.

Net Sales

Our Net Sales comprising of Tanker Hire Charges Income, Gas Compression Income and Air Compression Income, increased from Rs.892.42 lacs in fiscal 2003 to Rs.1070.17 lacs in fiscal 2004, registering a growth of 19.92%. This was mainly on account of increase in gas compressor income.

Operating Expenses

Our Operating expenses as a percentage of Net Sales (Excluding other income) has increased from 69.97% in fiscal 2003 to 76.72% in fiscal 2004, mainly because of increase in gas compressor running and maintenance expenses and disproportionate increase in tanker running and maintenance expenses.

Salary

Salary, Wages and Benefits has marginally increased from Rs.30.26 Lacs in fiscal 2003 to Rs.32 Lacs in fiscal 2004 due to normal yearly salary increment of employees.



Administrative and other expenses

Administrative and Other Expenses have increased from Rs.55.84 lacs in fiscal 2003 to Rs.72.40 Lacs in fiscal 2004. This increase has been mainly on account of increased traveling expenses during fiscal 2004, in connection with development of the business of our company.

Interest and Finance Charges

The interest & finance charges of our Company has decreased from Rs. 37.61 lacs in fiscal 2003 to Rs. 11.84 Lacs in fiscal 2004 mainly due to decrease in Term Loans.

Depreciation

The depreciation expenses of our company has decreased from Rs.78.57 lacs in fiscal year 2003 to Rs.73.46 Lacs for the fiscal year 2004 arising out of following written down value method of depreciation on some of the Assets.

Net Profit

The Net Profit (after tax) of our Company has increased from Rs. 51.60 Lacs in fiscal 2003 to Rs.56.31 Lacs in fiscal year 2004 due to increased operations. However, the Net profit margin has gone down from 5.69% in fiscal 2003 to 5.13% in 2004. This had been on account of more than proportionate increase in administrative and operating expenses.

Fixed Assets

Fixed assets comprise of buildings, plant and machinery, furniture, office equipment, computers, vehicles, etc. Fixed assets (Gross) increased by Rs.278.90 lacs from Rs.1095.54 lacs as on March 31, 2003, to Rs.1374.44 lacs as on March 31, 2004, mainly due to net additions to the fixed assets consisting of plant and equipments.

Investment

The investments of our Company shown at Rs. 75.42 lacs as on March 31, 2003 and Rs.90.02 Lacs as on March 31, 2004, mainly consists of investment in shares of Visat Oil Tech Limited.

Current Assets

Current Assets has decreased by Rs.94.85 lacs or 10.98% from Rs.864.20 lacs as on March 31, 2003 to Rs.769.34 lacs as on March 31, 2004 mainly due to decrease in debtors by Rs.46.29 lacs and decrease in Loans and Advances.

Inventories made up 5.36% of the total current assets, as at a March 31, 2004. Inventory comprises of spares for machineries.

Debtors accounted for 17.87% of total current assets as at March 31, 2004. Debtors decreased in comparison to fiscal 2003 and Debtors turnover decreased from 75 days to 46 days.

Cash and bank balances accounted for 24.50% of total current assets as at March 31, 2004. Cash and bank balances increased from Rs.146.40 lacs as on March 31, 2003 to Rs.188.45 lacs as on March 31, 2004.

Loans and advances accounted for 52.28% of total current assets as on March 31, 2004. Loans and advances decreased from Rs. 527.64 lacs as on March 31, 2003 to Rs. 402.18 lacs as on March 31, 2004 mainly due to decrease in share application money (short term investment).

Current Liabilities and Provisions

Current Liabilities comprise Sundry Creditors against goods, Expenses Payable, other payables, Gratuity Payable and tax provisions.

Current Liabilities have increased marginally as compared with fiscal 2004 and provision for taxation increased in line with the growth on our business activities.

Current liabilities and provisions increased by Rs.63.00 lacs, or 22.53% from Rs.279.60 lacs as at March 31, 2003 to Rs.342.60 lacs as at March 31, 2004 in line with increase in operations of our Company.

Non-current Liabilities

Non-current liabilities consist of long term secured loans; long term unsecured loans and deferred tax liabilities. Non-current liabilities have increased marginally in fiscal year 2005.

DEEP INDUSTRIES LIMITED

Non-current liabilities decrease by Rs.294.49 lacs or 47.76% from Rs.616.49 lacs in fiscal 2003 to Rs.322 lacs in fiscal 2004 principally due to decrease in share application money of Rs.339.30 lacs and decrease in long term secured loans of Rs.13.83 lacs on account of repayment of term loan.

There was also increase in long term unsecured loans by Rs. 45.25 lacs from Rs. 2.28 lacs as on March 31, 2003 to Rs.47.53 lacs as on March 31, 2004 representing unsecured loans from shareholders and increase in deferred tax liabilities of Rs. 13.39 lacs from Rs 157.31 lacs as on March 31, 2003 to Rs. 170.70 lacs as on March 31, 2004.

Networth

Networth increased by Rs.357.91 lacs or 44.84 % from Rs. 798.20 lacs as at March 31, 2003 to Rs. 1156.11 lacs as at March 31, 2004 mainly due to increase in share capital by way of issue of shares at a premium.

COMPARISON OF FISCAL 2003 TO FISCAL 2002

In comparison to fiscal 2002, during fiscal 2003, the Net Sales (excluding other income) of our Company decreased from Rs.972.88 lacs to Rs.892.42 lacs. However, due to achieving efficiency in minimizing operating cost, our Company was able to increase the Net Profit Margin from 1.82% to 5.69% from Rs.18.16 lacs in fiscal 2002 to Rs.51.60 Lacs in fiscal 2003.

Net Sales

Our Net Sales comprising of Tanker Hire Charges Income, Gas Compression income and Air Compression income, decreased from Rs.972.88 lacs in fiscal 2002 to Rs.892.42 lacs during fiscal 2003. This was mainly on account of reduction in gas compression income.

Operating Expenses

Our Operating expenses as a percentage of Net Sales (excluding other income) has decreased from 77.43% in fiscal 2002 to 69.97% in fiscal 2003, mainly because of attaining higher efficiency in reducing the operating costs through experience gained over years in the Industry.

Salary

Salary, Wages and Benefits has reduced from Rs.34.05 lacs in fiscal 2002 to Rs.30.26 lacs in fiscal 2003, arising out of termination of services of few employees, in line with our business requirements.

Administrative and other expenses

Administrative and Other Expenses have increased from Rs.49.42 lacs in fiscal 2002 to Rs.55.84 lacs in fiscal 2004, mainly due to increased traveling and other administrative expenses.

Interest and Finance Charges

The interest & finance charges of our Company has decreased from Rs.58.41 lacs in fiscal 2002 to Rs.37.61 lacs in fiscal 2003. This is due to repayment of term loans during the year.

Depreciation

Depreciation has increased from Rs.68.02 lacs in fiscal year 2002 to Rs.78.57 lacs in fiscal year 2003.

Net Profit

The Net Profit (after tax) of our Company has increased from Rs.18.16 lacs for the fiscal year 2002 to Rs.51.60 lacs in the fiscal year 2003, mainly due to higher operating efficiencies and minimization of operating and interest cost. The Net Profit Margin has increased from 1.82% in fiscal 2002 to 5.69% in fiscal 2003.

Fixed Assets

Fixed Assets comprise of buildings, plant and machinery, furniture, office equipment, computers, vehicles, etc. Fixed assets (Gross) increased by Rs. 0.72 Lacs from Rs. 1094.82 Lacs as on March 31, 2002, to Rs.1095.54 lacs as on March 31, 2003, mainly due to net additions to the fixed assets consisting of plant and equipments.



Investment

The investments of our company as on March 31, 2003 is Rs.75.42 lacs which is same as that of March 31, 2002.

Current Assets

Current assets has decreased by Rs.163.02 lacs or 15.87% from Rs.1027.22 lacs as on March 31, 2002 to Rs.864.20 lacs as on March 31, 2003 mainly due to decrease in debtors by Rs.275.28 lacs

Inventories made up 0.74% of total current assets, as on March 31, 2003. The inventory comprises of spares for machineries.

Debtors accounted for 21.26% of total current assets as on March 31, 2003. Debtors have decreased in fiscal 2003 in comparison to fiscal 2002. Debtors' turnover decreased from 172 days to 75 days.

Cash and bank balances accounted for 16.94% of total current assets as at March 31, 2003. Cash and bank balances increased from Rs.58.95 lacs as on March 31, 2002 to Rs.146.40 lacs as on March 31, 2003.

Loans and Advances accounted for 61.06% of total current assets as on March 31, 2003. Loans and advances decreased from Rs. 488.24 lacs as on March 31, 2002 to Rs.527.64 lacs as on March 31, 2003.

Current Liabilities and Provisions

Current Liabilities comprise Sundry Creditors against goods, Expenses Payable, other payables, Gratuity Payable and tax provisions and Share Application money.

Current Liabilities have decreased marginally as compared with fiscal 2002 and provision for taxation increased in line with the growth on our business activities.

Current liabilities and provisions decreased by 4.09% from Rs.645.28 lacs as on March 31, 2002 to Rs.279.60 lacs as on March 31, 2003. The main reason for the increase was increase in creditors for capital equipments purchased during the year for which the company has got the supplier's credit.

Non-Current Liabilities

Non-current liabilities consist of long term secured loans, long term unsecured loans and deferred tax liabilities. Non-current liabilities have increased during fiscal 2003.

Non-current liabilities increased by Rs.123.65 lacs or 25.08% from Rs.492.84 lacs as on March 31, 2002 to Rs.616.49 lacs as on March 31, 2003 principally due to increase in share application money of Rs.339.30 lacs and increase in deferred tax liability from Rs.145.36 lacs to Rs.157.31 lacs on account of effect of timing difference on depreciation and reduction of secured loan of Rs.165.01 lacs and unsecured loans of Rs.62.59 lacs.

The decrease in long term Secured Loan is mainly due to repayment of term loans of Bank of Baroda and Mehsana Nagrik coop Bank Ltd. The reduction in unsecured loan is on account of repayment of loans taken from shareholders in the year 2002.

Networth

Net worth increased by Rs.21.88 lacs or 2.82% from Rs. 776.32 lacs as at March 31, 2002 to Rs. 798.20 lacs as at March 31, 2003 due to the profits for the fiscal 2003.

Significant Developments after March 31, 2006 that may affect the Future of our Operations

Except as stated under "Other Business" on page no. 42 and under "Material Developments on page no. 104 of this Prospectus and in compliance with AS4, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Prospectus which materially and adversely affect or are likely to affect, the trading and profitability of our Company, or the value of the consolidated assets or their ability to pay their material liabilities within the next 12 months. Except as stated in this Prospectus, there are no subsequent developments after the date of the Auditor's report, which we believe are expected to have material impact on the consolidated reserves, profits, earnings per share or book value of our Company.

Unusual or Infrequent Events or Transactions

Our management does not foresee any significant economic changes in the immediate future, which might have an

DEEP INDUSTRIES LIMITED

impact on the profitability or operations of our Company, other than the changes in the government policies, changes and such other changes, which are in usual course of business.

Significant Economic / Regulatory Changes

Significant reduction in price of oil and natural gas may affect the operations of the company due to reduction in output by gas exploration companies by closing smaller / uneconomic wells thereby reducing the number of wells for which the company's services are required. However this is a hypothetical situation at present.

Known Trends or Uncertainties

Apart from the risks as disclosed under the heading "Risk Factor" in this Prospectus, there are no other known trends or uncertainties that have or are expected to have a material adverse impact on sales, revenue, or income from continuing operations.

Future Relationship between Cost and Income

There is no future relationship between cost and income that will have a material adverse impact on the operations and finances of our Company.

New Products or Business Segment

We have not announced any new products or business segments.

Seasonality of Business

Our Company's business is not seasonal.

Over dependence on Single Supplier/Customer

Our Company has ongoing contracts with ONGC, IOC and GACL. Though, our Company is generating substantial income from contracts with ONGC, we are not entirely dependent on ONGC.

Competitive Conditions

The compression market on rental basis in India is at a nascent stage and the Oil & Gas producers in India are now intending to outsource their compression requirements so as to focus on their core business. Domestically, John Energy Limited and Shiv-Vani Oil & Exploration Services Limited provide Gas compression services. However, they are focusing their efforts more on rig business. Currently, there are not many players in the domestic market who have the capability and experience in compression service industry. Further new players would require time and money to understand and execute compression contracts effectively and thus there will be time lag for competition to come into play in a major way in an industry where sub-performance/non-performance of contract attract heavy penalty.

Internationally, Hanover Asia Inc., U.S.A and Universal Compression are the major companies in the Gas Compression business.

The ability of our Company to design tailor made compressor package for flexible use by the customers would provide the competitive edge to the company to cater to the international market.



SECTION VI – LEGAL AND REGULATORY INFORMATION

OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

Except as described below or mentioned under the Section - Risk Factors, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against us, our Directors, our promoters or companies/firms promoted by our promoters that would have a material adverse effect on our business and there are no defaults, non-payment or over dues of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits and arrears of preference shares that would have a material adverse effect on our business other than unclaimed liabilities by us or our directors, our promoters or companies promoted by our promoters.

LITIGATION

Litigations Against Our Company

There are disputed Tax Liabilities against our Company for a total amount of Rs.269.14 lacs as per details below:

- a. For the Assessment Year 2001-02, the Income Tax Assessing Officer has disallowed interest expense of Rs.1,64,070/- and also disallowed Rs.25,850/- out of foreign travel expenditure claimed by us for the Assessment Year 2001-02. The total tax liability arising out of the above amounts to Rs.1.29 lacs. We have gone into appeal with Commissioner of Income Tax (Appeals)-V Ahmedabad vide Appeal No. CIT (A)-V/Ward 1(4)/27/2004-05, against the said order of the Department. The CIT (Appeals)-V, vide Order dated October 18, 2004 has upheld the disallowance of interest expense of Rs.1,64,070/-, but allowed our company's contention of foreign travel expense of Rs.25,850/- as allowable business expenditure. We have preferred an appeal to the Income Tax Appellate Tribunal for disallowance of Rs.1,64,070/- and the case is pending for hearing against the same authority.

Further, for the Assessment year 2001-02, the Income Tax Assessing Officer has imposed penalty of Rs.64,890 i.e., 100% of tax evaded for the same assessment year. We have filed an appeal before Commissioner of Income Tax (Appeals) as original disallowance is pending in appeal against Income Tax Appellate Tribunal.

- b. For the Assessment Year 2002-03, the Assessing Officer has assessed a tax liability of Rs.115.76 lacs arising on account of disallowing the contention of our company that the gas compression charges of Rs.252.86 lacs being disputed by ONGC was not part of the income of our company. We had disputed the stand taken by the Income Tax Department and had preferred an appeal vide Appeal No. CIT (A)-V/ACIT Cir 1/39/2004-05, which was awarded in favour of the Income Tax department. We have further preferred an appeal to the Income Tax Appellate Tribunal and the case is pending for hearing against the same authority.
- c. For the Assessment Year 2003-04, the Assessing Officer has assessed a tax liability of Rs.151.44 lacs arising on account of disallowing the contention of our company that the gas compression charges of Rs.239.15 lacs being disputed by ONGC was not part of the income of our company; disallowance of Interest Expense of Rs.31.52 Lacs claimed in the P & L Account; disallowance of Penalty/fine and interest on late payment of TDS aggregating to Rs.17.58 Lacs claimed by our Company and imposition of Interest under Section 234 amounting to Rs.40.92 Lacs.

Pending Litigations Against Our Promoters/Directors

Criminal case filed against our promoter director, Mr. Paras S. Savla and Mr. Rupesh K. Savla for few alleged commission of offence punishable under Section 420, 467, 468, 471 and 114 of Indian Penal Code and Section 3 and 7 of the Essential Commodities Act, 1955 in the court of 5th Joint Judicial Magistrate, First Class, Ahmedabad (Rural), Navrangpura, Ahmedabad.

Criminal Case No. 1064/2001 was filed against Mr. Paras S. Savla and Mr. Rupesh K. Savla, promoters of our Company, for commission of offence punishable under Section 420, 467, 468, 471, & 114 of Indian Penal Code and Section 3 and 7 of the Essential Commodities Act, 1955 in the court of 5th Joint Judicial Magistrate, First Class, Ahmedabad (Rural), Navrangpura, Ahmedabad at Exh. 228.

The said case was filed against Mr. Paras Svala and Mr. Rupesh Savla, in their capacity as Directors of Yash Organics Ltd., a company having activity of manufacturing of industrial solvent as per the requirement and specifications of the customers. As part of the normal sales activity of Yash Organics Ltd, it had sold industrial solvents to one M/s Raj Chemicals, Agra and the goods were transported by a tanker on January 03, 2000 to Agra. Their tanker was seized on

DEEP INDUSTRIES LIMITED

the outskirts of Ahmedabad by the Ahmedabad Rural Police on the presumption that the tanker originally meant for transportation to Agra was being diverted into the Ahmedabad city. On such assumptions the Ahmedabad Rural Police had filed the case against the driver, conductor, tanker owner and against the directors of Yash Organics Ltd.

By its Judgement Order dated June 11, 2004, the Judicial Magistrate has dismissed the complaint and the accused have been exonerated by giving them the benefit of doubt. However, the State Government has preferred an appeal bearing Criminal Appeal No. 1554 of 2004 before the Hon'ble High Court of Gujarat against the acquittal order, which has not yet been posted for admission. In view of this, the ultimate outcome of the criminal proceedings cannot be predicted.

Criminal case filed against our promoter director, Mr. Paras S. Savla for few alleged commission of offence punishable under Section 3 and 23 of the Petroleum Act, 1934, in the court of Judicial Magistrate, First Class, Kheda.

Criminal Case No. 1/2002 was filed against Mr. Paras S. Savla, Promoter of our Company, for few alleged commission of offence punishable under Section 3 and 23 of the Petroleum Act, 1934 in the court of Judicial Magistrate, First Class, Kheda at Exh. 47. By its Judgement Order dated December 28, 2005, the Judicial Magistrate has dismissed the complaint and Mr. Paras S. Savla has been exonerated by holding him not guilty. However, since the limitation period to prefer an appeal by the State Government could against the acquittal order of the judicial magistrate was not over, the ultimate outcome of the criminal proceedings could not be predicted. Subsequently, Mr. Paras Savla has received letter dated May 05, 2006 from Asst. Public Prosecutor, informing that the State Government has preferred not to appeal against the order of the Judicial Magistrate.

Criminal case filed against our promoter director, Mr. Paras S. Savla for few alleged commission of offence punishable under Section 3 and 7 of the Essential Commodities Act, 1934, in the court of Judicial Magistrate, First Class, Kheda.

Criminal Case No. 2/2002 was filed against Mr. Paras S. Savla, Promoter of the Company, for few alleged commission of offence punishable under Section 3 and 7 of the Essential Commodities Act, 1955 in the court of Judicial Magistrate, First Class, Kheda at Exh. 52. By its Judgement Order dated December 28, 2005, the Judicial Magistrate has dismissed the complaint and Mr. S. Paras Savla has been exonerated by holding him not guilty. However, since the limitation period to prefer an appeal by the State Government could against the acquittal order of the judicial magistrate was not over, the ultimate outcome of the criminal proceedings could not be predicted. Subsequently, Mr. Paras Savla has received letter dated May 05, 2006 from Asst. Public Prosecutor, informing that the State Government has preferred not to appeal against the order of the Judicial Magistrate.

There is one Outstanding claim for compensation, filed by one Mrs. Gaggiben Chotabhai Dantani, against our promoter director, Mr. Paras S. Savla, for accident caused due to negligent driving by his driver.

On April 30, 2003, vehicle owned by Mr. Paras S. Savla, which was being driven by his driver, accidentally injured one Mrs. Gaggiben Chotabhai Dantani ("the victim"), who filed an FIR for the same in the Sabarmati Thana, Ahmedabad. She has filed a suit claiming compensation of Rs.1,00,000/-. The Motor Accident Claim Tribunal, vide notice dated January 04, 2005 has directed Mr. Paras S. Savla to represent his case on the said matter. The above referred vehicle being insured for third party with the United India Insurance (UII), Mr. Paras S. Savla has submitted all relevant documents with UII for disposal of the claim at their end.

There is one Show Cause Notice served by Central Excise Authorities on Yash Organics Limited (YOL), in which Mr. Paras S. Savla, a then Director of YOL was made a party. The Additional Commissioner C.E.X, Ahmedabad-II has assessed a penalty of Rs.13,00,000/- which has been later reduced to Rs.2,00,000/- by Commissioner (Appeals) Central Excise, Ahmedabad- III.

Mr. Paras S. Savla was earlier a director on the Board of one Yash Organics Limited ("YOL") which is engaged in manufacture of Industrial Solvent YOL - 18 falling under Chapter No. 27 of the Central Excise Tariff Act, 1985. The Additional Commissioner passed Order-in-Original No. 64/Addl. Commr /2001 dated October 31, 2001 for inappropriate classification of the product of YOL, which resulted in lower payment of excise duty by 16% and imposed a penalty of Rs.13,00,000/- against Mr. Paras S. Savla under Rule 209A of the Central Excise Rules, 1944. Mr. Paras S. Savla preferred an appeal along with stay application before the Commissioner (Appeals), Central Excise, Ahmedabad - III on January 08, 2002 against this Order, who reduced the penalty to Rs. 2,00,000/-. However, Mr. Paras S. Savla has further filed an appeal with the Honourable Customs, Excise & Gold (Control) Appellate Tribunal, WZB, Mumbai (CEGAT) contending that the penalty amount, being differential duty is only Rs. 15,360/-.



There is one civil suit filed against our promoter director, Mr. Paras S. Savla in the Sidhpur Court vide Suit No. 33/ 2001 for temporary stay and maintain the status quo under Section 161, Rule 1-2, CPC Order 39 in respect of the Property at Survey No. 1319 and 1320 and City Survey No. 3271 at Sidhpur, North Gujarat, owned by Mr. Paras S. Savla.

Mr. Paras S. Savla had purchased the property situated at Survey No. 1319 and 1320 and City Survey No. 3271 at Sidhpur, North Gujarat, in 1984-85. On the date of purchase, the property was leased to one M/s. H.H Lokhandwala Prop.Prakashlal Ratilal Rami. Since M/s. H.H Lokhandwala Prop.Prakashlal Ratilal Rami was not paying rent in respect of the aforesaid property, Mr. Paras S. Savla, subsequently gave the said property on lease basis to one Mr. Ramesh S. Rathod. M/s. H.H Lokhandwala Prop.Prakashlal Ratilal Rami filed a suit in the Sidhpur Court, against Mr. Paras Savla and Mr. Ramesh Rathod, in respect of the aforesaid property contending that he was the rightful tenant of the said property. The hon'ble Court at Sidhpur has granted a stay order on the aforesaid property and ordered to maintain the status quo till the case is disposed. The hearing of the case is yet to commence.

DEEP INDUSTRIES LIMITED

MATERIAL DEVELOPMENTS

Recent Business Initiatives

The Government of India, as part of its policy of inviting private participation in the Oil & Gas exploration sector, had invited bids for 10 blocks of Coal Bed Methane (CBM), located across India, for Gas Exploration activities. The bidding process involves submission of bid, technical evaluation of the bidder (which takes around 2-3 months), successful satisfaction of other parameters and finally issue of formal Letter of Intent (LOI). Once the LOI is issued, the company enters into a formal contract with GoI and can start exploration activities. The exploration activities is divided into different phases with option to the company to quit the contract after the end of each phase.

The CBM bidding was open till June 30, 2006 wherein around 54 bidders including all major oil and gas exploration companies, either individually or under a consortium, have made their bids for these CBM blocks. Our Company, which is already owning compression equipments and rigs, essential for gas exploration, has found ample opportunities in bidding for these blocks. Accordingly, the company has bid for 1 CBM block in Andhra Pradesh jointly with Coal Gas Mart LLC, USA and Adinath Exim Resources Limited, Ahmedabad and 1 CBM block in Madhya Pradesh jointly with Coal Gas Mart LLC, USA. The company has recently entered into Memorandum of Understanding with Coal Gas Mart LLC, USA and Adinath Exim Resources Limited towards the same. Our consortium has been short listed for the 2 CBM Blocks bidden for by the Directorate General of Hydrocarbons and the same has been forwarded to the petroleum ministry for vetting.

Our Company, along with our joint bidders Coal Gas Mart, USA and Adinath Exim Resources Limited have also submitted a Minimum Work Program (MWP) to GoI. While submitting the respective bids for the 2 blocks, under which the cost for Phase I (2 years from start of contract) of the exploration activity has been given at Rs.1022 Lacs. The company has the option to exit the contract after the completion of the above referred Phase I. The bidders are required to produce Bank Guarantee equal to 35% of the MWP, which comes to about Rs.358 Lacs for two years. For one year the Bank Guarantee comes to Rs.179 Lacs. Our Company's share out of the total Bank Guarantee is Rs.114 Lacs for one year. The Bank Guarantee is to be provided before each activity in the phase, on the basis of the value of the activity to be completed. Our Company intends to meet the margin of 20% for the Bank Guarantee out of internal accruals.

Apart from the material development mentioned above and changes elsewhere in this Prospectus, including the share capital as mentioned in the section titled 'Capital Structure' beginning from page no.12 of this Prospectus, which have occurred since the date of the last financial statements disclosed (i.e. March 31, 2006 in this Prospectus, the Board of Directors of our Company are not aware of any circumstances that materially or adversely affect or are likely to affect the profitability of our Company or the value of our assets or our ability to pay our liabilities within the next twelve months.



GOVERNMENT APPROVALS / STATUTORY AND BUSINESS APPROVALS

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

Investment Approvals (FIPB/ RBI, etc.)

As per Notification No. FEMA 20/2000 - RB dated May 03, 2000, as amended from time to time, under automatic route of Reserve Bank, we are not required to make an application for Issue of Equity Shares to NRIs/FIIs with repatriation benefits. However, the allotment/transfer of the Equity Shares to NRIs/FIIs shall be subject to prevailing RBI Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.

