

21st

Annual Report

2004



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HARIG

HARIG CRANKSHAFTS LIMITED

BOARD OF DIRECTORS

(As on 26th August, 2004)

Mr. Deshbir Singh*Managing Director***Mr. J.W. Tetteroo****Mr. Anil Sharma****Mr. N.S. Parulekar****Mr. Devender Singh****Mr. Vasudev Bablani***Nominee IDBI***Mr. N. Sinha****Mr. S.M. Bathe***Nominee BIFR***COMPANY SECRETARY****Neelam Gupta****REGISTERED OFFICE &
WORKS**C-49, Phase II, NOIDA
Distt. Gautam Budh Nagar (U.P.)**STATUTORY AUDITORS****M/s J.K. Arora & Co.,**
Chartered Accountants**BANKERS****Bank of India**
Central Bank of India
ANZ Grindlays Bank**MEMBERS MAY PLEASE NOTE****THAT NO GIFTS/COUPONS****SHALL BE DISTRIBUTED****AT THE MEETING**

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NOTICE**HARIG**

NOTICE is hereby given that the Twenty First Annual General Meeting of HARIG CRANKSHAFTS LIMITED (the "Company") will be held on Wednesday, 22nd September, 2004, at 11.A.M. at C-49 Noida Phase II, Dist. Gautam Budh Nagar, U.P. to transact the following business:

ORDINARY BUSINESS

1. To consider, receive and adopt the Balance Sheet as at 31st March, 2004 and the Profit and Loss Account of the Company for the year ended on that date and the reports of the Directors and the Auditor's thereon.
2. To appoint a director in place of Mr. Anil Sharma, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Devender Singh, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To consider and approve appointment of Auditors.

SPECIAL BUSINESS**5. Increase in Authorised Capital**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:-

"RESOLVED that pursuant to Section 94 and other applicable provisions, if any, of the Companies, Act, 1956 the authorised share capital of the Company be and is hereby increased from Rs. 35,00,00,000 (Rupees Thirty Five Crores) divided into 3,50,00,000 (Three Crores Fifty Lakhs) equity shares of Rs. 10/- each to Rs. 42,00,00,000 (Rupees Forty Two Crores) divided into 4,20,00,000 (Four Crores Twenty Lakhs) equity shares of Rs. 10/- each ranking pari passu with the existing equity shares of the Company and that Clause VI of the Memorandum of Association and Article 3 of Article of Association of the Company be altered accordingly.

FURTHER RESOLVED that the existing, Clause VI of the Memorandum of Association of the Company be substituted in its place with the following new Clause VI:

CLAUSE VI

The authorised share capital of the Company is Rs. 42,00,00,000 (Rupees Forty Two Crores) divided into 4,20,00,000 (Four Crores Twenty Lakhs) equity shares of Rs.10/- (Ten) each with the power to increase or reduce the capital of the Company and to divide the shares in the capital for the time being into several classes or to attach thereto respectively such preferential, convertible, deferred, qualified, special rights, privileges, conditions or restrictions as the case may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions, in such manner as may for the time being be provided by the Articles of Association of the Company.

FURTHER RESOLVED that for the purpose of giving effect to this Resolution, the Board of Directors is hereby authorised to do all such acts, deeds, matters and things and resolve any doubts or question as in its absolute discretion, it may consider necessary, expedient or desirable, in order to give effect to the foregoing resolution or otherwise considered by it to be fit and proper".

6. Alteration in the Articles of Association

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION: -

"RESOLVED that pursuant to the Section 31 of the Companies Act, 1956, and other applicable provisions, of the Companies Act, 1956, if any, Article 3 of the Article of Association of the Company be and is hereby altered by substituting in its place the following Article 3:

ARTICLE 3

The Authorised Share Capital of the Company is Rs. 42,00,00,000 (Rupees Forty Two Crores) divided into 4,20,00,000 (Four Crore Twenty Lakhs) equity shares of Rs.10/- (Ten) each with the power to increase or reduce the capital of the Company and to divide the shares in the capital for the time being into several classes or to attach thereto respectively such preferential, convertible, deferred, qualified, special rights, privileges, conditions or restrictions as the case may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions, in such manner as may for the time being be provided by the Articles of Association of the Company.

