



UNIVERSAL CABLES LIMITED

Registered Office

P.O. Birla Vikas, Satna-485 005 (M.P.)
Tel. no: 07672-23561 to 65. Fax no: 07672-25344
Gram: Unistar • E-mail: unistar@bom5.vsnl.net.in

LETTER OF OFFER

OFFER OF 40,07,589 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PREMIUM OF RS. 10/- PER SHARE AGGREGATING TO RS. 8,01,51,780/- ON A RIGHTS BASIS TO THE EXISTING SHAREHOLDERS OF THE COMPANY IN THE RATIO OF ONE EQUITY SHARE FOR EVERY FOUR EQUITY SHARES HELD AS ON THE FEBRUARY 16, 1999 (RECORD DATE).

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and Investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision investors must rely on their own examination of the issuer and the offer including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India nor does Securities and Exchange Board of India guarantee the accuracy or adequacy of this document.

Investors are advised to refer to Page (i) for the statement of Risk Factors pertaining to this issue.

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING ARRANGEMENTS

The existing equity shares of Universal Cables Ltd. (hereinafter referred to as 'the Company' or 'UCL') are listed on Madhya Pradesh Stock Exchange-Indore (the Regional Stock Exchange), Mumbai, Calcutta and National Stock Exchange. Applications will be made to all these Stock Exchanges for permission to deal in and for an official quotation in respect of the shares being offered in terms of this Letter of Offer.

LEAD MANAGER TO THE ISSUE

 **ICICI Securities**
ICICI Securities and Finance
Company Limited
41/44, Minoo Desai Marg, Colaba,
Mumbai-400 005.
Phone : (022) 288 2460/70
Fax : (022) 2837045

REGISTRARS TO THE ISSUE

 **Intime Share Services Pvt. Ltd.**
260-A, Shanti Industrial Estate,
Sarojini Naidu Road, Mulund-(W),
Mumbai-400 080.
Phone : (022) 5647731/5672716
Fax : (022) 567 2693

Issue Opens on
March 15, 1999

Last date for receiving
request for split forms
March 30, 1999

Issue Closes on
April 15, 1999

UNISTAR[®]

-- M. P. Birla Group --

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RISK FACTORS AND MANAGEMENT'S PERCEPTION THEREOF:

INTERNAL RISK FACTORS

- The requirement and means of financing are as per the Company's estimates. In the absence of any stake of any financial institution/bank the monitoring and deployment of funds raised as part of this rights issue would be left to the Company.

Management perception:

The requirement of funds are for margin money for working capital corresponding to which the bank working capital limits are proposed to be reduced and the funds being raised are also for normal capital expenditure which is in the normal course of business therefore monitoring by a bank or a Financial Institution is not required.

- Gwalior Webbing Company Ltd. (GWL) and Birla Corporation Ltd. two of the core promoter companies have suffered losses of Rs. 108.98 lacs and Rs. 5,141 lacs for FY1997-98.

Management perception:

GWL is an investment company. Since the equity market has been on a downtrend, the value of many investments have depreciated and the profitability of GWL has been adversely affected. With the expected improvement in the performance of the portfolio companies of GWL an improvement in the profitability is expected.

As regards Birla Corporation major portion of its revenues come from cement. The effect of depression in the cement industry has reflected in the downfall in profitability of Birla Corporation Ltd. However now the industry is picking up and revival is expected in the near future.

- UCL's profits have declined from Rs. 11.58 crs. in 1995-96 to Rs. 3.83 crs. in 1997-98 and Rs. 0.63 crs. for the half year ended September 1998-99.

Management perception:

The working of UCL was adversely affected by the severe demand recession in the Cable Industry. At present the Cable industry is passing through a lean period but considering the targets of power generation and industrial growth in the ninth five-year plan the future prospects for the industry appear to be bright.

- Vindhya Telelinks Ltd. one of the promoter companies of UCL did not meet the profitability projections for FY 1997-98 as was given by it in the Offer Document dated January 1996.

Management perception:

Due to intense competition, both volume and prices of cables suffered during 1997-98 resulting in lower profits as compared to projections.

- Birla Ericsson Optical Ltd., group company of UCL was unable to meet the profitability projections for FY ended 1996, 1997 and 1998 as was given by it in the Offer Document dated October 1995.

Management perception:

Actual Turnover and Profits were lower than projected because of lower sales of Optical Fibre Cables due to severe competition and reduction in prices of the products.

- The orders have yet to be placed for all the identified plant and machinery.

Management perception:

The orders for all the plant and machinery will be placed once the proceeds from the Rights issue are received.

- There has been a decline in the aggregate market value of Quoted Investments from Rs. 85.93 crs to Rs. 18.76 crs.

- Out of the total of Rs. 3,565.57 lacs which arises as sundry debtors, an amount of Rs. 25.19 lacs pertains to the group companies.

Management perception:

The above amount pertains to a routine and regular job work transaction.

