

सिस्टम

86/87

भारत सरकार  
वित्त मंत्रालय  
वित्तीय और वित्तीय पुनर्निर्माण बोर्ड

फोन : 3314964  
टेलीग्राफ : 031-66492  
तार : B I N F I R E C  
फैक्स : 3310207

22 वीं मंजिल, मकहूर व्यापार भवन,  
1, शास्त्राचार्य मार्ग, नई दिल्ली - 1  
दिनांक . 07.10.98

सेवा में,

( संलग्न सूची के अनुसार )

विषय : M/S UNIVERSAL STEEL &  
ALLOYS LTD. (USAL)

के मागहो ।

मागहो संख्या 86/87

महोदय,

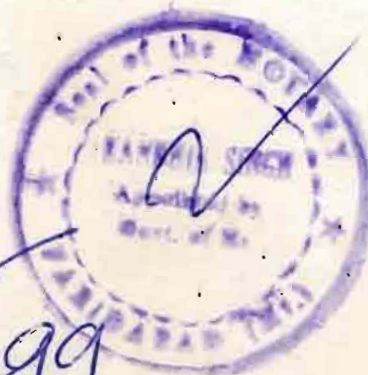
मूल विवरण - 06.10.98

की मारफा /

आदेशों की प्रमाणित प्रति आपकी सूचना तथा आवश्यक कार्रवाई के लिए भेजने का निर्देश हुआ है ।

31/10/98  
(जी.पी.एस.)  
मैम. मंत्रालय  
नई दिल्ली

संलग्नक : उपरोक्त



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NOTARY AMBALA

21-99

Board for Industrial and Financial Reconstruction

Case No.86/87 in re : M/s UNIVERSAL STEEL & ALLOYS LTD. (USAL)

Bench I

O R D E R

At the last hearing held on 22.5.98 to consider objections/suggestions to the Draft Rehabilitation Scheme for the revival of M/s. Universal Steel & Alloys Ltd. (USAL) circulated by the Board on 25.3.98, the Bench held the sanction of the scheme in abeyance till the resolution of the AGM approving the proposed merger is submitted by the company as also the crystallised amount of benefits by the Tax Department is furnished by the company to the Board. In addition, the proposed share exchange ratio approved in the AGM would also be submitted by the company. The Bench clarified that it would sanction the scheme on receipt of communication on the aforesaid matters from the company, without holding any further hearing.

2. The company has now submitted a copy of the resolution passed in the AGM held on 24.6.98 approving the merger of USAL with M/s. Bharat Gears Limited (BGL) as also the exchange ratio of one equity share of Rs.10/- each fully paid up of BGL for every 20 equity shares of Rs.10/- each fully paid up of USAL. The requisite information in respect of benefit u/s 72A of the Income Tax Act has also been received.

3. Having regard to the fact that all parties concerned have given their consent u/s 19(2) of the Sick Industrial Companies (Special Provisions) Act, 1985 (hereinafter referred to as the 'Act') to the various provisions in the Draft Rehabilitation Scheme, in exercise, of the powers conferred u/s 18(4) of the ~~Act~~ with section 19(3) of the 'Act', the Bench has

sanctioned the Scheme (hereinafter called the 'Sanctioned Scheme'). The 'Sanctioned Scheme' is hereby circulated for implementation by all concerned.

  
(S.L. KAPUR)  
MEMBER

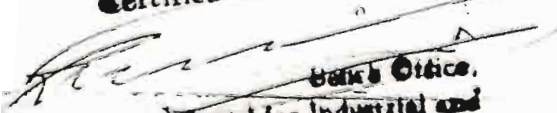
  
(ASHIM CHATTERJI)  
MEMBER

New Delhi.  
Dated:

06.10.98



Certified to be True Copy

  
Bank's Office,  
Deptd for Industrial and  
Financial Reconstruction

ATTESTED FROM CITY  
NOTARY  
  
21/10/99





BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION

CASE NO.86/87 IN RE: M/s.Universal Steel & Alloys Ltd (USAL)

BENCH I

SANCTIONED REHABILITATION SCHEME

1.0 INTRODUCTION:

1.1 Pursuant to the provisions of Section 15(1) of Sick Industrial Companies (Special Provisions) Act, 1985, M/s.Universal Steel & Alloys Ltd (USAL) made a reference to the Board for determination of measures to be adopted in respect of the said company. After inquiry, in the hearing held on 24.09.87 it was held that the company had become a sick industrial company in terms of Section 3(1) (o) of the Act and IIBI was appointed as the Operating Agency (OA).

1.2 At the hearing held on 18.05.90, BIFR sanctioned a rehabilitation scheme u/s 18(4) read with section 19(3) of the SICA for the revival of the company. Unfortunately, the scheme sanctioned by BIFR couldn't be implemented due to various reasons and BIFR decided for winding up of the company vide its order dated 15.3.96. The company preferred an appeal before AAIFR against the said BIFR order. In the hearing dated 6th August 1997, AAIFR observed that the company and its Banker viz. Oriental Bank of Commerce (OBC) could come to an one time settlement in respect of Bank's dues. In view of the above AAIFR directed the existing promoters to submit a rehabilitation scheme to BIFR/OA in respect of the company based on OTS to OBC.

2.0 BACKGROUND OF USAL AND BGL:

2.1 Universal Alloy & Steel Ltd (USAL)

2.1.1 Universal Steel & Alloys Limited, a company belonging to Raunaq Group has its unit at Faridabad, Haryana. USAL has a mini steel plant engaged in the manufacture of steel ingots and rolled products. It was incorporated on July 22, 1965 at New Delhi as Universal Steel Casting and Forgings Ltd with the main objects of carrying on the business of manufacturing, designing, trading, repairing and hiring of ferrous and non ferrous forgings and castings. Subsequently, on August 4, 1971 company's name changed to Universal Steel and Alloys Limited (USAL). The company with its installed capacity of 28000 tonnes per annum of steel ingots, commenced commercial production of carbon & alloy steel ingots and castings in 1972-73. At the time of incorporation, Mr. Raunaq Singh & his relatives were the subscribers to the memorandum. At present 35%, 12.76% 0.30% and 51.43% of the company's share is held by the Raunaq Group of companies and relatives of Mr. Raunaq Singh, IFCI, Banks and the Public respectively.

2.1.2 USAL reported profit during 1977-78 for the first time and during the financial year 1980-81 and 1981-82 it paid dividends of 18%. However, from the financial year 1982-93 onwards the company incurred cash losses due to significant increase of raw material price and excise



duty without corresponding increase in the net realisation. Company's operation is suspended since March 1986. A brief particular of the company is given in Annexure I.

## 2.2 Bharat Gears Ltd (BGL)

2.2.1 Bharat Gears Ltd (BGL) was incorporated on December 23, 1977 by the Raunag Singh Group with the main object of manufacturing, trading, designing, hiring and repairing of all kinds of gears. Installed capacity of the company is 7000 Tonnes for Automotive gears, 20 Nos for Industrial Furnaces and 2500 Nos. for Gear Boxes. Company specialises in axle and transmission gears for the tractor industry in India and heavy vehicle industry in India as well as abroad. Its major customers include Ashok Leyland, Tractor & Farm Equipment, Mahindra & Mahindra, Escorts & Daewoo Motors. Of the total sales, 55% are for the OEM market, 20% for the replacement market and 25% for the export market.

2.2.2 BGL has a technical collaboration with ZF of Germany which has a 26% share holding in the company. The shares of BGL are actively traded on the Bombay and New Delhi stock exchange as well as the National stock exchange. During the financial year 1996-97, the company achieved a turnover of Rs.115.19 crores and reported profit after tax Rs.6.51 crores. The EPs of BGL for the financial year 1996-97 was Rs.13.51 and book value of share was Rs.61.84. The net worth of BGL as at March 31, 1997 was Rs.29.81 crores, as compared to Rs.11.40 crores as at

12-3-1998  
BGL

March 31, 1991. During the same period sales have increased by 93.82% to Rs.115.91 crores whereas profits after tax have increase by 194.57% to Rs.6.51 crores. Brief particulars of the company is given in Annexure II.

### 3.0 Past Working Results and Financial Position of USAL & BGL

#### 3.1 USAL

##### Working Results

An analysis of the past working results of the company for the last 3 years ended 31.3.97 is given in Annexure III. A summary of the same is given below :

	Rs./Lakhs		
	1995	1996	1997
Sales	7.34	4.34	4.11
Total Expenses	26.24	15.19	6.69
Gross Profit	(18.90)	(10.85)	(2.58)
Interest	218.07	266.82	336.19
Other Income	2.51	41.16	3.58
Net Loss	234.46	236.51	335.19

##### Financial Position

An analysis of the past financial position of the company for the last 3 years ended 31.3.97 is given in Annexure IV. A summary of the same is given below ;

	Rs./Lakhs		
	1995	1996	1997
Net Fixed Assets	369.55	359.17	349.22
Current Assets	58.82	50.67	48.85
Investments	0.05	0.05	0.05
<b>Total</b>	<b>428.42</b>	<b>409.89</b>	<b>398.12</b>
Share Capital	57.50	57.50	57.50
Accumulated Losses	(1556.87)	(1793.38)	(2128.57)
Net Worth	(1499.37)	(1735.88)	(2071.07)



Reserve & Surplus (Capital Reserve)	200.74	190.35	180.41
Secured Loans	1364.78	1499.80	1835.76
Unsecured Loans	105.92	200.69	200.69
Current Liabilities	256.35	254.93	252.33
Total	428.42	409.89	398.12

### 3.2 BGL

#### Working Results

An analysis of the past working results of the company for the last 5 years ended 31.3.97 is given in Annexure V. A summary of the same for the last 3 years is given below :

	Rs./Lakhs		
	1995	1996	1997
Sales & Other Income	8509	11207	11519
Profit before Intt. & Depen.	1187	1635	1814
<del>Intt. &amp; Other Bank Charges</del>	<del>467</del>	<del>478</del>	<del>456</del>
Profit after Intt. & before Depen.	720	1157	1358
Profit before taxes	417	792	1048
Taxes on Income	161	277	397
Profit after Taxes	256	515	651

The above indicates upward trends in the performance of the company.