FURTHER RESOLVED that for the purpose of giving effect to this Resolution, the Board is hereby authorised to do all such acts, deeds, matters and things and resolve any doubts or question as in its absolute discretion, it may consider necessary, expedient or desirable, in order to give effect to the foregoing resolution or otherwise considered by it to be fit and proper".

7. Appointment of Managing Director

To consider and if thought fit, to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION:-

"RESOLVED that pursuant to the provisions of Section 198, 269, 309, 310, 311 read with the Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, if applicable, the Company hereby accords its approval for re-appointment of Mr. Deshbir Singh as Managing Director for a period of five years w.e.f. 1st November, 2004 at remuneration as set below:

Salary : Rs.1,50,000 per month

Perquisites : Classified into three Categories A, B and C as detailed

Category 'A'

a) **Housing:** The expenditure by the Company, on hiring furnished accommodation subject to a ceiling of 60% of the salary over and above 10% payable by him. In case no accommodation is provided by the Company, he shall be entitled to house rent allowance as above. In case accommodation is owned by the Company, 10% of his salary shall be deducted by the Company.

The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962 subject to a ceiling of 10% of the salary.

- b) **Medical Reimbursement:** Reimbursement of expenses incurred for self and family subject to a ceiling of one month salary for each year or three month's salary over a period of three years.
- c) **Leave Travel Concession:** Leave Travel concession for self and family once in a year incurred in accordance with the rules of the Company.
- Explanation: Family means spouse, the dependent parents and the dependant children of the Managing Director.
- d) **Club Fees:** Fees of clubs subject to a maximum of two clubs. No admission and life membership fees will be paid.
- e) **Personal Accident Insurance:** Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs.4000 p.a.

Category 'B'

- a) Contribution towards Provident Fund and Pension/Superannuation fund will not be considered or included for the computation of ceiling on perquisites to the extent that these either, singly or put together are not taxable under the Income Tax Act, 1961.

- b) Gratuity: As per the Rules of the Company, but shall not exceed one half months salary for each completed year of service.

Category 'C'

- a) Provision of car with driver and telephone at residence, will not be considered as perquisite.

Provided further that personal long distance calls on telephones and use of car for private purpose shall be billed by the Company to him.

FURTHER RESOLVED that in the event of loss or inadequacy of profit in any financial year he shall be entitled to receive the aforesaid remuneration as the minimum remuneration as per the Companies Act, 1956.

FURTHER RESOLVED that if in any financial year, during the tenure of Mr. Deshbir Singh as Managing Director, the Company has adequate profits as computed under the applicable provisions of the Companies Act, 1956, notwithstanding the above, Mr. Deshbir Singh shall be entitled to receive remuneration in accordance with provisions of Section 198, 390, 349 and 350 of the Act.

FURTHER RESOLVED that the Board of Directors and/or its committee be and are hereby authorised to regulate the payment of remuneration to Mr. Deshbir Singh from time to time within the aforesaid limits.

FURTHER RESOLVED that the Board of Directors of the Company be and are hereby authorised to take such steps as may be necessary to give effect to this resolution."

8. Increase of investment limit of Foreign Institutional Investors

To consider and, if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:-

"RESOLVED that pursuant to the applicable provisions of Foreign Exchange Management Act, 1999, the Reserve Bank of India ("RBI"), Securities Exchange Board of India ("SEBI") and other regulatory bodies and other applicable provisions of Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the provisions of the Articles of Association of the Company and subject to other prevailing laws, rules and regulations as applicable from time to time and subject to the consent of shareholders by special resolution and other appropriate authorities, if required, consent of the Board of Directors be and is hereby accorded to increase the limit of investment to be made by the Foreign Institutional Investors ("FIIs") including their sub accounts, together with their existing holdings in the Company, upto an aggregate limit 50% of the paid up share capital of the Company.

RESOLVED FURTHER that the Managing Director and the Company Secretary, be and hereby, jointly and severally, authorised to do all such acts, deeds, matters and things and resolve any doubts or question as in their absolute discretion, they may consider necessary, expedient or desirable in order to give effect to the foregoing resolution."