- The outstanding litigations against UCL as on February 1st, 1999

The Company is facing the following litigations:

- Claims not acknowledged as debts by the Company of an amount of Rs. 479.61 lacs.
- Unredeemed Bank Guarantees of Rs. 2,609.48 lacs.
- A Demand for Rs. 322 lacs was raised against the Company by the Collector of Customs, Mumbai. An appeal was filed with the Customs, Excise and Gold (Control) Appellate Tribunal (CEGAT), who decided the case in favour of the Company. The Department has now preferred an appeal in Supreme Court and the case is pending there.

- Besides the following **Central Excise cases** are pending against which contingent liability has been provided upto 1.2.99.

Sr. no.	Particulars	Period covered	Amount involved (Rs. in lacs)	Fact of the case	Remarks
1.	Appeal filed by the Commissioner, Central Excise, Raipur against Order No.32/91 passed by the Asstt. Commissioner, Central Excise, Satna in the Company's favour	1.3.82 to 28.2.86	42.59	Refund of duty on wooden drums	Appeal pending before the Commissioner (Appeals), Customs & C. Ex. Bhopal
2.	Duty on the excess amount of freight & Insurance charged by the authorities over and above the actual amount paid by the Company.	April 97 to March 98 April to Sept. 98	2.51 0.71	For demand of duty show cause notices being issued by the Excise Dept.	
3.	Modvat credit reversed on Capital goods by the Assistant Commissioner/ Dy. Commissioner of Central Excise.	March 94 to Sept. 95	9.09	Duty debited	Appeals have been filed against these cases before the Commissioner (Appeals), Central Excise, Bhopal
			54.90		

Management perception:

Unredeemed Bank Guarantees are of a routine nature. As in any Industry, all the guarantees pertain to normal business transactions.

Further all the other above claims/suits/complaints have been refuted/denied/defended by the Company, the same have arisen in the normal course of business and are being pursued with the appropriate authorities by the company officials and their expert lawyers.

- The outstanding litigations against the **Core Promoter companies** are as follows:

a. Birla Corporation Limited

As on February 1st, 1999 the Company is facing a writ petition against the demand of M. P. Govt. to levy Mineral Area Development Cess (MAD) of Rs. 1,006 lacs and a demand raised by Central Government against Company's claim for Higher Retention Price of Cement manufactured during the period 1979 to 1982 amounting to Rs. 502.95 lacs.

Further Rs. 969 lacs is an amount refundable to the Company for Central Excise Duty paid under protest as per decisions of the CEGAT. A writ petition is pending before the Hon'ble High Court for not refunding the amount to the Company. An appeal against the order of the Assistant Commissioner is also pending before the Commission (Appeals).

Further the Company is facing 405 cases aggregating Rs. 3,452 lacs against it, regarding Central Excise and Customs, Sales tax, Income tax, Labour/ESI/Employees. Dispute regarding Royalty & Cess, Jute tax, Railway freight, water Supply charges/Water rate dispute, Interest rate & taxes, Fuel cost & charges, Land matters including Land Acquisition/Company's land encroachment disputes, etc.

b. The Punjab Produce and Trading Company Limited

The Company is facing the following litigations as on February 1st, 1999:

- Eight appeals pending before the Income Tax Appellate authorities involving tax amount of Rs. 5.21 lacs.
- Two cases pending in respect of immoveable properties owned by the Company, amount unascertainable.
- A petition filed against the Company before the Rent Controller, Calcutta.

c. Gwalior Webbing Company Limited

As on February 1st, 1999 the Company has two cases pending before the Income Tax authorities involving tax amount of Rs. 11.05 lacs.

d. Vindhya Telelinks Limited

The Company is facing two cases filed by ex-employees for reinstatement of services and three disputes with customers involving Rs. 51.75 lacs against which provision of Rs. 31.75 lacs has been made in the books of account of the Company and award against the balance Rs. 20 lacs has been made in favour of the Company by the Hon'ble Arbitrator and the matter is now pending before the Hon'ble Delhi High Court.

11. The outstanding litigations against the **Group companies** as on February 1st, 1999 are as follows:

a. Birla Ericsson Optical Limited

The Company has Contingent Liabilities not provided for which include claims against the company not acknowledged as debts of Rs. 41.18 lacs as on 31.3.98 and certain pending cases with Central Excise Appellate Authorities where Central Excise Department preferred appeals upto February 1st, 1999 (approx. amt. involved in the appeal Rs. 88.56 lacs) which have been contested by the Company. There are also four cases filed against the Company in the Labour Court, Rewa. The company has also not defaulted in meeting any statutory and institutional dues including payment of dues to debentureholders barring a few instances of slight delay in repayment of dues of financial institutions/banks in the past.