#### Financial Position

An analysis of the past financial position of the company for the last 5 years ended 31.3.97 is given in Annexure VI. A summary of the same for the last 3 years is given below :

	Rs./Lakhs		
	1995	1996	1997
Net Fixed Assets (excluding revaluation reserve)	2407	2537	2563
Current Assets	4224	4851	4838
Investments	158	170	170
Total	6789	7558	7571
Share Capital	482	482	482
Accumulated Losses	--	--	--
Reserve & Surplus (Exc. Cap. Res.)	1429	1848	2499
Net Worth	1911	2330	2981
Secured Loans	2108	2175	2059
Unsecured Loans	228	127	115
Current Liabilities	2542	2926	2416
Total	6789	7558	7571



The above performance indicates that the company was gradually improving. Reserves stood at more than 5 times of the equity base as on 31.3.97.

#### 4.0 STRATEGY FOR REHABILITATION OF USAL

4.1 For a long time, the mini steel plant industry is undergoing recession. Recession of the industry, therefore had an adverse affect on USAL. As a result of continuous losses, the company's accumulated losses not only exceeded the net worth but also resulted in heavy accumulation of debt burden which USAL is not likely to be able to service on its own. Moreover, for the purpose of revival of the unit, heavy capital expenditure would be necessary which USAL would not be able to arrange.

4.1.1. BGL a profit making, sister concern of USAL proposes to establish new manufacturing facility for its increased demand of its products. The proposed expansion programme will require approximately 3500 MT to 4000 MT steel ingots p.a. BGL proposes to use USAL as a backward integrated unit. Moreover, the scrap and borings generated by BGL would be used as a raw material for the induction of arc furnace. USAL proposes to make OTS with OBC which would substantially reduce the interest cost. BGL, being a cash rich company - would not find it difficult to arrange funds for OTS to OBC, payment to other creditors and mobilising fund for capital expenditure.

5.0 SALIENT FEATURES OF THE PROPOSED SCHEME

5.1 The salient features of the amalgamation scheme are summarised below :

- a. The merger of the two companies i.e. Universal Steel & Alloys Ltd with Bharat Gears Ltd shall be effective on and from April 1, 1998.
- b. All shareholders of USAL shall be issued one fully paid equity share of BGL for every twenty shares in USAL held by them.
- c. The existing employees of USAL shall be offered employment in BGL on the same terms and conditions, as if there had been no break in the employment.
- d. Dues of OBC, who are the only secured creditor of USAL, will be paid as per the one time settlement arrived at between the parties.
- e. Existing outstanding of BGL to USAL shall be waived.
- f. All other liabilities including statutory dues are to be either settled or taken over by BGL.
- g. The scheme envisages BGL's entitlement to tax benefit u/s 72A of IT Act, 1971 so that the full amount of the accumulated losses of USAL as on the transfer date shall be deemed to be the loss of BGL.

The entire tax benefits accruing to BGL, on USAL's merger with it would be utilised for speedy revival of USAL, by way, inter alia, of promoter's contribution to partly finance the cost of USAL's revival scheme in the manner stipulated in the scheme. The merger scheme is enclosed at Appendix 'A'. The share exchange ratio as worked out by Ratan S.Mama & Co., an independent firm of Chartered Accountants is enclosed at Appendix 'B'.

#### 6.0 JUSTIFICATION OF THE PROPOSED MERGER

6.1 BGL and USAL are companies within the same group. USAL was established with a view to develop a reliable source of supply of castings of superior quality to BGL. Although BGL purchased a bulk of the production of USAL in the past (nearly 50-60%), it was not possible to make USAL viable due to various extraneous reasons beyond the control of the management. The rationale for the merger of USAL with BGL at this stage is as follows:

- a. USAL is now a chronically sick unit. It can't revive on stand alone basis, as all the efforts to rehabilitate the company have failed and company was on the winding up route. In order to put the unit back on the rails substantial capital expenditure involving sizable fund would be required which USAL would not be in a position to arrange. Moreover, USAL also needs support for assured off take of its products which would be taken care by BGL. An additional advantage would be that the scrap and borings generated by BGL would be used as a raw material by USAL.



- b. BGL has plans for expansion of its facilities and due to the uncertain market conditions it is imperative for it to find a reliable source of quality steel and castings. Merger of USAL will facilitate BGL to have a backward integration through which it will be able to control quality and costs.
- c. BGL has tied up confirmed orders for tractor parts in USA and for gears for the Tata Sumo Vehicle. To meet the additional demand, BGL proposes to expand its capacity by establishing a new manufacturing unit. Since the expansion of BGL's proposed activity can be met at USAL's existing site, BGL would be in a position to save substantial cost on land, building etc.
- d. BGL is a professionally managed company with sound financial base, therefore, after merger, USAL will also have professionals at management level which will strengthen its managerial capacity.
- e. Full operation of USAL will generate additional employment to about 100 persons.
- f. Implementation of the rehabilitation scheme of USAL through merger with BGL will result in settlement of dues of OBC, payment of fixed deposit holders and other creditors of USAL. The payment of the above dues by USAL out of its own resources appears to be remote.

## 7.0 EXISTING FACILITIES OF USAL

### 7.1 Manufacturing process & product range :

7.1.1. The manufacturing process involves the melting of steel scrap in furnaces to form molted steel which is then poured into moulds. Steel scrap of any shape is procured and processed by adding alloy elements to refine the sheets. On oxidising or reducing slag the same molten metal is tested and then cast into ingots of different shapes & sizes. The ingots are then sent to a rolling mill for rolling into different sections like rods, flats etc. The resulting steel & castings are basic inputs to the engineering industry.

### 7.2 Land & Building

7.2.1. USAL has 17 acres of leasehold land at Faridabad obtained on lease from the Arya Pratinidhi Sabha Trust. The book value of the land as on 31.3.97 was Rs.92.98 lakhs. Depreciated value of building was Rs.65.14 lakhs.

### 7.3 Plant & Machinery

7.3.1 The major component of the plant & machinery of USAL comprises of three furnaces, of which one is an induction arc furnace (capacity 1 tone) and two electric arc furnace (capacity 8 tones and 10 tones). Apart from the furnaces, the company has a sophisticated spectrometer, moulds, electrical installations and misc. equipments. The gross block of plant & machinery was Rs.425 lakhs, of which electric arc furnaces were valued at Rs.153 lakhs

and induction arc furnace was valued at Rs.50.50 lakhs. The depreciated value of the plant & machinery was Rs.188 lakhs.

#### 8.0 COST OF SCHEME

(Rs.in lakhs)

Settlement of Liabilities	790.17
Capital Expenditure	770.98
Pro-Operative Expenses	61.21
Contingencies	65.68
Working Cap. Margin	3.03
<u>900.90</u>	<u>-----</u>
Total	1691.07
	<u>-----</u>

#### 8.1 MEANS OF FINANCE :

Interest free funds from Bharat Gears Ltd	1531.07
Tax Benefit due to carry forward of losses	160.00
<u>Total</u>	<u>-----</u>
	1691.07

Item wise detailed break up has been provided in Annexure VIII & VIIIA.

#### 8.2 RESTRUCTURING OF BALANCE SHEET OF USAL

8.2.2 As a result of one time settlement of the dues of BGL, reduction in share capital, writing off a portion of current liabilities and unsecured loan of BGL to USAL the balance sheet of USAL is proposed to be restructured.

The projected balance sheet of USAL as on 31.3.98, before restructuring and after restructuring is shown in Annexure IX. The provisional Profit & Loss Account of USAL for the year ended 31.3.98 is shown in Annexure X.

#### 8.3 PROJECTED WORKING RESULTS

8.3.1 It is presumed that after merger on 1.4.98 USAL shall become a division of BGL and restart commercial production from 1st of January 1999 i.e. the division shall operate for three months during 1998-99. Capacity



utilisation for the said year have been assumed at 40%, raising to 85% from the year 2002 onwards. During 1st year of operation the USAL division is expected to incur a cash loss of Rs.21.88 lakhs. However, the division is expected to earn substantial cash profit from second year onwards. Summarised projected performance upto the year 2001 (details in Annexure XI) is given below :

Year Ending 31st March	Rs.in lakhs		
	1999	2000	20001
Sale Value/(Transfer price)	166	832	1332
Contribution	87	435	695
Fixed overheads	104	212	293
PBIDT	(17)	223	402
Interest	6	6	6
Other Income	1	7	12
Cash Profit	(22)	222	406
Depreciation	114	135	156
PBT	(136)	87	250
Tax	--	--	--
PAT	(136)	87	250

#### 8.4 PROJECTED WORKING CAPITAL REQUIREMENT

8.4.1 BGL is presently enjoying credit facilities from banks with State Bank of India in the lead. It may be seen from the projected working capital requirement (Annexure XII) that the envisaged bank borrowing during 1998-99 has been assumed at Rs.19 crores against the existing credit limit of Rs.19.50 crores. BGL is, therefore, not required to seek additional bank finance for running the USAL division.

#### 8.5 PROJECTED CASH FLOW STATEMENT

8.5.1 The projected cash flow statement from 1999 has been shown in Annexure XIII. It may be seen from the same that the ~~Q2~~ payment of QRC has been shown in



1998-99. Apart from the above, payment of the fixed deposit holders (Rs.4.15 lakhs), payment to HSEB (53.44 lakhs), Gratuity payment (Rs.1.58 lakhs) to the employees, payment to other creditors (41.62 lakhs), has also been shown for payment during 1998-99. The proposed capital expenditure required for rehabilitation of USAL division of BGL has also been shown under application of fund during 1998-99.