9. Preferential allotment of Equity Shares

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION:-

"RESOLVED that pursuant to the provisions of Section 81(1A) and other applicable provisions if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the provision of the Articles of Association of the Company, the Listing Agreement entered into between the Company and various stock exchanges, the guidelines and clarifications issued by the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and any other statutory/regulatory authorities, and subject to all such other approvals, permissions, consents and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions, consents and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall also include any committee constituted/ to be constituted by the Board for exercising the powers conferred on the Board by this resolution), the consent of the Company be and is hereby accorded to the Board, to issue and allot upto 1,10,00,000 (One Crore and Ten Lakhs) fully paid up equity shares of Rs.10/- each at a premium of not less than Rs. 4.25 (Rupees Four and Twenty Five paise) aggregating to Rs.15,67,50,000 (Rupees Fifteen Crores Sixty Seven Lakhs and Fifty Thousand) (the "Equity Shares") to Foreign Institutional Investors (FIIs), Non-Resident Indian (NRIs), Financial Institution, Banks, Mutual Funds, Bodies Corporate, Companies (private or public) and/or any one or a combination of its associates, nominees, group companies (details of whom are set out in the Explanatory Statement) (the "Investors"), on preferential allotment basis, on such terms and conditions and in such manner as the Board may think fit, without offering the same to any persons who at the date of offer are holders of equity shares of the Company and whether or not the acquisition of shares or voting rights results in a change in control and such Equity Shares allotted to the Investors shall rank pari passu in all respects with the existing equity shares of the Company and their entitlement to dividend shall be proportionate to the capital paid up thereon and to the period during which such amount is paid up

RESOLVED FURTHER THAT:

- i) the Equity Shares to be so offered and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company;

NOTICE**HARIG**

- ii) the Relevant Date as per the SEBI (Disclosure & Investor Protection) Guidelines, 2000 ("SEBI (DIP) Guidelines") for preferential issue, as amended upto date for the determination of applicable price for the issue of Equity Shares is August 23, 2004.

FURTHER RESOLVED further that for the purpose of giving effect to this Resolution, the Board is hereby authorised to do all such acts, deeds, matters and things and resolve any doubts or question that may arise in the issue and allotment of Equity Shares, to effect any modification to the foregoing in the best interest of the Company and its shareholders including powers to Board to issue and allot Equity Shares to any of the other Investors or Warrant holders in case any one or more of the Investors decide not to subscribe for the Equity Shares, in part or full, as mentioned against their respective names in the Explanatory Statement as the Board may in its sole discretion deem fit and to execute all such writings and instrument as the Board may in its absolute discretion deem necessary or desirable."

10. Preferential Allotment of Warrants

To consider and, if thought fit, to pass, with or without modification(s), the following resolution, as a SPECIAL RESOLUTION:-

"RESOLVED that pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the provision of the Articles of Association of the Company, the Listing Agreement entered into between the Company and various stock exchanges, the guidelines and clarifications issued by the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and any other statutory/regulatory authorities, and subject to all such other approvals, permissions, consents and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions, consents and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall also include any committee constituted/ to be constituted by the Board for exercising the powers conferred on the Board by this resolution), the consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot upto 90,00,000 (Ninety Lakhs) warrants or any other securities or financial instrument(s) (hereinafter referred to as "Warrant") at the price of Rs.14.25 (Rupees Fourteen and Twenty Five paise) to Foreign Institutional Investors (FIIs), Non-resident Indians (NRIs), Financial Institution, Banks, Mutual Funds, bodies corporate, companies (private or public) and/or any one or a combination of its associates, nominees, group companies (details of whom are set out in the Explanatory Statement) (the "Warrant holders"), on preferential allotment basis, on such terms and conditions and in such manner as the Board may think fit, without offering the same to any other person, whether or not they are members of the Company; each Warrant entitling the holder thereof to apply for and be allotted one (1) equity share of Rs.10/- each, which conversion must be made within a period not exceeding eighteen (18) months from the date of allotment of the Warrants in accordance with the SEBI (DIP) Guidelines and other relevant guidelines as maybe applicable, such that the Warrants so issued or allotted give rise (on allotment or upon conversion/exercise of right) to not more than 90,00,000 (Ninety Lakhs) equity shares of Rs.10/- (Rupees Ten) each and such equity shares to be allotted to the Warrant holders on conversion shall rank pari passu in all respects with the then existing equity shares of the Company and their entitlement to dividend shall be proportionate to the capital paid up thereon and to the period during which such amount is paid up.