12. The outstanding litigations against the **Other Ventures** promoted by Late Shri M.P. Birla are as follows:

a. Pilani Investment and Industries Corporation Limited

The Company is facing Income-tax demands aggregating to Rs. 110.27 lakhs for various years. The Company has also disputed the claim of recovery of Rs. 15.44 lakhs made by State Bank of India. The competent authority under Urban Land (Ceiling & Regulation) Act, 1976 has declared excess land of Company at Calcutta 329.25 sq mtrs. in respect of land held by the Company at Calcutta and 1,486.87 sq. mtrs in respect of land at New Delhi transferred to a subsidiary of the Company w.e.f. 1.4.85. In respect of loans of Rs. 16.55 lakhs given to Hind Cycles Ltd., the Company has challenged the order of priorities fixed by the Nationalisation Act, for repayment of loans by the said company.

The Company also has uncalled liability on partly paid Shares & Debentures etc. held as Investments amounting to Rs. 15.27 lakhs (as on 1.2.99 Rs. 3,210/-). Further no provision for leave liability to employees has also been made, the same amounts to Rs. 2.55 lakhs.

b. The Rameshwara Jute Mills Limited

The Company is facing five appeals pending before the Income Tax Appellate Tribunal, Calcutta, involving tax amount of Rs. 185.22 lacs and two appeals pending before the Income Tax Appellate Tribunal, New Delhi, involving tax amount of Rs. 10.00 lacs and also three appeals pending before the Commercial Tax Authorities of Bihar and Orissa involving amount of Rs. 1.45 lacs.

Management perception:

The claims/suits/complaints/allegations have been refuted/denied/defended by the respected companies and the matters which have arisen in the normal course of business transactions are being pursued with the appropriate authorities by the company officials and their expert lawyers and it is felt that no liability is expected to fall upon them. Demands raised by the sales tax, income tax, excise and custom authorities have not been acknowledged as debts and the appeals of the companies against such demands are pending for final disposal before the appropriate authorities.

STATUTORY DECLARATIONS:

1. The issue of shares in the manner mentioned hereunder has been authorised at the Board meeting held on July 29, 1998 and further pursuant to a special resolution passed in the Extra-Ordinary General Meeting (EGM) held on October 21, 1998.
2. Subscription received against this issue would be kept in separate bank accounts and the Company would not have access to such funds unless it has received minimum subscription of 90% of the Issue, and the permission of the Regional Stock Exchange at Madhya Pradesh Stock Exchange-Indore to use the amount of subscription.
3. This offer is being made to the existing equity shareholders of the Company (hereinafter referred to as "shareholders") whose names appear on the register of members as on February 16, 1999 (hereinafter referred to as the Record date).

IMPORTANT:

4. If the Company does not receive the application money for at least 90% of the issued amount including devolvement of underwriters, the entire subscription received will be refunded to the applicants within 42 days from the date of closure of the issue. If there is any delay in the refund of the application money by more than 8 days after the Company becomes liable to pay the amount (i.e. forty two days after the closure of the issue), the Company shall pay interest for the delayed period, at prescribed rates under sub section (2) and (2A) of section 73 of the Companies Act, 1956.
5. Please read this Letter of Offer and instructions contained in the accompanying Composite Application Form (hereinafter referred to as "the CAF") carefully before filling in the CAF.
6. The instructions contained in the CAF are an integral part of this Letter of Offer and must be carefully followed, otherwise the application is liable to be rejected.
7. All inquires/communication in connection with this Letter of Offer and the accompanying CAF including requests for Split Application Forms should be addressed to the Registrars to the Issue quoting the name of the Sole / First Shareholder, the registered folio number and the CAF number as mentioned in the CAF.
8. As a matter of abundant caution, attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956 (hereinafter referred to as "the Act") which is reproduced below:

Any person who-

makes in a fictitious name an application to a Company for acquiring or subscribing for any shares therein,

or

otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.

EXTERNAL RISK FACTORS

1. As in any industry the Company faces competition from existing and new units that may be established in the future.

Management's Perception:

The Company has an established market share of 15% (Company estimates) and a wide product range. The Company has a strong network of thirteen offices. The Company is therefore confident of maintaining its competitive edge in the future also.

2. Any change in the government policies relating to pricing, taxes, duties, levies etc. may affect the profitability of the Company.
3. The Cable Industry is facing a slower growth in demand compared to previous years.

Management's Perception (For pts. 2 & 3):

This is a general feature being felt with almost all sectors of the Indian industry. An improvement is expected in the fourth quarter of the current financial year.

HIGHLIGHTS

1. Over 34 years old, established, profit making, uninterrupted dividend paying Company.
2. The Company is in the business of manufacturing Power Cables and Capacitors. In the Ninth plan period, this business is expected to witness high growth in view of the high priority being given by the Government to the business of power generation and distribution.
3. Universal-ABB Power Cables Ltd., a joint venture company promoted by the Company alongwith ABB has commenced production and the plant was formally inaugurated on March 21, 1998.
4. The Company received the prestigious ISO-9002 accreditation for its Cable manufacturing facilities at Satna in June, 1994.

NOTE:

THE INVESTORS ARE ADVISED TO REFER TO THE PARA ON "JUSTIFICATION OF ISSUE PRICE" BEFORE MAKING AN INVESTMENT IN THIS ISSUE.