#### 8.6 PROJECTED BALANCE SHEET

8.6.1 It may be seen from Annexure XIV that net worth of the merged company ~~immediately~~ becomes positive as on ~~1.4.98~~. However, considering USAL division as a separate corporate entity the net worth becomes positive by the year 2002.

#### 9.0 RELIEFS AND CONCESSIONS

A. Bank - Oriental Bank of Commerce (OBC)

- i) To accept Rs.636.84 lakhs being settled amount as on 30.9.97 plus interest @ 16.5% per annum w.e.f. 1.10.97 upto the date of actual payment on settled amount. The bank shall waive all other dues other than above. The bank however, shall retain the charge on the assets of the company till the full and final settlement of the dues as per OTS.

The Bank has confirmed having received the entire OTS amount and that USAL is discharged of all liabilities of whatsoever nature.

B. Haryana State Electricity Board (HSEB)

- i) To mutually settle the due amount with the company. However, a provision of Rs.53.44 lakhs against the settlement of dues of HSEB is being provided in the scheme.
- ii) To ensure continuous power supply to the company.

C. Govt.of Haryana (GOH)

As per the policy for sick units of the State Government, the reliefs and concessions are to be limited for a period of 5 years. M/s. USAL have already availed the reliefs and concessions. Further concessions, if any, can only be allowed by the Steering Committee, Haryana.

D. Govt.of India (GOI)/(Income Tax)

To allow BGL to avail tax benefits under Section 72A of I.T. Act 1961 so that full amount of the accumulated losses and unabsorbed depreciation of USAL as on the date of transfer shall be deemed to be the loss or depreciation allowance of BGL. The matter may be reviewed, if necessary, in the light of the decision of the Supreme Court in the SLP filed by the Income Tax Department in Tata Telecom Ltd.





E. Bharat Gears Ltd (BGL)

- i) Shall bring in additional interest - free unsecured loans of Rs.1626.64 in the manner stipulated in the scheme to meet a part of the project cost.
- ii) Shall strengthen the functional management of USAL division.
- iii) Shall institute monitoring/control measures such as Management Committee, Internal Audit etc for USAL division.
- iv) Shall meet any undisclosed liability of USAL, if any, as on the date of transfer of the undertaking of USAL out of its own resources.
- v) Shall meet shortfall, if any, in the projected generation of funds for USAL, out of cost over run or otherwise as a division of BGL.
- vi) Shall enter into a long term agreement with the workers of both BGL and USAL for smooth implementation of the merger scheme.

F. Workers of BGL/USAL

- i) Shall enter into a long term agreement with the management of BGL for smooth implementation of the merger scheme.



10. CONCLUSION AND RECOMMENDATION

10.1 The rehabilitation of USAL on stand alone basis could not be implemented so far and as a result the company was heading for winding up. For the purpose of converting the unit into a profitable undertaking, substantial capital expenditure as well as reduction of debt burden involving heavy capital outlay would be required. USAL, being a chronically sick unit would not be able to meet the above requirements out of its own resources. At that stage BGL brought a proposal for merger of the unit with it. The proposed merger shall benefit all concerned as may be seen from the above report. BGL is a healthy profit making company, capable of taking the liability of USAL for its own benefit and the proposed merger in any case is not likely to affect the financial health of BGL adversely. Therefore, considering all aspects the proposed merger of USAL with BGL is support worthy.

11.0 GENERAL TERMS AND CONDITIONS:

(i) The company shall submit half yearly progress reports in the BIFR on the implementation of the scheme and the physical and financial performance of the company, with a copy to IIBI designated as Monitoring Agency (MA) within a period of one month from the date of relevant half years. The MA shall submit the said reports alongwith its comments to the BIFR within one month of the receipt thereof.

(ii) The package of reliefs/concessions shall be subject to annual review and the Institutions/Banks shall have right to accelerate the repayments/ increase the inter-

rate(s) should the profitability, cash flow and other circumstances so warrant, based on such reviews and after obtaining the approval of BIFR.

(iii) In case the projections in respect of the company do not materialise to the extent envisaged, the shortfall in the projections shall be met by the promoters by bringing in interest free funds from their own sources.

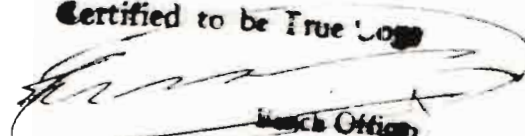
(iv) Any contingent liability or any other liability of USAL not known at the time of financing and sanctioning of the Rehabilitation scheme, shall be met out of additional ~~interest~~ free funds to be brought in by BGL as and when required.

  
(S.L. KAPUR)  
MEMBER

  
(ASHIM CHATTERJI)  
MEMBER

Place : New Delhi

Date : 06.10.98

  
Certified to be True Copy

Branch Officer,  
Board for Industrial and  
Financial Reconstruction





**BOARD FOR INDUSTRIAL & FINANCIAL RECONSTRUCTION**

**SCHEME OF AMALGAMATION/MERGER OF  
UNIVERSAL STEEL & ALLOYS LTD. (USAL)  
WITH  
BHARAT GEARS LIMITED (BGL)**

**SCHEME**

1. The scheme shall become operative from the effective date.
2. In this scheme, unless the context otherwise requires:
  - i) 'The Transferor Company' means **Universal Steel & Alloys Ltd (USAL)**, company incorporated under the Indian Companies Act, 1956, whose Registered Office is situated at Allahabad Bank building, 17 Parliament Street, New Delhi 110 001
  - ii) 'The Transferee Company' means **Bharat Gears Ltd. (BGL)** a company incorporated under the Indian Companies Act, 1958 whose Registered Office is situated at Chiranjiv Tower, 43, Nehru Place, New Delhi 110 019
  - iii) 'The Act' means the Sick Industrial Companies (special provisions) Act, 1985 hereinafter called as the 'Act'
  - iv) 'The BIFR' means the Board for Industrial and Financial Reconstruction constituted under section 4 of the Act
  - v) 'The Transfer Date' means 1<sup>st</sup> April 1998
  - vi) 'The Effective Date' means the date on which last of the approvals or orders hereinafter provided shall be obtained and/or given and/or passed as the case may be
  - vii) 'Universal Steel and Alloys shareholders' means the persons who are registered in the Register of Members of the Transferor company as the holders of the subscribed and paid up capital of the Transferor company as on the 'Transfer date' or such later date as the Board of Directors of the Transferee company in agreement with the concerned Stock Exchange may determine
  - viii) The long term debt means the principal amount of the loans from Oriental Bank of Commerce (hereinafter defined as bank) together with interest thereon
  - ix) 'USAL Division' means the existing undertaking of USAL, which after amalgamation with BGL will be considered as USAL Division
3. a) The authorised Share Capital of the Transferor company is Rs 2,00,00,000/- divided into 15,00,000 equity shares of Rs 10/- each and 50,000 cumulative preference share of Rs 100/- each. The issued, subscribed and paid up capital is Rs 57,50,000/- divided into 5,75,000 Equity Shares of Rs 10/- each.  
b) As on 1<sup>st</sup> April 1998, the Transfer Date, the Authorised Share Capital of the Transferee company is Rs 21,00,00,000/- divided into 200,00,000 (Equity) share of Rs 10/-

each & 1,00,000 cumulative Redeemable convertible or non-convertible preference shares of Rs 100/- each. The issued subscribed and paid up capital is Rs 4,81,83,010 divided into 48,18,301 equity shares of Rs. 10/- each.

#### 4 The Scheme :

This scheme of Merger (hereinafter referred to as the 'Scheme' ) is effective from end of 31.03.98 and commencement of 01.04.98 which date is hereinafter referred to as the Transfer date. This Scheme is conditional upon and subject to the sanction of the BIFR and its specifying the date on which it is to come into force pursuant to Sec. 18(4) of the Act, the date being hereinafter referred to as the 'Effective Date', provided different dates may be specified by BIFR for different provisions of the scheme pursuant to the above section.

5. With effect from the 'Transfer Date', the entire undertaking (s) and business of the Transferor company including all its properties, movable, immovable and other assets of whatever nature including but without being limited industrial and other licences; permits, quotas, rights and other industrial right of any nature whatsoever, rights arising from any other contracts/agreements, leases, tenancy rights, investments in share or otherwise, stock-in-trade, workshop tools, advances or of moneys of all kind, book debts, outstanding moneys, recoverable claims, the right to receive payments of deposits or securities, if any, made by the Transferor company together with interest thereon, trade marks and patents and other industrial properties, benefits of all agreements and all the rights under the scheme of sales tax concessions to new industrial units, and the entitlements under the scheme of subsidies for industrial units set up in backward districts (hereinafter referred to as 'The said Assets') shall without any further act or deed, be transferred to and vested in the Transferee company pursuant to an order to that effect of the BIFR and on the Transfer date, the Transferor company shall be deemed to have been merged with the Transferee company.

6. With effect from the Transfer date, all debts, liabilities, duties and obligations of the Transferor company excepting any liability towards interest upto 31-3-98 on unsecured loans of the Transferor company with reliefs and concessions (subject to conditions, if any) as enumerated hereinafter (hereinafter referred to as 'The Said liabilities') shall also stand transferred or deemed to be transferred, without any further act/deed, to the Transferee Company so as to become the debts, duties, liabilities and obligations of the Transferee company pursuant to an order to that effect of the BIFR provided always that the scheme shall not operate to enlarge the security for any loan, deposit or facility created by or available to the Transferor company, which shall vest in the Transferee company by virtue of this merger and save as hereinafter provided the Transferee company shall not be obliged to create any further or additional security therefor after the merger has become effective or otherwise.