Other Regulatory Approvals

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

| Sr. No. | Issuing Authority | Registration/ License No. | Nature of Registration/ License |
|---------|---|---------------------------------|---|
| 1. | Registrar of Companies, Gujarat, Dadra & Nagar Haveli. | 04-14833 dated 01.01.1991 | Certificate of Incorporation |
| 2. | Commissioner of Income Tax, Gujarat at Ahmedabad | AAACD6915E dated 10.06.1999 | Permanent Account Number |
| 3. | Office of the ITO TDS-2, Ahmedabad | AHMD00491B dated 04.01.2002 | Tax Deduction Account Number |
| 4. | Sales Tax Officer (I) Profession Tax City Division-11, Ahmedabad | R/112058091 dated 24.02.1999 | Profession Tax Registration |
| 5. | Office of the Regional Provident Fund Commissioner, Ahmedabad | GJ/AH/25901 dated 10.07.1996 | Registration under the Provident Fund Act. |
| 6. | Office of the Joint Director General of Foreign Trade, Ahmedabad | 0897003233 dated 05.08.1997 | Certificate of Importer-Exporter Code. |

DEEP INDUSTRIES LIMITED

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Present Issue

Our shareholders have authorized the Issue vide a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Extraordinary General Meeting held on December 31, 2005.

Prohibition by SEBI

Our Company, our Directors, our Promoters, our group companies, other companies promoted by our promoters and companies with which our Company's directors are associated as directors have not been prohibited from accessing the capital markets under any order or direction passed by SEBI.

Eligibility for the Issue

Our Company is eligible to make a public issue of Equity Shares in terms of per clause 2.2.1 of the SEBI Guidelines.

- We have net tangible assets of at least Rs. 300 lacs in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;
- We have a pre-Issue net worth of not less than Rs. 100 lacs in each of the preceding three full years (of 12 months each)
- We have a track record of distributable profits as per Section 205 of Companies Act for at least three out of the immediately preceding five years;
- The proposed Issue size would not exceed five times the pre-Issue net worth as per the audited accounts for the year ended March 31, 2006;
- We have not changed our name during the last one-year.

In terms of the certificate issued by Jayesh M. Shah & Co., Chartered Accountants, our Company satisfies the above eligibility criteria to bring out the issue as follows:

(Rs. In lacs)

| Financial Year ended March 31 | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------------------------|--------|---------|---------|---------|---------|
| Net Tangible Assets * | 996.68 | 1119.56 | 1167.73 | 1691.36 | 2444.88 |
| Monetary Assets ** | 61.07 | 148.53 | 205.18 | 337.67 | 251.87 |
| Distributable Profit After Tax *** | 5.18 | 36.15 | 44.36 | 274.78 | 179.11 |
| Networth **** | 649.20 | 598.89 | 944.83 | 1164.64 | 1939.71 |

* Net tangible Assets are defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves, if any), trade investments, current assets (excluding deferred tax assets) less Current liabilities (excluding deferred tax liabilities and secured as well as unsecured long term liabilities).

** Monetary Assets is taken as Cash & Bank Balance and Quoted Investments, if any.

*** The Distributable profits of the Company is as per Section 205 of the Act and has been calculated from the audited financials statements of the respective year/period before making adjustments for restatement of financial statements.

**** Net worth of the Company includes equity share capital and reserve.

Our Company undertakes that the number of allottees in the Issue shall be at least 1000. Otherwise, the entire application money shall be refunded forthwith. In case of delay, if any, in refund, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.



DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN PROSPECTUS. THE LEAD MANAGER, IDBI CAPITAL MARKET SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, IDBI CAPITAL MARKET SERVICES LIMITED HAS FURNISHED TO THE SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 9, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE OFFER DOCUMENT PERTAINING TO THE SAID ISSUE.

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

WE CONFIRM THAT:

- A. THE PROSPECTUS FORWARDED TO THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
- B. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;
- C. THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE;
- D. WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID; AND

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

CAUTION STATEMENT/DISCLAIMER

Our company, our directors, the Lead Managers and Co-Lead Managers accept no responsibility for statements made otherwise than in this Prospectus or in the advertisement or any other material issued by or at the instance of the issuer, Lead Manager and Co-Lead Manager and that anyone placing reliance on any other source of information would be doing so at its own risk.

The Lead Manager and Co-Lead Manager do not accept any responsibility, save to the limited extent as provided under Memorandum of Understanding entered into between the LMs and us and the Underwriting Agreement entered into between the underwriters and us.

DEEP INDUSTRIES LIMITED

All information will be made available by us and the LMs to the public and the investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

DISCLAIMER IN RESPECT OF JURISDICTION

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, or any other Trust law and who are authorized under their constitution to hold and invest in shares) and to NRIs and FIIs as defined under the Indian laws. This Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to securities issued hereby in any other jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Prospectus has been submitted to the SEBI. Accordingly, the equity shares represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

DISCLAIMER CLAUSE OF BOMBAY STOCK EXCHANGE LIMITED ("BSE")

As required a copy of this Prospectus has been submitted to BSE. BSE has given the permission to our Company vide its letter dated May 11, 2006 to use their name in this Prospectus as the stock exchange on which Equity Shares of our Company being issued in terms of this Prospectus are proposed to be listed. BSE has scrutinized this Prospectus for their limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. It is to be distinctly understood that the aforesaid permission given by BSE should not in any way be deemed or construed that the Prospectus has been cleared or approved by BSE nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on BSE nor does it take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to an independent inquiry or any investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of this Prospectus, along with the documents required to be filed under Section 60 of the Companies Act, would be delivered for registration to the Registrar of Companies, Gujarat, Dadra & Nagar Haveli situated at ROC Bhawan, Behind Ankur Bus Stand, Naranpura, Ahmedabad - 380013, Gujarat. A copy of this Prospectus has been filed with SEBI, Mumbai.

Listing

The Equity Shares of our Company are proposed to be listed on Bombay Stock Exchange Ltd. (BSE)). In-principle approval for listing of the Equity Shares of our Company from BSE has been received vide their letter dated May 11, 2006.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalization and adoption of the Basis of Allotment for this Issue



Impersonation

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

“Any person who:

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

Consents

Consents in writing of: (a) the Directors, the Company Secretary, the Compliance Officer, the Auditors, Legal Advisor, Bankers to the Company, Bankers to the Issue; and (b) Lead Manager to the Issue, Co-Lead Manager to the Issue, Registrars to the Issue, Underwriters to the Issue, to act in their respective capacities, have been obtained and shall be filed along with the copy of the Prospectus with the Registrar of Companies, Gujarat, Dadra & Nagar Haveli situated at Ahmedabad and such consents has have not been withdrawn up to the time of delivery of the offer document for registration.

Jayesh M. Shah & Co., Chartered Accountants, our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for filing with SEBI.

Jayesh M. Shah & Co., Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Prospectus and has not withdrawn such consent up to the time of delivery of this Prospectus for filing SEBI.

Expert Opinion

Except as stated elsewhere in this Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

The expenses of the Issue payable by our Company inclusive of the brokerage, fees payable to the Lead Managers to the Issue, Registrar to the Issue, Legal Advisors, Stamp Duty, printing, publication, advertising and distribution expenses, bank charges, listing fees, and other miscellaneous expenses will not exceed Rs.400.00 lacs and will be met out of the proceeds of the present issue. The details of fees payable are estimated as follows:

| Sr. No. | Particulars | Amount (Rs. in Lacs) | % of Total Issue Expenses | % of Total Issue Size |
|---------|--|-------------------------|------------------------------|--------------------------|
| 1. | Fees to intermediaries (Lead Manager, Co-Lead Manager, Registrar etc.) | 234.72 | 58.68 | 5.77 |
| 2. | Advertisement & Marketing Expenses | 90.00 | 22.50 | 2.21 |
| 3. | Miscellaneous (including ROC filing fees, printing etc.) | 75.28 | 18.82 | 1.84 |
| | Total | 400.00 | 100.00 | 9.83 |

Fees Payable to LMs

The total fees payable to the LMs will be as per the Memorandum of Understanding signed amongst our Company and the LMs, a copy of which is available for inspection at the Registered Office of the Company.

Fees Payable to Registrar to the Issue

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding signed with the Registrar, copy of which is available for inspection at our Registered Office.

DEEP INDUSTRIES LIMITED

The Registrar will also be reimbursed with all relevant out-of-pocket expenses such as cost of stationery, postage, stamp duty, communication expenses, etc. Adequate funds will be provided to the Registrar to the Issue to enable them to make refunds to unsuccessful applicants.

Others

The total fees payable to the Legal Advisor, Auditors and Tax Auditors will be as per the terms of their respective engagement letters.

Brokerage and Selling Commission

Brokerage for the Issue will be paid not more than @ 3% of the Issue Price of the Equity Shares by the company on the basis of the allotments made against the applications bearing the stamp of a member of any recognized Stock Exchange in India in the 'Broker' column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of the allotments made against applications procured by them provided the respective forms of application bear their respective stamp in the Broker column. In case of tampering or over-stamping of Brokers'/Agents' codes on the application form, the Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

We, at our sole discretion, may consider payment of additional incentive in the form of kitty or otherwise to the performing brokers on such terms and mode as may be decided by us.

Previous Public or Rights Issues (during the last five years)

This is the first public issue of our Company and we have not made any public issue or right issue in the last five years.

Commission or Brokerage on Previous Issues

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring for, or agreeing to procure subscription for any of the Equity Shares of the Company since its inception.

Outstanding Debenture or Bond Issues

As on the date of filing of this Prospectus, our Company does not have any outstanding Debenture or Bond Issue.

Outstanding Preference Shares

As on the date of filing of this Prospectus, our Company does not have any outstanding preference shares.

Issue of Shares Otherwise than for Cash

Our Company has not made any issue of shares otherwise than for cash.

Companies under the Same Management

There is no listed company under the same management within the meaning of Section 370(1B) of the Companies Act, 1956, which made any Capital Issue during the last three years.

Option to Subscribe

Equity shares being offered through this Prospectus can be applied for in dematerialized form only.

Stock Market Data for our Equity Shares

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Particulars in Regard to Public Issue during the Last Three Years

We have not made any public issues during the last five years.

Promise vis-a-vis Performance

Our Company did not make any issue in past so the performance of the company vis-à-vis the projection is not applicable.



Listed Ventures of Promoter

One of our Group Company, Adinath Exim Resources Limited ("Adinath") had made a Public Issue of Equity Shares on January 18, 1996. The Issue Size was Rs.310 lacs comprising of 31,00,000 Equity Shares of Face Value Rs.10/- each for cash at par. The Main Objects for the Issue was to finance the working capital requirement. The Profitability projections made in the offer document is given below:

Promises made in the Offer document:

(Rs. in Lacs)

| Year | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-2000 |
|--------------------|---------|---------|---------|---------|-----------|
| INCOME | | | | | |
| Export Sales | 2947 | 3288 | 3541 | 3795 | 4048 |
| Other Income | 1 | 1 | 1 | 1 | 1 |
| EXPENDITURE | | | | | |
| Cost of Goods Sold | 2648 | 2954 | 3181 | 3409 | 3636 |
| Gross Profit | 300 | 335 | 361 | 387 | 413 |
| Depreciation | 2 | 2 | 2 | 2 | 2 |
| Interest | 15 | 17 | 18 | 19 | 21 |
| Profit Before Tax | 237 | 270 | 294 | 319 | 344 |
| Taxation | 64 | 73 | 79 | 86 | 93 |
| Net Profit | 173 | 197 | 215 | 233 | 251 |
| Dividend (%) | 15 | 20 | 25 | 30 | 30 |
| EPS (Rs.) | 3.46 | 3.94 | 4.29 | 4.65 | 5.01 |

Actual Performance:

(Rs. in Lacs)

| Year | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-2000 |
|--------------------|---------|---------|---------|---------|-----------|
| INCOME | | | | | |
| Total Income | 22 | 131 | 92 | 86 | 68 |
| EXPENDITURE | | | | | |
| Total Expenditure | 19 | 124 | 84 | 81 | 48 |
| Gross Profit | 3 | 7 | 8 | 5 | 20 |
| Depreciation | 1 | 1 | 3 | 2 | 1 |
| Interest | - | - | - | - | - |
| Profit Before Tax | 2 | 6 | 5 | 3 | 19 |
| Taxation | 1 | 3 | 2 | 2 | 4 |
| Net Profit | 1 | 3 | 3 | 1 | 15 |
| Dividend (%) | - | - | - | - | - |
| EPS (Rs.) | 0.02 | 0.06 | 0.05 | 0.02 | 0.30 |

Investors' Grievances Redressal Mechanism

Our Company will settle investor grievances expeditiously and satisfactorily. The agreement between the Registrar to this Issue and us will provide for retention of records with the Registrar to this Issue for a period of at least one year from the last date of dispatch of the letters of allotment, demat credit and making refunds as per the modes disclosed to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

DEEP INDUSTRIES LIMITED

All grievances relating to this Issue may be addressed to the Registrar to this Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection center where the application was submitted.

We estimate that the average time required by us or the Registrar to this Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Investors can also contact the Compliance Officer for any investor grievances. We have appointed Mr. Jigar Shah, Chief Financial Officer as the Compliance Officer and he may be contacted at Deep Industries Ltd., Opp. Suryanarayan Bunglows, Sabarmati-Kalol State Highway, Motera, Dist: Gandhinagar, Gujarat-380005, Tel: +91-79-27571128; Fax: +91-79-27502464, Email: jshah@deepindustries.com. Investors can contact him for redressal of any complaints.

Investors' Grievances Redressal Mechanism by Listed Companies within the meaning of Section 370(1B) of the Companies Act, 1956

Adinath Exim Resources Limited is a listed company falling within the meaning of Section 370(1B) of the Companies Act, 1956.

As per quarterly returns filed by Adinath Exim Resources Limited with the Bombay Stock Exchange, there were no investor's complaints pending at the beginning and end of any quarter nor any investor complaint has been received during any of the quarters for the period January, 2003 to December, 2005.

Changes in Auditors during the last three Financial Years and Reasons thereof

There have been no changes of the Auditors of our Company for the last three years.

Capitalisation of Reserves or Profits

We have not capitalised the reserves or profits of the company in the past five years.

Revaluation of Assets

We have not revalued our assets in the past five years.



SECTION VII – ISSUE RELATED INFORMATION

TERMS OF THE ISSUE

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company and shall rank *pari passu* with the existing Equity Shares of our Company including in respect of the rights to receive dividends. The Allottees of the Equity Shares under this Issue will be entitled to dividends or other corporate benefits, if any, declared by our Company after the date of Allotment.

Mode of Payment of Dividend

The declaration and payment of dividends will be recommended by our Board of Directors and the shareholders at their discretion, and will depend on a number of factors, including but not limited to earnings, capital requirements and overall financial condition of the company.

Face Value and Issue Price

The Equity Shares with a face value of Rs.10/- each are being offered in terms of this Prospectus at a price of Rs. 36 per share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws. The issue price is 3.6 times the face value of the equity shares.

Rights of the Equity Shareholder

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

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Articles of Association of the Company.

For a detailed description of the main provisions of our Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer to the section titled "Main Provisions of the Articles of Association" on page no. 129 in this Prospectus.

Market Lot

As per the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share.

Nomination Facility to Investor

In accordance with Section 109A of the Act, the sole or first Applicant, along with other joint Applicants, may nominate any one person in whom, in the event of death of sole Applicant or in case of joint Applicants, death of all the Applicants, as the Case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of death of the original holder(s), shall in accordance with Section 109A of the Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed Form available on request at the Registered Office of the Company or at the Registrar and Share Transfer Agent of the Company.

DEEP INDUSTRIES LIMITED

In accordance with Section 109B of the Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may, at any time, give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized form, there is no need to make a separate nomination with the Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the net offer to public including devolvement of Underwriters within 60 days from the date of closure of the issue, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest prescribed under Section 73 of the Companies Act, 1956.

Arrangements for Disposal of Odd Lots

Since the Equity Shares of the Company are traded under the demat mode, trading lot is of one share. Further, no odd lot of Equity Shares will arise out of this Issue, as the tradable lot is One (1) Equity Share. Therefore, no arrangements are required for disposal of odd lot.

Restrictions, if any, on Transfer and Transmission of Shares/Debentures and on their Consolidation/ Splitting

For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation/ splitting, please refer the section titled "Main Provisions of the Articles of Association of our Company " appearing on page no. 129 of this Prospectus.



ISSUE PROCEDURE

Authority for the Present Issue

Present Issue of Equity Shares has been authorized by shareholders vide a Special Resolution passed at the Extraordinary General Meeting of the Company held on December 31, 2005.

Principal Terms and Conditions of the Issue

The Equity Shares being offered are subject to the provisions of the Companies Act, Memorandum and Articles of our Company, the terms of this Prospectus, Application Form, and other terms and conditions as may be incorporated in the Letters of Allotment/Equity Share Certificates or other documents that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the Issue of capital and listing of Equity Shares offered from time to time by SEBI, Government of India, Stock Exchanges, RBI, Registrar of Companies and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Application may be made by

- Indian nationals resident of India who are adult individuals in single name or joint names (not more than three)
- Hindu Undivided Families (HUF) through the Karta of the HUF and will be treated at par with individual applications.
- Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorized to invest in the Shares
- Indian Mutual Funds registered with SEBI.
- Indian Financial Institutions, Commercial Banks and Regional Rural Banks, Co-operative Banks
- Venture Capital Funds/Foreign Venture Capital investors registered with SEBI.
- State Industrial Development Corporation.
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs.2500 lacs and who are Authorized under their constitution to hold and invest in equity shares.
- Pension Funds with minimum corpus of Rs.2500 lacs and who are Authorized under their constitution to hold and invest in equity shares.
- Trusts who are registered under the Societies Registration Act, 1860, as amended, or any other trust law and are authorized under its constitution to hold and invest in shares.
- Permanent and regular employees of the Company.
- Non-Resident Indians (NRIs) on a repatriation basis or on a non- repatriation basis.
- Foreign Institutional Investors (FIIs) on a repatriation basis or on a non- repatriation basis.
- Scientific and/or industrial research organizations authorized under their constitution to invest in Equity Shares.
- Any other QIBs permitted to invest, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Offer

Applications cannot be made by

1. Minors
2. Foreign Nationals (except NRIs)
3. Overseas Corporate Bodies (OCBs)
4. Partnership firms or their nominees

DEEP INDUSTRIES LIMITED

Minimum and Maximum Application Size

Applications should be for minimum of 175 Equity Shares and in multiples of 175 Equity Shares hereafter. An applicant in the net public category cannot make an application for that number of Equity Shares exceeding the number of Equity Shares offered to the public. In case of reserved categories, a single applicant in the reserved category can make an application for that number of Equity Shares that exceeds the reservation.

Option to Subscribe in the Issue

As on the date of this Prospectus, there are no pending options to subscribe to Equity Shares or convertible instruments pending conversion into Equity Shares of any kind. The investor shall have the option to subscribe to Equity Shares to be dealt with in a depository.

The Investor can seek allotment only in dematerialised mode. However the investor shall have the option to hold the Equity shares in physical form or demat form. After the allotment in the proposed issue allottees may request their respective Depository Participant for rematerialisation of shares if they wish to hold the shares in physical shares.

Availability of Prospectus and Application Forms

Application forms together with Memorandum containing salient features of the Prospectus may be obtained from the Registered Office of our Company, Lead Managers to the Issue, Registrar to the Issue and Bankers to the issue named herein or from their branches as stated on the reverse of the application form. Any individual desiring to have a full copy of the Prospectus may write to the Lead Manager or to the Registered Office of our Company

NRIs /FIIs /Indian Mutual Funds and Indian and Multilateral Development Financial Institutions can obtain the Application from the registered office of the Company.

Applications under Power of Attorney

In case of applications under Power of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, Trustees of Trusts, Provident Funds, Superannuation Funds, Gratuity Funds; a certified copy of the Power of Attorney or the relevant authority, as the case may be, must be lodged separately at the office of the Registrar to the Issue simultaneously with the submission of the application form, indicating the serial number of the application form and the name of the Bank and the branch office where the application is submitted.

The Company in its absolute discretion reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Application Form subject to such terms and conditions as it may deem fit.

Instructions for Applications by Indian Mutual Funds, Indian and Multilateral Development Financial Institutions and Scheduled Banks

1. No Mutual Fund scheme shall invest more than 10% of its Net Asset Value in the Equity Shares or Equity related instruments of any company provided that the limit of 10% shall not be applicable for Investments in Index Funds or sector or Industry specific Fund. No Mutual fund should own more than 10% of any Company's paid up capital carrying voting rights.
2. Scheduled Banks shall apply in this Public Issue based upon their own investment limits and approvals.
3. The SEBI (Venture Capital) Regulations 1996 and the SEBI (Foreign Venture Capital) Regulations 2000 prescribe Investment restriction on Venture Capital Fund and Foreign Venture Capital Investors registered with SEBI. Accordingly holding by any Venture Capital Fund and Foreign Venture Capital Investor should not exceed 25% of the corpus of Venture Capital Fund and Foreign Venture Capital Investor. Equity Shares allotted to Venture Capital Funds and Foreign Venture Capital Investor through this Issue shall be locked in for a period of 1 year.
4. The issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company. In respect of an FII investing in Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of the Company. As of now, the aggregate FII holding in the Company cannot exceed 24% of the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date, no such resolution has been recommended for adoption.



5. A separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications. The applications made by the Asset Management Company or Trustees/Custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.
6. Indian Mutual Funds & Indian and Multilateral Development Financial Institutions should apply in this Public Issue based upon their own investment limits and approvals.
7. Application forms together with cheques or bank drafts drawn in Indian Rupees for the full amount payable at the rate of Indian Rs. 36 must be delivered before the close of subscription list to such branches of the Bankers to the Issue at places mentioned in the application form.
8. A separate single cheque/bank draft must accompany each application form.

Instructions for Applications by NRIs/FIIs (on Repatriable Basis)

1. As per Notification No. FEMA 20/2000 - RB dated May 03, 2000, as amended from time to time, under automatic route of Reserve Bank, the Company is not required to make an application, for Issue of Equity Shares to NRIs/FIIs with repatriation benefits.
2. However, the allotment/transfer of the Equity Shares to NRIs/FIIs shall be subject to prevailing RBI Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.
3. In case of application by NRIs on repatriation basis, the payments must be made through Indian rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks Authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Subscribers applying on a repatriation basis. Payment by bank drafts should be accompanied by bank certificate confirming that the bank draft has been issued by debiting to NRE or FCNR account.
4. In case of application by FIIs on repatriation basis, the payment should be made out of funds held in Special Non-Resident Rupee Account along with documentary evidence in support of the remittance like certificates such as FIRC, bank certificate etc. from the Authorized dealer. Payment by bank drafts should be accompanied by bank certificate confirming that the bank draft has been issued by debiting to Special Non-Resident Rupee Account.
5. Duly filled Application Forms by NRIs / FIIs will be accepted at designated branches of the Bankers to the Issue.
6. Refunds/dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges/commission. In case of applicants who remit their application money from funds held in NRE/FCNR accounts, such payments shall be credited to their respective NRE/FCNR accounts (details of which shall be furnished in the space provided for this purpose in the Application Form), under intimation to them. In case of applicants who remit their money through Indian Rupee Drafts from abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as maybe permitted by RBI at the exchange rate prevailing at the time of remittance and will be dispatched by registered post, or if the applicants so desire, will be credited to their NRE/FCNR accounts, details of which are to be furnished in the space provided for this purpose in the Application Form. The Company will not be responsible for loss, if any, incurred by the applicant on account of conversion of Foreign Currency into Indian Rupees and vice versa.
7. NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category

Terms of Payment

The entire Issue price of Rs. 36 per Equity Share is payable on application only. In case of allotment of lesser number of Equity Shares than the number applied, the Company shall refund the excess amount paid on application to the applicants.

DEEP INDUSTRIES LIMITED

Pre-Issue Advertisement

The Company will issue a statutory advertisement after filing of the Prospectus with the RoC. This advertisement will contain the information that has to be set out in the statutory advertisement. Material updates, if any, between the date of filing the Prospectus with the RoC and the date of release of this statutory advertisement will be included in the statutory advertisement.

GENERAL INSTRUCTIONS FOR APPLICANTS

Application Instructions

1. Applications must be made only on the prescribed Application Form and should be completed in BLOCK LETTERS in English as per the instructions contained herein and in the Application Form, and are liable to be rejected if not so made. The prescribed application forms will have the following colours:

| | |
|--|-------|
| For Public | White |
| For Employees/Directors of the Company | Pink |
| For NRIs/FIIs on repatriation basis | Blue |
| For Scheduled Banks/Indian Mutual Funds/Financial Institutions | Green |

2. Thumb impressions and signatures other than in English/Hindi/Gujarati or any other language specified in the 8th Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/ her official seal.
3. All the applicants will get their equity shares in dematerialised form only. All applicants should mention their depository participant's name, depository participant identification number (DPID) and Beneficiary Account number in the application form. Investors must ensure that the name given in the application form is exactly the same as the name in which the depository account is held. In case the application form is submitted in joint names, it should be ensured that the depository account is also held in the same joint names and are in the same sequence in which they appear in the application form.
4. Applicants should note that on the basis of name of the Applicants, Depository Participant's name, Depository Participant-Identification Number and Beneficiary Account Number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Applicants such as address, bank account details for making refunds and occupation ("Demographic Details"). Hence, Applicants are advised to immediately update their bank account details including Magnetic Ink Character Recognition (MICR) Code (a nine-digit code appearing on a cheque leaf) as appearing on the records of the depository participant, and carefully fill in their Depository Account details in the Application Form. Please note that failure to do so could result in delays in credit of refunds to Applicants at the Applicants sole risk and neither the LM nor our Company nor the Refund Banker nor the Registrar shall have any responsibility and undertake any liability for the same.
5. These Demographic Details would be used for all correspondence with the Applicants including mailing of the Allocation Advice and making refunds as per the modes disclosed and the Demographic Details given by Applicants in the Application Form would not be used for these purposes by the Registrar. Hence, Applicants are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.
6. By signing the Application Form, Applicant would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.
7. Allocation Advice/refund orders/refund advice would be mailed at the address of the Applicants as per the Demographic Details received from the Depositories. Applicants may note that delivery of allocation advice/refund orders/refund advice may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In the case of refunds through electronic modes as detailed in page no. 130 of this Prospectus, applicants may note that refund may get delayed if the bank particulars obtained from the Depositories are incorrect.
8. In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Applications are liable to be rejected.