FURTHER RESOLVED THAT:

- the Equity Shares, Warrants to be so created, offered and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company;
- the Relevant Date as per the SEBI (DIP) Guidelines on preferential issue, as amended upto date for the determination of applicable price for the issue shares upon conversion of the Warrants in part or full is 23 August, 2004.

FURTHER RESOLVED that for the purpose of giving effect to this Resolution, the Board is hereby authorised to do all such acts, deeds, matters and things and resolve any doubts or question that may arise in the issue and allotment of Warrants or of fresh shares, to effect any modification to the foregoing in the best interest of the Company and its shareholders including powers to Board to issue and allot Warrants to any of the other Warrant holders or Investors in case any one or more of the Warrant holder decides not to subscribe for the Warrant, in part or full, as mentioned against their respective names in the Explanatory Statement as the Board may in its sole discretion deem fit and to execute all such writings and instrument as the Board may in its absolute discretion deem necessary or desirable."

11. Any other business with the permission of chair.

Date : 26.08.2004

Place : Noida

Registered Office

C-49 Noida Phase II,

Distt. Gautam Budh Nagar, U.P.

By order of the Board
for **HARIG CRANKSHAFTS LIMITED**

(NEELAM GUPTA)
Company Secretary

Notes:

- The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of item 5 to 10 above is annexed hereto.
- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY (IES) IN ORDER TO BE EFFECTIVE, DULY STAMPED, MUST REACH THE REGISTERED OFFICE OF THE COMPANY, NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR HOLDING THE MEETING.
- The Members are requested to notify change in their addresses, if any, specifying clearly the PINCODE No.
- The Register of Members and Share Transfer Books of the Company relevant thereto shall remain closed from Thursday, 16th September, 2004 till Wednesday, 22nd September, 2004 (both days inclusive).
- Members who hold shares in the dematerialised form are requested to indicate without fail their DP ID and Client ID numbers in the attendance slip.
- Members holding shares in the physical form are encouraged to nominate a person to whom his shares in the Company shall vest in the event of his death.

7. The Memorandum and Articles of Association of the Company are open for inspection for the members at the Company's Registered Office between 11 a.m. to 1 p.m. on any working day from 16th September, 2004 onwards up to the date of the Annual General Meeting and at the meeting. A certificate from M/s J.K. Arora & Co., the Statutory Auditors of the Company, certifying that the pricing of the above issue is in accordance with prescribed Chapter XIII of the SEBI (Disclosures and Investor Protection) Guidelines, 2000 on preferential issues, is also available for inspection at the Registered Office between 11 a.m. and 1 p.m. on any working day from 16th September, 2004 onwards up to the date of the Annual General Meeting and at the meeting.
8. Members are requested to affix their signature at the space provided on the Attendance Slip annexed to the Proxy Form and hand over the slip at the entrance to the place of the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956**1. In respect of Item 2 and 3**

Information on Directors seeking re-appointment at the Annual General Meeting:

A) Shri. Anil Sharma, aged 56 years, is BSc, B.E. (Elec), AIMADM, has over 28 years of experience with PICUP in different positions in areas of project development, technical and financial appraisal, planning, supervision and monitoring of project implementation.

Shri. Anil Sharma is associated with the Company since its inception and presently is a member of the Audit Committee, Remuneration Committee and Shareholders/Investors Grievance Committee of the Company.

B) Shri. Devender Singh, aged 47 years, is M.com, CAIIB, MBA (FMS Delhi), has over 26 years of experience with Nationalised Banks and Public Financial Institutions. He is presently heading the Finance Department at PICUP and has wide experience in the areas of finance, accounts, costing, budgeting and general management.