The Company accepts no responsibility for statements made otherwise than in the Letter of Offer or in the advertisement or any other material issued by or at the instance of the issuer and that anyone placing reliance on any other source of information would be doing so at his own risk.

NOTE:

The Core Promoters have not entered into any purchase or sale transactions of the Company's Shares in the last six months other than the purchase of an aggregate of 29400 shares in different lots at different prices with a maximum price of Rs. 18.50 on 17.12.98 and a minimum price of Rs. 16.70 on 10.8.98.

Further the Promoter Group/Directors have not entered into any other purchase or sale transactions of the Company's shares in the last six months other than the purchase of 100 shares at a price of Rs. 17/- per share as on 7.9.98 and the sale of 250 shares at a price of Rs. 20/- per share on 7.9.98 by the spouse of one Director of the issuer company.

Dear Shareholder(s),

Re: Offer Of 40,07,589 Equity Shares Of Rs. 10/- Each For Cash At A Premium Of Rs. 10/- Per Share Aggregating To Rs. 8,01,51,780/- On A Rights Basis To Its Existing Shareholders Of The Company In The Ratio Of One Equity Share For Every Four Equity Shares Held As On The February 16, 1999 (Record Date).

I. GENERAL INFORMATION

1. Name And Address Of The Registered Office Of The Company

UNIVERSAL CABLES LIMITED
P.O. Birla Vikas,
Satna-485 005, Madhya Pradesh .

DISCLAIMER CLAUSE

As required, a copy of this Letter of Offer has been submitted to SEBI. It is to be distinctly understood that the submission of Letter of Offer to SEBI should not, in any way, be deemed or construed that the same has been cleared or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the project for which the issue is proposed to be made, or for the correctness of the statements made or opinions expressed in the Letter of Offer document. The Lead Manager, ICICI Securities and Finance Company Limited, has certified that the disclosures made in the offer document are generally adequate and are in conformity with SEBI Guidelines for Disclosure and Investor Protection for the time being in force. This requirement is to facilitate investors to take an informed decision for making investment in the proposed issue. It should also be clearly understood that while the issuer Company is primarily responsible for the correctness, adequacy and disclosure of all relevant information in the offer document, the Lead Manager is expected to exercise due diligence to ensure that the Company discharges its responsibility adequately in this behalf and towards this purpose, the Lead Manager, ICICI Securities and Finance Company Limited has furnished to SEBI a Due Diligence Certificate dated November 13, 1998 in accordance with SEBI (Merchant Bankers) Regulations 1992, which reads as follows:

We have examined various documents including those relating to litigation like commercial disputes, patent disputes, disputes with collaborators etc., and other materials in connection with the finalisation of the draft Letter of Offer pertaining to the said issue;

On the basis of such examination and the discussions with the Company, its Directors and other Officers, other agencies, independent verification of the statements concerning the objects of the issue, projected profitability, price justification and the contents of the documents mentioned in the annexure and other papers furnished by the Company;

WE CONFIRM THAT:

the draft letter of offer forwarded to SEBI is in conformity with the documents, materials and papers relevant to the issue;

all the legal requirements connected with the said issue as also the guidelines, instructions, etc. issued by SEBI, the Government and any other competent authority in this behalf have been duly complied with; and

the disclosures made in the draft letter of offer are true, fair and adequate to enable the investors to make a well informed decision as to the investment in the proposed issue.

We confirm that besides ourselves, all the intermediaries named in the Letter of Offer are registered with SEBI and that till date such registration is valid.

The filing of this offer document does not, however, absolve the Company from any liabilities under Section 63 of the Companies Act, 1956 or from the requirement of obtaining such statutory or other clearances as may be required for the purpose of the proposed issue. SEBI, further reserves the right to take up, at any point of time, with the Lead Manager(s) (Merchant Bankers) any irregularities or lapses in the Offer Document.

LISTING ARRANGEMENTS

The existing equity shares of the Company are listed at the stock exchanges of Madhya Pradesh Stock Exchange-Indore (the Regional Stock Exchange), Mumbai, Calcutta and the National Stock Exchange. Applications will be made to all these Stock Exchanges for permission to deal in and for an official quotation in respect of the shares being offered in terms of this Letter of Offer and the Equity Shares if any resulting thereof on conversion.

ISSUE PROGRAMME

Issue Opens on	Last date for receiving request for split forms	Issue closes on
March 15, 1999	March 30, 1999	April 15, 1999

GOVERNMENT APPROVALS

The Company has received all the necessary permissions and approvals from the Government and various Government agencies for the existing activities

No further approvals from any Government authority / Reserve Bank of India (RBI) are required by the Company to undertake the existing activities, save and except those approvals which may be required to be taken in the normal course of business from time to time.