9. Applicants should write their names and application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for Equity Shares.
10. Applications by NRIs on non-repatriation basis can be made using the Form meant for Public out of the funds held in Non-Resident Ordinary (NRO) Account. The relevant bank certificate must accompany such forms. Such applications will be treated on par with the applications made by the public.

Payment Instructions for Resident Applicants

1. Payments should be made in cash or cheque or bank draft drawn on any Bank (including a Co-operative Bank), which is situated at and is a member or a sub-member of the Bankers' "Clearing House", located at the Centers (indicated in the Application Form) where the Application is accepted. However, if the amount payable on application is Rs. 20,000/- or more, in terms of section 269SS of the Income-Tax Act, 1961; such payment must be effected only by way of an account payee cheque or bank draft. In case payment is effected in contravention of the conditions mentioned herein, the application is liable to be rejected and application money will be refunded and no interest will be paid thereon.
2. Money orders, postal orders, outstation cheques or bank drafts, cheques/draft drawn on Banks not participating in the "clearing" will not be accepted and applications accompanied with such instruments may be rejected.
3. A separate cheque/bank draft must accompany each application form.
4. The application must be made for a minimum of 175 Equity Shares and in multiple of 175 thereafter.
5. All cheques/bank drafts accompanying the application should be crossed "**A/c Payee Only**" and made payable to the Bankers to the Issue and marked: "**Deep Industries Limited – Public Issue**".
6. Investors will not have facility of applying through stockinvest instruments as RBI has withdrawn the stockinvest scheme vide notification no. DBOD.NO.FSC.BC.42/24.47.001/2003-04 dated November 05, 2003.

Payment Instructions for Employees

Reservation on competitive basis has been made in the public issue to the permanent employees including working directors of our Company. Reservation on competitive basis shall mean reservation wherein allotment of shares is made in proportion to the shares applied for.

1. Application must be made only:
 - a) On the prescribed Application Form (**PINK in colour**) accompanying this Prospectus and completed in full in BLOCK LETTERS in English, except signature(s) in accordance with the instructions contained herein and in the application form and is liable to be rejected if not so made;
 - b) For a minimum of 175 Equity Shares and in multiples of 175 thereafter;
 - c) In single name or joint names (not more than three), however first applicant should be permanent/regular employee of our Company.
2. A single applicant in the reserved category can make an application for a number of shares that are being issued to employees in terms of this issue.
3. Payments should be made in cash or cheque or bank draft drawn on any Bank (including a Cooperative Bank), which is situated at and is a member or a sub-member of the Bankers' "Clearing House", located at the Centres (indicated in the Application Form) where the Application is accepted. However, if the amount payable on application is Rs. 20,000/- or more, in terms of section 269SS of the Income-Tax Act, 1961; such payment must be effected only by way of an account payee cheque or bank draft. In case payment is effected in contravention of the conditions mentioned herein, the application is liable to be rejected and application money will be refunded and no interest will be paid thereon.
4. Money orders, postal orders, outstation cheques or bank drafts, cheques/draft drawn on Banks not participating in the "clearing" will not be accepted and applications accompanied with such instruments may be rejected.
5. A separate cheque/bank draft must accompany each application form.

DEEP INDUSTRIES LIMITED

6. All cheques/bank drafts accompanying the application should be crossed “**A/c Payee Only**” and made payable to the Bankers to the Issue and marked: “**Deep Industries Limited – Public Issue – Employees**”.
7. Application by Eligible Employees can also be made in the “Net Offer to the Public” Portion and such Applications shall not be treated as multiple Applications.
8. Unsubscribed portion in any reserved category may be added to any other reserved category. The unsubscribed portion, if any, after such inter-se adjustment amount the reserved category shall be added back to the Net offer to the Public.

Payment Instruction for NRIs/FIIs (applying on Repatriable basis)

Reservation on competitive basis has been made in the public issue for the NRIs and FIIs competitive basis. Reservation on competitive basis shall mean reservation wherein allotment of shares is made in proportion to the shares applied for.

1. Application must be made only:
 - a) On the prescribed Application Form (**BLUE in colour**) accompanying this Prospectus and completed in full in BLOCK LETTERS in English, except signature(s) in accordance with the instructions contained herein and in the application form and is liable to be rejected if not so made;
 - b) For a minimum of 175 Equity Shares and in multiples of 175 thereafter;
 - c) In single name or joint names (not more than three).
2. A separate cheque/bank draft must accompany each application form.
3. All cheques/bank drafts accompanying the application should be crossed “**A/c Payee Only**” and made payable to the Bankers to the Issue and marked: “**Deep Industries Limited – Public Issue – NR**”.
4. The remittance from abroad for the amount payable on application per share through approved banking channels or out of funds held on Non-Resident External (NRE)/Foreign Currency Non Resident (FCNR) account maintained with banks authorized to deal in foreign exchange in India, along with the certificate from the bank issuing the draft confirming that the draft has been issued by debit to NRE/FCNR account.
5. Application in this category cannot be made out of NRO accounts and such applications would be rejected. Applications out of NRO accounts can, however, be made in the category of Resident Indian Public.
6. A single applicant in the reserved category can make an application for a number of equity shares, which exceeds the reservation.
7. Application for the NRI category can be obtained from the Registered Office of our Company.

Payment Instruction for Scheduled Banks, Financial Institutions and/or Mutual Funds

Reservation on competitive basis has been made in the public issue for the scheduled banks, financial institutions and mutual funds on competitive basis. Reservation on competitive basis shall mean reservation wherein allotment of shares is made in proportion to the shares applied for.

1. Application must be made only:
 - a) On the prescribed Application Form (**GREEN in colour**) accompanying this Prospectus and completed in full in BLOCK LETTERS in English, except signature(s) in accordance with the instructions contained herein and in the application form and is liable to be rejected if not so made;
 - b) For a minimum of 175 Equity Shares and in multiples of 175 thereafter;
2. A separate cheque/bank draft must accompany each application form.
3. All cheques/bank drafts accompanying the application should be crossed “**A/c Payee Only**” and made payable to the Bankers to the Issue and marked: “**Deep Industries Limited – Public Issue – Institution**”.



Submission of Completed Application Forms

All applications duly completed and accompanied by cash/cheques/bank drafts shall be submitted at the branches of the Bankers to the Issue (listed in the Application Form) before the closure of the Issue. Application(s) should not be sent to the office of our Company or the Lead Manager(s) to the Issue.

Applicants residing at places where no collection centers have been opened may submit/mail their applications at their sole risk along with application money due there on by Bank Draft to the Registrar to the Issue, super scribing the envelope “**Deep Industries Limited – Public Issue**” so as to reach the Registrar on or before the closure of the issue. Such bank drafts should be payable at Mumbai only.

We will not be responsible for postal delays and loss in transit. We will not entertain any claims, damage or loss due to postal delays or loss in transit.

No separate receipts will be issued for the application money. However, the Bankers to the Issue or their approved collecting branches receiving the duly completed application form will acknowledge receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each application form. The acknowledgement of receipt of application moneys given by the collection agents shall be valid and binding on our Company and other persons connected with this issue. Applications shall be deemed to have been received by our Company only when submitted to the Bankers to the Issue at their designated branches or on receipt by the Registrar as detailed above and not otherwise.

Other Instructions

- 1. Joint Applications:** In case of individuals, Applications may be made in single or joint names (not more than three). In case of Joint Applications, refund, pay orders, dividend warrants etc. if any, will be drawn in favour of the first applicant and all communications will be addressed to the first applicant at her/his address as stated in the application form.
- 2. Multiple Applications:** An applicant should submit only one application form (and not more than one) for the total number of Equity Shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/ or first applicant is one and the same. Applicants in the reserved categories shall not make an application in the public category and such applications made in both the categories i.e. reserved category and Public Category shall be treated as multiple applications. The Company reserves the right to accept or reject, in its absolute discretion, any or all-multiple applications. A separate cheque/draft must accompany each application form.
- 3. PAN/GIR Number:** Where application(s) is/are for Rs.50,000 or more, the applicant or in the case of an application in joint names, each of the applicants, should mention his/her Permanent Account Number (PAN) allotted under the IT Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that applicants should not submit the GIR number instead of the PAN, as the application is liable to be rejected on this ground.** In case the sole/first applicant and joint applicant(s) is/are not required to obtain PAN, each of the applicant(s) shall mention “Not Applicable” and in the event that the sole applicant and/or the joint applicant(s) have applied for PAN, which has not yet been allotted, each of the applicant(s) should mention “Applied for” in the Application Form. Further, where the applicant(s) has mentioned “Applied for” or “Not Applicable”, the sole/first applicant and each of the joint applicant(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration card (b) Passport (c) Driving license (d) Identity card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All applicants are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

DEEP INDUSTRIES LIMITED

- 4. Equity Share in Dematerialised Form with NSDL or CDSL:** As per the provisions of Section 68B of the Companies Act, the Equity Share in this issue shall be allotted only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode). Successful allottees in this issue will be compulsorily allotted Equity Shares in dematerialized form. In this context, two tripartite agreements have been signed between our Company, the Registrar and the Depositories:
- i. An agreement dated July 07, 2006 between our Company, NSDL and Intime Spectrum Registry Limited and
 - ii. An agreement dated July 05, 2006 between our Company, CDSL and Intime Spectrum Registry Limited.
- a. An applicant applying for shares must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or of CDSL, registered with SEBI, prior to making the application.
 - b. The applicant must necessarily fill in the details (including the beneficiary account no. and Depository Participant's ID no.) in the application form.
 - c. Equity Shares allotted to an applicant in the electronic account will be credited directly to the respective beneficiary accounts (with the DP).
 - d. Names in the share application form should be identical to those appearing in the account details in the depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the depository.
 - e. Non-transferable allocation letters/refund orders will be directly sent to the applicant by the Registrar to this issue.
 - f. If incomplete/incorrect details are given under the heading 'Applicants Depository Account Details in the application form, it is liable to be rejected.
 - g. The applicant is responsible for the correctness of the applicant's demographic details given in the application form vis-a-vis those with his/her DP.
 - h. It may be noted that Equity Shares in electronic shares can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. BSE where the Equity Shares of the Company are proposed to be listed is connected to NSDL and CDSL.
 - i. Trading in the Equity Shares of our Company would be only in dematerialised form for all investors.

Investors can contact the Compliance Officer in case of any Pre-Issue related problems. In case of Post-Issue related problems such as non-receipt of letters of allotment/share certificates/credit of securities in depositories beneficiary account/refund orders, etc., investors may contact Compliance Officer or Registrar to the Issue.

For further instructions regarding application for the Equity Shares, investors are requested to read the Application Form carefully.

Basis of Allotment

A) For Reserved Categories

- 11,30,000 Equity Shares are reserved for allotment on competitive basis to Permanent Employees of our company including Whole-time Directors.
- 28,25,000 Equity Shares are reserved for allotment on competitive basis to NRIs and/or FIIs applying on repatriable basis.
- 11,30,000 Equity Shares are reserved for allotment on competitive basis to Scheduled Banks, Indian and Multilateral Development Financial Institutions and Indian Mutual Funds on competitive basis.
- Applications received in the each reserved categories shall be grouped to determine the total allotment under reserved categories.
- If the aggregate number of equity shares applied for in any of reserved category is less than or equal to reserved number of Equity Shares, full allotment shall be made to the applicants applied in that category and unsubscribed portion will be added back to the other reserved category and further unsubscribed portion, if any, after such inter se adjustments shall be added back to "Net Offer to the Public" category.



- If the aggregate number of equity shares applied in reserved category is more than reserved number of Equity Shares, the allotment shall be made on a proportionate basis as explained below under “Net Offer to the Public portion”. However, in case of under-subscription in the Net Offer to the Public portion, spillover to the extent of under-subscription shall be permitted from reserved categories to Net Offer to the Public portion.
- Only permanent employees (including working directors) of the Company shall be eligible to apply under the reserved category for employees.

B) For Net Offer to the Public portion

- In the event of public issue of Equity Shares being over-subscribed, the allotment will be on a proportionate basis subject to minimum allotment being equal to the minimum application size of 175 Equity Shares as explained below:
 1. A minimum 50% of the net Issue to the Indian public will be made available for allotment in favour of those individual applicants who have applied for Equity Shares of or for a value of not more than Rs.1,00,000/-. This percentage may be increased in consultation with the Designated Stock Exchange depending on the extent of response to the Issue from investors in this category. In case allotments are made to a lesser extent than 50% because of lower subscription in the above category, the balance Equity Shares would be added to the higher category and allotment made on a proportionate basis as per relevant SEBI Guidelines. The Executive Director/Managing Director of the Designated Stock Exchange along with the post issue Lead Manager and the Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the guidelines.
 2. The balance of the Net Offer to Indian Public shall be made available to investors including corporate bodies/institutions and individual applicants who have applied for allotment of Equity Shares for a value of more than Rs. 1,00,000/-.
 - The Unsubscribed portion of the net issue to any of the categories specified in 1 or 2 shall be made available for allotment to applicants in the other category, if so required.
 - Applicants will be categorized according to the number of Equity Shares applied for.
 - The total number of shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applicants in the category multiplied by the number of shares applied for) multiplied by the inverse of the over subscription ratio.
 - Number of the shares to be allotted to the successful allottees shall be arrived at on a proportionate basis i.e. total number of shares applied for by each applicant in that category multiplied by the inverse of the over subscription ratio.
 - All the applications where the proportionate allotment works out to less than 175 Equity Shares per applicant, the allotment shall be made as follows:
 - i. Each successful applicant shall be allotted a minimum of 175 Equity Shares; and
 - ii. The successful applicants out of the total applicants for that category shall be determined by draw of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per (i) above. The draw of lots shall be done in the presence of a public representative on the Governing Board of the Designated Stock Exchange
 - If the proportionate allotment to an applicant works out to a number that is more than 175, but is a fraction, then for a fraction equal to or higher than 0.50 shall be rounded off to the next integer. If that fraction is lower than 0.50, the fraction shall be ignored.
 - All applicants in such categories shall be allotted shares arrived at after such rounding off.
 - If the shares, allocated on a proportionate basis to any category is more than the shares allotted to the applicants in that category, the balance available shares for allotment shall be first adjusted against any other category, where the allocated shares are not sufficient for proportionate allotment to the successful applicants in that category.

DEEP INDUSTRIES LIMITED

- The balance shares if any, remaining after such adjustment shall be added to the category comprising applicants applying for minimum number of shares.
- As the process of rounding off to the nearest multiple of 1 (one) may result in the actual allotment being higher than the shares offered. However, the final allotment shall not exceed 10% of the net offer to public.
- Allotment to FIIs/MFs/Venture Capital Funds/Foreign Venture Capital Investors/Insurance Companies would be subject to the limits/restrictions/regulations prescribed by respective regulatory authorities governing them.

Method of Proportionate Basis of Allotment

In the event of the Issue being over-subscribed, the basis of allotment shall be finalized by us in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the post issue Lead Manager and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

Proportionate Allotment Procedure

Allotment shall be on proportionate basis within the specified categories, rounded off to the nearest integer subject to a minimum allotment being equal to the minimum application size i.e. 175 Equity Shares.

Letters of Allotment or Refund Orders

The Company shall give credit to the beneficiary account with Depository Participants within two working days from the date of the allotment of Equity Shares. Applicants having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other applicants, the Company shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders of Rs. 1,500 and above, if any, by registered post or speed post. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter (refund advice) through "Under Certificate of Posting" intimating them about the mode of credit of refund within 30 days of closure of Issue.

The Company shall ensure despatch of refund orders/refund advice, if any, by "Under Certificate of Posting" or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole or First Applicant's sole risk within 30 days of the Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

Disposal of Applications and Application Money

The Company reserves, in its own, absolute and uncontrolled discretion and without assigning any reason, the right to accept in whole or in part or reject any application. If an application is rejected in full, the entire application money received will be refunded to the applicant. If the application is rejected in part, excess of the application money received will be refunded to the applicant within 30 (thirty) days from the date of closure of the Issue. No interest will be payable on the application money so refunded. Refund will be made for applicants having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other applicants, the Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders of Rs. 1,500 and above, if any, by registered post or speed post. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter (refund advice) through "Under Certificate of Posting" intimating them about the mode of credit of refund within 30 days of closure of Issue.

The subscription received in respect of Public Issue will be kept in a separate bank account and our Company shall not have access to such funds unless approvals for dealing from the Stock Exchange, where listing has been proposed has been obtained.



In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, our Company undertakes that:

- Allotment shall be made only in dematerialised form within 30 days from the Issue Closing Date;
- Dispatch of refund orders/ refund advice shall be done within 30 days from the Issue Closing Date; and
- Our Company shall pay interest at 15.0% per annum (for any delay beyond the 30-day time period as mentioned above), if allotment is not made, refund orders/ credit intimation are not dispatched and in case where a refund is made through electronic mode, the refund instructions have not been given to the clearing system, and demat credit within the 30-day time prescribed above, provided that the beneficiary particulars relating to such Applicants as given by the Applicants is valid at the time of the upload of the electronic transfer.

The Company will provide adequate funds required for the cost of despatch of refund orders/ refund advice/ allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode i.e., ECS, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Applications are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Applicants

Grounds for Technical Rejections

Applicants are advised to note that Applications are liable to be rejected on among others on the following technical grounds:

1. Amount paid doesn't tally with the amount payable for the Equity Shares applied for;
2. Bank account details (for refund) are not given;
3. Age of First Applicant not given;
4. Application by minors;
5. PAN photocopy/ PAN Communication/ Form 60 / Form 61 declaration not given if Application is for Rs.50,000 or more;
6. Application for lower number of Equity Shares than specified for that category of investors;
7. Application at a price less than the Issue Price;
8. Application at a price higher than the stated price;
9. Application for number of Equity Shares, which are not in multiples of 175.
10. Category not ticked;
11. Multiple applications
12. In case of application under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
13. Application Form does not have Applicant's depository account details;
14. Application Forms are not delivered by the applicant within the time prescribed as per the Application Form, Issue Opening Date advertisement and this Prospectus and as per the instructions in this Prospectus and Application Form; or
15. Applications not duly signed by the sole/joint Applicants;
16. Applications by OCBs; or
17. Applications by U.S. residents or U.S. persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.
18. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the applicant (including the sequence of names of joint holders), the depository participant's identity (DP ID) and the beneficiary's identity except for Permanent Employees.

DEEP INDUSTRIES LIMITED

Payment of Refund

Applicants should note that on the basis of name of the Applicants, Depository Participant's name, Depository Participant-Identification (DP ID) number and Beneficiary Account Number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository, the Applicant's bank account details including the nine digit Magnetic Ink Character Recognition (MICR) code as appearing on a cheque leaf. Hence, Applicants are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Applicants at the Applicants sole risk and neither the LM nor the Company nor the Refund Banker nor the Registrar shall have any responsibility and undertake any liability for the same.

Mode of Making Refunds

The payment of refund, if any, would be done through various modes in the following order of preference

- I. ECS – Payment of refund would be done through ECS for applicants having an account at any of the 15 centres where clearing houses for ECS are managed by Reserve Bank of India, namely Ahmedabad, Bangalore, Bhubneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the nine-digit Magnetic Ink Character Recognition (MICR) code as appearing on a cheque leaf, from the depository. The payment of refund through ECS is mandatory for applicants having a bank account at any of the 15 centers named hereinabove, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or RTGS
- II. Direct Credit – Applicants having their bank account with the Refund Banker, i.e. HDFC Bank shall be eligible to receive refunds, if any, through direct credit. The refund amount, if any would be credited directly to the eligible applicant's bank account with the Refund Banker.
- III. RTGS – Applicants having a bank account at any of the 15 centers detailed above, and whose application amount exceeds Rs. 1 million, shall be eligible to exercise the option to receive refunds, if any, through RTGS. All applicants eligible to exercise this option shall mandatorily provide the IFSC code in the Application form. In the event of failure to provide the IFSC code in the Application form, the refund shall be made through the ECS or direct credit, if eligibility disclosed.

Please note that only applicants having a bank account at any of the 15 centres where clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes detailed in I, II and III hereinabove. For all the other applicants, including applicants who have not updated their bank particulars along with the nine digit MICR Code, the refund orders would be despatched "Under Certificate of Posting" for refund orders of value up to Rs.1,500 and through Speed Post/Registered Post for refund orders of Rs.1,500 and above.

Interest in case of delay in dispatch of allotment letters/making refunds

We agree that as far as possible allotment of securities offered to the public shall be made not later than 30 days from the Issue Closing Date. We further agree that we shall pay interest @15% per annum if the allotment letters/refunds orders have not been dispatched to the applicants within 30 days of the Issue Closing Date or if in a case where refund or portion thereof is made in an electronic manner, the refund instructions have not been given to the clearing system in a disclosed manner within 30 days from the Issue Closing Date, provided that the beneficiary particulars relating to such Applicants as given by the Applicants is valid at the time of the upload of the electronic transfer.

Undertaking by our Company

Our Company undertakes:

- a) that the complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily.
- b) that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the Equity Shares are to be listed are taken within seven working days of finalization of basis of allotment.
- c) that the funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed or for dispatch of allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by the Company.



- d) that where refunds are made through Electronic transfer of funds, a suitable communication shall be sent to the applicants within 30 days of closure of the issue as the case may be, giving details of the Bank where refunds shall be credited along with amounts and expected date of electronic credit of refund.
- e) that the promoters' contribution in full, wherever required, shall be brought in advance before the Issue opens for public subscription and the balance, if any, shall be brought in pro rata basis before the calls are made on public.
- f) that the certificates of the Equity Shares/refund orders to the non-resident Indians shall be dispatched within specified time.
- g) that no further Issue of Securities shall be made till the Equity Shares offered through this Prospectus are listed or till the application moneys are refunded on account of non-listing, under subscription etc.

Utilization of Issue Proceeds

The Board of Directors of our Company certifies that:

- a. All monies received out of this Issue of Equity Shares to public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Companies Act, 1956;
- b. Details of all monies utilized out of the Issue referred to in sub-item (a) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the purpose for which such monies had been utilized;
- c. Details of all unutilized monies out of the Issue of Equity Shares, if any, referred to in sub-item(a) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the form in which such unutilized monies have been invested.
- d. The utilization of monies received under promoter's contribution and from firm allotment and reservations shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized.
- e. Details of all unutilized monies out of the funds received under promoter's contribution and from firm allotment and reservations shall be disclosed under a separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Company undertakes that it shall not access the money raised in the Issue till finalization of basis of allotment or completion of offer formalities.

Impersonation

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

"Any person who:

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

Restrictions On Foreign Ownerships Of Indian Equity Shares

Foreign investment in Indian securities is regulated through the industrial policy of the Government of India, or the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government of India, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment.

As per current foreign investment policies, foreign investment is allowed up to 100% in companies in the infrastructure sector. The government bodies responsible for granting foreign investment approvals are the FIPB and the RBI. Under

DEEP INDUSTRIES LIMITED

present regulations, the maximum permissible FII investment in the Company is restricted to 24% of its total issued capital. This can be raised to 100% by adoption of a special resolution by the Company's shareholders. RBI, vide its circular A.P.(DIR Series) Circular No. 53 dated December 17, 2003, permitted FIIs to subscribe to shares of an Indian company in the public issue without prior approval of RBI, so long as the price of equity shares to be issued is not less than the price at which the equity shares are issued to residents. The transfer of Equity Shares to NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial Institutions shall be subject to the conditions as may be prescribed by the Government of India or RBI while granting such approvals.

Investment by Non-Resident Indians

A variety of special facilities for making investments in India in shares of Indian Companies is available to individuals of Indian nationality or origin residing outside India ("NRIs"). These facilities permit NRIs to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors.

Under the portfolio investment scheme, NRIs are permitted to purchase and sell equity shares of the company through a registered broker on the stock exchanges. NRIs collectively should not own more than 10% of the postissue paid up capital of the company. However, this limit may be increased to 24% if the shareholders of the company pass a special resolution to that effect. No single NRI may own more than 5% of the post- issue paid up capital of the Company. NRI investment in foreign exchange is now fully repatriable whereas investments made in Indian Rupees through rupee accounts remains non-repatriable.

Investment by Foreign Institutional Investors

Foreign Institutional Investors ("FIIs") including institutions such as pension funds, investment trusts, asset management companies, nominee companies, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realise capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

Ownership restrictions of FIIs

Under the portfolio investment scheme, the overall issue of equity shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of the company. However, the limit of 24% can be raised upto the permitted sectoral cap for that company after approval of the board of directors and shareholders of the company. The issue of equity shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company. In respect of an FII investing in equity shares of a company on behalf of its sub-accounts, the investment on behalf of each subaccount shall not exceed 10% of the total issued capital of that company.



SECTION VIII – MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF OUR COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/or on their consolidation/splitting as detailed below. Please note that the each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

SHARE CAPITAL AND VARIATION OF RIGHTS

5. (a) The Authorised Share Capital of the Company shall be as per paragraph V of the Memorandum of Association of the Company with rights to alter the same in whatever way as deemed fit by the Company. The Company may increase the Authorised Capital which may consist of Equity and/or Preference Shares as the Company in General Meeting may determine in accordance with the law for the time being in force relating to Companies with power to increase or reduce such capital from time to time in accordance with the Regulations of the Company and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the Capital for the time being into Equity Share Capital or Preference Share Capital and to attach thereto respectively any preferential, qualified or special rights, privileges or conditions and to vary, modify and abrogate the same in such manner as may be determined by or in accordance with these presents.
- (b) Subject to the rights of the holders of any other shares entitled by the terms of issue to preferential repayment over the equity shares in the event of winding up of the Company, the holders of the equity shares shall be entitled to be repaid the amounts of capital paid up or credited as paid up on such equity shares and all surplus assets thereafter shall belong to the holders of the equity shares in proportion to the amount paid up or credited as paid up in such equity shares respectively at the commencement of the winding up.

INCREASE REDUCTION AND ALTERATION OF CAPITAL

6. The Company may from time to time in general meeting increase its share capital by the issue of new shares of such amounts as it thinks expedient.

On what conditions the new shares may be issued

- *(a) Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.

Further issue of Capital

- *(b) Where at the time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares either out of the unissued capital or out of the increased share capital then:
- i) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.