Shri. Devender Singh presently is a member of the Audit Committee, Remuneration Committee and Shareholders/Investors Grievance Committee of the Company.

2. In respect of Item Nos. 5 and 6

The present authorised Capital of the Company as stated in Clause VI of the Memorandum of Association and Article 3 of the Articles of Association is Rs. 35,00,00,000 (Rupees Thirty Five Crores) divided into 3,50,00,000 (Three Crores Fifty Lakhs) equity shares of the face value of Rs 10/- (Ten) each.

To meet the Company's future requirements, it is now proposed to pass a resolution seeking the shareholders' approval to increase the Authorised Capital to Rs. 42,00,00,000 (Rupees Forty Two Crores only) divided into 4,20,00,000 (Four Crores Twenty Lakhs) equity shares of Rs.10/- (Rupees ten) each.

In accordance with the provision of the Companies Act, 1956 approval of the Members is required to enhance the Authorised Share Capital and as a sequel to the increase, corresponding alteration needs to be made in Clause VI of the Memorandum of Association and Article 3 of the Articles of Association.

The Board accordingly recommends the resolution for your approval.

None of the Directors of the Company is concerned or interested in any way in the resolution proposed to be passed at Item Nos.5 and 6.

2. In respect of Item Nos. 7

At the meeting of Board of Directors held on 25th August 1999, the Board had recommended the re-appointment of Mr. Deshbir Singh as Managing Director at the remuneration specified therein which was approved by the shareholders at the Annual General Meeting held on 28th September, 1999. At the Board Meeting held on 31st August, 2002 the remuneration of Managing Director was revised within limits set under Companies Act, 1956. This was confirmed by the shareholders at their general meeting held on 27th September, 2002.

The present term of Mr. Deshbir Singh as Managing Director is terminating on 31st October, 2004. The Remuneration Committee at its meeting held on 26th August, 2004 has recommended his re-appointment for another period of 5 years with effect from 1st November, 2004. Further, subject to the approval of Central Government and other authorities as required under the Companies Act, 1956 and other enactment's, the remuneration as set out in adjourned resolution was approved for recommendation to the shareholders.

The Board recommends the resolution for the approval of shareholders.

None of the Directors except Mr. Deshbir Singh shall be deemed to be concerned or interested in the resolution.

This may also be treated as an abstract of terms of appointment of Mr. Deshbir Singh as Managing Director of the Company under Section 302 of the Companies Act, 1956.

The following disclosures are made in terms of appointment and payment of remuneration to Mr. Deshbir Singh as a Managing Director.

GENERAL INFORMATION ABOUT THE COMPANY**A) Nature of Industry**

The Company is an auto ancillary manufacturing company. It mainly manufactures forged and machined crankshafts, stub axles and other automotive parts.

B) Commercial Production

The Company started commercial production in two phases. First phase started its commercial production in 1992 whereas second phase started its commercial production 1995.

C) Financial Performance

During the year under review, the Company has registered a turnover of Rs.23.19 crores as against a turnover of Rs.20.91 crores for the previous year. The Company has made a profit of Rs.3.06 crores before depreciation, interest and tax as against profit of Rs.2.86 crores last year. The net loss in current year increased to Rs.55.18 crores as against Rs.45.25 during the last year. The main reason for losses is the heavy interest burden on the Company.

D) Export Performance

The Company mainly exports through indirect export. During the year under review goods worth Rs.0.08 crores were exported to UK.

ANNEXURE TO NOTICE**HARIG****PROFILE OF APPOINTEE**

Shri. Deshbir Singh, aged 63 years, is B.Tech (Hons) Mech IIT, Kharagpur and MS (Mech. & Aerospace), IIT, Chicago, has over 40 years of experience in Engineering Automotive Industry, both in India and USA. He is considered as authority in his sphere of activity. Besides, he has been a member of various Government and non-Government bodies like CII etc. He has been the main driving force in the setting up of the Company. He is also the Chairman of the Harig Group of Companies.

Past Remuneration:

Mr. Deshbir Singh has drawn Rs.8,37,000/- (Rupees Eight Lakhs and Thirty Seven Thousand) during the year 2003-2004 inclusive of perquisites and benefits.