7. Subject to other provisions of this scheme, all contracts, deeds, bonds, agreements and the instruments of whatsoever nature to which the Transferor company is a party or to the benefits of which the Transferor company may be entitled, subsisting or having effect immediately before the Effective date, shall be and remain in full force and effect against or in favour of the Transferee company as the case may be, and may be enforced as fully and effectively as if instead of the transferor company the Transferee company had been a party or a beneficiary thereto, save and except that the clauses relating to appointment of one or more Directors, deputation of observers, appointment, reappointment, remuneration and change of Managing Director, whole time Director/Manager, key officials, declaration and/or issue of



dividends, raising, borrowing and/or reducing of loans, credits and investments, contribution of charitable and other funds and appointment of agents or distributors contained in the agreements with or correspondence exchanged between the Transferor company and the bank shall be deleted and/or modified by the bank to the mutual satisfaction of the Transferee company and the concerned bank.

8 All legal and other proceedings by or against the Transferor company, if any, pending in any Court/Tribunal or before any other Authority on the Effective date and relating to the Said assets, the said liabilities and obligations and duties referred to in clause 7 above shall be continued and enforced by or against the Transferee company as the case may be.

9 The transfer of the said assets and the said liabilities of the Transferor company under clause 5 & 6 hereof to the Transferee company and the continuance of all contracts/proceedings by or against the Transferee company under clause 7 & 8 hereof shall not affect any contracts or proceedings already concluded by the Transferee company in the ordinary course of business on or after the transfer date to the intent that the Transferee company accepts and adopts all acts, deeds, matters and things done lawfully and/or executed by the Transferor company in regard thereto as having been done or executed on behalf of the Transferee company

10 Upon the transfer of the said assets and the said liabilities of the Transferor company, pursuant to clause 5 & 6 hereof and the merger of the transferor company with the Transferee company becoming effective in terms of this scheme, the consideration in respect of such transfer shall, subject to the provisions of this scheme, be paid and satisfied by the Transferee company as follows

- a) The Transferee company shall pay and discharge the dues to the bank in the manner provided in the Annexure appended hereto (The Revival Scheme)
- b) The Transferee company shall takeover all the current liabilities and bank borrowing for working capital from the transfer date.
- c) The Transferee company shall issue at par and allot to the Universal Steel & Alloys equity shareholders shares in the Transferee company in the proportion of One equity share of the face and paid up value of Rs 10/- each of the Transferee Company credited as fully paid up for every twenty (20) equity shares of the face & paid up value of Rs 10/- each held by the equity shareholders of the Transferor company on such date after the Transfer date as the Board of Directors of the Transferee company may determine. Since the ratio of conversion is 1 : 20, fractions arising therefrom shall be treated in terms of clause (e) herein below
- d) Notwithstanding anything contained in the Companies Act, 1956, the Transferee company shall issue and allot equity shares to the Universal Steel and Alloys Equity shareholders pursuant to this scheme by way of issue and allotment of equity shares of Rs 10/- each as fully paid up or as near thereto in such proportion and manner and for this purpose, with the approval of the shareholders of the Transferee company as specified in relevant clause of the scheme and Transferee company's share capital would accordingly be altered to give effect to the above

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- e) No certificate and/or coupons in respect of or representing any share holding in the Transferee company of a fraction of an equity share shall be issued to the Members of Transferor company who become entitled to a fraction of such shares in respect of their holding by virtue of clause 10(c) hereof. All equity shares of the Transferee company constituting fractions shall be allotted to a Director on the express condition that such person aforesaid shall sell the shares so allotted on such terms and conditions as are approved by the Board of Directors of Transferee company after the relevant share certificates are ready and the net sale proceeds thereof together with any dividends or other benefits which may accrue thereon after deducting therefrom all reasonable expenses of an incidental to the sale, shall be credited to the accounts of the Members entitled to such fractions and shall be distributed pro rata among such members of the Transferor company in respect of their respective entitlements to the fraction aforesaid
- f) The said equity shares in the Transferee company to be issued to the Transferor company shareholders shall rank pari passu in all respects with the existing equity shares in the Transferee company except that the holders of the said equity shares shall be entitled to pro rata dividend, for the year in which equity shares in the Transferee company shall be allotted to the Universal Steel & Alloys shareholders, from the date of such allotment
- g) Such of the Universal Steel & Alloys shareholders who do not want to retain the equity shares of the Transferee company shall have the option to get their entitlement of equity shares in the Transferee company sold through the Transferee company at a price to be decided by the Board of Directors of the Transferee company
- h) All members whose names shall appear in the Register of Members of the Transferor company on such date (after the effective date) as the Board of Directors of the Transferor company may determine shall surrender their share certificates for cancellation thereof to the Transferee company. In default, upon the new shares in the Transferee company being issued and allotted by it to the transferor company shareholders whose names shall appear on the Register of Members of the Transferor company on such date as aforesaid, the share certificates in relation to the shares held by them in the Transferor company shall be deemed to have been cancelled
- 11 Upon the scheme being effective, the liabilities of the Transferor company as on 1-4-98 shall be paid and discharged by the Transferee company in the following manner

The transferee company shall takeover the long term debt, the current liabilities and bank borrowings for working capital without any relief from the 'Transfer date' as agreed upon in the individual context. However, the reliefs/concessions would be granted by the bank as incorporated in the scheme for USAL's revival and that the Transferee company shall settle/pay the dues outstanding to the bank/workers of Transferor company/State Govt/Govt of India/Creditors in accordance with the provisions of the aforesaid scheme

- 12 The Transferee company shall, if not already empowered, pass the requisite Special Resolution pursuant to Sec 81 (1-A) of the Companies Act, 1956, and in accordance with the provisions of Articles of Association of the transferee company for the offer and allotment of equity shares in the Transferee company to the USAL shareholders in accordance with and subject to the provisions of this scheme



13. Investment allowance reserve, if any, of the Transferor company as at 31-3-98 shall be deemed to have been transferred to Investment Allowance reserve in the Transferee company. Reserves excluding investment allowance reserve of the Transferor company as at 31-3-98 shall be deemed to have been transferred General Reserve in the Transferee company.

14. From the Transfer date, a suitable clause will stand incorporated in the main objects clause in the Memorandum of Association of the Transferee company and the Transferee company shall be deemed to have been entitled to commence the business pursuant to the said object with effect from the said date.

15. With effect from the 'Transfer date' and up to the 'Effective date' the Transferee company:

- a) Shall be deemed to have carried on all business and activities and shall be deemed to have held and stood possessed of all the properties and assets so to be transferred for and on account of and in trust for the Transferee company and that all the profits or incomes accruing or arising to the Transferor company or expenditures or losses arising or incurred by it shall for all purposes be treated as the profits or incomes, expenditures or losses of the Transferee company as the case may be.
- b) Hereby undertakes to carry on its business and activities with utmost prudence and shall not deal with the said assets or any part thereof except in the ordinary course of business without the prior consent of the transferee company.
- c) Shall not vary the terms and conditions of the employment of any of its employees except in the ordinary course of business, and
- d) Shall not without the concurrence of the Board of Directors of the Transferee company undertake any line of business.

16. The accounts of the Transferor company have been made up in accordance with the requirement of the Companies Act, 1956, and the Income Tax Act, 1961, for the period ended 31-3-98. The profit or loss of the Transferor company, if any, for the period beginning with 1-4-98 will belong to and be the profit or loss of the Transferee company.

17. The excess of the liabilities of the Transferor company represented by its secured and unsecured loans (excepting as provided earlier herein above and liability towards interest upto the Transfer date on the secured loans of the transferor company) and other current liabilities on the Transfer date shall stand transferred to the Transferee company.

18. The Board of Directors of the Transferee company and of the Transferor company acting jointly or through any person (s) duly authorised by its Board of Directors may assent on behalf of all concerned, (a) to any conditions which the BIFR may deem fit to impose and may do all acts, deeds, matters and things necessary or usual for carrying this scheme into effect, and (b) to any modifications of or amendments to this scheme.

19. (a) BGL shall be eligible for benefit of set off of carry forward losses unabsorbed depreciation of USAL in accordance with the provisions of Sec 72(A) of the Income Tax Act, 1961, relating to set off and carry forward loss and allowance for depreciation and that it shall not be necessary for the merged company i.e. BGL to submit the scheme of merger to the specified authority and no declaration from the Central Govt. as provided by Sec 72(A) of the

Income Tax Act, 1961, shall be required for the purpose of enabling amalgamated company i.e. BGL to avail the benefit of the aforesaid set off pertaining to USAL. The benefits of tax reliefs obtained under this section shall be limited to the extent envisaged in the scheme of revival and any items under appeal for USAL and shall be utilised for the revival of USAL (Universal Steel & Alloys division of BGL subsequent to merger) as per the provisions of the scheme. Further, BGL shall be eligible to the benefits of set off of carried forward losses/unabsorbed depreciation of USAL u/s 72A of the Income Tax Act, 1961, and for benefit of set off of carried forward unabsorbed investment allowance of USAL in accordance with Sec 32A(6) of the Income Tax Act, 1961, irrespective of the provisions of Sec. 2(IB)(iii) of Income Tax, 1961

- (b) To consider waiver of the requirement of clause (iii) of Sec. 2(IB) of the Income Tax Act for grant of benefit u/s 72A and Sec. 32A(5) & (6) of the Income Tax Act, in case shares to non-resident shareholders of USAL cannot be allotted to them for any reason whatsoever.
- (c) USAL shall also be exempted from the provisions of Sec. 41(1) of the Income Tax Act, 1961, only in respect of remission of any liability which is specifically provided in the scheme of revival.