DEEP INDUSTRIES LIMITED

- ii) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
 - iii) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (ii) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.
 - iv) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.
- *(c) Notwithstanding anything contained in sub-clause (b) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (i) of sub-clause (b) hereof) in any manner whatsoever.
- a) If a special resolution to that effect is passed by the company in General Meeting, or
 - b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the company.
- *(d) Nothing in sub-clause (iii) of (b) hereof shall be deemed ;
- i) To extend the time within which the offer should be accepted; or
 - ii) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- *(e) Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the company :
- i) To convert such debentures or loans into shares in the company; or
 - ii) To subscribe for shares in the company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- i) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and
- ii) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the company in General Meeting before the issue of the debentures or raising of the loans.

*Articles No. 6(a) to (e) replaced vide Special Resolution Passed at Extra Ordinary General Meeting held on 31/12/2005.

Same as original capital

- (f) Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls, instalments, transfers, transmission, forfeiture, lien, surrender, voting and otherwise.



Unclassified shares

- (g) Any unclassified shares (whether forming part of the original capital or of any increased capital of the Company) may subject to the provisions of the Act and these presents be issued either with the sanction of the Company in General Meeting or by the Directors and upon such terms and conditions and with such rights and privileges annexed thereto as by the General Meeting sanctioning the issue of such shares be directed and, if no such direction be given and in all other cases, as the Directors shall determine; and in particular such shares may be issued with a preferential or qualified right to dividends and in distribution of the assets of the Company and any preference shares may be issued on the terms that they are or at the option of the Company are to be liable to be redeemed provided however that (1) no shares shall be issued pursuant to this Article without the sanction of the Company in General Meeting unless they shall subject to the provisions of Section 81 of the Act be offered to the persons who are holders of equity shares of the Company in proportion, as nearly as circumstances admit to the capital paid up on those shares and (2) no unclassified shares shall without the sanction of the Company in General Meeting be issued as preference shares if the aggregate nominal amount of issued preference shares would thereby exceed the aggregate nominal amount of the issued equity shares of the Company.

Power to issue Redeemable Preference Shares

7. (a) Subject to the provisions of Section 80 of the Act and subject to the provisions on which any shares may have been issued, the Company may issue preference shares which are or at the option of the Company are liable to be redeemed;

Provided that :

- (i) no such shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of Shares made for the purpose of redemption;
 - (ii) no such shares shall be redeemed unless they are fully paid;
 - (iii) the premium, if any, payable on redemption shall have been provided for out of the profits of the Company or out of the Company's share premium account before the shares are redeemed.
 - (iv) Where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called "the capital redemption reserve account", a sum equal to the nominal amount of the shares redeemed; and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act, apply as if the capital redemption reserve account were paid up share capital of the Company.
- (b) Subject to the provisions of Section 80 of the Act and subject to the provisions on which any shares may have been issued, the redemption of preference shares may be effected on such terms and in such manner as may be provided in these Articles or by the terms and conditions of their issue and subject thereto in such manner as the Directors may think fit.
- (c) The redemption of preference shares under these provisions by the company shall not be taken as reducing the amount of its Authorised Share Capital.
- (d) Where in pursuance of this Article, the Company has redeemed or is about to redeem any preference shares, it shall have power to issue shares upto the nominal amount of the shares redeemed or to be redeemed as if those shares had never been issued; and accordingly the Share Capital of the Company shall not, for the purpose of calculating the fees payable under Section 611 of the Act, be deemed to be increased by the issue of shares in pursuance of this clause.

Provided that where new shares are issued before redemption of the old shares, the new shares shall not so far as relates to stamp duty be deemed to have been issued in pursuance of this clause unless the old shares are redeemed within one month after the issue of the new shares.

- (e) The Capital Redemption Reserve Account may, notwithstanding anything in this Article, be applied by the Company, in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

DEEP INDUSTRIES LIMITED

Provision in case of Redemption of Preference Shares

8. The Company shall be at liberty at any time, either at one time as the Company shall think fit, by giving not less than six months' previous notice in writing to the holders of the preference shares to redeem at par the whole or part of the preference shares for the time being outstanding, by payment of the nominal amount thereof with dividend calculated upto the date or dates notified for payment (and for this purpose the dividend shall be deemed to accrue and due from day to day) and in the case of redemption of part of the preference shares the following provisions shall take effect:
- (a) The shares to be redeemed shall be determined by drawing of lots which the Company shall cause to be made at its registered office in the presence of one Director at least; and
 - (b) Forthwith after every such drawing, the Company shall notify the shareholders whose shares have been drawn for redemption its intention to redeem such shares by payment at the registered office of the Company at the time and on the date to be named against surrender of the Certificates in respect of the shares to be so redeemed and at the time and date so notified each such shareholder shall be bound to surrender to the Company the Share Certificates in respect of the Shares to be redeemed and thereupon the Company shall pay the amount payable to such shareholders in respect of such redemption. The shares to be redeemed shall cease to carry dividend from the date named for payment as aforesaid. Where any such certificate comprises any shares, which have not been drawn for redemption, the Company shall issue to the holder thereof a fresh certificate therefore.
 - (c) Subject to the provisions of Section 180 of the Act, the following provisions shall apply in regard to the redemption of the Cumulative Preference Shares.
 - (i) The Company may within such time as may be specified in these Articles by an amendment thereof from the date of issue of the shares, apply any profits or moneys of the Company which may be lawfully applied for the purpose in the redemption of the preference shares at par, together with a sum equal to arrears of dividend thereon down to the date of redemption.
 - (ii) In the case of any partial redemption under sub-clause c (i) of this Article, the Company shall for the purpose of ascertaining the particular shares to be redeemed, cause a drawal to be made at the Registered Office or at such other place as the Directors may decide, in the presence of a representative of the Auditors for the time being of the Company.
 - (iii) Forthwith after every such drawal the Company shall give to the holders of the shares drawn for redemption notice in writing of the Company's intention to redeem the same fixing a time (not less than three months thereafter) and the place for the redemption and surrender of the shares to be redeemed.
 - (iv) At the time and place so fixed each holder shall be bound to surrender to the Company the certificate for his shares to be redeemed and the Company shall pay to him the amount payable in respect of such redemption and where any such certificate comprises any shares which have not been drawn for redemption, the Company shall issue to the holder thereof a fresh certificate therefore.
 - (v) Any of the Redeemable Cumulative Preference Shares not previously redeemed under the foregoing provisions redeemed under the foregoing provisions shall be redeemed at the expiry of 15 years from the date of the issue of the shares at par together with all arrears of the dividend thereon (whether earned or declared or not upto that date).
 - (d) Subject to the provisions of the Articles, the Company shall be entitled to create and issue further Preference Shares ranking in all or any respects *pari passu* with the preference shares then outstanding, PROVIDED in the event of its creating and/or issuing further preference shares ranking *pari passu* with the Preference Shares then outstanding the Company would do so only with the consent of the holders of not less than three-fourths of the preference shares then outstanding.
 - (e) The Redeemable Cumulative Preference Shares shall not confer upon the holders thereof the right to vote their in person or by proxy at any general meeting of the Company save to the extent and in the manner provided by Section 87(2) of the Act.



- (f) The rights, privileges and conditions for the time being attached to the Redeemable Cumulative Preference Shares may be varied, modified or abrogated in accordance with the provisions of these Articles and of the Act.

Reduction of capital

- 9. The Company may from time to time by special resolution, subject to confirmation by the Court and subject to the provisions of Sections 78, 80 and 100 to 104 of the Act, reduce its share capital and any Capital Redemption Reserve Account or premium account in any manner for the time being authorised by law and in particular without prejudice to the generality of the foregoing power may be:
 - (a) extinguishing or reducing the liability on any of its shares in respect of Share Capital not paid up;
 - (b) either with or without extinguishing or reducing liability on any of its shares, cancel paid up share capital which is lost or is unrepresented by available assets; or
 - (c) either with or without extinguishing or reducing liability on any of its shares, pay off any paid up share capital which is in excess of the wants of the Company; and may, if and so far as is necessary, after its Memorandum by reducing the amount of its share capital of its shares accordingly.

Division, Sub-Division, Consolidation, Conversion and Cancellation of shares

- 10. Subject to the provisions of Section 94 of the Act, the Company in general meeting may by an ordinary resolution alter the conditions of its Memorandum as follows, that is to say, it may:
 - (a) consolidate and divide all or any of its Share Capital into shares of larger amount than its existing shares;
 - (b) sub-divide its shares or any of them into shares of smaller amount than originally fixed by the Memorandum subject nevertheless to the provisions of the Act in that behalf and so however that in the sub-division the proportion between the amount paid and the amount if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived and so that as between the holders of the shares resulting from such sub-division one or more of such shares may, subject to the provisions of the Act, be given any preference or advantage over the others or any other such shares.
 - (c) convert, all or any of its fully paid up shares into stock, and re-convert that stock into fully paid up shares of any denomination.
 - (d) cancel, shares which at the date of such general meeting have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

Notice to Registrar of Consolidation of Share Capital, Conversion of shares into stocks etc.

- 11. a) If the Company has :
 - (i) consolidated and divided its Share Capital into shares of larger amount than its existing shares;
 - (ii) converted any shares into stock;
 - (iii) reconverted any stock into shares;
 - (iv) sub-divided its share or any of them;
 - (v) redeemed any redeemable preference shares; or
 - (vi) cancelled any shares otherwise than in connection with a reduction of Share Capital under Sections 100 to 104 of the Act. The Company shall within one month after doing so, give notice thereof to the Registrar specifying as the case may be, the shares consolidated, divided, converted, sub-divided, redeemed or cancelled or the stocks reconverted.
- (b) the Company shall thereupon request the Registrar to record the notice and make any alterations which may be necessary in the Company's Memorandum or Articles or both.

DEEP INDUSTRIES LIMITED

BUY BACK OF SHARES

12. Subject to the provisions of Section 77 A, 77B and any amendments made in the Companies Act, 1956, the company shall have the power to buy back its own shares, whether or not there is any consequent reduction of capital. If and to the extent permitted by-law, the company shall also have the power to re-issue the shares so bought back.

Modifications of rights

13. If at any time the share capital by reason of the issue of Preference Share or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Act and whether or not the Company is being wound up, be varied, modified, commuted, affected or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class. This Article shall not derogate from any power which the Company would have if this Article is omitted. The provisions of these Articles relating to general meetings shall mutatis mutandis apply to every such separate meeting but so that if at any adjourned meeting of such holders a quorum as defined in Article 102 is not present, those persons who are present shall be quorum.

DEMATERIALISATION OF SECURITIES

14. The provisions of this Article shall apply only in respect of Securities held in Depository mode and the provisions of the other Articles shall be construed accordingly:

15. for the purpose of this Articles

“Beneficial Owner” :

“Beneficial Owner” means the beneficial owner as defined in Clause (a) of Subsection 1 of Section 2 of the Depositories Act, 1996.

“Depository”

“Depository” means a Depository as defined under Clause (e) of Sub-section 1 of Section 2 of the Depositories Act, 1996.

“Depositories Act, 1996”.

“Depositories Act, 1996” shall include any Statutory modification(s) or re-enactment(s) thereof, for the time being in force.

“SEBI”

“SEBI” means Securities and Exchange Board of India established under Securities and Exchange Board of India Act, 1992.

“Security”

“Security” has the meaning assigned to it in Section 2 of the Securities Contracts (Regulation) Act, 1956 or any statutory modification or reenactment thereof for the time being in force.

Power to dematerialize:

Notwithstanding anything contained in and rematerialize these Articles, the Company shall be Securities entitled to dematerialise its existing shares, debentures and other securities as also rematerialize its shares, debentures and other securities held in Depository Mode and/or offer securities in dematerialised form pursuant to the Depositories Act, 1996 and the rules framed there under: Options for investors Every person subscribing to or holding securities of the Company shall have the option to receive security certificates in accordance with provisions of the other Articles or to hold the same with a Depository. Such a person who is the beneficial owner of the securities may/can at any time opt out of the Depository, if permitted by Law, in respect of any security in the manner provided by the Depositories Act, 1996 and the Company shall in the manner and within the time prescribed therein, issue to the beneficial owner the required certificates of securities.



If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details- of allotment of security, and on the receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Securities in Depositories to be in fungible form:

All the Securities held by a Depository shall be dematerialized and be fungible form.

Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the said Act shall apply to a Depository in respect of the Securities held by it on behalf of the beneficial owners.

Rights of Depositories and Beneficial Owners of Securities:

- (a) Notwithstanding anything to the contrary contained in the said Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of securities on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the Company. .
- (d) The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities of a member in respect of his securities, which are held by a Depository.

Furnishing of information by Depository :

- (a) Notwithstanding anything contained in the said Act or these Articles where securities are held in a depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs or in such other manner as may be practicable.

Transfer of Securities:

- (a) Nothing contained in Section 108 of the said Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a Depository.
- (b) In the case of transfer or transmission of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.

Distinctive numbers of Securities Held in a Depository:

Nothing contained in the said Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to the Securities held with a Depository. Every fortified or surrendered share held in a material form shall continue to bear the number by which the same was originally distinguished.

Register and index of Beneficial owners

The Register and Index of beneficial owners maintained by a Depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders as the case may be for the purposes of these Articles.

SHARES AND CERTIFICATES

Issue of further shares not to affect right of existing share holders

- 16. The rights or privileges conferred upon the holders of the shares of any class issued with preference or other rights, shall not unless otherwise be deemed to be varied or modified or affected by the creation or issue of further shares ranking *pari passu* therewith.

DEEP INDUSTRIES LIMITED

Provisions of Sections 85 to 88 of the Act to apply

17. The provisions of Sections 85 to 88 of the Act in so far as the same may be applicable shall be observed by the Company.

Register of Members and Debenture holders

18. (a) The Company shall cause to be kept a Register of Members and an Index of Members in accordance with Sections 150 and 151 of the Act and Register and Index of Debenture holders in accordance with Section 152 of the Act. the Company may also keep a foreign Register of Members and Debenture holders in accordance with Section 157 of the Act.
- (b) The Company shall also comply with provisions of Sections 159 and 161 of the Act as to filling of Annual Returns.
- (c) The Company shall duly comply with the provisions of Section 163 of the Act in regard to keeping of the Registers, Indexes, copies of Annual Returns and giving inspection thereof and furnishing copies thereof.

Commencement of business

19. The Company shall comply with the provisions of Section 149 of the Act.

Restriction on allotment

20. The Board shall observe the restriction as to allotment of shares to the public contained in Sections 69 and 70 of the Act and shall cause to be made the return as to allotment provided for in Section 75 of the Act.

Shares to be numbered progressively and no shares to be subdivided

21. The shares in the Capital shall be numbered progressively according to the several denominations and except in the manner hereinbefore mentioned no share shall be subdivided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.

Shares at the disposal of the Directors

22. Subject to the provisions of Section 81 of the Act and these Articles the shares in the Capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in general meeting to give to any person the option to call for any shares either at par or at a premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part for any property sold and transferred or for services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares.

Every share transferable etc.

23. (i) The shares or other interest of any member in the Company shall be a movable property, transferable in the manner provided by the Articles.
- (ii) A Certificate under the Common Seal of the Company, specifying any shares held by any member shall be prima facie, evidence of the title of the member of such shares.

Application of premium received on issue of shares

24. (a) Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account to be called "the share premium account" and the provisions of the Act relating to the reduction of the Share Capital of the Company shall except as provided in this Article, apply as if the share premium account were paid up share capital of the Company.



- (b) The Share premium account may, notwithstanding, anything in clause (a) above, be applied by the Company:
- (i) in paying up unissued shares of the Company to be issued to members of the company as fully paid bonus shares;
 - (ii) in writing off the preliminary expenses of the Company;
 - (iii) in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
 - (iv) in providing for the premium payable on the redemption of any redeemable preference shares or of any debenture of the Company.

Sale of fractional shares

25. If and whenever, as the result of issue of new or further shares or any consolidation or sub-division of shares, any share are held by members in fractions, the Directors shall, subject to the provisions of the Act and the Articles and to the directions of the Company in general meeting, if any, sell those shares, which members hold in fractions, for the best price reasonably obtainable and shall pay and distribute to and amongst the members entitled to such shares in due proportion, the net proceeds of the sale thereof. For the purpose of giving effect to any such sale the Directors may authorise any person to transfer the shares sold to the purchaser thereof, comprised in any such transfer and he shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

Acceptance of Shares

26. An application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any shares therein shall be an acceptance of shares within the meaning of these Articles and every person who thus or otherwise accepts any shares and whose name is on the Register of Members shall for the purpose of these Articles be a member. The Director shall comply with the provisions of Sections 69, 70, 71, 72 and 73 of the Act in so far as they are applicable.

Deposits and calls etc, to be a debt payable immediately

27. The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise in respect of any shares allotted by them, immediately, on the insertion of the name of the allottee in the Register of Members as the name of the holder of such shares become a debt, due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.
28. (a) Company not bound to recognise any interest in shares other than of registered holder

Save as herein provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share as the absolute owner thereof, and accordingly shall not (except as ordered by a Court of competent jurisdiction or as by law required) be bound to recognise any benami, trust of equity or equitable, contingent, future, or partial or other claim or claims or right to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof and the provisions of Section 153 of the Act shall apply.

Declarations of persons not holding beneficial interest in shares

- (b) When any declaration is filed with the Company under the provisions of Section 187C of the Act by any holder of shares who does not hold beneficial interest in such shares specifying the particulars of the person holding beneficial interest in such shares or by a person who holds beneficial interest in any shares of the Company but is not the registered holder thereof, the Company shall make a note of such declaration in its register of members and file, within 30 days from the date of receipt of the declaration by it, a return with the Registrar with regard to such declaration.

Issue of Certificates of Shares to be governed by Section 84 of the Act etc.

29. (a) The issue of certificates of shares or of duplicate or renewal of certificates of Shares shall be governed by the provisions of Section 84 and other provisions of the Act, as may be applicable and by the Rules or notifications

DEEP INDUSTRIES LIMITED

or orders, If any, which may be prescribed or made by competent authority under the Act or Rules or any other law. The Directors may also comply with the provisions of such rules or regulations of any stock exchange where the shares of the Company may be listed for the time being.

Certificate of Shares

- (b) The certificate of title to shares shall be issued under the Seal of the Company and shall be signed by such Directors or Officers or other authorised persons as may be prescribed by the Rules made under the Act from time to time and subject thereto shall be signed in such manner and by such persons as the Directors may determine from time to time.
- (c) the Company shall comply with all rules and regulations and other directions which may be made by any competent authority under Section 84 of the Act.

Limitation of time of issue of certificate

30. *(a) Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the company shall not be borne to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holder.
- (b) The Company shall not entertain any application for split of share/debenture certificate for less than 10 shares/debentures (all relating to the same series) in market lots as the case may be.
- Provided however this restriction shall not apply to an application made by the existing member or debenture holder for split of share/debenture certificate with a view to make an odd lot holding into a marketable lot subject to verification by the Company.
- (c) Notwithstanding anything contained in Clause (a) above the Directors shall, however, comply with such requirements of the Stock Exchange where Shares of the Company may be listed or such requirements of any rules made under the Act or such requirements of the Securities Contracts (Regulation) Act, 1956 as may be applicable.

Issue of new certificate in place of one defaced, lost or destroyed

- *31. If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, an a new Certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every Certificates under the Article shall be issued without payment of any fee. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

* Articles No. 30(a) and Articles No. 31 replaced vide Special Resolution Passed at Extra Ordinary General Meeting held on 31/12/2005.

32. The provisions of the Articles under this heading shall mutatis mutandis apply to debentures of the Company.



CALLS

Director may make calls

34. The Directors may from time to time and subject to Section 91 of the Act and subject to the terms on which any shares/debentures may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such calls as they think fit upon the members/debenture holders in respect of all moneys unpaid on the shares/debentures held by them respectively and such member/debenture holders shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Directors. A call may be made payable by instalments. A call may be postponed or revoked as the Board may determine.

Calls to date from resolution

35. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed and may be made payable by members/debenture holders on a subsequent date to be specified by the Directors.

Notice of call

36. Thirty days notice in writing shall be given by the Company of every calls made payable otherwise than on allotment specifying the time and place of payment provided that before the time of payment of such call, the Directors may by notice in writing to the members/debenture holders revoke the same.

Directors may extend time

37. The Directors may, from time to time, at their discretion, extend the time fixed for the payment of any call, and may extend such time as to all or any of the members/debenture holders who from residence at a distance or other cause, the Directors may deem fairly entitled to such extension, but no member/debenture holder shall be entitled to such extension, save as a matter of grace and favour.

Sums deemed to be calls

38. Any sum, which by the terms of issue of share/debenture becomes payable on allotment or at any fixed date whether on account of the nominal value of the share/debenture or by way of premium, shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise, shall apply as if such sum had become payable by virtue of a call duly made and notified.

Instalments on shares to be duly paid

39. If by the condition of allotment of any shares the whole or part of the amount of issue price thereof shall be payable by instalments, every such installment shall, when due, be paid to the Company by the person who, for the time being and from time to time, shall be the registered holder of the share of his legal representative.

Calls on shares of the same class to be made on uniform basis

40. Where any calls for further Share Capital are made on shares, such calls shall be made on a uniform basis on all shares falling under the same class.

Explanation: For the purpose of this provisions, shares of the same nominal value on which different amounts have been paid up shall not be deemed to fall under the same class.

Liability of joint holders of share

41. The joint holders of a share shall be severally as well as jointly liable for the payment of all installment and calls due in respect of such shares.

When interest on call or Installment payable

42. If the sum payable in respect of any call or installment be not paid on or before the day appointed for payment thereof or any such extension thereof, the holder for the time being or allottee of the share in respect of which a

DEEP INDUSTRIES LIMITED

call shall have been made or the installment shall be due, shall pay interest as shall be fixed by the Board from the day appointed for the payment thereof or any such extension thereof to time of actual payment but the Directors may waive payment of such interest wholly or in part.

Partial payment not to preclude forfeiture

43. Neither a judgement nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereof nor the receipt by the Company of a portion of any money which shall from time to time be due from any member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of payment of any such money shall preclude the forfeiture of such shares as herein provided.

Proof on trial of suits for money due on shares

44. On the trial or hearing of any action or suit brought by the Company against any member or his legal representative for the recovery of any money claimed to be due to the Company in respect of any shares it shall be sufficient to prove that the name of the member in respect of whose shares the money is sought to be recovered appears in the Register of Members as the holder or one of the holders, at or subsequent to the date at which the money sought to be recovered is alleged to have become due, of the shares in respect of which such money is sought to be recovered, and that the resolution making the call is duly recorded in the Minutes Book; and that the notice of such call was duly given to the member or his representatives, sued in pursuance of these presents; and it shall not be necessary to prove the appointment of the Directors who made such calls nor that a quorum of Directors was present at the Board at which any call was made, nor that the meeting at which any call was made was duly convened or constituted nor any other matter whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

Payment in anticipation of calls may carry interest

45. (a) The Directors may, if they think fit, subject to the provision of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, to the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls not confer a right to participate in profits or dividends. The Directors may at any time repay the amount so advanced.
- (b) The member shall not however be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.
46. The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

LIEN

Company's lien on Shares/Debentures

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

*Articles No. 47 replaced vide Special Resolution Passed at Extra Ordinary General Meeting held on 31/12/2005.

As to enforcing lien by sale

48. For the purpose of enforcing such lien, the Board may sell the shares/debentures subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and/or debentures and may authorise one of their member or appoint any officer or agent to execute a transfer thereof on behalf of and in the name of such member/debenture holder. No sale shall be made until such period,



as may be stipulated by the Board from time to time, and until notice in writing of the intention to sell shall have been served on such member and/or debenture holder or his legal representatives and default shall have been made by him or them in payment, fulfilment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.

Application of proceeds of sale

49. (a) The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the persons entitled to the shares and/or debentures at the date of the sale.

Outsiders lien not to affect Company's lien

- (b) The Company shall be entitled to treat the registered holder of any share or debenture as the absolute owner thereof and accordingly shall not (except as ordered by a Court of competent jurisdiction or by statute required) be bound to recognise equitable or other claim to, or interest in, such shares or debentures on the part of any other person. The Company's lien shall prevail notwithstanding that it has received notice of any such claims.

FORFEITURE

If call or installment not paid notice must be given

50. (a) If any member or debenture holder fails to pay the whole or any part of any call or installment or any money due in respect of any share or debentures either by way of principal or interest on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Directors may at any time thereafter, during such time as the call or any installment or any part thereof or other moneys remain unpaid or a judgement or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such member or debenture holder or on the person (if any) entitled to the share by transmission requiring him to pay such call or installment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

Form of Notice

- (b) The notice shall name a day out being less than one month from the date of the notice and a place or places, on and at which such call, or installment or such part or other moneys as aforesaid and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non payment of call amount with interest at or before the time and at the place appointed, the shares or debentures in respect of which the call was made or installment or such part or other moneys is or are payable will be liable to be forfeited.

In default of payment shares or debentures to be forfeited

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

Entry of forfeiture in Register of member/debenture holders

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

DEEP INDUSTRIES LIMITED

Forfeited share/debenture to be property of Company and may be sold

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

Power to annul forfeiture

54. The Directors may, at any time, before any share or debenture so forfeited shall have been sold, re-allotted or otherwise disposed of, annul forfeiture thereof upon such conditions as they think fit.

Shareholders or Debenture holders still liable to pay money owing at the time of forfeiture and interest

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

Effect of forfeiture

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

Certificate of forfeiture

57. A Certificate in writing under the hand of one Director and counter signed by the Secretary or any other officer authorised by the Directors for the purpose, that the call in respect of a Share or debenture was made and notice thereof given and that default in payment of the call was made and that the forfeiture of the share or debenture was made by the resolution of Directors to that effect shall be conclusive evidence of the facts stated therein as against all persons entitled to such share or debenture.

Validity of sales under Articles 45 and 50

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

Cancellation of share/debenture Certificate in respect of forfeited shares/debentures

59. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate/s originally issued in respect of the relative shares or debentures shall (unless the same shall on demand by the Company has been previously surrendered to it by the defaulting member or debenture holder) stand cancelled and become null and void and be of no effect, and the Directors shall be entitled to issue a duplicate certificate/s in respect of the said shares or debentures to the person/s entitled thereto.