Proposed Remuneration:

The details of proposed remuneration are given in the resolution.

Comparison with Industry:

The remuneration to Managing Director is based on a pricing program that takes into account both market practice as well as internal business consideration. From market viewpoint, the Company has positioned the remuneration package in line with other organisations and internal responsibility and competency levels forms the basis of remuneration.

Other Information

The Company was incurring loss due to high cost debts of the Financial Institutions. However, with the 'One Time Settlement' with all the Financial Institutions and with the induction of funds by way of preferential allotment for repayment of high cost debts and infusion of working capital, growth in the sales of the Company as well as increase in the profitability of the Company is expected in near future.

The resolutions set as above may be considered accordingly. The Board of directors recommends the same for your approval.

3. In respect of Item No.8

Pursuant to Foreign Exchange Management Act, 1999 (FEMA) and as amended from time to time, Foreign Institutional Investors (FIIs) are permitted to purchase shares of Indian Company to the extent of 24% of the paid up capital of the Indian Company. However, a company can increase the investment limit of FIIs in the company up to sectoral cap applicable to the company subject to approval of its Board of Directors and approval of its Members by way of a special resolution.

Since many FIIs have shown keen interest to invest in your Company, the board propose increase in investment ceilings of the Company in respect of FIIs.

The shareholding of FIIs in your Company as on 31st March, 2004 is within the prescribed limit of 24%. However, to facilitate the Company to issue further shares to FIIs, it is proposed to increase the limit from 24% upto 50% of the Company's paid up share capital.

The Board of Directors in its meeting held on 26th August, 2004 has passed a resolution according their consent for increasing the limit for investment by FIIs in the share capital of the Company upto 50%.

None of the Directors of the Company are concerned or interested in the resolution.

The Board recommends the resolution for your approval as a Special Resolution.

4. In respect of Item Nos. 9 and 10

The resolution at Item No. 9 relates to the proposal by the Company to issue and allot 1,10,00,000 (One Crore and Ten Lakhs) equity shares to the Investors each at a price of Rs.14.25 per equity share aggregating to Rs.15,67,50,000 (Rupees Fifteen Crores Sixty Seven Lakhs and Fifty Thousand only). Such issue and allotment of equity shares to the Investors shall be governed by the provisions of the SEBI (DIP) Guidelines.

The issue price of Rs.14.25 (Rupees Fourteen and Twenty Five paise) per equity share has been calculated as per SEBI (DIP) Guidelines.

The proceeds of the issue will be utilised for funding the capital expenditures and general working capital of the Company and retirement of high cost debts of the Financial Institutions.

The resolution at Item No. 10 relates to the proposal by the Company to issue and allot 90,00,000 (Ninety Lacs) warrants convertible into equity shares to Warrant holders. Such issue and allotment of Warrants to Warrant Holders shall be governed by the provisions of SEBI (DIP) Guidelines.

The Warrant holders shall have a right to convert one (1) Warrant into one (1) equity share at a conversion price of Rs.14.25 per equity share, of which Re.1.45 per Warrant shall be paid by the Warrant holders forthwith upon issue thereof and the balance Rs.12.80 per warrant shall be paid by the Warrant holder at the time of exercising the conversion option to convert Warrants into equity shares for such number of warrants in respect of which the Warrant holder exercises the conversion option. The total number of equity shares that would be issued on conversion of Warrants shall not exceed 90,00,000 (ninety lakhs) equity shares.

The conversion price of Rs.14.25 per equity share has been calculated on the basis of being the same price at which the preferential allotment to the Investors is considered under Item No.9 above and being the price as per SEBI Guidelines.

The consent of the shareholders is being sought pursuant to the provisions of Section 81 (IA) of the Companies Act, 1956 and other applicable provisions.

None of the Directors of the Company are concerned or interested in the resolution.

Disclosures, which are required to be given in terms of Clause 13.1B of the Securities and Exchange Board of India (Disclosure & Investor Protection) Guidelines, 2000:**(i) The objects of the issue through preferential offer**

The main object of the issue through preferential offer is to raise funds for meeting the capital expansion programs, augmentation of working capital requirements and reduce the long term debt of the Company.