20. All the employees of the Transferor company ~~in employment~~ of the Transferor company on the 'Transfer date' in terms of this scheme shall as from such date become the employees of the Transferee company on the basis that their services have not been interrupted by vesting of the undertaking of the transferor company in the Transferee company under this scheme and that the terms and conditions of service applicable to them on the 'Transfer date' as aforesaid will not in any way be less favourable to them than those applicable to them immediately before the 'Transfer date' as aforesaid. The employees of the Transferor company shall, however, abide by all the terms and conditions as set out in any of the Agreement/Memorandum of settlement u/s 18 of the Industrial Disputes Act, 1947, arrived at between the Transferor company and their workers.

21. The scheme although operative from the 'Transfer date' shall be subject to the following approvals and upon all such approvals being obtained shall be deemed to have been effective on the 'Transfer date'.

- a) Approval of this scheme by a Special Resolution passed by the shareholders of the Transferee company
- b) Approval to the issue and allotment of equity shares in the Transferee company to the USAL shareholders in accordance with and subject to the provisions of this scheme by a Special Resolution of the transferee company i.e. BGL pursuant to Sec. 81(I-A) of the companies Act, 1956, as provided in clause 12 of the scheme.
- c) The sanction of this scheme by the BIFR by virtue of the powers vested in it by the Act for the amalgamation/merger under this scheme and for the implementation thereof.

22. All costs, charges, expenses of the Transferor company and the Transferee company respectively in relation to or in connection with the negotiations leading up to this scheme and/or carrying out and completing the terms and provisions of this scheme and incidental to the completion of merger of the Transferor company in pursuance of this scheme shall be borne and paid by the transferee company. In case, however, this scheme is not sanctioned by the BIFR for any reason whatsoever or for any other reason this scheme cannot be

implemented, the parties to this scheme shall bear their respective costs, charges and expenses in connection with the scheme of merger.

23. Upon the scheme being sanctioned by the BIFR, the Transferor company shall stand dissolved without winding up and its Directors shall cease to be its Directors.

24. The Govt consent approval in regard to consequential amendment/change in Letter of Intent/Industrial Licence shall be sought to give effect to the provisions of this scheme.

25. No further approval, permission or sanction shall be needed under the provisions of the Companies Act, 1956, the Capital Issues (Control) Act, 1947, MRTP Act, 1969, or any other Law excepting the Foreign Exchange Regulations Act, 1973 and the Urban Land (Ceiling & Regulations) Act, 1976 with respect to any provision of this scheme and any inconsistent provisions of the said other Acts shall be deemed to have been waived/superseded/not applicable in terms of the provisions of section 32 of the Sick Industrial Companies (Special Provisions) Act, 1985.

26. A copy of this sanctioned scheme should be filed with the Registrar of Companies in the respective State(s).

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**AMALGAMATION OF BHARAT GEARS LIMITED  
WITH UNIVERSAL STEEL AND ALLOYS LIMITED**

**VALUATION OF SHARES OF  
UNIVERSAL STEEL AND ALLOYS LIMITED  
AND ESTIMATE OF THE FAIR RATIO OF EXCHANGE**

**RATAN S MAMA & CO.**



## INDEX

1. INTRODUCTION
  2. SCOPE OF WORK AND LIMITATION OF PURPOSE
  3. OUR APPROACH
    - 3.1 METHODOLOGY
    - 3.2 SOURCES OF INFORMATION
  4. CONCLUSION
-

## **1. INTRODUCTION**

Universal Steel and Alloys Limited ('USAL'), is a mini-steel plant established to manufacture steel ingots. USAL is financially unviable and operations were suspended in 1986 due to accumulated losses. The Board of Industrial and Financial Reconstruction ('BIFR') has recommended winding up of the company. However, a group company, Bharat Gears Limited ('BGL') now proposes to takeover the assets and liabilities of USAL under a scheme of amalgamation to be submitted to the BIFR for its approval.

The objective of our assignment is to provide an independent opinion on the value of the shares of USAL for the limited purpose of determining the ratio of exchange in the proposed scheme of amalgamation with BGL.

## **2. SCOPE OF WORK AND LIMITATION OF PURPOSE**

Our approach was to arrive at an informed opinion about the fair value of each share of USAL for the specific objective of determining the ratio of exchange for the proposed scheme of amalgamation and should not be used for any other purpose.

The conclusions and opinion contained in this report are based on the information and details provided by the management and certain assumptions which we considered to be valid and appropriate under the circumstances. We have not verified the accuracy, completeness or reliability of any information furnished to us for this purpose other than a review for overall consistency. Similarly, we have not physically verified any of the assets or liabilities of the company.

Our report should not be construed as an audit or investigation of any financial information or an evaluation of the commercial viability of the company.

### 3. OUR APPROACH

#### 3.1 METHODOLOGY

The net asset basis of valuation was considered to be the most appropriate under the circumstances. The alternative methods like market price, discounted cash flow or earnings capitalisation were not considered due to the following reasons:

1. USAL is a sick company, the winding up of which has already been recommended by the BIFR. Therefore, the assumption of going concern is not valid and the break-up value of the assets should therefore be the basis of valuation.
- 2.— The operations of USAL are not considered to be viable. The merger is intended as a bail out by a group company.
3. Although the unit will recommence operations subsequent to the merger, the output is initially intended to be used as captive consumption by BGL. Accordingly, the question of future cash flows or earnings projections does not arise.
4. The shares are not frequently traded and the market price cannot therefore be considered to be a true measure of the value of the future earnings of the market.

In arriving at the fair market value we have factored in the following aspects:

1. Market value of the real estate.
  2. The tax benefit which would be available to BGL as a result of the benefit of set-off of the loss of USAL against its profits.
  3. Material changes subsequent to March 31, 1997, including the remission of liabilities as proposed under the scheme of amalgamation.
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### 3.2 SOURCES OF INFORMATION

While undertaking this assignment, we have relied upon the

1. Audited financial statements of USAL and BGL for the financial year 1996-97.
2. Operating results (pre-merger) of USAL
3. Valuation report of land and building of M/s Madhukar Sharma & Associates.
4. Information and explanations furnished by the management.
5. Market intelligence and discussions with industry experts.

### 4. CONCLUSION ---

In our opinion, the fair value for each equity share of USAL is Rs. 1.50.

It should be noted that any change in the financial information provided to us or the occurrence of any event which materially affects the business or the assets and liabilities of the company would change our estimate of the fair value stated above.



**BHARAT GEARS LIMITED**

**ANNEXURE 8.1**

**COMPUTATION OF VALUE PER SHARE**

	AMOUNT
Net worth as on March 31, 1997 (Rs. in lacs)	<u>2.981</u>
Number of shares	<u>4,818,301</u>
Book value per share	<u>61.87</u>
Average market value per share of Bharat Gears Limited of last 6 months	<u>29.24</u>
Average value per share	<u>45.55</u>

**BHARAT GEARS LIMITED****ANNEXURE 8.2****AVERAGE SIX-MONTHS HIGH-LOW QUOTATIONS**

MONTH	HIGH Rs	LOW Rs	AVERAGE Rs
May-97	27 00	24 75	25 88
June-97	32 25	21 00	26 63
July-97	33 35	29 20	31 28
August-97	40 10	30 25	35 18
September-97	29 00	27 00	28 00
October-97	29 95	27 00	28 48
Total Rs	191 65	159 20	175 43
Average Rs	31 94	26 53	29 24

UNIVERSAL STEEL AND ALLOYS LIMITED

APPENDIX 8.3

COMPUTATION OF RATIO OF EXCHANGE

	AMOUNT
Value per share of Universal Steel and Alloys Limited	<u>1 55</u>
Average market value per share of Bharat Gears Limited of last 6 months	<u>29 24</u>
Ratio of exchange	<u>1 20</u>

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UNIVERSAL STEEL AND ALLOYS LTD

BRIEF PARTICULARS

Annexure -1

NAME OF THE COMPANY	UNIVERSAL STEEL AND ALLOYS LTD
ADDRESS Regd Office	Against Bank Building Patel Street New Delhi 110001
Works	Gurgaon Industrial Estate P. O. Gurgaon Faridkot, Haryana
Whether the company is located in a notified backward area	No
Constitution	Public limited company
Sector	Private sector
Year of incorporation	1977
Lines of Manufacture	Steel
Licensed Capacity	Steel 28000 Tonnes
Installed Capacity	Steel 28000 Tonnes
Achievable Capacity	Steel 100 Tonnes
Whether MRTP/FERA Co	No
Size of the unit	Large
Uses of finished products	Used in automotive component manufacturing as basic raw materials
Whether for direct exports or considered as deemed exports	Nil
Employment Strength as on 31/12/97 :	
Officers	
Supervisors	
Permanent Workers	
Badli/Casual Workers	



# UNIVERSAL STEEL AND ALLOYS LTD

## BRIEF PARTICULARS

Annexure - I (contd.)

### Capital Structure and Shareholding Pattern

Authorised	Nos	Value Rs lakhs
Equity Shares of Rs 10/- each	1500000	150
Cumulative Preference Shares of Rs 100/- each	50000	50
Total		200

### Paid up / Subscribed

#### PARTICULARS

Nos EQUITY  
RS LACS %AGE

#### Indian Promoters

RAUNAQ GROUP AND ASSOCIATES	122000	12.20	21.22
DIRECTORS AND RELATIVES	82216	8.22	14.30

#### Financial Institutions:

BANKS	1700	0.17	0.30
Industrial Finance Corpn	73350	7.34	12.76
	75050	7.51	13.05

#### PUBLIC & OTHERS

295734	29.57	51.43
575000	57.50	100.00

Whether Share listed on  
Stock exchange

Yes Delhi Stock exchange.