Title of purchaser and allottee of forfeited shares/debentures

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



Surrender of Shares or Debentures

61. The Directors may, subject to the provisions of the Act, accept a surrender of any share or debenture from or by any member or debenture holder desirous of surrendering them on such terms as they think fit.

TRANSFER AND TRANSMISSION OF SHARES AND DEBENTURES

Register of transfers

62. The company shall keep a book to be called the "Register of Transfers" and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

Form of transfer

63. The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

*Articles No. 63 replaced vide Special Resolution Passed at Extra Ordinary General Meeting held on 31/12/2005.

Instrument of transfer to be executed by transferor and transferee

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

Directors may refuse to register transfer

65. *(a) Subject to the provisions of Section 111 and of the Companies Act, 1956, and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused. Article No. 77 : Existing Article No. 77 replaced by the following Article No. 77 and read as follows :
- (b) Nothing in Sections 108, 109 and 110 of the Act shall prejudice this power or refuse to register the transfer of, or the transmission on legal documents by operation of law of the rights to, any shares or interest of a member in, any shares or debentures of the Company.

*Articles No. 65(a) replaced vide Special Resolution Passed at Extra Ordinary General Meeting held on 31/12/2005.

Transfer of shares

66. (a) An application of registration of the transfer of shares may be made either by the transferor or the transferee provided that where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee and subject to the provisions of Clause (d) of this Article, the Company shall unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register of members the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.
- (b) For the purpose of clause (a) above notice to the transferee shall be deemed to have been duly given if sent by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered to him in the ordinary course of post.

DEEP INDUSTRIES LIMITED

- (c) It shall not be lawful for the Company to register a transfer of any shares unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation if any, of the transferee has been delivered to the Company alongwith the Certificate relating to the shares and if no such Certificate is in existence, alongwith the letter of allotment of shares. The Directors may also call for such other evidence as may reasonably be required to show the right of the transferor to make the transfer provided that where it is proved to the satisfaction of the Directors of the Company that an instrument of transfer signed by the transferor and the transferee has been lost, the Company may, if the Directors think fit, on an application in writing made by the transferee and bearing the stamp required by an instrument of transfer register the transfer on such terms as to indemnity as the Directors may think fit.
- (d) Nothing in clause (c) above shall prejudice any power of the company to register as share holder any person to whom the right to any share has been transmitted by operation of law.
- (e) The Company shall not accept applications for transfer of less than 10 (ten) equity shares and 5 (five) debentures (all relating to the same series) less than in market lots of the Company provided however, that this condition shall not apply to:
 - (i) transfer of equity shares/debentures made in pursuance of any statutory provision or an order of a competent court of law.
 - (ii) the transfer of the entire equity shares/debentures by an existing shareholder/debenture holder of the Company holding under one folio less than 10 (ten) equity shares or 5 (five) debentures (all relating to the same series) less than in market lots by a single transfer to a single or joint transferee.
 - (iii) the transfer of not less than 10 (ten) equity Shares or 5 (five) debentures (all relating to the same series) in favour of the same transferee(s) under two or more transfer deeds, out of which one or more relate(s) to the transfer of less than 10 (ten) equity shares/ 5 (five) debentures.
 - (iv) the transfer of less than 10 (ten) equity shares or 5 (five) debentures (all relating to the same series) to the existing shareholder/debenture holder subject to verification by the Company.Provided that the Board may in its absolute discretion waive the aforesaid conditions in a fit and proper case(s) and the decision of the Board shall be final in such case(s).
- (f) Nothing in this Article shall prejudice any power of the Company to refuse to register the transfer of any share.

Custody of Instrument of transfer

67. The instrument of transfer shall after registration be retained by the Company and shall remain in their custody. All instruments of transfer which the Directors may decline to register, shall on demand be returned to the persons depositing the same. The Directors may cause to be destroyed all transfer deeds lying with the Company after such period as they may determine.

Transfer books and Register of members when closed

68. The Board shall have power on giving not less than seven days' previous notice by advertisement in some newspaper circulating in the district in which the office of the Company is situate, to close the Transfer books, the Register of members or Register of debenture holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty five days in each year.

Transfer to Minors etc.

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

Title to shares of deceased holder

70. The executors or administrators of a deceased member (not being one or two or more joint holders) or the holder of a deceased member (not being one or two or more joint holders) shall be the only persons whom the Company will be bound to recognise as having any title to the shares registered in the name of such member, and the



company shall not be bound to recognise such executors or administrators or the legal representatives unless they shall have first obtained Probate or Letters of Administration or a Succession Certificate, as the case may be, from a duly constituted competent Court in India, provided that in any case where the Directors in their absolute discretion think fit, the Directors may dispense with the production of Probate or Letter of Administration or a Succession Certificate upon such terms as to indemnity or otherwise as the Directors in their absolute discretion may think necessary and under Article 70 register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member.

Compliance of Estate Duty Act, 1953

71. Where the Company has knowledge through any of its principal officers of the death of any member or debenture holder in the Company, the Company shall within three months of receipt of intimation of knowledge of the death, furnish to the Controller of Estate Duty who is exercising the function of the Income-tax Officer under the Income-tax Act, 1961 in relation to the Company such particulars as may be prescribed in respect of the interest of the deceased in the Company and it shall not be lawful for the Company to register the transfer of any shares or debentures standing in the name of the deceased unless the transferee has acquired such shares or debentures for valuable consideration or a certificate from the controller is produced before the Company to the effect that the Estate Duty in respect of such shares or debentures has been paid or will be paid or that one is due as the case may be.

Registration of persons entitled to share otherwise than by transfer

72. (a) Subject to the provisions of Articles 67 and 77 (d), any becoming entitled to any share in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Directors (which they shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such titles as the Directors shall think sufficient, either be registered himself as a member in respect of such shares or elect to have some person nominated by him and approved by the Directors registered as a member in respect of such shares. Provided nevertheless that if such person shall elect to have his nominee registered he shall testify his election by executing in favour of his nominee an instrument of transfer in accordance with provisions herein contained and until he does so, he shall not be free from any liability in respect of such shares.
- (b) A transfer of the shares or other interest in the Company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member be as valid as if he had been a member at the time of the execution of the instrument of transfer.

Claimant to be entitled to same advantage

73. The person becoming entitled to a share by reason of the death, lunacy, bankruptcy or insolvency of the holder shall be entitled to the same dividends and others advantages to which he would be entitled as if he were registered holder of the shares except that he shall not before being registered as a member in respect of the share, be entitled in respect of it, to exercise any right conferred by membership in relation to the meeting of the Company provided that the Board may at any time give notice requiring any such persons to elect either to be registered himself or to transfer shares and if the notice is not complied within sixty days, the Board may thereafter withhold payment of all dividends, interests, bonuses or other moneys payable in respect of the share until the requirements of the notice have been complied with.

Persons entitled may receive dividend without being registered as member

74. (a) A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends, bonuses or moneys as hereinafter provided be entitled to receive, and may give a discharge for any dividends, bonuses or other moneys payable in respect of the share/ debenture.
- (b) This Article shall not prejudice the provisions of Articles of 44 and 55.

Refusal to register nominee

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

DEEP INDUSTRIES LIMITED

Directors may require evidence of transmission.

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

Fee on transfer or transmission

- *77. No fee shall be charged for registration of transfer, transmission, Probate, Succession Certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

*Articles No. 77 replaced vide Special Resolution Passed at Extra Ordinary General Meeting held on 31/12/2005.

The Company not liable for disregard of a notice prohibiting registration of transfer

78. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice referred thereto in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Directors shall so think fit.

Not more than four persons as joint holders

79. The Company shall be entitled to decline to register more than four persons as the holders of any shares.
80. The provisions of these Articles shall mutatis mutandis apply to the transfer or transmission by operation of law of debenture of the Company.

JOINT HOLDERS

Joint-holders

81. Where two or more persons are registered as the holders of any shares/debentures, they shall be deemed (so far as the Company is concerned) to hold the same as joint tenants with benefits of survivorship subject to the following and other provisions contained in these Articles.

Transfer by joint holders

- (a) In the case of a transfer of shares/ debentures held by joint holders, the transfer will be effective only if it is made by all the joint holders.

Liability of joint holders

- (b) The joint holders of any share/debenture held be liable severally as well as jointly for and in respect of all calls or instalments and other payments which ought to be made in respect of such share/debenture.

Death of one or more joint holders

- (c) On the death of any one or more of such joint holders the survivor/ survivors shall be the only person or persons recognised by the company as having any title to the share/debenture, but the Directors may require such evidence of death as they may deem fit, and nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares/debentures held by him jointly with any other person.

Receipt of one sufficient

- (d) Any one of such joint holders may give effectual receipts of any dividends, interests or other moneys payable in respect of such share/debenture.



Delivery of certificate and giving of notices to first named holder

- (e) Only the person whose name stands first in the Register of Members/debenture holders as one of the joint holder of any shares/debentures shall be entitled to the delivery of the certificate relating to such share/debenture or to receive notice (which expression shall be deemed to include all documents as defined in Article (2) (a) hereof and any document served on or sent to such person shall be deemed service on all the joint holders.

Vote of joint holders

- (f) (i) Any one of two or more joint holders may vote at any meeting either personally or by attorney or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy or by attorney then that one of such persons so present whose name stands first or higher (as the case may be) on the Register in respect of such share shall alone be entitled to vote in respect thereof but the other or others of the joint holders shall be entitled to be present at the meeting provided always that a joint holder present at any meeting personally shall be entitled to vote in preference to a joint holder present by Attorney or by proxy although the name of such joint holder present by an Attorney or proxy although the name of such joint holder present by an Attorney or proxy stands first or higher (as the case may be) in the Register in respect of such shares.
- (ii) Several executors or administrators of a deceased member in whose (deceased member) sole name any share stands shall for the purpose of this clause be deemed joint holders.

BORROWING POWERS**Restriction on powers of the Board**

82. The Board of Directors shall not, except with the consent of the Company in general meeting and subject to Article 172 of the Association of the Company :
- (a) sell, lease or otherwise dispose of the whole or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking.
- (b) remit, or give time for the repayment of any debt due by a Director.
- (c) invest, otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition after the commencement of this Act, of any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it can not be carried on or can be carried on only with difficulty or only after a considerable time.
- (d) borrow monies where the moneys to be borrowed, together with the moneys already borrowed by the company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose.
- (e) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five percent, of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding whichever is greater.

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

Conditions on which money may be borrowed

83. The Directors may raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the issue of bonds, perpetual or redeemable,

DEEP INDUSTRIES LIMITED

debenture or debenture stocks or any mortgage or charge or other security on the undertaking of the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.

Bonds, debentures etc. to be subject to control of Directors

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

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

Securities may be assignable free from equities

85. Debentures, debenture stocks, bonds or other securities may be made assignable free from any equities between the company and the person to whom the same may be issued.

Issue at discount etc. or with special privileges

86. *Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution and subject to the following

* First para of Articles No. 86 replaced vide Special Resolution Passed at Extra Ordinary General Meeting held on 31/12/2005.

Debentures with voting rights not to be issued

- (a) The Company shall not issue any debentures carrying voting rights at any meeting of the Company whether generally or in respect of particular classes of business.
- (b) The Company shall have power to reissue redeemed debentures in certain cases in accordance with Section 121 of the Act.
- (c) Payment of certain debts out of assets subject to floating charge in priority to claims under the charge may be made in accordance with the provisions of Section 123 of the Act.
- (d) Certain charges mentioned in Section 125 of the Act shall be void against the liquidators or creditors unless registered as provided in Section 125 of the Act.
- (e) The term 'charge' shall include mortgage in these Articles.
- (f) A contract with the Company to take up and pay for any debentures of the Company may be enforced by a decree for specific performance.

Limitation of time for issue of certificate

- (g) The Company shall, within three months after the allotment of any of its debentures or debenture stock, and within one month after the application for the registration of the transfer of any such debentures or debenture stocks have complete and have ready for delivery the Certificate of all the debentures and the Certificates of all debenture stocks allotted or transferred unless the conditions of issue of the debentures or debenture stocks otherwise provide.

The expression 'transfer' for the purpose of this clause means a transfer duly stamped and otherwise valid and does not include any transfer which the company is for any reason entitled to refuse to register and does not register.



Right to obtain copies of and inspect Trust Deed

- (h) (i) A copy of any Trust Deed for securing any issue of debentures shall be forwarded to the holder of any such debentures or any member of the Company at his request and within seven days of the making thereof on payment.
1. In the case of a printed Trust Deed of the sum of Rupee One and
 2. In the case of a Trust Deed which has not been printed of thirty seven paise for every one hundred words or fractional part thereof required to be copied.
- (ii) The Trust Deed referred to in item (i) above shall also be open to inspection by any member or debenture holder of the Company in the same manner, to the same extent, and on payment of the same fees, as if it were the Register of Members of the Company.

Mortgage of uncalled capital

87. If any uncalled capital of the Company is included in or charged by any mortgage or other security the Directors shall, subject to the provisions of the Act and these Articles, make calls on the members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security is executed.

Indemnity may be given

88. If the Directors or any of them or any other person shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or person so becoming liable as aforesaid from any loss in respect of such liability.

Registration of charges

89. (a) The provisions of the Act relating to registration of charges shall be complied with
- (b) In the case of a charge created out of India and comprising solely property situated outside India, the provisions of Section 125 of the Act shall also be complied with.
- (c) Where a charge is created in India but comprises property outside India, the instrument creating or purporting to create the charge under Section 125 of the Act or a copy thereof verified in the prescribed manner, may be filed for registration, notwithstanding that further proceedings may be necessary to make the charge valid or effectual according to the law of the country in which the property is situate, as provided by Section 125 of the Act.
- (d) Where any charge on any property of the Company required to be registered under Section 125 of the Act has been so registered any person acquiring such property or any part thereof or any share or interest therein shall be deemed to have notice of the charge as from the date of such registration.
- (e) In respect of registration of charges on properties acquired subject to charge, the provisions of Section 127 of the Act shall be complied with.
- (f) The Company shall comply with the provisions of Section 128 of the Act relating to particulars in case of series of debentures entitling holders *pari passu*.
- (g) The Company shall comply with the provisions of Section 129 of the Act in regard to registration of particulars of commission, allowance or discount paid or made, directly or indirectly, in connection with the debentures.
- (h) The provisions of Section 133 of the Act as to endorsement of Certificate of registration on debenture or Certificate of debenture stock shall be complied with by the Company.
- (i) The Company shall comply with the provisions of Section 134 of the Act as regards registration of particulars of every charge of every series of debentures.
- (j) As to modification of charges the Company shall comply with the provisions of Section 134 of the Act.

DEEP INDUSTRIES LIMITED

- (k) The Company shall comply with the provisions of Section 136 of the Act regarding keeping a copy of instrument creating charge at the registered officer of the company and comply with the provisions of Section 137 of the Act in regard to entering in the register of charges any appointment of Receiver or Manager as therein provided.
- (l) The Company shall also comply with the provisions of Section 138 of the Act as to reporting satisfaction of any charge and procedure thereafter.
- (m) The Company shall keep at its registered office a Register of charges and enter their in all charges specifically affecting any property of the Company and all floating charges on the undertaking or on any property of the company giving in each case :
 - (i) a short description of the property charged.
 - (ii) the amount of the charge; and
 - (ii) except in the case of securities to bearer, the names of persons entitled to the charge.
- (n) Any creditor or member of the Company and any other person shall have the right to inspect copies of instruments creating charges and the Company's Register of charges in accordance with and subject to the provisions of Section 144 of the Act.

Trust not recognized

90. No notice of any trust, express or implied or constructive, shall be entered on the Register of Debenture holders.

SHARE WARRANTS

Powers to issue share warrants

91. The Company may issue share warrants subject to and in accordance with the provisions of Sections 114 and 115 of the Act and accordingly, the Board may, in its discretion, with respect to any share which is fully paid upon application in writing signed by the persons registered as holder of the share and authenticated by such evidence (if any) as the Board may, from time to time require as to the identity of the person signing the application, and on receiving the certificate (if any) of the share, and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.

Deposit of share warrants

92. (a) The bearer of a share warrant may at any time deposit the warrant at the office of the Company and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending, and voting, and exercising the other privileges of a Member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the share included in the deposited warrant.
- (b) Not more than one person shall be recognised as depositor of the Share Warrant.
- (c) The Company shall on two days' written notice return the deposited share warrant to the depositor.

Privileges and disabilities of the holders of share warrant

93. (a) Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend, or vote or exercise any of the privileges of a member at a meeting of the Company, or be entitled to receive any notice from the Company.
- (b) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of members as the holder of the shares included in the warrant and he shall be a member of the Company.

Issue of new share warrant or coupon

94. The Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.



CONVERSION OF SHARES INTO STOCK AND RECONVERSION

Shares may be converted into stock

95. The Company in general meeting may convert any paid up shares into stock and when any shares shall have been converted into stock, the several holders of such stock may thenceforth transfer their respective interest therein or any part of such interests, in the same manner and subject to the same regulations as, and subject to which shares from which the stock arise might have been transferred, if no such conversion had taken place, or as near thereto as circumstances will admit. The Company may at any time reconvert any stock into paid up shares of any denomination.

Rights of stock holders

96. The holders of stock shall, according to the amount of stock, held by them have the same right, privileges and advantages as regards dividends, voting at meeting of the Company and other matters, as if they held the share from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and the assets on winding up) shall be conferred by an amount of stock which would not if existing in shares, have conferred that privilege or advantage.

GENERAL MEETINGS

Statutory Meeting

97. The Statutory meeting of the Company shall be held at such place and time (not less than one month or more than six months from the date on which the Company is entitled to commence business) as the Directors may determine and the Directors shall comply with the provisions of Section 165 of the Act relating thereto.

Annual General Meeting

98. (a) Subject to the provisions contained in Sections 166 and 210 of the Act, as far as applicable, the Company shall in each year hold, in addition to any other meetings, a general meeting as its annual general meeting, and shall specify, the meeting as such in the Notice calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the company and that of the next.

Provided that if the Registrar for any special reason, extends the time within which any annual general meeting shall be held, then such annual general meeting may be held within such extended period.

Annual Summary

- (b) The Company may in any one annual general meeting fix the time for its subsequent annual general meetings. Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any general meeting which he attends on any part of the business which concerns him as Auditor. At every annual general meeting of the Company, there shall be laid on the table, the Director's report, the audited statements of accounts and auditor's report (if any, not already incorporated in the audited statements of accounts). The proxy registered with the Company and Register of Director's Share holdings of which latter register shall remain open and accessible during the continuance of the meeting. The Board shall cause to prepare the Annual list of members, summary of Share Capital, Balance Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.

Time and place of Annual General Meeting

99. Every annual general meeting shall be called at any time during business hours, on a day that is not a public holiday, and shall be held either at the registered office of the Company or at some other place within the city, town or village in which the registered office of the Company is situate, and the notice calling the meeting shall specify it as the annual general meeting.

Sections 171 to 186 of the Act shall apply to meetings

100. Sections 171 to 186 of the Act with such adaptations and modifications, if any, as may be prescribed shall apply with respect to meetings of any class of members or debenture holders of the Company in like manner as they apply with respect to general meetings of the Company.

DEEP INDUSTRIES LIMITED

Power of Director's to call Extraordinary General meeting

101. The Directors may call an extraordinary general meeting of the Company whenever they think fit.

Calling of Extra Ordinary General Meeting on requisition

102. (1) (a) The Board of Directors of the Company shall on the requisition of such number of members of the Company as is specified in clause (d) of this Article, forthwith proceed duly to call an Extraordinary general meeting of the Company.
- (b) The requisition shall set out the matters for the consideration of which the meeting is to be called, shall be signed by the requisitionists, and shall be deposited at the registered office of the Company.
- (c) The requisition may consist of several documents in the like form, each signed by one or more requisitionists.
- (d) The number of members entitled to requisition a meeting in regard to any matter shall be such number of them as hold at the date of the deposit of the requisition not less than one of such of the paid up share capital of the Company as at that date carried the right off voting in regard to that matter.
- (e) Where two or more distinct matters are specified in the requisition the provisions of clause (d) above, shall apply separately in regard to each such matter; and the requisition shall accordingly be valid only in respect of those matters in regard to which the condition specified in that clause is fulfilled.
- (f) If the Board does not, within twenty one days from the date of the deposit of a valid requisition in regard to any matters, proceed duly to call a meeting for the consideration of those matters then on a day not later than forty five days from the date of the deposit of the requisition, the meeting may be called:
- (i) by the requisitionists themselves;
- (ii) by such of the requisitionists as represent either a majority in value of the paid up share capital held by all of them or not less than one tenth of such of the paid-up share capital of the Company as is referred to in clause (d) above, whichever is less.

Explanation : For the purpose of this clause, the Board shall in the case of a meeting at which resolution is to be proposed as a Special Resolution, be deemed not to have duly convened the meeting if they do not give such notice thereof as is required by sub-section (2) for Section 189 of the Act.

(g) A meeting called under clause (f) above, by the requisitionists or any of them :

- (i) shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by the Board; but
- (ii) shall not be held after the expiration of three months from the date of the deposit of the requisition.

Explanation: Nothing in clause (g) (ii) above, shall be deemed to prevent a meeting duly commenced before the expiry of the period of three months aforesaid, from adjourning to some day after the expiry of that period.

- (h) Where two or more persons hold any shares or interest in the Company jointly, a requisition, or a notice calling a meeting, signed by one or some of them shall, for the purposes of this Article, have the same force and effect as if it had been signed by all of them.
- (i) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to call a meeting shall be repaid to the requisitionists by the Company; and any sum so repaid shall be retained by the Company out of any sums due to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.

Length of notice for calling meeting

- (2) (a) A general meeting of the Company may be called by giving not less than twenty one days' notice in writing.



- (b) A general meeting of the Company may be called after giving shorter notice than that specified in clause (a) above, if consent is accorded thereto;
- (i) in the case of an annual general meeting by all the members entitled to vote thereat; and
 - (ii) in the case of any other meeting, by members of the Company holding not less than 95 (ninety five) per cent of such part of the paid up capital of the Company as gives a right to vote at the meeting;

Provided that where any members of the Company are entitled to vote only on some resolution or resolutions to be moved at the meeting and not on the others, those members shall be taken into account for the purposes of this clause in respect of the former resolution or resolutions and not in respect of the latter.

Contents and manner of service of notice and persons on whom it is to be served

103. (a) Every notice of a meeting of the Company shall specify the place and the day and hour of the meeting and shall contain a statement of the business to be transacted thereat.
- (b) Notice of every meeting of the Company shall be given.
- (i) to every member of the Company, in any manner authorised by sub-sections (1) to (4) of Section 53 of the Act;
 - (ii) to the persons entitled to a share in consequence of the death or insolvency of a member, by sending it through the post in a prepaid letter addressed to them by name, or by the title or representatives of the deceased or assignees of the insolvent, or by any like description, at the address, if any, in India supplied for the purpose by the persons claiming to be so entitled, or until such an address has been so supplied, by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred;
 - (iii) to the Auditor or Auditors for the time being of the Company in any manner authorised by Section 53 of the Act in the case of any member or members of the Company and
 - (iv) to all the Directors of the Company.
- Provided that where the notice of a meeting is given by advertising the same in a newspaper circulating in the neighborhood of the registered office of the Company under sub-section (3) of Section 53 of the Act, the statement of material facts referred to in Section 173 of the Act need not be annexed to the notice as required by that Section but it shall be mentioned in the advertisement that the statement has been forwarded to the members of the Company.
- (c) The accidental omission to give notice to, or the non-receipt of notice by any member or other person to whom it should be given shall not invalidate the proceedings at the meeting.

Explanatory statement to be annexed to notice

104. (A) For the purpose of this Article:
- (i) in the case of an annual general meeting, all business to be transacted at the meeting shall be deemed special with exception of business relating to
 - (a) the consideration of the accounts, balance sheet and the reports of the Board of Directors and auditors.
 - (b) the declaration of a dividend;
 - (c) the appointment of Directors in the place of those retiring, and
 - (d) the appoint of and the fixing of the remuneration of the auditors, and
 - (ii) in the case of any other meetings, all business shall be deemed special.

DEEP INDUSTRIES LIMITED

- (B) Where any items of business to be transacted at the meeting are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each item of business including in particular the nature of the concern or interest, if any, therein of every Director, and the manager, if any.

Provided that where any item of special business as aforesaid to be transacted at a meeting of the Company relates, to or affects, any other company, the extent of shareholding interest in that other Company of any such person shall be set out in the circumstances specified in the proviso to sub-section (2) of Section 173 of the Act.

- (C) Where any item of business consists of the according of approval to any document by the meeting, the time and place where the documents can be inspected shall be specified in the statements aforesaid.

Quorum for meeting

105. (a) Five members personally present shall be the quorum for a general meeting of the company.

If quorum not present meeting to be dissolved or adjourned

- (b) (i) If within half an hour from the time appointed for holding a meeting of the Company, a quorum is not present, the meeting, if called upon by requisition of members, shall stand dissolved.
- (ii) In any other case, the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place, as the Board may determine.

Adjourned meeting to transact business

- (c) If at the adjourned meeting also, a quorum is not present within half an hour from the time appointed for holding the meeting, the members present shall be the quorum.

Resolution passed at adjourned meeting

- (d) Where a resolution is passed at an adjourned meeting of the Company, the resolution shall, for all purposes be treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.

Presence of quorum

106. (a) No business shall be transacted at any general meeting unless the requisite quorum be present at the commencement of the business.

Business confined to election of chairman whilst chair is vacant

- (b) No business shall be discussed or transacted at any general meeting except the election of a Chairman whilst the Chair is vacant.

Chairman of general meeting

- (c) (i) The Chairman of the Board of Directors shall be entitled to take the chair at every General Meeting. If there be no Chairman or if at any meeting he shall not be present within 15 (fifteen) minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present may choose one of themselves to be the Chairman and in default of their doing so, the members present shall choose one of the Directors to be Chairman and if no Directors present be willing to take the chair, the members present shall choose one of themselves to be the Chairman.
- (ii) If at any meeting a quorum of members shall be present, and the Chair shall not be taken by the Chairman or Vice Chairman of the Board or by a Director at the expiration of 15 (fifteen) minutes from the time appointed for holding the meeting or if before the expiration of that time all the Directors shall decline to take the Chair, the members present shall choose one of their members to be the Chairman of the meeting.