LEAD MANAGER TO THE ISSUE

ICICI Securities and Finance Company Limited
41/44, Minoo Desai Marg, Colaba, Mumbai-400 005
Phone : (022) 288 2460 / 70. Fax: (022) 2837045

REGISTRARS TO THE ISSUE

Intime Share Services Pvt. Ltd.
260-A, Shanti Industrial Estate, Sarojini Naidu Road,
Mulund (W), Mumbai-400 080.
Phone : (022) 5647731/5672716. Fax: (022) 567 2693

AUDITORS

S.R. Batliboi and Company
20, Community Centre, Pushp Vihar (Madangir),
New Delhi-110062

BANKERS TO THE ISSUE

State Bank of India
Bombay Main Branch,
New Issue Division,
Bombay Samachar Marg, Mumbai-400 023.
Phone: (022) 2661765/2662133. Fax: 2662069.

MINIMUM SUBSCRIPTION

If the Company does not receive the application money for at least 90% of the issued amount including devolvement of underwriters, the entire subscription received will be refunded to the applicants within 42 days from the date of closure of the issue. If there is any delay in the refund of the application money by more than 8 days after the Company becomes liable to pay the amount (i.e. forty two days after the closure of the issue), the Company shall pay interest for the delayed period, at prescribed rates under sub section (2) and (2A) of section 73 of the Companies Act, 1956.

STANDBY ARRANGEMENTS

The company may enter into stand-by arrangements and will pay commission at the appropriate rates for the same.

COMPLIANCE OFFICER

P.L. Sharma
Company Secretary
P.O. Birla Vikas, Satna-485 005 (M.P.)
Phone: 07672-23561 to 65. Fax: 07672-25344

II. CAPITAL STRUCTURE OF THE COMPANY

No. of shares	Description	Nominal Value (Rs.)	Aggregate Value (Rs.)
A. AUTHORISED			
2,00,000	Preference Shares of Rs.100/- each	2,00,00,000	
2,30,00,000	Equity Shares of Rs. 10/- each	23,00,00,000	
	Total	25,00,00,000	
B. ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
Issued 1,60,36,175	Equity Shares of Rs. 10/- each	16,03,61,750	
Subscribed & paid up 1,60,30,355	Equity Shares of Rs. 10/- each	16,03,03,550	
	Add: Forfeited shares (Amount originally paid up)	29,100	
	Total	16,03,32,650	
C. PRESENT ISSUE			
RIGHTS ISSUE IN TERMS OF THIS LETTER OF OFFER			
40,07,589	Equity shares of Rs. 10/- each for cash at a premium of Rs. 10/- per share on a Rights basis to the existing shareholders of the Company in the ratio of one equity share for every 4 equity shares held as on the Record Date.	4,00,75,890	8,01,51,780
D. SUBSCRIBED AND PAID UP CAPITAL AFTER THE RIGHTS ISSUE			
2,00,37,944	Equity Shares of Rs. 10/- each	20,03,79,440	
E. SHARE PREMIUM			
	Before the Rights issue	18,91,13,460	
	After the Rights issue	22,91,89,350	

The details of subscribed share capital are as follows-

Date of allotment	No. of Shares Face Value Rs. 10/-	Total paid up Capital (Rs.)	Issue Price (Rs.)	Consideration	Remarks
6.3.1945	100	1000	10	Cash	Subscription to Memorandum and Articles of Association
1.10.1945	42525	426250	10	Cash	Public issue
15.11.1945	29325	719500	10	Cash	Public issue
21.1.1946	6000	779500	10	Cash	Public issue
14.3.1946	13850	918000	10	Cash	Public issue
27.5.1946	258200	3500000	10	Cash	Public issue
24.7.1961	349725	6997250	10	Cash	Rights issue
21.8.1961	350275	10500000	10	Cash	Public issue
29.9.1970	209245	12592450	10	Cash	Rights issue
22.12.1977	479808	17390530	10	Cash	Rights issue
26.6.1979	867824	26068770	-	Bonus	Bonus issue
5.1.1988	2604077	52109540	35	Cash	Rights issue
5.1.1988	130203	53411570	35	Cash	Preference to employees
5.4.1993	2679529	80206860	85	Cash	Rights issue
17.2.1995	8015489	160361750	-	Bonus	Bonus issue
Total	16036175				

Details of top 10 shareholders

a. The top 10 shareholders of the Company as on February 5, 1999

Sr. No.	Name of the Shareholder	No. of Shares	Percentage of shareholding (%)
1.	The Punjab Produce and Trading Co. Ltd.	1829540	11.41
2.	Life Insurance Corporation of India	1561554	9.74
3.	Gwalior Webbing Co. Ltd.	1462858	9.13
4.	Unit Trust of India	1214702	7.58
5.	Hindustan Medical Institution	1064112	6.64
6.	Vindhya Telelinks Ltd.	792228	4.94
7.	Eastern India Educational Institution	686951	4.29
8.	The New India Assurance Co. Ltd.	630000	3.93
9.	Oriental Fire and General Insurance Co. Ltd.	516300	3.22
10.	Birla Corporation Ltd.	374196	2.33