Dividend record for last 5 years

Nil

#### Board of Directors

Chairman

Mr Raunaq Singh

Nominee of BIFR

Mr R S Aggarwal

Nominee of Haryana Govt

Mr Ajit M Sharan

Nominee of Haryana Govt

Miss Asha Jarrath

Nominee of HSIDC

Mr M K Jain

Mr. U S Anand

# BHARAT GEARS LTD

## BRIEF PARTICULARS

Annexure - II

NAME OF THE COMPANY	BHARAT GEARS LTD	
ADDRESS Regd Office	Chiranjiv Towers, Nehru Place New Delhi 110019 Tel : 6431724 Fax 6410828	
Head Office	Hoechst House, Nariman Point Bombay 400021. Tel : 2831114 Fax 2870297	
Works	Kausa Shil, Mumbai Dist Thane 400612 Tel : 5352034 Fax 5351651	
Whether the company is located in a notified backward area	No	
Constitution	Public limited company	
Sector	Private Sector	
Year of incorporation	1972	
Lines of Manufacture	Automotive Gears Automotive Gear Boxes Industrial Furnaces	
Licensed Capacity	Automotive Gears	4000 Tonnes
	Automotive Gear Boxes	10000 nos
	Industrial Furnaces	20 nos
Installed Capacity	Automotive Gears	7500 Tonnes
		1830000 nos
	Automotive Gear Boxes	2500 nos
	Industrial Furnaces	20 nos
Achievable Capacity	Automotive Gears	6525 Tonnes
		1600000 nos
	Automotive Gear Boxes	1000 nos
	Industrial Furnaces	5 nos
Whether MRTP/FERA Co	No	
Size of the unit	Large	
Uses of finished products	Automotive Gears	For assembly into automobiles
	Automotive Gear Boxes	For assembly into automobiles
	Industrial Furnaces	For use of automobile component mtl
Whether for direct exports or considered as deemed exports	About 25% of automotive gears are for direct exports	
Employment Strength as on 31/12/97 :		
Officers	75	
Supervisors	250	
Permanent Workers	995	
Badly/Casual Workers	350	

# **BHARAT GEARS LTD**

## **BRIEF PARTICULARS**

Annexure - II (contd.)

### **Capital Structure and Shareholding Pattern**

Authorised	Nos	Value Rs lakhs
Equity Shares of Rs 10/- each	20000000	2000
Redeemable Preference Shares of Rs 100/- each	100000	100
<b>Total</b>		<b>2100</b>

### **Paid up / Subscribed**

PARTICULARS	Nos	EQUITY RS LACS	%AGE
<b>Indian Promoters</b>			
RAUNAQ GROUP	534260	53.43	11.09
<b>Foreign Collaborators</b>			
ZF Friedrichshafen AG	1252093	125.21	25.99
<b>Financial Institutions</b>			
Unit Trust of India	819580	81.96	17.01
Life Insurance Corpn	475720	47.57	9.87
MUTUAL FUNDS	217550	21.76	4.52
New India Assurance	164200	16.42	3.41
FI	99900	9.99	2.07
Oriental Insurance	45710	4.57	0.95
General Insurance	45000	4.50	0.93
United India Insurance	33110	3.31	0.69
National Insurance	21600	2.16	0.45
<b>BANKS</b>			
Industrial Finance Corpn	2990	0.30	0.06
	2662	0.27	0.06
	<b>1928022</b>	<b>192.80</b>	<b>40.01</b>
<b>PUBLIC &amp; OTHERS</b>			
	<b>1103926</b>	<b>110.39</b>	<b>22.91</b>
	<b>4818301</b>	<b>481.83</b>	<b>100.00</b>

Whether Share listed on Stock exchange

Yes, Mumbai, Delhi and National Stock exchanges

Dividend record for last 5 years

1992/93	18 %
1993/94	14 %
1994/95	18 %
1995/96	20 %
1996/97	22 %

### **Board of Directors**

Chairman	Mr Raunaq Singh
Vice Chairman & MD	Mr Sunder P Kanwar
Nominee of ZF	Mr W R Schilke
Nominee of ZF	Mr A F Hartmann
	Dr Ram S Tameja
	Dr S M Pillai
	Mr R D Thapar
	Mr N J Kamath
	Mr J B Dastgheerji
Nominee of LIC	Mr Y P Gupta

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## Annexure - III

## Universal Steel And Alloys Limited

## Statement of Past Working Results (Audited)

Rs. Lacs

Period ended March 31	1995	1996	1997
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Production (MT)	NIL	NIL	NIL
Sales	7.34	4.34	4.11
Raw Material	7.05	3.37	0.26
Excise Duty	0.54	0.03	0.04
Employee Related Expenses	5.14	3.75	4.08
Rent Rates & Taxes	0.76	0.76	0.76
Insurance	0.38	0.36	0.36
Provision for Doubtful Debts/Loans & Advances	7.49	5.13	0.23
Irrecoverable balance written off	3.08	0.52	-
Administration Expenses	1.80	1.27	0.96
Total Expenses	26.24	15.19	6.69
Gross Profit/(Loss)	(18.90)	(10.85)	(2.58)
Interest	218.07	266.82	336.19
Other Income	2.51	41.16	3.58
Net Profit/(Loss)	(234.46)	(236.51)	(336.19)



## Annexure-IV

## Universal Steel And Alloys Limited

## Past Financial Position

Rs. Lacs

Period ended March 31	1995	1996	1997
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**Assets**

Gross Fixed Assets	680.72	680.72	680.72
Depreciation	311.17	321.55	331.50
Net Fixed Assets	369.55	359.17	349.22
Investments	0.05	0.05	0.05
<b>Current Assets</b>			
Raw Material	3.93	3.93	3.93
Finished Goods	12.95	9.58	9.32
Stores & Spares	8.98	8.98	8.98
Loose Tools	0.37	0.37	0.37
Cash & Bank Balance	1.14	2.69	1.40
Receivables	11.42	5.56	5.33
Loans & Advances	20.03	19.56	19.52
<b>Total Assets</b>	<b>428.42</b>	<b>409.89</b>	<b>398.12</b>

**Liabilities**

Share Capital	57.50	57.50	57.50
<b>Reserves &amp; Surplus</b>			
Capital Reserve	200.74	190.35	180.41
<b>Secured Loans</b>			
Term Loan from IRBI	90.00		
from C.B.C.			
Cash Credit	406.71	406.71	406.49
Term Loan	100.00	100.00	100.00
Interest accrued and due on term loan	768.07	993.09	1,329.27
<b>Unsecured Loan</b>			
Fixed Deposits	4.17	4.15	4.15
Others	101.75	196.54	196.54
<b>Current Liabilities &amp; Provisions</b>			
Sundry Creditors	151.61	151.67	149.62
Others Creditors	83.15	81.67	81.98
Advances from customers	20.20	20.20	19.00
Unclaimed Dividends	0.45	0.45	0.45
Provision for Gratuity	0.94	0.94	1.28
<b>Total Current Liabilities</b>	<b>256.35</b>	<b>254.93</b>	<b>252.33</b>
<b>Accumulated Losses</b>	<b>(1,556.87)</b>	<b>(1,793.38)</b>	<b>(2,128.57)</b>
<b>Total Capital &amp; Liabilities</b>	<b>428.42</b>	<b>409.89</b>	<b>398.12</b>

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## Annexure - V

**Bharat Gears Ltd**  
**Past Working Results**  
**for the year ended 31.3 ..**

(Rs. In lakh)

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
<b>Sales &amp; Other Income</b>	<b>11519</b>	<b>11207</b>	<b>8509</b>	<b>6859</b>	<b>7246</b>
Raw materials & Components (inc. Ex. Duty & Proce. Chgs)	5095	5438	4057	3307	3632
Contbn. (value added)	6424	5769	4452	3552	3614
Personnel	1768	1442	1193	1039	906
Stores, Tools, Power & Fuel and Repairs & Maintenance	1842	1630	1329	1241	1160
Lease Rent	227	224	184	66	58
Other Expenses	773	838	559	415	458
<b>Profit before Intt. &amp; Depcn.</b>	<b>1814</b>	<b>1157</b>	<b>720</b>	<b>363</b>	<b>582</b>
Intt. & Other Bank Charges	456	478	467	428	450
<b>Prft after Intt. &amp; before Depcn</b>	<b>1358</b>	<b>1157</b>	<b>720</b>	<b>363</b>	<b>582</b>
Depreciation	310	365	303	289	291
Profit after depreciation	1048	792	417	74	291
Prov. for earlier years written back					23
<b>Profit before taxes</b>	<b>1048</b>	<b>792</b>	<b>417</b>	<b>74</b>	<b>314</b>
Taxes on Income	397	277	161	5	73
<b>Profit after Taxes</b>	<b>651</b>	<b>515</b>	<b>256</b>	<b>69</b>	<b>241</b>

## Annexure - VI

**Bharat Gears Ltd**  
**Past Financial Position**  
**as at 31.3 ..**

	(Rs. In lakh)				
	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1995</u>
Cash & Bank Balances	218	329	203	35	99
Loans & Advances	399	311	268	429	521
Sundry Debtors	2385	2223	1536	1223	1608
<b>Liquid Assets</b>	<b>3002</b>	<b>2863</b>	<b>2007</b>	<b>1687</b>	<b>2228</b>
Inventories	1836	1988	2217	1563	1230
<b>Current Assets</b>	<b>4838</b>	<b>4851</b>	<b>4224</b>	<b>3250</b>	<b>3458</b>
Provisions	228	213	224	111	210
Sun. Creditors & Acceptances	1925	2354	2009	1348	1149
Other Current Liabilities	263	359	309	257	304
<b>Current Liabilities</b>	<b>2416</b>	<b>2926</b>	<b>2542</b>	<b>1716</b>	<b>1663</b>
Working capital	2422	1925	1682	1534	1795
Net Fixed Assets (excl. Revaluation)	2563	2537	2407	2357	2166
Investments	170	170	158	141	141
<b>Capital Employed</b>	<b>5155</b>	<b>4632</b>	<b>4247</b>	<b>4032</b>	<b>4102</b>
Long Term Loans	1236	1565	1650	1656	1187
Deferred Payment Credits	13	28	50	74	103
Long Term Debt	1249	1593	1700	1730	1290
Bank Overdraft	810	582	408	330	854
Fixed Deposits	115	127	228	231	220
<b>Total Debt</b>	<b>2174</b>	<b>2302</b>	<b>2336</b>	<b>2291</b>	<b>2364</b>
<b>Net Assets</b>	<b>2981</b>	<b>2330</b>	<b>1911</b>	<b>1741</b>	<b>1738</b>
Equity Capital	482	482	482	482	482
Reserves	2499	1848	1429	1259	1256
(excl. Revaluation reserve)					
Deferred Revenue Exp.					
<b>Net Worth</b>	<b>2981</b>	<b>2330</b>	<b>1911</b>	<b>1741</b>	<b>1738</b>
Gross Fixed Assets	6556	6310	5813	5461	5083
inc. Revaluation Rs.284.8 lkh					
<b>Total Liabilities</b>	<b>4590</b>	<b>5228</b>	<b>4878</b>	<b>4007</b>	<b>4027</b>