Chairman with consent may adjourn the meeting

- (d) The Chairman with the consent of the meeting may adjourn any meeting from time to time and from place to place in the city, town or village where the registered office of the Company is situate.

Business at adjourned meeting

- (e) No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

Notice of adjourned meeting

- (f) When a meeting is adjourned only for thirty days or more, notice of the adjourned meeting shall be given as in the case of original meeting.

In what cases poll taken with or without adjournment

- (g) Any poll duly demanded on the election of a Chairman of a meeting or any question of adjournment shall be taken at the meeting forthwith, save as aforesaid, any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

Proxies

107. (a) Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint any other person (whether a member or not) as his proxy to attend and vote instead of himself. A member (and in the case of joint holders all holders) shall not appoint more than one person as proxy. A proxy so appointed shall not have any right to speak at the meeting.

Provided that unless where the proxy is appointed by a body corporate a proxy shall not be entitled to vote except on a poll.

- (b) In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself, and that a proxy need not be a member.
- (c) The instrument appointing a proxy or any other document necessary to show the validity or otherwise relating to the appointment of a proxy shall be lodged with the Company not less than 48 (forty eight) hours before the meeting in order that the appointment may be effective thereat.
- (d) The instrument appointing a proxy shall :
- (i) be in writing and
 - (ii) be signed by the appointer or his attorney duly authorised in writing or, if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorised by it.

Form of Proxy

- (e) Every instrument of proxy whether for a specified meeting or otherwise shall, as nearly as circumstances will admit, be in usual common form.
- (f) An instrument appointing a proxy, if in any of the forms set out in Schedule IX to the Act shall not be questioned on the ground that it fails to comply with any special requirements specified for such instrument by these Articles.
- (g) Every member entitled to vote at a meeting of the Company, or on any resolution to be moved thereat, shall be entitled during the period beginning 24 (twenty four) hours before the time fixed for the commencement of the meeting and ending with conclusion of the meeting, to inspect the proxies lodged at any time during the business hours of the Company, provided not less than 3 (three) days' notice in writing of the intention so to inspect is given to the Company.

DEEP INDUSTRIES LIMITED

VOTES OF MEMBERS

Restriction on exercise of voting rights of members who have not paid calls

108. (a) No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and has exercised any right of lien.
- (b) Where the shares of the Company are held in trust, the voting power in respect of such shares shall be regulated by the provisions of Section 187B of the Act.

Restriction on exercise of voting right in other cases to be void

109. A member is not prohibited from exercising his voting right on the ground that he has not held his share or other interest in the Company for any specified period preceding the date on which the vote is taken, or on any other ground not being a ground set out in Article 104.

Equal rights of share holders

110. Any shareholder whose name is entered in the Register of Members of the Company shall enjoy the same rights and be subject to the same liabilities as all other shareholders of the same class.

Voting to be by show of hands in first instance

111. At any general meeting a resolution put to vote at the meeting shall unless a poll is demanded under Section 179 of the Act be decided on a show of hands.
112. (a) Subject to the provisions of the Act, upon show of hands every member entitled to vote and present in person shall have one vote, and upon a poll every member entitled to vote and present in person or by proxy shall have one vote, for every share held by him.

No voting by proxy on show of hands

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

How members non-compose, lunatic and minor may vote

- (c) A member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by his committee or other legal guardian and any such committee or guardian may on poll vote by proxy; if any member be a minor the vote in respect of his share or shares shall be by his guardians or any one of his guardians, if more than one, to be selected in case of dispute by the Chairman of the meeting.

Votes in respect of shares of deceased or insolvency members etc.

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

Custody of Instrument

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



Validity of votes given by proxy notwithstanding death of members etc.

- (f) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death, revocation or transfer shall have been received at the registered office of the Company before the meeting.

Time for objections for vote

- (g) No objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote whether given personally or by an agent or proxy or representative not disallowed at such meeting or poll shall be deemed valid for all purpose of such meeting or poll whatsoever.

Chairman of any meeting to be the judge of any vote

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

Chairman's declaration of result of voting by show of hands to be conclusive

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

Demand for poll

114. (a) Before or on the declaration of the result of the voting on any resolution of a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the Company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid up.
- (b) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

Demand for poll not to prevent transaction of other business

- (c) The demand for a poll except on the question of the election for the Chairman and of an adjournment shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

Time of taking poll

115. (a) A poll demanded on a question of adjournment shall be taken forthwith.
- (b) A poll demanded on any other question (not being a question relating to the election of a Chairman which is provided for in Section 175 of the Act) shall be taken at such time not being later than 48 (forty eight) hours from the time when the demand was made, as the Chairman may direct.

Right of a member to use his votes differently

116. On a poll taken at a meeting of the Company a member or other person entitled to vote for him as the case may be, need not, if he votes, use, all his votes or cast in the same way all the votes he uses.

Scrutinizers at poll

117. (a) Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutinizers to scrutinize the votes given on the poll and to report thereon to him.
- (b) The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutinizer from office and to fill vacancies in the office of scrutinizer arising from such removal or from any other cause.

DEEP INDUSTRIES LIMITED

- (c) Of the two scrutinizers appointed under this Article, one shall always be a member (not being an officer or employee of the Company) present at the meeting, provided such a member is available and willing to be appointed.

Manner of taking poll and result thereof

- 118. (a) Subject to the provisions of the Act, the Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.
- (b) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

Casting Vote

- 119. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote in addition to his own vote or votes to which he may be entitled as a member.

Representation of Body Corporate

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

Representation of the President of India or Governors

- 121. (a) The President of India or the Governor of a State if he is a member of the Company may appoint such person as he thinks fit to act as his representative at any meeting of the Company or at any meeting of any class of members of the Company in accordance with provisions of Section 187A of the Act or any other statutory provision governing the same.
- (b) A person appointed to act as aforesaid shall for the purposes of the Act be deemed to be a member of such a Company and shall be entitled to exercise the same rights and powers (including the right to vote by proxy) as the President or as the case may be the Governor could exercise, as a member of the Company.

Public Trustee

- (c) The Company shall observe the provisions of Section 187B of the Act, in regard to the Public Trustee.

Circulation of member's resolution

- 122. The Company comply with provisions of Section 188 of the Act, relating to circulation of member's resolutions.

Special notice

- 123. (a) Where by any provision contained in the Act or in these articles special notice is required for any resolution, notice of the intention to move the resolution shall be given to the Company not less than fourteen days before the meeting at which it is to be moved exclusive of the day on which the notice is served or deemed to be served and the day of the meeting. The Company shall immediately after the notice of the intention to move any such resolution has been received by it, give its members notice of the meeting, or if that is not practicable, shall give them notice thereof either by advertisement in a newspaper having an appropriate circulation or in any other mode allowed by these presents not less than seven days before the meeting.

Resolution requiring special notice

- (b) The Company shall comply with provisions of Section 190 of the Act relating to resolution requiring special notice.

Resolutions passed at adjourned meeting

- 124. The provisions of Section 191 of the Act shall apply to resolutions passed at an adjourned meeting of the Company, or of the holders of any class of shares in the Company and of the Board of Directors of the Company and the



resolutions shall be deemed for all purposes as having been passed on the date on which in fact they were passed and shall not be deemed to have been passed on any earlier date.

Registration of resolutions and agreements

125. The Company shall comply the provisions of Section 192 of the Act relating to registration of certain resolutions and agreements.

Minutes of proceedings of general meeting and of Board and other meetings

126. (a) The Company shall cause minutes of all proceedings of general meetings, and of all proceedings of every meeting of its Board of Directors or of every Committee of the Board to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered.
- (b) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such books shall be dated and signed:
- (i) in the case of minutes of proceedings of the Board or of a Committee thereof by the Chairman of the said meeting or the Chairman for the next succeeding meeting.
 - (ii) in the case of minutes of proceedings of the general meeting by Chairman of the said meeting within the aforesaid period, of thirty days or in the event of the death or inability of that Chairman within that period, by a Director duly authorised by the Board for the purpose.
- (c) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (d) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- (e) All appointment of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.
- (f) In the case of a meeting of the Board of Directors or of a Committee of the Board, the minutes shall also contain:
- (i) the names of the Directors present at the meetings, and
 - (ii) in the case of each resolution passed at the meeting, the names of the Directors, if any, dissenting from or not concurring in the resolution.
- (g) Nothing contained in Clauses (a) to (d) hereof shall be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting:
- (i) is or could reasonably be regarded, as defamatory of any person
 - (ii) is irrelevant or immaterial to the proceedings; or
 - (iii) is detrimental to the interests of the Company.
- The Chairman shall exercise an absolute discretion in regard to the inclusion or no-inclusion of any matter in the minutes on the grounds specified in this clause.

Minutes to be considered to be evidence

- (h) The minutes of meetings kept in accordance with the provisions of Section 193 of the Act shall be evidence of the proceedings recorded therein.

Presumptions to be drawn where minutes duly drawn and signed

127. Where minutes of the proceedings of any general meeting of the Company or of any meeting of its Board of Directors or of a Committee of the Board have been kept in accordance with the provisions of Section 193 of the Act then until the contrary is proved, the meeting shall be deemed to have been duly called and held, and all proceedings thereat to have duly taken place and in particular all appointments of Directors or Liquidators made at the meeting shall be deemed to be valid and the minutes shall be evidence of the proceedings recorded therein.

DEEP INDUSTRIES LIMITED

Inspection of Minute Books of General Meetings

128. (a) The books containing the minutes of the proceedings of any general meeting of the Company shall;
- (i) be kept at the registered office of the Company, and
 - (ii) be open, during the business hours to the inspection of any member without charge subject such reasonable restrictions as the Company may, in general meeting impose so however that not less than two hours in each day are allowed for inspection.
- (b) Any member shall be entitled to be furnished, within seven days after he has made a request in that behalf of the Company, with a copy of any minutes referred to in Clause (a) above, on payment of thirty seven paise for every one hundred words or fractional part thereof required to be copied.

Publication of reports of proceeding of general meetings

129. No document purporting to be a report of the proceedings of any general meeting of the Company shall be circulated or advertised at the expenses of the Company unless it includes the matters required by Section 193 of the Act to be contained in the Minutes of the proceedings of such meeting.

MANAGERIAL PERSONNEL

Managerial Personnel

130. The Company shall duly observe the provisions of Section 197A of the Act regarding prohibition of simultaneous appointment of different categories of managerial personnel therein referred to.

BOARD OF DIRECTORS

Board of Directors

131. (a) Until otherwise determined by the Company in general meeting, the number of Directors shall not be less than three and more than twelve.
- (b) The following persons shall be the first directors of the Company.
- Shamji Gala
- Paras S. Savla

Appointment of Senior Executive as Wholetime Directors

132. (a) Subject to the provisions of the Act and within the overall limit prescribed under these Articles for the number of Directors on the Board, the Board may appoint any Senior Executive of the Company as a Wholetime Director of the Company for such period and upon such terms and conditions as the Board may decide. The Senior Executive so appointed shall be governed by the following provisions:
- (i) He shall be liable to retire by rotation as provided in the Act but shall be eligible for reappointment. His reappointment as a Director shall not constitute a break in his appointment as Wholetime Director.
 - (ii) He shall be reckoned as Director for the purpose of determining and fixing the number of Directors to retire by rotation.
 - (iii) He shall cease to be a Director of the Company on the happening of any event specified in Sections 283 and 314(2C) of the Act. He shall cease to be a Director of the Company, if for any reason whatsoever, he ceases to hold the position of Senior Executive in the Company or ceases to be in the employment of the Company.
 - (iv) Subject to what is stated hereinabove he shall carry out and perform all such duties and responsibilities as may, from time to time, be conferred upon or entrusted to him by the Managing Director/s and/or the Board, shall exercise such powers and authorities subject to such restrictions and conditions and/or stipulations as the Managing Director/s and/or the Board may, from time to time determine.



- (v) His remuneration shall be fixed by the Board and shall be subject to the approval of the Company in general meeting and of the Central Government as may be required under the provisions of the Act.
- (b) Nothing contained in this Article shall be deemed to restrict or prevent the right of the Board to revoke, withdraw, alter, vary or modify all or any of such powers, authorities, duties and responsibilities conferred upon or vested in or entrusted to such Wholetime Directors.

Debenture Director

133. Any Trust Deed for securing debentures or debenture stocks, may, if so arranged, provide for the appointment, from time to time by the Trustees thereof or by the holders of debentures or debenture stocks, of some person or persons to be a Director or Directors of the Company and may empower such Trustees or holders of debentures or debenture stocks from time to time, to remove and reappoint any Director/s so appointed. The Director/s so appointed under this Article is herein referred to as "Debenture Director" and the term "Debenture Director" means the Director for the time being in office under this Article. The Debenture Director(s) shall not be bound to hold any qualification shares and shall not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions herein contained.

Nominee Director

134. Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to the Industrial Development Bank of India (IDBI), The Industrial Credit and Investment Corporation of India Ltd. (ICICI), Industrial Finance Corporation of India (IFCI) and Life Insurance Corporation of India (LIC) or to any other Finance Corporation or Credit Corporation or to any other Finance Company or Body out of any loans granted by them to the Company or so long as IDBI, IFCI, ICICI, LIC and Unit Trust of India (UTI) or any other Financing Corporation or Credit Corporation or any other Financing Company or Body (each of which IDBI, IFCI, ICICI, LIC and UTI or any other Finance Corporation or Credit Corporation or any other Financing Company or Body is hereinafter in this Article referred to as "the Corporation") continue to hold debentures in the Company as a result of underwriting or by direct subscription or private placement, or so long as the Corporation holds shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time any person or persons as a Director or Directors wholetime or non-wholetime (which Director or Directors is/are hereinafter referred to as "Nominee Director/s") on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/s.

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

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

The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the Meetings of the Committee of which the Nominee Director/s is/are member/s as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes. The Company shall pay to the Nominee Director/s sitting fees and expenses which the other Directors of the Company are entitled but if any other fees, commission, monies or remuneration in any form is payable to the Directors of the Company, the fees, commission, monies and remuneration in relation to such Nominee Director/s

DEEP INDUSTRIES LIMITED

shall accrue to the Corporation and same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or by such Nominee Director/s in connection with their appointment or Directorship, shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s.

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

Provided further that if such Nominee Director/s is an officer of the Reserve Bank of India the sitting fees in relation to such Nominee Director/s shall also accrue to IDBI and the same shall accordingly be paid by the Company directly to IDBI.

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

Special Director

135. (a) In connection with any collaboration arrangement with any company or corporation or firm or person for supply of technical know-how and/or machinery or technical advice, the Directors may authorise such Company, Corporation, firm or person (hereinafter in this clause referred to as "Collaborator") to appoint from time to time any person or persons as Director or Directors of the Company (hereinafter referred to as "Special Director") and may agree that such Special Director shall not be liable to retire by rotation and need not possess any qualification share to qualify him for the office of such Director, so however, that such Special Director shall hold office so long as such collaboration arrangement remains in force unless otherwise agreed upon between the Company and such Collaborator under collaboration arrangements or at any time thereafter.
- (b) The collaborator may at any time and from time to time remove any such Special Director appointed by it and may at the time of such removal and also in the case of death or resignation of the person so appointed, at any time, appoint any other person as a Special Director in his place and such appointment or removal shall be made in writing signed by such company or corporation or any partner or such person and shall be delivered to the Company at its registered office.
- (c) It is clarified that every collaborator entitled to appoint a Director under this Article may appoint one or more such person or persons as Director(s) and so that if more than one Collaborator is so entitled there may at any time be as many Special Directors as the Collaborators eligible to make the appointment.

Limit on number of non-retiring Directors

136. Subject to the provisions of Section 255 of the Act, the number of Directors appointed under Articles 130 and 131 shall not exceed in the aggregate one-third of the total number of Directors for the time being in office.

Appointment of Alternate Director

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



Appointment of Additional Directors

138. Subject to the provisions of Section 260 of the Act, the Board of Directors shall have power at any time to appoint any person as an additional Director to the Board, but so that the total number of Directors shall not exceed the maximum number fixed by the Articles. Any Director so appointed shall hold the office only upto the next annual general meeting of the Company and shall then be eligible for re-appointment.

Appointment of Director to fill the casual vacancy

139. Subject to the provisions of Section 262 of the Act, if the office of any Director appointed by the Company in general meeting is vacated before his term of office expires in the normal course, the resulting casual vacancy may in default of and subject to any regulation in the Articles of the Company be filled by the Board of Directors at the meeting of the Board and the Director so appointed shall hold office only upto the date upto which the Director in whose place he is appointed would have held office if it had not been vacated as aforesaid but he shall then be eligible for re-election.

Individual Resolution for Directors' appointment

140. At a general meeting of the Company a motion shall not be made for the appointment of two or more persons as Director of the Company by a single resolution unless a resolution that it shall be so made has first been agreed to by the meeting without any vote being given against it. Resolution moved in contravention of this Article shall be void whether or not objection was taken at the time of its being so moved. Provided that where a resolution so moved is passed no provision for the automatic reappointment of retiring Director by virtue of these Articles and the Act in default of another appointment shall apply.

Qualification of Director

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

Remuneration of Directors

142. (a) Subject to the provisions of the Act, a Managing Director or a Director who is in the wholetime employment of the Company may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other.
- (b) Subject to the provisions of the Act, a Director, who is neither in the wholetime employment nor a Managing Director may be paid remuneration either :
- (i) by way of monthly, quarterly or annual payment with the approval of the Central Government, or
 - (ii) by way of commission if the Company by a special resolution has authorised such payment.
- (c) the fee payable to Directors (other than Managing or Wholetime Director, if any) for attending each meeting of the Board or Committee thereof shall be such sum as may be prescribed by the Act or the Central Government from time to time.

Travelling and other expenses

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

Remuneration for extra services

144. If any Director, being willing shall be called upon to perform extra services or to take any special exertions for any of the purposes of the Company and in that event the Company may, subject to the Act, remunerate such Director either by a fixed sum or by a percentage of profit or otherwise, as may be determined by the Directors but not exceeding that permitted under Section 309 of the Act and such remuneration may be either in addition to or in substitution for his share in the remuneration above provided.

DEEP INDUSTRIES LIMITED

Increase in remuneration of Directors to require Government sanction

145. (a) Any provisions relating to the remuneration of any Director including a Managing or Joint Managing or Wholetime Director or any amendment thereof, which purports to increase or has the effect of increasing, whether directly or indirectly, the amount thereof, whether that provision is contained in the Company's Memorandum or Articles, or in an agreement entered into by it or any resolution, passed by the Company in general meeting or by the Board of Directors, shall not have any effect unless approved by the Central Government and the amendment shall become void if, and in so far as, it is disapproved by the Government.

Increase in remuneration of Managing Director on re-appointment or appointment

- (b) If the terms of any re-appointment of a Managing or Joint Managing or Wholetime Director, purport to increase or have the effect of increasing, whether directly or indirectly, the remuneration which the Managing or Joint Managing or Wholetime Director, as the case may be was receiving immediately before such reappointment or appointment shall not have any effect unless approved by the Central Government, and shall become void if, and in so far as, it is disapproved by the Government.

Directors not to act when number falls below minimum

146. When the number of Directors in Office falls below the minimum above fixed, the Directors, shall not act except in emergencies or for the purpose of filling up vacancies or for summoning a general meeting of the Company and so long as the number is below the minimum they may so act notwithstanding the absence of the necessary quorum.

Eligibility

147. A person shall not be capable of being appointed a Director if he has the disqualifications referred to in Section 274 of the Act.

Directors vacating office

148. (a) The Office of a Director shall become vacant if;
- (i) he is found to be of unsound mind by a Court of competent jurisdiction;
 - (ii) he applied to be adjudicated an insolvent;
 - (iii) he is adjudged an insolvent;
 - (iv) he is convicted by a Court, of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months;
 - (v) he fails to pay any call in respect of shares of the Company held by him, whether alone or jointly with others, within six months from the last date fixed for the payment of the call unless the Central Government by Notification in the Official Gazette removes the disqualification incurred by such failure;
 - (vi) he absents himself from three consecutive meetings of the Board of Directors, or from all meetings of the Board of Directors for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board;
 - (vii) he, whether by himself or by any person for his benefit or on his account or any firm in which he is a partner or any private company of which he is a Director, accepts a loan or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act;
 - (viii) he acts in contravention of Section 299 of the Act;
 - (ix) he becomes disqualified by an order of Court under Section 203 of the Act;
 - (x) he is removed in pursuance of Section 284 of the Act;
 - (xi) having been appointed a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company;
 - (xii) he resigns his office by notice in writing given to the Company.



- (b) Notwithstanding anything in sub-clauses (iii), (iv) and (v) of clause (a) above, the disqualifications referred to in these sub-clauses shall not take effect;
 - (i) for thirty days from the date of the adjudication, sentence or order;
 - (ii) where any appeal or petition is preferred within the thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentence or order until the expiry of seven days from the date on which such appeal or petition is disposed off, or
 - (iii) where within the seven days aforesaid, any further appeal, or petition is preferred in respect of the adjudication, sentence, conviction or order and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed off.

Removal of Directors

- 149. (a) The Company may subject to the provisions of Section 284 and other applicable provisions of the Act and these Articles) remove any Director other than ex-officio Directors or special Directors or debenture Directors or a nominee Director or a Director appointed by the Central Government in pursuance of Section 408 of the Act, before the expiry of his period of office.
- (b) Special notice as provided by Section 190 of the Act shall be required of any resolution to remove a Director under this Article or to appoint some other person in place of a Director so removed at the meeting at which he is removed.
- (c) On receipt of notice of a resolution to remove a Director under this Article, the Company shall forthwith send a copy thereof to the Director concerned and the Director (whether or not he is a member of the Company) shall be entitled to be heard on the resolution at the meeting.
- (d) Where notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representations in writing to the Company not exceeding a reasonable length) and requests their notification to members of the Company, the Company shall unless the representations are received by it too late for it do so,
 - (i) in the notice of the resolution given to members of the Company states the fact of the representations having been made, and
 - (ii) send a copy of the representation to every member of the Company to whom notice of the meeting is sent (whether before or after receipt of the representations by the Company) and if a copy of the representations, is not sent as aforesaid because they were received too late or because of the Company's default, the Director may (without prejudice to his right to be heard orally) require that the representations be read out at the meeting provided that copies of the representations need not be sent or read out at the meeting if so directed by the Court.
- (e) A vacancy created by the removal of a Director under this Article may, if he had been appointed in pursuance of Section 262 of the Act be filled by the appointment of another Director in his stead by the meeting at which he is removed, provided special notice of the intended appointment has been given under clause (b) hereof. A Director so appointed shall hold office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.
- (f) If the vacancy is not filled under clause (e), it may be filled as a casual vacancy in accordance with the provisions, in so far as they may be applicable, of Section 262 of the Act, and all the provisions of that Section shall apply accordingly;

Provided that the Director who was removed from office under this Article shall not be re-appointed as a Director by the Board of Directors.
- (g) Nothing contained in this Article shall be taken;
 - (i) as depriving a person removed there under of any compensation or damages payable to him in respect of the termination of his appointment as Director or of any appointment terminating with that as Director; or
 - (ii) as derogating from any power to remove a Director which may exist apart from this Article.

DEEP INDUSTRIES LIMITED

Directors may contract with Company

150. Subject to the restrictions imposed by these Articles and by Sections 292, 293, 294, 295, 297, 300, 311, 370 and 373 and any other provisions of the Act, no Director, Managing Director, or other Officer or employee of the Company shall be disqualified from holding his office by contracting with the Company either as vendor, purchaser, agent, broker or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director, Managing Director, Joint Managing Director, Executive Director, other officer or employee shall be in any way interested, be avoided, nor shall the Director, Managing Director or any officer or employee so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director, Managing Director, Officer or employee holding that office or of the fiduciary relation thereby established, but the nature of his or their interest must be disclosed by him or them in accordance with the provisions of Section 299 of the Act where that section be applicable.

Disclosure of Directors' interest

151. (1) Every Director of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into, by or on behalf of the Company, shall disclose the nature of his concern or interest at a meeting of the Board of Directors, in the manner provided in Section 299(2) of the Act.
- (2) (a) In the case of a proposed contract or arrangement, the disclosure required to be made by a Director under clause (1) shall be made at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, or if the Director was not, at the date of that meeting, concerned or interested in the proposed contract or arrangement, at the first meeting of the Board held after he be so concerned or interested.
- (b) In case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.
- (3) (a) For the purpose of clauses (1) and (2) a general notice given to the Board by a Director to the effect that he is a Director or a member of a specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notices, entered into with that body corporate or firm, shall be deemed to be sufficient disclosure of concern or interest in relation to any contract or arrangement so made.
- (b) Any such general notice, shall expire at the end of the financial year in which it is given, but may be renewed for further period of one financial year at a time by a fresh notice given in the last month of financial year in which it would otherwise expire.
- (c) No such general notice and no renewal thereof, shall be of effect unless either it is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.
- (d) Nothing in this Article shall apply to any contract or arrangement entered into or to be entered into between the Company and any other company where any one or two or more of Directors together holds or hold not more than two per cent of the paid up share capital in the other company.

Board resolution necessary for certain contracts

152. (1) Except with the consent of the Board of Director of the Company, a Director of the Company or his relative, a firm in which such a Director or relative is a partner, any other partner in such a firm, or a private company of which the Director is a member or director, shall not enter into any contract with the Company
- (a) for the sale, purchase or supply of any goods,
- (b) for underwriting the subscription of any share in or debentures of the Company.
- (2) Nothing contained in sub-clause (a) of clause (1) shall affect :
- (a) the purchase of goods and materials from the Company or the sale of goods and materials to the Company by any Director, relative, firm, partner or private company as aforesaid for cash at prevailing market prices; or



- (b) any contract or contracts between the Company on one side and any such Director, relative, firm, partner or private Company on the other for sale, purchase or supply of any goods, materials and services in which either the Company or Director, relative, firm, partner or private company as the case may be, regularly trades or does business, PROVIDED that such contract or contracts do not relate to goods and materials the value of which or services the cost of which exceeds five thousand rupees in the aggregate in any year comprised in the period of the contract or contracts; or
- (3) Notwithstanding anything contained in clauses (1) and (2) a Director, relative, firm, partner or private company as aforesaid may, in circumstances of urgent necessity enter, without obtaining the consent of the Board, into any contract with the Company for the sale, purchase of any goods, materials or services even if the value of such goods or cost of such services exceeds rupees five thousand in the aggregate in any year comprised in the period of the contract; but in such a case the consent of the Board shall be obtained at a meeting within three months of the date on which the contract was entered into.
- (4) Every consent of the Board required under this Article shall be accorded by a resolution of the Board and the consent required under Clause (1) shall not be deemed to have been given within the meaning of that clause unless the consent is accorded before the contract is entered into or within three months of the date on which it was entered into.
- (5) If the consent is not accorded to any contract under this Article anything done in pursuance of the contract will be avoidable at the option of the Board.