b. The top 10 shareholders of the Company as on February 5, 1997

Sr. No.	Name of the Shareholder	No. of Shares	Percentage of shareholding (%)
1.	The Punjab Produce and Trading Co. Ltd.	1829540	11.41
2.	Life Insurance Corporation of India	1561554	9.74
3.	Gwalior Webbing Co. Ltd.	1462858	9.13
4.	Unit Trust of India	1214702	7.58
5.	Hindustan Medical Institution	1064112	6.64
6.	Vindhya Telelinks Ltd.	665628	4.15
7.	The New India Assurance Co. Ltd.	630000	3.93
8.	Oriental Fire and General Insurance Co. Ltd.	516300	3.22
9.	Eastern India Educational Institution	485604	3.03
10.	Birla Corporation Ltd.	374196	2.33

c. The top 10 shareholders of the Company as on January 27, 1999

Sr. No.	Name of the Shareholder	No. of Shares	Percentage of shareholding (%)
1.	The Punjab Produce and Trading Co. Ltd.	1829540	11.41
2.	Life Insurance Corporation of India	1561554	9.74
3.	Gwalior Webbing Co. Ltd.	1462858	9.13
4.	Unit Trust of India	1214702	7.58
5.	Hindustan Medical Institution	1064112	6.64
6.	Vindhya Telelinks Ltd.	791528	4.94
7.	Eastern India Educational Institution	686951	4.29
8.	The New India Assurance Co. Ltd.	630000	3.93
9.	Oriental Fire and General Insurance Co. Ltd.	516300	3.22
10.	Birla Corporation Ltd.	374196	2.33

The shareholding pattern of the Company as on February 5, 1999 is as follows:

Entity	No. of Share holders	Existing		After The Rights Issue (*)	
		No. Of Shares	%	No. Of Shares	%
Promoter Group	23	6657564	41.53	8321955	41.53
Financial Institutions / Investment Institutions / Banks/Insurance Companies	14	4576029	28.54	5720036	28.54
NRI/OCBs (other than Promoter Group)	125	169372	1.06	211715	1.06
Public and Others	12642	4627390	28.87	5784238	28.87
Total	12804	16030355	100.00	20037944	100.00

* - Assuming that all shareholders take up their Rights.

- No shares have been issued for consideration other than cash.
- Promoters' Shareholding
The Promoter Group holds 66,57,564 equity shares of face value Rs. 10/- each as on February 5th, 1999 which constitutes 41.53% of the aggregate Equity Share Capital of the Company. The Promoter Group has confirmed to the Company that they intend to subscribe to the Rights Issue for an amount in the aggregate at least equal to their entire rights entitlement and as such the post-issue shareholding of the Promoter Group would not fall below 41.53%. The Promoter Group will also acquire all of the additional Equity shares beyond their entitlement if the issue is undersubscribed so as to get the issue fully subscribed.
- The company has obtained Reserve Bank of India (RBI) permission for the issue of Equity shares to Non Resident Indians/OCBs on a repatriable basis under 40% scheme vide their letter no. CO.FID(II)/3846/10.02.40-(5981)98/99, dated January 27th, 1999.
- The Core promoters have not entered into any purchase or sale transactions of the Company's shares in the last six months other than the purchase of 20,900 shares of the Company by Vindhya Telelinks Ltd. at a maximum price of Rs. 17.20 as on 11.8.98 and a minimum price of Rs. 16.70 as on 10.8.98. Further the Promoter Group/Directors have not entered into any other purchase or sale transactions of the Company's shares in the last six months other than the purchase of 100 shares at a price of Rs. 17/- per share as on 7.9.98 and the sale of 250 shares at a price of Rs. 20/- per share on 7.9.98 by the spouse of one Director.
- The promoters, directors and lead merchant bankers of the issue have not entered into any buy-back or "similar" arrangements for the securities being issued through this Letter of Offer other than mentioned elsewhere in the Letter of Offer.
- There are no "bridge loans" or any other financial arrangements made which will be repaid out of the proceeds of the current issue except for those mentioned under the para "Objects of the Issue".
- The shareholders of the Company do not hold any warrant option or convertible loan or any other security which will entitle them to acquire further shares of the Company.

III. TERMS OF THE PRESENT ISSUE

AUTHORITY FOR THE ISSUE

The present issue of Equity shares is being made pursuant to a Board resolution passed on July 29, 1998 and an EGM held on October 21, 1998.

BASIS OF OFFER

40,07,589 Equity shares of Rs. 10/- each at a premium of Rs. 10/- per share are being offered for subscription to the Equity shareholders of the Company on Rights basis in the ratio of 1 (one) Equity shares for every 4 (four) Equity Share held by them, whose names appear on the Register of Members of the Company at the close of business hours on February 16, 1999 being the Record Date fixed by the Company in consultation with the Stock Exchange at Madhya Pradesh Stock Exchange-Indore. The entitlements where fractional, will be rounded off to the next higher integer if greater than or equal to half, and will be ignored if less than half.