(ii) The intention of the promoters/directors/key management persons to subscribe to the offer

The promoters /directors/key management are not subscribing to the offer of Equity Shares or Warrants of the Company

HARIG**ANNEXURE TO NOTICE****(iii) Shareholding pattern of the Company before and after the proposed issue of Equity Shares and Warrants.**

Category	Pre-issue equity holding (as on 23.08.2004)	%	equity holding post issue of Equity Shares on preferential basis	%	Equity holding, post-conversion of Warrants	%
I. Promoter Group	11276096	53.85%	11276096	35.30%	11276096	27.54%
II. Institutional Investors (Banks, Mutual Funds, Fls, FIs)	838800	4.00%	5338800	16.71%	5338800	13.04%
III. Others including Public	8824083	42.15%	15324083	47.99%	24324083	59.42%
Total shares comprising paid up capital	20,938,979	100%	31,938,979	100%	40,938,979	100%

* The above percentage has been calculated on the assumption that all partly paid shares are fully paid.

The existing executive directors, whole time directors and key-personnel in the employment of the Company shall continue to hold their respective position and the issue and allotment of Equity Shares and shares underlying the Warrants would not result in any change in control over the Company or the management of affairs of the Company, or in the Board of Directors of the Company, and the Promoters shall continue to be in control of the Company.

(iv) Proposed time within which allotment will be completed

The Equity Shares and Warrants of the Company shall be allotted within 15 days from the date of Annual General Meeting i.e. before October 8, 2004, provided the time for allotment shall be extended by the time taken for obtaining approval for such allotment by any regulatory authority or the Central Government.

(v) Identity of the proposed allottees and the percentage of post preferential issued capital that may be held by them

Name of proposed allottees	Pre-issue equity holding (as on 23.08.2004)	%	Equity holding post issue of Equity Shares on preferential basis	%	Equity holding, post-conversion of Warrants	%
A. Institutional Investors (Banks, Mutual Funds, Fls, FIs)						
i) Matterhorn Ventures Limited			1500000	4.70%	1500000	3.66%
ii) Sea Haven Investments Mauritius Ltd.			1500000	4.70%	1500000	3.66%
iii) Jermyn Capital LLC			1500000	4.70%	1500000	3.66%
B. Others						
i) Cellour Marketing Private Limited			1250000	3.91%	1750000	4.27%
ii) Aspective Distributors Pvt. Limited			1250000	3.91%	1750000	4.27%
iii) Jalan Cement Works Limited			1250000	3.91%	1750000	4.27%
iv) Span India Private Limited			500000	1.57%	500000	1.22%
v) Epcot Securities Private Ltd.			550000	1.72%	550000	1.34%
vi) GNS Advisors			200000	0.63%	200000	0.49%
vii) Harikripa Services & Maintenance Private Limited			500000	1.57%	500000	1.22%
viii) Regain Consulting Private Limited			500000	1.57%	750000	1.83%
ix) Futuristic Impex Private Limited			500000	1.57%	750000	1.83%
x) ACME Craft (P) Ltd.			0	0.00%	3500000	8.55%
xi) Active Car Care (P) Ltd.			0	0.00%	3500000	8.55%
			11000000		20000000	
Total paid up capital	20938979		31938979		40938979	

*While computing the percentages under column (5) and (6), we have taken into account the new equity shares that will be issued to the investors pursuant to resolution at item No.9.

In the circumstances, the approval of the shareholders is being sought for issue of the fresh equity shares to the Investors and for issue of the Warrants convertible into equity shares to Warrant holders, each on a preferential basis pursuant to the provisions of Section 81(1A) of the Companies Act, 1956 and other applicable provisions.

The Resolutions set out in Item Nos. 9 and 10 may be considered accordingly and the Board of Directors recommends the same for your approval.

None of the Directors are concerned or interested in the said resolution.

Date : 26.08.2004

Place : Noida

Registered Office
C-49 Noida Phase II,
Distt. Gautam Budh Nagar, U.P.

By order of the Board
for **HARIG CRANKSHAFTS LIMITED**

(NEELAM GUPTA)
Company Secretary