Disclosures to the members of Directors' interest in contract in appointing manager, Managing, Director or Secretaries and Treasurers

153. If the Company :

- (a) enters into a contract for the appointment of a Manager or Managing Director of the Company in which contract any Director of the Company is in any way directly or indirectly concerned or interested; or
- (b) varies any such contract already in existence and in which a Directors is concerned or interested as aforesaid, the provisions of Section 302 of the Act shall be complied with.

Holding of office of profit by Directors etc.

154. (1) Except with the consent of the Company accorded by a special resolution :

- (a) No Director of the Company shall hold any office or place of profit; and
- (b) No partner or relative of such a Director, no firm in which such a Director or relative of such Director is partner, no private company of which such a Director is a Director or member, and no Director or Manager of such a private company shall hold any office or place of profit, carrying a total monthly remuneration of Rupees five hundred or more, except that of Managing Director or Manager, banker or trustee for the holders of debentures of the Company:
 - (i) under the Company; or
 - (ii) under any subsidiary of the Company, unless the remuneration received from such subsidiary in respect of such office or place of profit is paid over to the Company or its holding Company PROVIDED that it shall be sufficient if the special resolution according consent of the Company is passed at the general meeting of the Company held for the first time after the holding of such office or place of profit; PROVIDED FURTHER that where a relative of a Director or a firm in which such a relative is a partner is appointed to an office or place of profit under the Company or a subsidiary thereof without the knowledge of the Director, the consent of the Company may be obtained either in the general meeting aforesaid or within three months from the date of the appointment whichever is later.

For the purpose of this clause a special resolution according consent shall be necessary for every appointment in the first instance to an office or place of profit and to every subsequent appointment in the first instance to an office or place of profit on a higher remuneration not covered by the special resolution except where an appointment on a time scale has already been approved by the special resolution.

DEEP INDUSTRIES LIMITED

- (2) Nothing in Clause (1) hereof shall apply where a relative of a Director or a firm in which such relative is a partner holds any office or place of profit under the Company or a subsidiary thereof having been appointed to such office or place before such Director becomes a Director of the Company.
- (3) If any office or place of profit is held in contravention of the provisions of sub-clause (1) above or except as provided by clause (2) above, the Director, partner, relative, firm, private company or manager concerned shall be deemed to have vacated his or its office as such on and from the date next following the date of the general meeting of the company referred to in the first proviso to clause (1) above or, as the case may be, the date of expiry of the period of three months referred to in the second proviso to clause (1) above, and shall also be liable to refund to the Company remuneration received or the monetary equivalent of any perquisite or advantage enjoyed by him or it for the period immediately preceding the date aforesaid in respect of such office or place of profit.
- (4) Every individual, firm, private company, or other body corporate proposed to be appointed to any office or place of profit to which this article applies shall, before or at the time of such appointment, declare in writing whether he or it is or is not connected with the Director of the Company in any of the ways referred to in clause (1).
- (5) Any office or place shall be deemed to be an office or place of profit under the Company within the meaning of clause (1) :
 - (a) in case the office or place is held by a Director, if the Director holding it obtains from the company anything by way of remuneration over and above the remuneration to which he is entitled as such Director whether as salary, fees, commission, perquisites, the right to occupy free of rent any premises as a place of residence or otherwise.
 - (b) in case the office or place is held by an individual other than a Director or by any firm, private company or other body corporate if the individual firm, private company or body corporate holding it obtains from the Company anything by way of remuneration whether as salary, fees, commission, perquisites, the right to occupy free of rent any premises as a place of residence or otherwise.
- (6) Notwithstanding contained in sub-clause (1) :
 - (a) no partner or relative of a Director or Manager;
 - (b) no firm in which such Director or Manager or relative of either is a Partner;
 - (c) no Private Company of which such a Director or Manager or relative of either is a Director or member;
shall hold any office or place of profit in the Company which carries a total monthly remuneration of not less than three thousand rupees except with the prior consent of the Company by a Special Resolution and the approval of the Central Government.

Loans to Director etc.

155. The Company shall not without obtaining the previous approval of the Central Government in that behalf, directly or indirectly make any loan to or give any guarantee or provide any security in connection with loan made by any other person to, or any other person by :
- (a) any Director of the Company or any partner or relative of any such Director;
 - (b) any firm in which any such Director or relative is a partner;
 - (c) any private company of which any such Director is a Director or member;
 - (d) any body corporate at a general meeting of which not less than twenty-five per cent of the total voting power may be exercised or controlled by any such Director, or by two or more such Directors together; or
 - (e) any body corporate, the Board of Directors, Managing Director or Manager whereof, is accustomed to act in accordance with the directions or instructions of the Board, or of any Director or Directors of the Company.



Loans etc.

156. The Company shall observe the restrictions imposed on the Company in regard to making any loans, giving any guarantee or providing any security to the Companies or bodies corporate under the same management as provided in Section 370 of the Act.

Interested Director not to participate or vote in Board's proceedings

157. No Director of the Company shall as Director take any part in the discussion of or vote on any contract or arrangement entered into, or to be entered into, by or on behalf of the Company, if he is in any way whether directly or indirectly concerned or interested in such contract or arrangement nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote and if he does vote it shall be void; PROVIDED that the Board of Directors or any of its number may vote on any contract of indemnity against any loss which it or any one or more of its number may suffer by reason of becoming or being sureties or surety for the Company. Nothing in this Article shall apply to any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Director aforesaid consists solely :

- (i) in his being a Director of such company and the holder of not more than shares of such number or value therein as is requisite to qualify him for the appointment as a Director thereof, he having been nominated as such Director by the Company.
- (ii) in his being a member holding not more than two per cent of its paid up share capital.

This Article is subject to the provisions of sub-section (2) of section 300 of the Act.

Register of contracts in which Directors are interested

158. (i) The Company shall keep one or more Registers in which shall be entered separately particulars of all contracts and arrangements to which Sections 297 and 299 of the Act applies including the following particulars to the extent they are applicable in each case, namely :
- (a) the date of the contract or arrangement;
 - (b) the names of the parties thereto;
 - (c) the principal terms and conditions thereof;
 - (d) in the case of a contract to which Section 297 of the Act applies or in the case of a contract or arrangement to which sub-section (2) of Section 299 of the Act applies the date on which it was placed before the Board;
 - (e) the names of the Directors voting for and against the contract or arrangement and the names of those remaining neutral.
- (ii) Particulars of every such contract or arrangement to which Section 297 of the Act or as the case may be sub-section (2) of Section 299 applies shall be entered in the relevant register aforesaid :
- (a) in the case of a contract or arrangement requiring the Board's approval within seven days (exclusive of public holidays) of the meeting of the Board at which the contract or arrangement is approved;
 - (b) in the case of any other contract or arrangement within seven days of the receipt at the Registered Office of the Company of the particulars of such other contract or arrangement or within thirty days of the date of such other contract or arrangement whichever is later, and the Register shall be placed before the next meeting of the Board and shall then be signed by all the Directors present at the meeting.
 - (c) the register shall be kept at the registered office of the Company, and it shall be open to inspection at such office, and extracts may be taken there from and copies thereof may be required by any member of the Company to the same extent, in the same manner, and on payment of the same fee as in the case of the Register of Members of the Company and the provisions of Section 163 of the Act shall apply accordingly.

DEEP INDUSTRIES LIMITED

- (iii) The Register aforesaid shall also specify, in relation to each Director of the Company, the names of the firms and bodies corporate of which notice has been given by him under sub-section (3) of Section 299 of the Act.
- (iv) Nothing in clauses (i), (ii), and (iii) shall apply to any contract or arrangement for the sale, purchase or supply of any goods, materials or services if the value of such goods and materials or the cost of such services does not exceed rupees one thousand in the aggregate in any year.

ROTATION AND APPOINTMENT OF DIRECTORS

Directors may be Directors of companies promoted by the company

159. A Director may be or become a Director of any company or in which it may be interested as a vendor, shareholder, or otherwise, and no such Director shall be accountable for any benefits received as director or shareholder of such company except in so far as Section 309(6) or Section 314 of the Act may be applicable.

Not less than two thirds of the total number of Directors shall :

- (a) be persons whose period of office is liable to determination by retirement of Directors by rotation, and
- (b) save as otherwise expressly provided in the Act, be appointed by the Company in general meeting.

The remaining Directors shall, in default of and subject to any regulations in the Articles of the Company, also be appointed by the Company, in general meeting.

Ascertainment of Directors retiring by rotation and filling up vacancies

160. (a) At every annual general meeting one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three, then the number nearer to one-third, shall retire from office.

The Debenture Directors, Corporation Directors, Special Directors, and subject to Article 175 Managing Director or whole time Director if any, shall not be subject to retirement under this Article and shall not be taken into account in determining the number of Directors to retire by rotation. In these articles a "Retiring Director" means a Director retiring by rotation.

- (b) The Directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment, but as between persons who became Directors on the same day, those who are to retire shall, in default of and subject to any agreement amongst themselves, be determined by lot. A Retiring Director shall be eligible for re-election.
- (c) At the annual general meeting at which a Director retires as aforesaid, the Company may fill up the vacancy appointing the retiring Director or some other person thereto.
- (d)
 - (i) If the place of the retiring Director is not so filled up and that meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place.
 - (ii) If at the adjourned meeting also, the place of the retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been reappointed at the adjourned meeting, unless:
 - (1) at that meeting or at the previous meeting a resolution for the reappointment of such Director has been put to the meeting and lost;
 - (2) the retiring Director has, by a notice in writing addressed to the Company or its Board of Directors, expressed his unwillingness to be so re-appointed;
 - (3) he is not qualified or is disqualified for appointment;
 - (4) a resolution, whether special or ordinary, is required for his appointment or re-appointment in virtue of any provisions of the Act; or
- (e) The proviso to sub-section (2) of Section 263 of the Act is applicable to the case.



Right of persons other than retiring Directors to stand for Directorship

161. (a) A person who is not a retiring Director shall, in accordance with Section 257 of the Act and subject to the provisions of the Act, be eligible for appointment to the office of Director at any general meeting if he or some member or members intending to propose him has, not less than fourteen days before the meeting, left at the registered office of the Company a notice in writing under his hand signifying his candidature for the office of Director or the intention of such member or members to propose him as a candidate for that office, as the case may be alongwith a deposit of five hundred rupees which shall be refunded to such person or as the case may be, to such member, if the person succeeds in getting elected as a Director.
- (b) The Company shall inform its members of the candidature of a person for the office of Director or the intention of a member(s) to propose a person as a candidate for that office by serving individual notices on the members not less than seven days before the meeting in the manner provided under Section 257 of the Act.

Consent of candidate for Directorship to be filed with the Registrar

162. Every person who is proposed as a candidate for the office of Director of the Company shall sign and file with the Company and with the Registrar, his consent in writing to act as a Director, if appointed, in accordance with the provisions of Section 264 of the Act in so far as they may be applicable.

Company may increase or reduce the number of Director or remove any Director

163. Subject to the provisions of Section 252, 255 and 259 of the Act, the Company may, by ordinary resolution, from time to time, increase or reduce the number of Directors and may prescribe or alter qualifications.

Appointment of Directors to be voted individually

164. (1) No motion at any general meeting of the Company shall be made for the appointment of two or more persons as Directors of the Company by a single resolution unless a resolution that it shall be so made, has been first agreed to by the meeting without any vote being given against it.
- (2) A resolution moved in contravention of clause (1) hereof shall be void, whether or not objection was taken at the time of its being so moved, provided that where a resolution so moved is passed no provision for the automatic reappointment of retiring Director in default of another appointment as hereinbefore provided shall apply.
- (3) For the purpose of this Article, a motion for approving a person's appointment, or for nominating a person for appointment, shall be treated as a motion for his appointment.

Notice of candidature for office of Directors except in certain castes.

165. (1) No person, not being a retiring Director, shall be eligible for election to the office of Director at any general meeting unless he or some other member intending to propose him has, at least fourteen days before the meeting, left at the office of the Company a notice in writing under his hand signifying his candidature for the office of a Director or the intention of such member to propose him as a Director for office as the case may be.
- (2) The Company shall inform its members of the candidature of the person for the office of Director or the intention of a member to propose such person as a candidate for that office by serving individual notices on the members not less than seven days before the meeting. Provided that it shall not be necessary for the Company to serve individual notices on the members as aforesaid if the Company advertises such candidature or intention not less than seven days before the meeting in at least two newspapers circulating in the place where the Registered Office of the Company is located, of which one is published in the English language and the other in the regional language of that place.
- (3) Every person (other than a Director retiring by rotation or otherwise or a person who has left at the office of the Company a notice under Section 257 of the Act signifying his candidature for the office of a Director) proposed as a candidate for the office of a Director shall sign and file with the Company his consent in writing to act as a Director if appointed.

DEEP INDUSTRIES LIMITED

(4) A person, other than :

- (a) a Director, re-appointed after retirement by rotation or immediately on the expiry of his term of office, or
- (b) an additional or alternate Director or a person filling a casual vacancy in the office of a Director under Section 262 of the Act, appointed as a director or re-appointed as an additional or alternate Director immediately on the expiry of his term of office shall not act as a Director of the Company unless he has within thirty days of his appointment signed and filled with the Registrar his consent in writing to act as such Director.

Register of Directors etc. and notification of change to Registrar

166. (1) The Company shall keep at its Registered Office a Register containing the particulars of its Directors and other persons mentioned in Section 303 of the Act and shall send to the Registrar a Return containing the particulars specified in such Register and shall otherwise comply with the provisions of the said Section in all respects.

Register of Director's share holding

- (2) The Company shall keep at its Registered Office a Register showing as respects each Director of the Company the number, description, and amount of any shares in or debentures of the Company or any other body corporate being the Company's subsidiary or holding company or a subsidiary of the Company's holding company which are held by him or in trust for him or of which he has any right to become the holder whether on payment or not, as required by Section 307 of the Act. Such Register shall be kept open for inspection by any member or debenture-holder of the Company as required by Section 307(5) of the Act.

Disclosure by Director of appointment to any other body corporate

167. Every Director (including a person deemed to be a Director of the Company by virtue of the explanation to sub-section (1) of Section 303 of the Act), Managing Director, Manager or Secretary of the Company who is appointed to or relinquishes office of Director, Managing Director, Manager or Secretary of any other body corporate shall within thirty days of his appointment to, or as the case may be, relinquishment of such office, disclose to the Company the particulars relating to the office in the other body corporate which are required to be specified under sub-section (1) of Section 303 of the Act.

Disclosure by Directors of their holdings of shares and debentures of the Company

168. Every Director and every person deemed to be Director of the Company by virtue of sub-section (10) of Section 307 of the Act shall give notice to the Company of such matters relating to himself as may be necessary for the purpose of enabling the Company to comply with the provisions of that Section. Any such notice shall be given in writing and if it is not given at a meeting of the Board the person giving the notice shall take all reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

Meeting of Directors

169. The Directors may meet together as a Board for the dispatch of business from time to time and shall so meet at least once in every three months and at least four such meetings shall be held in every year and they may adjourn and otherwise regulate their meetings and proceedings as they deem fit. The provisions of this Article shall not be deemed to be contravened merely by reason of the fact that meetings of the Board, which had been called in compliance with the terms herein mentioned could not be held for want of quorum.

When meeting to be convened

170. Any Director of the Company may and the Manager or Secretary on the requisition of a Director shall, at any time, summon a meeting of the Board.

Directors entitled to notice

171. Notice of every meeting of the Board of the Company shall be given in writing to every Director for the time being in India and at his usual address in India.



Questions at Board meeting how decided

172. Question arising at any time at a meeting of the Board shall be decided by majority of votes and in case of equality of votes, the Chairman, in his absence the Vice Chairman or the Director presiding shall have a second or casting vote.

Who to preside at meetings of the Board

173. (a) The Directors may elect a Chairman of their meetings and determine the period for which he is to hold office. The Directors may also appoint a Vice Chairman of the Board of Directors to preside at the meetings of the Board of Directors at which the Chairman shall not be present and determine the period for which he is to hold office.
- (b) All the meetings of the Directors shall be presided over by the Chairman, if present, but if at any meeting of Directors the Chairman be not present at the time appointed for holding the same, the Vice Chairman, if present, shall preside and if he be not present at such time then and in that case the Directors shall choose one of the Directors then present to preside at the meeting.

Quorum at Board Meeting

174. (a) Subject to Section 287 of the Act the quorum for a meeting of the Board of Directors shall be one-third of its total strength (excluding Directors, if any, whose places may be vacant at the time and any fraction contain din that one-third being rounded off as one) or two Directors whichever is higher; Provided where at any time the number of interested Directors at any meeting exceeds or is equal to two-thirds of the total strength, the number of the remaining Directors, (that is to say, the number of the Directors who are not interested), present at the meeting being not less than two shall be quorum during such time.

For the purpose of clause (a) :

- (i) "Total Strength" of the Board of Directors of the Company shall be determined in pursuance of the Act, after deducting there from the number of the Director, if any, whose places may be vacant at the time; and
- (ii) "Interested Directors" means any Director whose presence cannot by reason of Article 151 hereof or any other provisions in the Act count for the purpose of forming a quorum at a meeting of the Board, at the time of the discussion or vote on any matter.

Quorum competent to exercise power

- (b) A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the regulations or the Articles of the Company for the time being vested in or exercisable by the Directors generally.

Procedure in case of want of quorum

- (c) If a meeting of the Board could not be held for want of quorum, then the meeting shall automatically stand adjourned till the same day in the next week, at the same time and place, or if that day is a Public Holiday, till the next succeeding day which is not a public holiday, at the same time and place.

Directors may appoint committee

175. Subject to the provisions of Section 292 and other provisions of the Act and Article 165 the Directors may delegate all or any of their powers to committees consisting of such member or members of their body as they think fit, and they may, from time to time revoke and discharge any such Committee either wholly or in part, and either as to persons or purposes, but every Committee so formed shall in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the Directors. All acts done by any such Committee in conformity with such regulations and in fulfillment of the purposes of their appointments but not otherwise, shall have the like force and effect as if done by the Board. Subject to the provisions of the Act the Board may from time to time fix the remuneration to be paid to any member or members of that body constituting a Committee appointed by the Board in terms of these Articles, and may pay the same.

DEEP INDUSTRIES LIMITED

Meetings of the Committees how to be governed

176. The meetings and proceedings of any such Committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding Articles.

Resolution by circular

177. Subject to the provisions of Section 289 of the Act, a resolution passed without any meeting of Directors, or of a Committee of Directors appointed under these Articles and evidenced by writing under the hands of all the Directors or members of such Committee as aforesaid, for the time being in India, be as valid and effectual as a resolution duly passed at a meeting of the Directors or of such committee called and held in accordance with the provisions of these Articles.

Provided that the resolution has been circulated in draft, together with the necessary papers, if any, to such Directors, or members of the Committee, then in India (not being less in number than the quorum fixed for a meeting of the Board or the Committee as the case may be) and all other Directors or members at their usual address in India and has been approved by such Directors as are then in India or by majority of such of them, as are entitled to vote on the resolution.

Limit of Directors' numbers

178. Subject to the provisions of Sections 252, 255 and 259 of the Act, the Company in general meeting may, by ordinary resolution, increase or reduce the number of Directors within the limits fixed in that behalf by these Articles.

Acts of Board or Committee valid notwithstanding defect of appointment

179. All acts done by any meeting of the Directors or by a Committee of Directors or by any person acting as a Director, shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Directors or persons acting as aforesaid, or they or any of them were or was disqualified or that their or his appointment had terminated by virtue of any provisions contained in these Articles or the Act, be as valid as if every such person has been duly appointed and was qualified to be a Director.

MINUTES

Minutes to be considered evidence

180. (i) The Company shall cause minutes of all proceedings of General Meetings and of all proceedings of every meeting of its Board of Directors or of every Committee of the Board to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered.
- (ii) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such books shall be dated and signed :
- (a) in the case of minutes of proceedings of a meeting of the Board or of a Committee thereof by the Chairman of the said meeting or the Chairman of the next succeeding meeting; and
- (b) in case of minutes of proceedings of the General Meeting, by the Chairman of the said meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period by a Director duly authorised by the Board for the purpose.
- (iii) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (iv) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- (v) All appointments of officers made at any of the meetings aforesaid shall be included into the minutes of the meeting.



- (vi) In the case of a meeting of the Board of Directors or of a Committee of the Board, the minutes shall contain :
 - (a) the names of the Directors present at the meeting; and
 - (b) in the case of each resolution passed at the meeting the names of the Directors, if any, dissenting from or not concurring in the resolution.
- (vii) Nothing contained in Clauses (1) to (6) hereof shall be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting :
 - (a) is or could reasonably be regarded as defamatory of any person;
 - (b) is irrelevant or immaterial to the proceedings; or
 - (c) is detrimental to the interests of the Company.

The Chairman shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the grounds specified in this sub-clause.

Minutes to be evidence of the proceeding

181. (a) The minutes of meeting kept in accordance with the provisions of Section 193 of the Act shall be evidence of the proceedings recorded therein.

Presumptions to be drawn where minutes duly drawn and signed

- (b) Where the minutes of the proceedings of any General Meeting of the Company or of any meeting of the Board or of a Committee of Directors have been kept in accordance with the provisions of Section 193 of the Act until the contrary is proved, the meeting shall be deemed to have been duly called and held, all proceedings thereat to have been duly taken place and in particular all appointments of Directors or liquidators made at the meeting shall be deemed to be valid.

Inspection of Minute Books of General Meetings

182. (1) The books containing the minutes of the proceedings of any General Meetings of the Company shall be open to inspection of members without charge on such days and during such business hours as may consistently with the provisions of Section 196 of the Act be determined by the Company in General Meeting and the members will also be entitled to be furnished with copies thereof on payment of regulated charges.
- (2) Any member of the Company shall be entitled to be furnished within seven days after he has made a request in that behalf to the Company with a copy of any minutes referred to in sub-clause (1) hereof on payment of thirty-seven paise for every hundred words or fractional part thereof required to be copied.
- (3) No document purporting to be a report of the proceedings of any General Meeting of the Company shall be circulated or advertised at the expenses for the Company unless it includes the matters required by Section 193 of the Act to be contained in the Minutes of the proceedings of such meetings.

POWERS OF DIRECTORS

Certain powers to be exercised by the Board

183. (a) Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at meetings of the Board.
- (i) The power to make calls on shareholders in respect of money unpaid on their shares;
 - (ii) The power to issue debenture;
 - (iii) The power to borrow moneys otherwise than on debentures;
 - (iv) The power to invest the funds of the Company, and
 - (v) The power to make loans.

DEEP INDUSTRIES LIMITED

Provided that the Board may by resolution passed at the meeting, delegate to any Committee of Directors, the Managing Director, the Manager or any other principal officer of the Company or in the case of a branch office of the Company, a principal officer of the branch office, the powers specified in sub-clause (iii), (iv) and (v) to the extent specified in clauses (b), (c) and (d) respectively on such condition as the Board may prescribe.

- (b) Every resolution delegating the power referred to in sub-clause (iii) of clause (a) shall specify the total amount outstanding at any one time upto which moneys may be borrowed by the delegate.
- (c) Every resolution delegating the power referred to in sub-clause (iv) of clause (a) shall specify the total amount upto which the funds of the Company may be invested and the nature of the investments which may be made by the delegate.
- (d) Every resolution delegating the power referred to in sub-clause (v) of clause (a) shall specify the total amount upto which loans may be made by the delegates, the purpose for which the loans may be and the maximum amount upto which loans may be made for each such purpose in individual cases.
- (e) Nothing in this Article shall be deemed to affect the right of the Company in general meeting to impose restrictions and conditions on the exercise by the Board of any other powers referred to in sub-clauses (i), (ii), (iii), (iv) and (v) of clause (a) above.

Restriction on powers of Board

184. (a) The Board of Directors of the Company shall not except with the consent of the Company in general meeting:
- (i) sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole or substantially the whole of any such undertaking;
 - (ii) remit, or give time for the repayment of any debt, due by a Director;
 - (iii) invest, otherwise than in trust securities, the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in sub-clause (i) above, or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;
 - (iv) borrow moneys, where the money to be borrowed, together with the moneys already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose; or
 - (v) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees any amounts the aggregate of which will in any financial year, exceed fifty thousand rupees or five percent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years, immediately proceedings, whichever is greater.
- (b) Nothing contained in sub-clause (a) above shall affect:
- (i) the title of a buyer or other person who buys or takes a lease of any such undertaking as is referred to in that sub-clause in good faith and after exercising due care and caution, or
 - (ii) the selling or leasing of any property of the Company where the ordinary business of the Company consists of, or comprises such selling or leasing.
- (c) Any resolution passed by the Company permitting any transaction such as is referred to in sub-clause (a) (i) above, may attach such conditions to the permission as may be specified in the resolution, including conditions regarding the use, disposal or investment of the sale proceeds which may result from the transaction. Provided that this clause shall not be deemed to authorise the Company to effect any reduction in its capital except in accordance with the provisions contained in that behalf in the Act.



- (d) No debt incurred by the Company in excess of the limit imposed by sub-clause (iv) of clause (a) above, shall be valid or effectual, unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by that clause had been exceeded.

Prohibition regarding making of political contributions

- (e) Due regard and compliance shall be observed in regard to matters dealt with by or in the Explanation contained in sub-section (1) of Section 293 of the Act and in regard to the limitations on the power of the Company contained in Section 293A of the Act.