Shareholders whose fractional entitlements are being ignored will be given preferential allotment of one additional share each if they apply for additional shares. In case of shareholders have holdings in both physical and electronic form, such entitlement to one additional share will be restricted to only the electronic holdings.

If the issue results in issue of shares in odd lots, the company shall as far as possible issue certificates in the denomination of 1-2-5-10-20-50 shares.

RIGHTS ENTITLEMENT

As an equity shareholder of the Company on the Record Date, you are entitled to this Rights Offer. The number of Equity shares to which you are entitled is shown in Block IV of Part A of the enclosed CAF. In case of shareholders having holdings in both physical and electronic form, separate CAF has been mailed.

PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE

The Equity shares being issued are subject to the terms of this Letter of Offer, the terms and conditions contained in the CAF, the Memorandum and Articles of Association of the Company, provisions of the Act and the RBI approval under the Foreign Exchange Regulation Act, 1973, other applicable acts, and the Letters of Allotment / Equity share Certificates and share certificates arising out of conversion or other documents and the

Guidelines issued from time to time by the Government of India and Securities and Exchange Board of India and Stock Exchanges where these securities are proposed to be listed.

DESCRIPTION OF THE INSTRUMENT

Value

Each Equity share shall have a face value of Rs. 10/- and will be issued at a premium of Rs. 10/- per share.

Ranking

The Equity shares now being offered shall rank pari-passu in all respects with the existing Equity shares of the Company, save and except these will qualify for dividend, if any, only from the date of allotment and such dividend shall be proportionate to the amount paid up thereon and prorata for the period during which such capital is paid-up.

Terms of Payment

The full amount of Rs. 20/- per Equity shares is payable on application.

Further borrowings

The Company shall be entitled, from time to time, to make further issue(s) of Bonds and/or Equity shares to the public, members of the Company and/or to any other person(s) and/or to raise further loans, advances and/or avail of further financial and/or deferred payment guarantee facilities from Financial Institutions, Banks and/or any other person(s) on such terms and conditions as the Company may determine, on the security of the said properties or any part thereof and/or such other assets or properties as may be decided by the Company from time to time and having such ranking in priority to the securities to be created in favour of the Trustees as may be agreed to by the Company and the Trustees and the participating Financial Institutions, Banks and/or any other person(s), but without the Company being required to obtain any further approval/sanction from the Equity share holders.

HOW TO APPLY

RESIDENT SHAREHOLDERS

Applications should be made on the enclosed Composite Applications Forms (CAF) provided by the Company. The CAF should be complete in all respects as explained in the instructions contained in the CAF. Applications will not be accepted by the Lead Managers or by the Registrars to the issue or by the Company at any of its offices except in the case of postal applications as per instructions given elsewhere in this Letter of Offer.

The CAF consists of four parts

- Part A : Form for accepting the Equity shares offered and for applying for additional Equity shares
- Part B : Form for renunciation
- Part C : Form for application by renounees
- Part D : Form for request for split applications

ACCEPTANCE OF OFFER

You may accept and apply for the Equity shares offered wholly or in part by filling in Block I of Part A of the enclosed CAF indicating at the relevant place the number of Equity shares applied for and submit the same along with the application money at the rate of Rs. 20/- per Equity shares payable to any branch of the Bankers to the Issue or the designated centres mentioned on the reverse of the CAF before the close of banking hours on April 15, 1999 or such extended period as may be determined by the Board or its duly authorised committee. In case of shareholders having holdings in both physical and electronic form, you will have to make separate applications for the respective portion of holdings. You are however free to opt for allotments of rights shares in electronic form even in respect of shares currently held in physical form. Appropriate provisions for this have been made in the CAF.

ADDITIONAL EQUITY SHARES

You are eligible to apply for additional Equity shares over and above the number of Equity shares you are entitled to. The allotment of additional Equity shares will be made by the Board or its duly authorised committee on an equitable basis with reference to the Equity Shares held by you on the Record Date, if necessary, in consultation, with the regional Stock Exchange at Madhya Pradesh Stock Exchange-Indore.

If you desire to apply for additional Equity shares, you may fill in the number of additional Equity shares applied for in Block VI of Part A of the CAF indicating at the relevant places, the number of Equity shares applied for.

Allotment of additional Equity shares to Non-Resident shareholders shall be subject to the terms of approval by the RBI.

RENUNCIATION

As an equity shareholder on the Record Date, you have the right to renounce your entitlement of the Equity shares in full or in part in favour of any other person(s) including individuals, Limited Companies, Statutory Corporations/Institutions, Trusts (registered under the Societies Registration Act, 1860 or other applicable laws) or any other legal entity constituted by written instruments and authorised under its constitution to hold equity shares/ Equity shares in a Company. Renounee(s) need not be existing member of the Company. However, renunciation(s) in favour of minors, partnership firms, HUFs, will not be accepted. Joint renunciation in favour of more than three individuals will not be accepted.