## Annexure VIII

## Universal Steel And Alloys Limited

## Summary of Project Cost &amp; Means of Financing

Description of Project	Amount (Rs. In Lacs)	Amount (Rs. In Lacs)
<i>Settlement of Liabilities</i>		
OBC Loan OTS	689.38	
HSEB dues	53.44	
Fixed Deposits	4.15	
Current Liabilities	41.62	
Gratuity Dues	1.58	
		790.17
<i>Capital Expenditure</i>		
Site Development	23.00	
Buildings	87.87	
Plant & Machinery - Imported	289.29	
Plant & Machinery - Indegenious	225.82	
Miscellaneous Fixed Assets	145.00	
Pro-Operative Expenses	61.21	
Contingencies	65.68	
Working Capital Margin	3.03	
		900.90
<b>Total</b>		<b>1,691.07</b>
<i>Means of Financing</i>		
Interest Free Funds from Bharat Gears Ltd.	531.07	
Tax Benefit due to carry forward of losses	160.00	
<b>Total</b>		<b>1,691.07</b>



DETAILS OF LAND AND SITE DEVELOPMENT

Rs lacs

PHASE I

LAND -	to be acquired	
	Levelling	5.00
	Internal Roads	8.00
	Fencing and Compound	10.00
	Gates	

Total 23.00

BUILDINGS	PHASE I	PHASE II	PHASE III	Rs lacs
Main Buildings	50.00			50.00
Auxiliary Buildings	15.31			15.31
Administrative Buildings				
Godowns/Stores			10.00	10.00
Misc Non-Factory				
Silos/Storage				
Garages			0.50	0.50
Sewers and Drainages	10.00			10.00
Sub-Total	75.31		10.50	85.81
Architect Fees	1.81		0.25	2.06
Total	77.12		10.75	87.87

BHARAT GEARS LTD

PLANT & MACHINERY - IMPORTED

Rs lacs

Description	PHASE I	PHASE II	PHASE III	Total
Machinery Imported - FOB value			216.94	216.94
Machinery Imported - Freight and Insurance			10.85	10.85
Machinery Imported - Import Duty			56.95	56.95
Machinery Imported - Clearing and Forwarding			4.56	4.56
			289.29	289.29

PLANT & MACHINERY - INDEGENIOUS

Rs lacs

Description	PHASE I	PHASE II	PHASE III	Total
Machinery - Indegenious - FOR			166.52	166.52
Machinery - Indegenious - Excise			19.98	19.98
Machinery - Indegenious - Sales Tax			9.32	9.32
Quality Control Equipment			20.00	20.00
Toolroom Equipment			10.00	10.00
			225.82	225.82

## OF MISC FIXED ASSETS

## TRANSMISSION

Rs lacs

PHASE I

PHASE II

PH III

TOTAL

Electrical Installations  
 Fire Fighting/Effluent  
 Compressed Air Installations  
 Canteen  
 Furniture/Office Equipments/Vehicles

	105.00		105.00
	5.00		5.00
	15.00		15.00
		10.00	10.00
		10.00	10.00
	125.00	20.00	145.00

## BHARAT GEARS LTD

## DETAILS OF PRELIMINARY EXPENSES FOR RAISING CAPITAL

SOURCES	Rs lacs	%age of expenses Rs lacs	PH I	PH II	PH III
Equity - promoters					
Equity - Rights		5.00			
Rupee loans		2.00			
Foreign Currency Loans		2.50			
Internal Accruals	1586.89				
	1586.89				

## DETAILS OF PRE-OPERATIVE EXPENSES

	PH I	PH II	PH III	Rs lacs Total
Interest before commencement of production				
Personnel expenses	4.50	7.00	15.21	27.01
Communication	1.40	1.40	1.40	4.20
Travelling	2.00	2.00	2.00	6.00
Insurance			15.00	15.00
Misc Exps	3.00	3.00	3.00	9.00
Total	11.20	13.40	36.61	61.21

DETAILS OF CONTINGENCIES	NON FIRM COST	TOTAL COST	Total %AGE Rs lacs	PH I	PH II
LAND AND SITE DEVELOPMENT	20.30	693.00	5.00	1.02	
BUILDINGS	87.87	87.87	5.00	4.39	
PLANT & MACHINERY - IMPORTED	385.88	289.29	10.00	38.59	
PLANT & MACHINERY - INDEGENOUS	227.48	225.82	5.00	11.37	
MISC FIXED ASSETS	145.00	145.00	5.00	7.25	
PRELIMINARY EXPENSES FOR RAISING			5.00		
PRE-OPERATIVE EXPENSES	61.21	61.21	5.00	3.08	
	927.74	1502.19	65.68		

## Annexure- IX

## Universal Steel &amp; Alloys Limited

Prov. Balance Sheet As at 31st March, 1998

Sources of Funds	Pre Merger		Post Merger	
	Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs
<b>Shareholders' Funds</b>				
Share Capital	57.50		2.87	
Capital Reserves	170.89		170.89	
		228.39		173.76
<b>Loan Funds</b>				
Secured Loans	2,249.86		689.38	
Unsecured Loans	200.69		4.15	
		2,450.55		693.53
		<u>2,678.94</u>		<u>867.29</u>
<b>Fixed Assets</b>				
Gross Block	680.72		680.72	
Less : Depreciation	331.50		331.50	
Net Block		349.22		349.22
<b>Investments</b>		0.05		
<b>Net Current Assets</b>				
<b>Current Assets, Loans &amp; Advances</b>				
Inventories	21.61		12.26	
Trade Debtors	5.33		-	
Cash & Bank Balances	2.90		2.90	
Loans & Advances	19.52		19.25	
	49.36		34.41	
<b>Less : Current Liabilities &amp; Provisions</b>				
Current Liabilities			41.82	
HSEB dues	251.06		53.44	
Gratuity dues	1.58		1.58	
	252.64		96.84	
		(203.28)		(62.23)
<b>Profit &amp; Loss Account</b>				
Brought Forward	2,128.58			
For the Year	404.37			
		2,532.95		580.30
		<u>2,678.94</u>		<u>867.29</u>

\* 28,750 shares of Rs. 10 each of Bharat Gears Limited in exchange of 5,75,000 shares of Universal Steel And Alloys Limited as per the share exchange ratio of 1:20 as per independent valuation done by Ratan S. Manna & Co (Chartered Accountants - New Delhi)

\*\* As per OTS agreed by OBC

## Annexure - IX A

## BHARAT GEARS LIMITED

## CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 1998

Rs in lakhs

	USAL Amount	BGL Amount	TOTAL Amount
<b>Liabilities</b>			
Share Capital			
Equity Share Capital	2.87	481.83	484.70
Reserves & Surplus	170.89	3,140.89	3,311.78
Secured Loans	689.38	3,255.71	3,945.09
Unsecured Loans	4.15	184.00	188.15
Current Liabilities & Provisions	96.64	2,663.27	2,759.91
<b>Total Liabilities</b>	<b>963.93</b>	<b>9,725.70</b>	<b>10,689.63</b>
<b>Assets</b>			
Fixed Assets			
Gross Block	8,830.72	8,106.89	16,937.61
Less: Depreciation	3,331.50	4,351.34	7,682.84
Net Block	3,499.22	3,755.55	7,254.77
Investments	-	170.00	170.00
Current Assets, Loans & Advances	3,441	5,800.15	9,241.15
Profit & Loss A/c	580.30	-	580.30
<b>Total Assets</b>	<b>963.93</b>	<b>9,725.70</b>	<b>10,689.63</b>



## Annexure - X

## Universal Steel &amp; Alloys Limited

Prov. Profit &amp; Loss Account for the Year ended 31st March 1998

	Rs. Lacs	Rs. Lacs
Sales	4.50	
Other income	4.00	
		8.50
Decrease in Inventories	1.00	
Employees Benefits	4.80	
Mfg. Admin & Sales	2.50	
Finance Chg	414.09	
Revaluation reserve written off	(9.52)	
		412.87
Loss		(404.37)