General powers of the Company vested in Directors

185. Subject to the provisions of the Act, the management of the business of the Company shall be vested in the Directors and the Directors may exercise all such powers and do all such acts and things as the Company is by the Memorandum of Association or otherwise authorised to exercise and do and not hereby or by the statute or otherwise directed or required to be exercised or done by the Company in General Meeting, but subject nevertheless to the provisions of the Act and other Act and of the Memorandum of Association and these Articles and to any regulations, not being inconsistent with the Memorandum of Association and these Articles or the Act, from time to time made by the company in general meeting provided that no such regulation shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

Specific powers given to Directors

186. Without prejudice to the general powers conferred by Article 172 and the other powers conferred by these presents and so as not in any way to limit any or all of those powers, it is hereby expressly declared that the Directors shall have the following powers :

To pay registration expense

- (i) to pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company;
- (ii) to pay and charge to the capital account of the Company any interest lawfully payable thereon under the provisions of Sections 76 and 208 of the Act.

To acquire property

- (iii) Subject to the provisions of the Act and these Articles to purchase or otherwise acquire any lands, buildings, machinery, premises, hereditaments, property effects, assets, rights, credits, royalties, bounties and goodwill of any person, firm or Company carrying on the business which this Company is authorised to carry on, at or for such price or consideration and generally on such terms and conditions as they may think fit; and in any such purchase or acquisition to accept such title as the Board may believe or may be advised to be reasonably satisfactory;

To purchase lands, buildings etc.

- (iv) Subject to the provisions of the Act to purchase, or take on lease for any term or terms of years, or otherwise acquire any mills or factories or any land or lands, with or without buildings and outhouses thereon, situate in any part of India, at such price or rent and under and subject to such terms and conditions as the Directors may think fit; and in any such purchase, lease or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory;

To construct buildings

- (v) To erect, construct, enlarge, improve, alter, maintain, pull down, rebuild or reconstruct any buildings, factories, offices, workshops or other structures, necessary or convenient for the purposes of the Company and to acquire lands for the purposes of the Company;

To mortgage, charge property

- (vi) To let, mortgage, charge, sell or otherwise dispose of subject to the provisions of Section 293 of the Act, any property of the Company either absolutely or conditionally and in such manner and upon such terms and

DEEP INDUSTRIES LIMITED

conditions in all respects as they think fit and to accept payment or satisfaction for the same in cash or otherwise, as they may think fit;

To pay for property etc.

- (vii) At their discretion to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially, in cash or in shares, bonds, debentures, debenture stock or other securities of the Company, and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon; and any such bonds, debentures, debenture-stock or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged;

To insure

- (viii) to insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as they may think proper, all or any part of the building, machinery, goods, stores, produce and other moveable property of the Company either separately or co-jointly; also to insure all or any portion of the goods, produce, machinery and other articles imported or exported by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power;

To open accounts

- (ix) Subject to Section 292 of the Act, to open accounts with any bank or bankers or with any Company, firm, or individual and to pay money into and draw money from any account from time to time as the Directors may think fit;

To secure contracts

- (x) To secure the fulfillment of any contracts or engagements entered into by the Company by mortgage or charge of all or any of the properties of the Company and its unpaid capital for the time being or in such other manner as they may think fit;

To attach to Shares such conditions

- (xi) To attach to any shares to be issued as the consideration for any contract with or property acquired by the Company, or in payment for services rendered to the Company, such conditions, subject to the provisions of the Act, as to the transfer thereof as they may think fit;

To accept surrender of shares

- (xii) To accept from any member on such terms and conditions as shall be agreed a surrender of his shares or stock or any part thereof subject to the provisions of the Act;

To appoint trustees

- (xiii) To appoint any person or persons (whether incorporated or not) to accept and hold in trust for the Company any property belonging to the Company or in which it is interested or for any other purposes and to execute and do all such deeds and things as may be requisite in relation to any such trusts and to provide for the remuneration of such trustee or trustees;

To bring and defend actions

- (xiv) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its Officers or otherwise concerning the affairs of the Company and also subject to the provisions of Section 293 of the Act to compound and allow time for payment or satisfaction of any debts due, or of any claims or demands by or against the Company;

To refer to arbitration

- (xv) To refer, subject to the provisions of Section 293 of the Act, any claims or demands by or against the Company to arbitration and observe and perform the awards;



To act on insolvency matters

(xvi) To act on behalf of the Company in all matters relating to bankrupts and insolvents;

To give receipts

(xvii) To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company subject to the provisions of Section 293 of the Act.

To authorise acceptances

(xviii) To determine from time to time as to who shall be entitled to sign bills, promissory notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents on the Company's behalf;

To invest moneys

(xix) Subject to the provisions of Sections 292, 293, 370, 372 of the Act, invest and deal with any of the moneys of the Company, not immediately required for the purpose thereof, upon such shares, securities, or investments (not being shares in this Company) and in such manner as they may think fit, and from time to time to vary or realise such investments;

To provide for personal liabilities

(xx) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability for the for benefit of the Company, such mortgages of the Company's property (present and future) as they may think fit and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed on;

To give to Directors etc. an interest in business

(axe) Subject to such sanction as may be necessary under the Act or these Articles, to give to any Director, Officer, or other person employed by the Company, an interest in any particular business or transaction either by way of commission on the gross expenditure thereon or otherwise or a share in the general profits of the Company, and such interest, commission or share of profits shall be treated as part of the working expenses of the Company.

To provide for welfare of employees

(xxii) To provide for the welfare of employees or ex-employees of the Company and their wives, widows, families, dependants or connections of such persons by building or contributing to the building of houses, dwelling, or chawls or by grants of money, pensions, allowances, gratuities, bonus or payments by creating and from time to time subscribing or contributing to provident and other funds, institutions or trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospitals and dispensaries, medical and other attendances and other assistance as the Directors shall think fit.

To subscribe to charitable and other funds

(xxiii) To subscribe or contribute or otherwise to assist or to guarantee money to charitable benevolent, religious, scientific, national public or any other useful institutions, object or purposes for any exhibition;

To maintain pension funds

(xxiv) To establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, and give or procure the giving of donations, gratuities, pensions, allowances or emoluments, to any persons who are or were at any time in the employment or services of the Company, or of any Company which is a subsidiary of the Company or is allied to or associated with the Company or with any such subsidiary Company, or who are or were at any time Directors or Officers of the Company or of any such other Company as aforesaid, and the wives, widows, families and dependants of any such persons and, also to establish and subsidise and subscribe to any institutions, associations, clubs or funds collected to be for the benefit of or to advance the interests and well being of the Company or of any such other Company as aforesaid, and make payments to or towards the insurance of any such person as aforesaid and do any of the matters aforesaid, either alone or in conjunction with any such other company as aforesaid;

DEEP INDUSTRIES LIMITED

- (xxv) To decide and allocate the expenditure on capital and revenue account either for the year or period or spread over the years.

To create Reserve Fund

- (xxvi) Before recommending any dividend, to set aside out of profits of the Company such sums as they may think proper for depreciation or to Depreciation Fund or Reserve Fund or Sinking Fund or any other special fund to meet contingencies or to repay redeemable preference shares, debentures, or debenture stock or for special dividends or for equalising dividend or for repairing, improving, extending and maintaining any part of the property of the Company, and for such other purposes as the Directors may, in their absolute discretion, think conducive to the interests of the Company and to invest the several sums so set aside or so much thereof as required to be invested upon such investments (subject to the restrictions imposed by Sections 292 and 293 and other provisions of the Act) as the Directors may think fit, and from time to time, to deal with and vary such investments and dispose of and apply and expend all or any part thereof for the benefit of the Company in such manner and for such purposes as the Directors (subject to such restrictions as aforesaid) in their absolute discretion think conducive to the interests of the Company notwithstanding that the matters to which the Directors apply or upon which they may expend the same or any part thereof may be matters to or upon which the Capital moneys of the Company might right be applied or expended; and to divide the Reserve Fund into such special funds as the Directors think fit, and to employ the assets constituting all or any of the above funds, including the Depreciation Fund, in the business of the Company or in repayment or redemption or redeemable preference shares, debentures or debenture stock and that without being bound to keep the same separate from other assets or to pay interest on the same, with power, however to the Directors at their discretion, to pay or allow to the credit of such fund interest at such rate as the Directors may think proper.

To appoint Managers etc.

- (xxvii) To appoint and at their discretion to remove or suspend such Managers, Secretaries, Officers, Clerks, Agents and servants for permanent, temporary or special service as they may from time to time think fit, and to determine their powers and duties, and fix their salaries or emoluments and require security in such instances and to such amounts as they may think fit, and from time to time to provide for the management and transactions of the affairs of the Company in any special locality in India in such manner as they may think fit the provisions contained in the clause following shall be without prejudice to the general powers conferred by this clause.

To authorise by Power of Attorney

- (xxviii) At any time and from time to time by Power of Attorney to appoint any person or persons to be the Attorney or Attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these presents) and for such period and subject to such conditions as the Directors may from time to time think fit and any such appointment (if the Directors may think fit) be made in favour of any Company or the members, Directors, nominees or managers of any Company or firm or otherwise in favour of any fluctuating body or person whether nominated, directly or indirectly by the Directors and any such power of attorney may contain any such powers for the protection or convenience of persons dealing with such Attorneys as the Directors may think fit; and may contain powers enabling any such delegates or Attorneys as aforesaid to sub-delegate all or any of the powers, authorities, and discretions for the time being vested in them.

To authorise, delegate

- (xxix) Subject to the provisions of the Act, generally and from time to time and at any time to authorise, empower or delegate to (with or without powers of Sub-delegation) any Director, Officer or Officers or Employee for the time being of the Company and/or any other person, firm or Company all or any of the powers, authorities and discretions for the time being vested in the Directors by these presents, subject to such restrictions and conditions, if any, as the Directors may think proper.



To Negotiate

- (xxx) To enter into all such negotiations, contracts and rescind and/or vary all such contracts and to execute and do all such acts, deeds, and things in the name of on behalf of the Company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company.
- (xxxi) from time to time to make vary any legal bye-laws for the regulation of the business of the Company, its officers and servants.

MANAGING DIRECTORS

Power to appoint Managing or Wholetime Directors

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

Appointment and payment of remuneration to Managing or Wholetime Director

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

What provisions they will be subject to

- (d) Subject to the provisions of the Act and these Articles, the Managing Director or the Whole Time Director shall not, while he continues to hold that office, be subject to retirement by rotation under Article 129 but save as provided in Article 129 he shall be subject to the provisions of any contract between him and the Company, be subject to the same provisions as the resignation and removal as the other Directors of the Company and he shall ipso factor and immediately cease to be a Managing Director or Whole Time Director if he ceases to hold the office of Director from any cause provided that if at any time the number of Directors (including Managing Director or Whole-time Director) as are not subject to retirement by rotation shall exceed one-third of the total number of the Directors for the time being, then such of the Managing Director or Whole-Time Director or two or more of them as the Directors may from time to time determine shall be liable to retirement by rotation in accordance with the Article 129 to the intent that the number of Directors not liable to retirement by rotation shall not exceed one-third of the total number of Directors for the time being.

Powers and duties of Managing and/or Wholetime Director/s

- (e) Subject to the superintendence, control and direction of the Board the day to day management of the Company shall be in the hands of the Managing Director/s and or Whole-Time Director/s. if any, with Power to the Board to distribute such Director/s in any manner as deemed fit by the Board and subject to the provisions of the Act and these Articles the Board may by resolution vest any such Managing Director or Managing Directors or whole Time Director or Whole Time Directors such of the power vested in the Board generally as it thinks fit and such powers may be made exercisable for such period or periods and upon such conditions and subject to such restrictions as it may determine and they may subject to the provisions of the Act and these Articles confer such powers either collaterally with or to the exclusion of or in substitution for all or any of the powers of the Directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers.

DEEP INDUSTRIES LIMITED

THE SECRETARY

Secretary

188. Subject to the provisions of Section 383A of the Act, the Directors may, from time to time, appoint and, at their discretion remove any individual (hereinafter called 'the Secretary') who shall have such qualifications as the authority under the Act may prescribe to perform any functions, which by the Act or these Articles are to be performed, by the Secretary, and to execute any other purely ministerial or administrative duties which may from time to time be assigned to the Secretary by the Director. The Directors may also at any time appoint some persons (who need not be the Secretary) to keep the registers required to be kept by the Company.

SEAL

The seal, its custody and use

189. (a) The Directors shall provide a Common Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof, and the Directors shall provide for the safe custody of the Seal for the time being and the Seal shall never be used except by or under the authority of the Directors or a Committee of the Directors previously given, and in the presence of one Director at the least, who shall sign every instrument to which the Seal is so affixed in his presence.
- (b) The Company shall also be at liberty to have an official seal in accordance with Section 50 of the Act for use in any territory, district or place outside India and such powers shall accordingly be vested in the Directors.

INTEREST OUT OF CAPITAL

Interest may be paid out of Capital

190. Where any shares in the Company are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provisions of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid up, for the period and at the rate and subject to the conditions and restrictions provided by Section 208 of the Act, and may charge the same to capital as part of the cost of construction of the work or building, or the provisions of plant.

Dividend out of profits only

191. (i) No Dividend shall be declared or paid by the Company for any financial year except out of the profits of the Company for that year arrived at after providing for depreciation in accordance with the provisions of sub clause (ii) or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with those provisions and remaining undistributed or out of both or out of moneys provided by the Central Government or State Government for the payment of dividend in pursuance of a Guarantee given by the Government and except after the transfer to the reserves of the Company of such percentage out of the profits for that year not exceeding ten per cent as may be prescribed or voluntarily such higher percentage in accordance with the rules as may be made by the Central Government in that behalf. PROVIDED HOWEVER whether owing to inadequacy or absence of profits in any year, the Company proposes to declare out of the accumulated profits earned by the Company in previous years and transferred by it to the reserves, such declaration of dividend shall not be made except in accordance with such rules as may be made by the Central Government in this behalf, and whether any such declaration is not in accordance with such rules, such declaration shall not be made except with the previous approval of the Central Government.
- (ii) The depreciation shall be provided either :
- (a) to the extent specified in Section 350 of the Act; or
 - (b) in respect of each item of a depreciable asset, for such an amount as is arrived at by dividing 95 per cent of the original cost thereof to the Company by the specified period in respect of such asset; or
 - (c) on any other basis approved by the Central Government which has the effect of writing off by way of depreciation 95 per cent of the original cost of the Company of its such depreciable asset on the expiry of the specified period; or



- (d) as regards any other depreciable assets for which no rate of depreciation has been laid down by the Indian Income tax Act, 1961 or the rules made there under on such basis as may be approved by the Central Government by any general order published in the Official Gazette or by any special order in the case of the Company.

Provided that where depreciation is provided for in the manner laid down in Clause (b) or Clause (c), then in the event of the depreciated assets being sold, discarded, demolished or destroyed, the written down value thereof at the end of the financial year in which the asset is sold, discarded, demolished or destroyed shall be written off in accordance with the proviso to Section 350 of the Act.

- (iii) No dividend shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the capitalisation of the profits or reserves of the Company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by members of the Company.
- (iv) Nothing in this Article shall be deemed to affect in any manner the operation of Section 208 of the Act.
- (v) For the purposes of this Articles 'Specified period' in respect of any depreciable asset shall mean the number of years at the end of which atleast 95 per cent of the original cost of that asset to the Company will have been provided for by way of depreciation, if depreciation were to be calculated in accordance with the provisions of Section 350 for the Act.

Interim Dividends

192. The Board of Directors may, from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

Debts may be deducted

193. The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

Capital paid up in advance and interest not to earn dividend

194. Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to dividend or to participate in profits.

Dividends in proportion to amount paid-up

195. All dividends shall be apportioned and paid proportionately to the amount paid or credited as paid on the shares during any portion or portions of the period in shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividends as from a particular date such share shall rank for dividend accordingly.

Retention of Dividend until completion of transfer under Article 70

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

No member to receive Dividend whilst indebted to the Company and Company's right to reimbursement thereof

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

Effect of transfer of shares

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

DEEP INDUSTRIES LIMITED

Dividend how remitted

199. Unless otherwise directed any dividend may be paid by cheque or warrant or a pay-slip or receipt having the force of a cheque or warrant sent through ordinary post to the registered address of the member or person entitled or in the case of joint holders to that one of them first named in the Register of Members in respect of the joint holding. Every such cheque or warrant so sent shall be made payable to the registered holder of shares or to his order or to his bankers. The Company shall not be liable or responsible for any cheque or warrant lost in transmission or for any dividend lost, to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent or improper recovery thereof by any other means.

Notice of dividend

200. Notice of the declaration of any dividend whether interim or otherwise shall be given to the registered holder of share in the manner herein provided.

Dividend to be paid within forty two days

201. (i) The Company shall pay the dividend or send the warrant in respect thereof to the shareholder entitled to the payment of dividend, within fortytwo days from the date of the declaration of the dividend unless
- (a) Where the dividend could not be paid by reason of the operation of any law;
 - (b) where a shareholder has given directions regarding the payment of the dividend and these directions cannot be complied with;
 - (c) where there is a dispute regarding the right to receive the dividend;
 - (d) where the dividend has been lawfully adjusted by the Company against any sum due to it from the shareholder; or
 - (e) where for any other reasons, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.
- *(ii) Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of "Deep Industries Limited" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investor Education and protection Fund established the Central Government within one month from the date of expiry of the said period of seven years. A claim to any money so transferred to the above fund may be preferred to the Central Government/Committee appointed by the Central Government by the shareholders to whom the money is due.

*Articles No. 201 (ii) (a) to (c) replaced vide Special Resolution Passed at Extra Ordinary General Meeting held on 31/12/2005.

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

Unclaimed dividend

202. Dividends unclaimed until transferred to the unpaid Dividend Account of the Company as aforesaid may not be deposited or otherwise used by the Board of Directors, for the benefit of the Company until claimed, or so transferred.

No interest on dividends

203. No unpaid dividend shall bear interest as against the Company.

Dividend and call together

204. Any general meeting declaring a dividend may on the recommendation of the Directors make a call on the members for such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend



payable to him so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the members, be set off against the calls.

CAPITALISATION

Capitalisation

205. (a) Any general meeting may resolve that any amount standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any moneys' investments or other assets forming part of the undivided profits (including profits or surplus moneys arising from the realisation and where permitted by law, from the appreciation in value of any capital assets of the Company) standing to the credit of the General Reserve, Reserve or any Reserve Fund or any other fund of the Company or in the hands of the Company and available for dividend may be capitalised. Any such amount (excepting the amount standing to the Share Premium Account and/or the Capital Redemption Reserve Account) may be capitalised :

- (i) by the issue and distribution as fully paid shares, debentures, debenture stock, bonds or obligations of the Company or
- (ii) by crediting the shares of the Company which may have been issued and are not fully paid up, with the whole or any part of the sum remaining unpaid thereon.

Provided that any amounts standing to the credit of the Share Premium Account may be applied in;

- (1) paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares;
 - (2) in writing off the preliminary expenses of the Company;
 - (3) in writing off the expenses of, or the commission paid or discount allowed on any issue of shares or debentures of the Company; or
 - (4) in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company. Provided further that any amount standing to the credit of the Capital Redemption Reserve Account shall be applied only in paying up unissued shares of the Company to be issued to the members of the Company as fully paid bonus shares.
- (b) Such issue and distribution under sub-clause (a) (i) above and such payment to the credit of unpaid share capital under sub-clause (a) (ii) above shall be made to, among and in favour of the members of any class of them or any of them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution under sub-clause (a) (i) or payment under sub-clause (a) (ii) above shall be made on the footing that such members become entitled thereto as capital.
- (c) The Directors shall give effect to any such resolution and apply portion of the Profits, General Reserve Fund or any other fund or account as aforesaid as may be required for the purpose of making payment in full for the shares, debentures or debenture stock, bonds or other obligations of the Company so distributed under sub-clause (a) (i) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid-up under sub-clause (a) (ii) above provided that no such distribution or payment shall be made unless recommended by Directors and if so recommended such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalised sum.
- (d) For the purpose of giving effect to any such resolution the Directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates or coupons and fix value for distribution of any specific assets and may determine that such payments be made to any members on the footing of the value so fixed and may vest any such cash, shares, fractional certificates or coupons, debentures, debenture stock, bonds, or other obligations in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such arrangement for the acceptance, allotment and sale of such shares, debentures, debenture stock, bonds or other obligations and fractional certificates or coupons or otherwise as they may think fit.

DEEP INDUSTRIES LIMITED

- (e) Subject to the provisions of the Act and these Articles in cases where some of the shares of the Company are fully paid and others are partly paid only, such capitalisation may be effected by the distribution of further shares in respect of the fully paid shares, and by crediting the partly paid shares with the whole or part of the unpaid liability thereon but so that as between the holders of fully paid shares and the partly paid shares the sums so applied in the payment of such further shares and in the extinguishment of diminution of the liability on the partly paid shares shall be so applied pro rata in proportion to the amount then already paid or credited as paid on the existing fully paid and partly paid shares respectively.
- (f) When deemed requisite a proper contract shall be filed with the Registrar of Companies in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the members entitled, as aforesaid and such appointment shall be effective.

WINDING UP

Distribution of Assets

- 230. (a) Subject to the provisions of the Act, if the company shall be wound up and the assets available for distribution among the members as such shall be less than sufficient to repay the whole of the paid up capital such assets shall be distributed so that, as nearly, as may be, the losses shall be borne by the members in proportion to the Capital paid up, or which ought to have been paid up, at the commencement of winding up, on the shares held by them respectively. And if in winding up, the assets available for distribution among the members shall be more than sufficient to repay the whole of the Capital paid up at the commencement of the winding up the excess shall be distributed amongst the members in proportion to the Capital paid-up at the commencement of the winding up or which ought to have been paid up on the shares held by them respectively.
- (b) But this clause will not prejudice the rights of the holders of shares issued upon special terms and conditions.

231. Subject to the provisions of the Act.

Distribution in specie of kind

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

Rights of shareholders in case of sale

- 232. Subject to the provisions of the Act, a special resolution sanctioning a sale to any other Company duly passed may, in like manner as aforesaid, determine that any shares or other consideration receivable by the Liquidators by distributed amongst the members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the members subject to the rights of dissent, if any, if such right be given by the Act.

GENERAL POWER

- 237. Wherever in the Companies Act, it has been provided that the Company shall have any right, privilege or authority or that the Company could carry out any transaction only if the Company if so authorised by its Articles, then and in that case these regulations hereby authorise and empower the Company to have such rights, privilege or authority and to carry such transactions as have been permitted by the Act, without there being any specific regulation in that behalf herein provided.



MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of filing of this Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Prospectus, delivered to the Registrar of Companies, Ahmedabad for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company situated at Opposite Suryanarayan Bunglows, Sabarmati - Kalol State Highway, Motera, Dist: Gandhinagar, Gujarat – 380 005, from 10.00 a.m. to 4.00 p.m. on working days from the date of filing of this Prospectus until the date of closure of this Issue.

Material Contracts

- Memorandum of Understanding dated March 6, 2006, amongst our Company, IDBI Capital Market Services Limited (Lead Managers) and Keynote Corporate Services Limited (Co-Lead Manager).
- Supplementary Memorandum of Understanding dated August 10, 2006, amongst our Company, IDBI Capital Market Services Limited (Lead Managers), Keynote Corporate Services Limited (Co-Lead Manager) and NEXGEN Capitals Limited (Co-Lead Manager).
- Agreement dated January 27, 2006, executed by our Company with Intime Spectrum Registry Limited (the Registrar to the Issue).

Material Documents

- Our Memorandum and Articles of Association as amended from time to time.
- Our certificate of incorporation dated January 1, 1991.
- Our certificates in relation to change of name.
- Resolutions passed by Shareholders/ Board of Directors in relation to this Issue and other related matters such as reconstitution of Audit Committee, Remuneration and other committees
- Resolutions approving the present terms of employment between our Company and our Directors as approved by our Board and our Shareholders.
- Report of the auditors, Jayesh M. Shah & Co., Chartered Accountants, prepared as per Indian GAAP and mentioned in this Prospectus.
- 'Statement of Tax Benefits', prepared by our auditors, Jayesh M. Shah & Co., Chartered Accountants.
- Copies of annual reports of our Company for the years ended March 31, 2002, 2003, 2004, 2005 and 2006.
- Consent of our auditors, Jayesh M. Shah & Co., Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in this Prospectus
- Copy of Union Bank of India Sanction letter for a Rupee Term Loan of Rs. 1300 lacs dated February 3, 2006
- Copy of Gas Compression Equipment Operation Lease Agreement dated February 10, 2005, entered into between our Company and Valerus Compression Services Limited Partnership, USA.
- Copy of Sales Representation Agreement dated August 19, 2004, entered into between our Company and Valerus Compression Services Limited Partnership, USA.
- Consents of Bankers to the Company, Registrar to the Issue, Bankers to the Issue, Legal Counsel to the Issue, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
- In-Principle approval from BSE dated May 12, 2006
- Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated July 7, 2006
- Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated July 5, 2006
- Copy of Resolution passed by board of directors dated August 10, 2006 fixing the Issue Price.
- Due diligence certificate dated March 9, 2006, to SEBI from the Lead Manager, IDBI Capital Market Services Limited.
- SEBI Observation letter no. CFD/DIL/PB/AC/70030/2006 dated June 22, 2006.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DEEP INDUSTRIES LIMITED

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made there under or guidelines issued, as the case may be. All the said legal requirements connected with this said issue as also the guidelines; instructions etc. issued by SEBI, the Government and any other competent authority in this behalf have been duly complied with.

We, the directors of Deep Industries Limited, hereby declare and confirm that no information/material likely to have a bearing on the decision of the investors in respect of the Equity Shares issued in terms of the Prospectus has been suppressed/withheld and/or incorporated in the manner that would amount to misstatement/misrepresentation. The Company further certifies that all the statements in this Prospectus are true and correct.

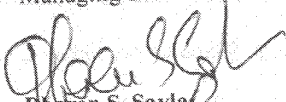
SIGNED BY ALL THE DIRECTORS OF DEEP INDUSTRIES LIMITED



Paras S. Savla
Chairman & Managing Director



Rupesh K. Savla
Managing Director



Dharen S. Savla
Executive Director



Prabodh G. Baruah
Independent Director



Vijay R. Shah
Independent Director



Harish G. Bhide
Independent Director



Jigar Shah
Chief Financial Officer and Compliance Officer

Place : Gandhinagar

Date : August 10, 2006