Any renunciation from Resident(s) to Non-Resident(s), from Non-Resident(s) to Resident(s) or from Non-Resident(s) to other Non-Resident(s) is subject to the renounee(s)/ renounee(s) obtaining necessary approval of the RBI under the provisions of the Foreign Exchange Regulation Act, 1973 and other applicable laws and the said permission should be attached with the CAF.

A request for allotment of Equity shares by all the renounee(s) in whose favour you renounce your rights to the Equity shares offered to you shall be subject to the condition that the Board or its duly authorised committee shall have absolute discretion to reject any

such request for allotment without assigning any reason whatsoever.

Procedure for renunciation and application thereof :

To Renounce in Whole

If you wish to renounce this Offer in whole, please complete Part B of the CAF. In the case of joint holdings, all joint holders must sign as per the specimen signatures recorded with Company and in the same order. The person(s) in whose favour your offer has been renounced should complete and sign Part C of the CAF. In case of joint renounees, all joint renounees must sign.

To Renounce in Part

If you wish to accept part of the Equity shares offered to you and renounce the balance or renounce the Equity shares in favour of two or more separate renounees (or sets of renounees), the CAF must first be split by applying to the Registrars to the Issue. Please indicate your requirement of Split Forms in the space provided for this purpose in Part D of the CAF and send the entire CAF to the Registrars to the Issue so as to reach them latest by the close of business hours on March 30, 1999. On receipt of required number of Split Forms, the procedure as mentioned above will have to be followed.

Change in and/or introduction of additional name(s)

If you wish to apply for Equity shares jointly with any other person(s) who is/are not already joint holders with you, it will amount to renunciation and the procedure as mentioned above will have to be followed.

Please also note the following

Part A of the CAF must not be used by any person(s) in whose favour this offer has been renounced. This will render the application invalid.

A person in whose favour the Equity shares are renounced has no further right to renounce.

Split Forms

Only the person or persons to whom the Letter of Offer is originally addressed and not a nominee of any of them or the renounee(s) shall be entitled to obtain Split Application Forms.

Split Forms cannot be re-split.

Request for Split Application Forms should be for a minimum of 100 Equity shares or in multiples thereof and one Split Form for the balance Equity shares, if any.

BASIS OF ALLOTMENT

Subject to the terms and conditions of the Letter of Offer and the CAF being fulfilled, the Board or its duly authorised committee will proceed to allot Equity shares in the following order of priority:

- a) Full allotment to the shareholders who have applied for their rights entitlement either in full or in part and also the Renounee(s) who have applied for Equity shares renounced in their favour either in full or in part (subject to other provisions contained under the paragraph entitled "Renunciation" mentioned earlier in this Letter of Offer).
- b) If there is a surplus after making allotment under (a) above, one additional Equity shares will be allotted to the shareholder(s) whose fractional entitlement has been ignored, and who having applied for all the Equity shares they are entitled to, have applied for atleast one additional Equity share.
- c) To the equity shareholders who have also applied for additional Equity shares, the allotment for such additional Equity shares will be made as far as possible on an equitable basis having regard to the number of equity shares held on the Record Date provided there is a surplus after making full allotment under (a) and (b) above.

In the event of oversubscription, allotment will be made only within the overall size of the Rights Issue.

OVERSUBSCRIBED / UNSUBSCRIBED EQUITY SHARES

Any Equity shares remaining unsubscribed, after allotment in the manner mentioned above, will be disposed off by the Board or its duly authorised committee in such manner as it may, in its absolute discretion deem fit in the best interests of the Company.

In the event of oversubscription the basis of allotment will be finalised in consultation with the Regional Stock Exchange viz. Madhya Pradesh Stock Exchange-Indore .

OFFER TO NON-RESIDENTS

The company has obtained Reserve Bank of India (RBI) permission for the issue of Equity shares to Non-Resident Indians/OCB's on a repatriable basis under 40% scheme vide their letter dated January 27th, 1999.

Further the final allotment of Equity shares and the export of Equity shares certificates to non resident applicants / shareholders shall be subject to the approval of the RBI, under the Foreign Exchange Regulation Act, 1973.

COMMUNICATION OF ALLOTMENT

The allotment of Equity shares in this issue will be communicated to the allottees concerned by Registered Post within 6 weeks of the last date fixed by the Company for submission of application for rights. The intimation of Allotment in electronic mode may be sent by ordinary post. The allottees are requested to preserve the letters of allotment, issued if any, to be exchanged later for Equity share Certificate(s).

ALLOTMENT/ADJUSTMENT OF EXCESS APPLICATION MONEY/REFUNDS

In the event the total Equity shares applied for are not allotted in full, the excess application money will be refunded without any interest to the concerned applicants within four weeks of the closing of the Subscription List. In case of delay in making refund, the Company would pay interest to the applicants for the delayed period as per the provisions of Sub-section (2) and (2A) of Section 73 of the Companies Act, 1956.

The company agrees that -

as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of the rights issue;

it shall pay interest @ 15% per annum if the allotment has not been made and/ or the