Bharat Gears Limited USAL Division Projected Statement of Working Results - Post Merger					
Rs. Lacs					
Period ended March 31	1999	2000	2001	2002	2003
Installed Capacity (tonnes)	700	700	700	700	700
Installed Capacity (Nos)	310,000	310,000	310,000	310,000	310,000
Capacity Utilisation (%)	40%	50%	60%	85%	85%
Production (Nos)	31,000	155,000	248,000	263,500	263,500
Transfer Price / Sale Value	106.46	832.32	1,331.71	1,414.94	1,414.94
Variable Costs :					
Raw Materials	52.79	263.93	422.28	448.67	448.67
Packing	3.32	16.59	26.54	28.20	28.20
Freight	1.45	7.24	11.58	12.30	12.30
Commission					
Excise Duty	21.83	108.65	175.44	186.41	186.41
	79.48	397.40	635.84	675.58	675.58
Contribution	86.98	434.92	695.87	739.36	739.36
Contribution as a % of Transfer Value	52%	52%	52%	52%	52%
Fixed & Semi Fixed Costs					
Vendoring	4.12	20.59	32.94	35.00	35.00
Stores & Spares	4.12	20.59	32.94	35.00	35.00
Tooling	4.12	20.59	32.94	35.00	35.00
Power & Fuel	5.88	29.41	47.06	50.00	50.00
Personnel Expenses	8.82	44.12	70.59	75.00	75.00
Repairs & Maint	30.00	30.00	30.00	30.00	30.00
Travelling	10.00	10.00	10.00	10.00	10.00
Communication	10.00	10.00	10.00	10.00	10.00
Insurance	15.00	15.00	15.00	15.00	15.00
Misc	12.00	12.00	12.00	12.00	12.00
Lease Rent					
	104.06	212.29	293.47	307.00	307.00
PBIDT	(17.08)	222.62	402.40	432.36	432.36
Interest :					
Fixed Loans					
Working Capital Loan	6.26	6.54	6.41	6.52	6.73
Cash Profit (Loss)	(23.33)	216.08	395.98	425.85	425.64
Depreciation	114.45	135.61	156.74	172.67	186.59
Other Income	1.45	7.24	11.58	11.58	11.58
PBT	(136.33)	87.71	250.83	264.76	248.83
Income Tax					
PAT	(136.33)	87.71	250.83	264.76	248.83
Profit & Loss Appropriation					
Balance brought forward	(580.30)	(716.63)	(628.92)	(378.09)	(113.34)
For the year	(136.33)	87.71	250.83	264.75	248.83
Dividend					
Dividend Tax					
Transfer to Reserves					
Balance c/f to Balance Sheet	(716.63)	(628.92)	(378.09)	(113.34)	135.28
Capital Reserve	161.67	153.33	145.24	137.58	130.32
Total Reserve & Surplus	(554.96)	(475.59)	(232.85)	24.24	265.60

Account	1988		1989		1990		1991		1992		1993		TOTAL
	USA	100%	USA	100%	USA	100%	USA	100%	USA	100%	USA	100%	
<b>Current Assets</b>													
Cash & Equivalents	253.75	253.75	4.12	253.75	261.74	5.15	262.84	267.99	8.24	331.32	117.36	176.99	105.25
Accounts Receivable	200.25	200.25	4.12	200.25	230.94	5.15	240.57	253.21	8.24	274.52	262.78	310.72	181.72
Inventory	600.00	600.00	8.60	600.00	887.79	11.00	824.22	925.21	17.09	1,021.38	925.21	1,042.94	1,012.09
Prepaid Expenses	702.25	702.25	20.83	702.25	867.07	44.84	864.36	979.03	84.16	1,078.83	944.05	1,090.88	1,128.82
Other Current Assets	100.00	100.00	3.31	100.00	168.99	11.51	168.72	181.23	16.59	174.16	174.16	208.08	211.12
<b>Current Liabilities</b>													
Accounts Payable	2,000.00	2,000.00	60.37	2,000.00	2,410.46	77.44	2,610.75	3,068.17	114.82	3,644.21	2,790.02	3,972.41	3,168.93
Notes Payable	2,000.00	2,000.00	60.37	2,000.00	2,410.46	77.44	2,610.75	3,068.17	114.82	3,644.21	2,790.02	3,972.41	3,168.93
<b>Long-Term Assets</b>													
Land & Buildings	4,000.00	4,000.00	60.37	4,000.00	6,118.64	77.44	6,342.36	6,419.79	114.82	6,837.62	6,798.44	6,896.71	6,437.69
Equipment	200.00	200.00	2.86	200.00	202.88	2.86	200.00	202.88	4.00	200.00	204.80	204.00	204.00
Other Long-Term Assets	71.84	71.84	0.16	72.76	72.76	0.92	77.15	76.07	1.47	77.62	76.36	80.26	81.00
<b>Long-Term Liabilities &amp; Provisions</b>													
Notes Payable	1,000.00	1,000.00	30.19	1,000.00	1,000.00	30.19	1,000.00	1,000.00	30.19	1,000.00	1,000.00	1,000.00	1,000.00
Accounts Payable	1,000.00	1,000.00	30.19	1,000.00	1,000.00	30.19	1,000.00	1,000.00	30.19	1,000.00	1,000.00	1,000.00	1,000.00
Other Long-Term Liabilities	1,000.00	1,000.00	30.19	1,000.00	1,000.00	30.19	1,000.00	1,000.00	30.19	1,000.00	1,000.00	1,000.00	1,000.00
<b>Equity</b>													
Common Stock	1,000.00	1,000.00	30.19	1,000.00	1,000.00	30.19	1,000.00	1,000.00	30.19	1,000.00	1,000.00	1,000.00	1,000.00
Retained Earnings	1,000.00	1,000.00	30.19	1,000.00	1,000.00	30.19	1,000.00	1,000.00	30.19	1,000.00	1,000.00	1,000.00	1,000.00
Other Equity	1,000.00	1,000.00	30.19	1,000.00	1,000.00	30.19	1,000.00	1,000.00	30.19	1,000.00	1,000.00	1,000.00	1,000.00

Annexure - XIII															
Dharat Gears Limited USAL Division Projected Cash Flow Statement - Post Merger															
	1999			2000			2001			2002			2003		
	USAL	BGL	Total	USAL	BGL	Total	USAL	BGL	Total	USAL	BGL	Total	USAL	BGL	Total
<b>Sources Of Funds</b>															
Operations (cash profit + other Income)	(21.88)	1,718.88	1,696.80	223.32	1,741.48	1,964.78				437.43	2,040.94	2,478.38	437.22	2,050.50	2,487.72
Increase in Secured Loans	7.40	72.83	80.23	1.69	70.81	72.52				0.59	92.11	92.70	1.24	96.21	97.45
Initial Funding from BGL	1,891.07	(1,891.07)	-							(250.00)	250.00	-	(250.00)	250.00	-
Increase in Current Liabilities	54.60	127.87	182.57	13.65	115.39	149.04				6.82	144.38	151.21		148.13	148.13
Decrease in Loans & Advances	17.07	-	17.07												
	1,748.24	276.42	1,976.66	238.66	1,947.68	2,186.34				194.84	2,527.43	2,722.28	188.48	2,544.85	2,733.31
<b>Allocation of Funds</b>															
Payment of Secured Loans	689.38	305.00	994.38		231.00	231.00					810.73	810.73		84.00	84.00
Payment of Unsecured Loans	4.15	-	4.15												
Payment of Dividend & Own Tax		116.60	116.60		116.60	116.60					116.60	116.60		116.60	116.60
Payment of Income Tax		212.71	212.71		351.03	391.03					572.44	572.44		564.58	564.58
Payment of MSER dues	53.44	-	53.44												
Payment of Other Liabilities	41.82	-	41.82												
Payment of Gratuity	1.58	-	1.58												
Increase in Current Liabilities	897.87	50.00	947.87	210.00	309.00	509.00				150.00	300.00	450.00	150.00	300.00	450.00
Change of Fixed Assets		0.72	0.72	0.74	4.89	5.02				0.09	0.78	0.87		0.79	0.79
Change in Loans & Advances	50.01	149.72	199.73	15.17	157.53	172.69				7.52	185.26	192.78	1.66	194.47	196.12
Change in Inventories		141.32	141.32		134.09	134.09					147.83	147.83		147.83	147.83
Change in Debtors															
	1,758.05	976.06	2,617.48	215.99	1,337.13	1,551.03				157.61	2,133.84	2,291.25	151.66	1,408.27	1,559.93
<b>Surplus/(Deficit)</b>	10.19	(747.05)	(640.82)	22.76	612.55	635.31				37.23	393.79	431.02	36.80	1,136.58	1,173.38
Opening Cash Balance	2.90	768.91	771.81	13.09	21.26	130.99				68.67	1,032.80	1,107.81	105.90	1,426.40	1,628.93
Closing Cash Balance	13.09	21.26	130.99	35.85	633.81	766.30				105.90	1,426.40	1,628.83	142.70	2,562.98	2,802.32



Global Green Ltd. (Amesbury)

Projected Balance Sheet - Post-Merge

	1998	1999	2000	2001	2002	2003	As Laid
US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Assets							
Current Assets							
Cash and Equivalents	2.07	481.83	484.70	2.87	481.83	484.70	481.83
Accounts Receivable	1,409.41	3,140.80	2,731.46	5,634.02	5,401.77	6,403.95	7,304.73
Inventory	688.38	3,250.71	3,945.08	2,734.83	2,245.16	1,525.13	1,538.53
Prepaid Expenses	4.15	184.00	184.00	184.00	184.00	184.00	184.00
Other Current Assets							
Total Current Assets	2,104.01	7,057.34	11,349.24	14,036.72	13,393.66	10,201.78	10,593.06
Non-Current Assets							
Property, Plant, and Equipment	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Intangible Assets							
Goodwill							
Other Non-Current Assets							
Total Non-Current Assets	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Total Assets	3,104.01	8,057.34	12,349.24	15,036.72	14,393.66	11,201.78	11,593.06
Liabilities							
Current Liabilities							
Accounts Payable	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Short-Term Debt							
Other Current Liabilities							
Total Current Liabilities	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Non-Current Liabilities							
Long-Term Debt							
Other Non-Current Liabilities							
Total Non-Current Liabilities							
Total Liabilities	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Equity							
Common Stock	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Retained Earnings	2,104.01	7,057.34	11,349.24	14,036.72	13,393.66	10,201.78	10,593.06
Total Equity	3,104.01	8,057.34	12,349.24	15,036.72	14,393.66	11,201.78	11,593.06