

Prospectus

Dated November 26, 2005

Please read Section 60B of the Companies Act, 1956

100% Book Building Issue**ABG****ABG SHIPYARD LIMITED****Registered Office:** Magdala Port, Dumas Road, Surat: 395 007; Tel: +91 261 272 5191; Fax: +91 261 2726481**Corporate Office:** 4th and 5th Floor, Bhupati Chambers, 13, Mathew Road, Mumbai: 400 004. Tel: + 91 22 56563000; Fax: +91 22 23649236;**Contact person:** Manoj Raichandani, DGM (Finance) & Company Secretary; E-mail: ipo@abgindia.com; Website: http://www.abgindia.com

(We were incorporated on March 15, 1985 as Magdala Shipyards Private Limited, under the Companies Act, 1956. On May 25, 1995, our name was changed to ABG Shipyards Private Limited and further on June 14, 1995 our name was changed to ABG Shipyards Limited.)

PUBLIC ISSUE OF UP TO 8,500,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. 185 PER EQUITY SHARE, AGGREGATING TO RS. 1572.50 MILLION BY ABG SHIPYARD LIMITED ("THE COMPANY" OR "ISSUER"). THE FRESH ISSUE REFERRED TO HEREIN AS THE "ISSUE" INCLUDES A RESERVATION OF 200,000 EQUITY SHARES FOR SUBSCRIPTION BY EMPLOYEES OF ABG SHIPYARD LIMITED (THE "EMPLOYEE RESERVATION PORTION") AND NET ISSUE TO THE PUBLIC OF 8,300,000 EQUITY SHARES OF THE FACE VALUE OF RS. 10 EACH AT THE PRICE OF RS. 185 FOR CASH AGGREGATING RS. 1535.50 MILLION (HEREWITH REFERRED TO AS "NET ISSUE")

THE NET ISSUE CONSTITUTES 16.30% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.

ISSUE PRICE : Rs. 185 PER EQUITY SHARE OF FACE VALUE Rs. 10

THE FACE VALUE OF THE SHARE IS RS 10 AND THE ISSUE PRICE IS 18.5 TIMES THE FACE VALUE

In terms of Rule 19(2)(b) of the SCRR, this being an Issue for less than 25% of the post-issue capital, the Issue is being made through the 100% book building process where in atleast 60% of the Net Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers ("QIBs"). If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. **The face value of the shares is Rs. 10 and the Issue Price is 18.5 times of the face value.** The Price Band (as determined by the Company in consultation with the Book Running Lead Manager ("BRLMs") on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" on page x of this Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Prospectus is true and correct in all material aspects 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 Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through this Prospectus are proposed to be listed on Bombay Stock Exchange Limited. We have received in-principle approval from Bombay Stock Exchange Limited for the listing of the Equity Shares pursuant to letter dated September 26, 2005

BOOK RUNNING LEAD MANAGERS ("BRLMs")
 **IL&FS INVESTSMART**

IL&FS INVESTSMART LIMITED
The IL&FS Financial Centre, Plot C-22,
G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai: 400 051
Tel: + 91-22-26533333
Fax: + 91-22-26533075
Email: abg.ipo@investsmartindia.com
Website : www.investsmartindia.com

 **ICICI Securities**

ICICI SECURITIES LIMITED
ICICI Centre
H.T. Parekh Marg, Churchgate,
Mumbai 400 020
Tel: + 91-22-2288 2460
Fax: + 91-22-2282 6580
Email: abg_ipo@iseconline.com
Website: www.iseconline.com

REGISTRAR TO THE ISSUE


INTIME SPECTRUM REGISTRY LIMITED
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai – 400 078
Tel: +91-22-5555 5491
Fax: +91-22-5555 5499
Email: abgshipyards@intimespectrum.com
Website: www.intimespectrum.com

ISSUE PROGRAMME**BID / ISSUE OPENED ON : NOVEMBER 18, 2005****BID / ISSUE CLOSED ON : NOVEMBER 26, 2005**

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DEFINITIONS AND ABBREVIATIONS**DEFINITIONS**

Term	Description
“ABGSL”, “our Company”, “we”, “us”, and “our”	Unless the context otherwise requires, refers to, ABG Shipyard Limited, a limited company incorporated under the Companies Act.

ISSUE RELATED TERMS

Term	Description
Allotment	Unless the context otherwise requires, the allotment of Equity Shares pursuant to this Issue.
Allottee	The successful Bidder to whom the Equity Shares are being/have been issued.
Banker(s) to the Issue	The banks in which the Public Issue Account will be opened and which will act as such, in terms of this Prospectus.
Bid	An indication to make an offer during the Bidding/Issue Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid / Issue Closing Date	The date after which the Members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, Hindi national newspaper and a Gujarati newspaper with wide circulation.
Bid / Issue Opening Date	The date on which the Members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, Hindi national newspaper and a Gujarati newspaper with wide circulation.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid for the Issue
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to Equity Shares of our Company and which will be considered as the application for allotment of the Equity Shares in terms of the Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus
Bidding Period/ Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is made
BRLMs	Book Running Lead Managers to the Issue, in this case being IL&FS Investsmart Limited and ICICI Securities Limited.
Brokers to the Issue	Brokers registered with any recognized stock exchange, appointed by the members of the Syndicate
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process

ABG SHIPYARD LIMITED

Term	Description
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Cut-off Price	The Issue Price finalized by our Company in consultation with the BRLMs.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful bidders.
Designated Stock Exchange	Bombay Stock Exchange Limited
Employee Reservation Portion	Issue being a maximum of 200,000 Equity Shares available for allocation to permanent employees of our Company working in India or out of India and directors of our Company except those who are part of the Promoter Group.
Employee/Employees	All or any of the following: (a) A permanent employee of our Company working in India or out of India; (b) Director of our Company excepting those who are part of the Promoter Group
Equity Shares	Equity shares of our Company of Rs.10/- each unless otherwise specified in the context thereof
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into by us, Registrar to the Issue, the Escrow Collection Banks, BRLMs and the members of the Syndicate for collection of the Bid Amounts and refunds of the amounts collected to the Bidders.
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account for the Issue will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
Fresh Issue	The issue of 8,500,000 Equity Shares at the Issue Price by our Company in terms of this Prospectus
Group Companies	ABG Heavy Industries Limited, ABG Shipping Limited, Onaway Industries Limited, ABG Cement Limited, Jarrow Finance and Trading Private Limited, ABG Capital Limited, ABG Cranes Private Limited, ABG Power Private Limited, Cardinal Logistics Private Limited, ABG Projects and Services Limited (UK), and Agbros Glass Works (India) Private Limited
Issue Period	The Issue period shall be November 18, 2005, the Issue opening date, to November 26, 2005, the Issue closing date
Issue Price	The final price at which Equity Shares will be issued in terms of this Prospectus. The Issue Price will be decided by our Company in consultation with the BRLMs on the Pricing Date
Issue/Offering/Public Issue	Comprises of fresh issue by ABGSL

Term	Description
Net Issue	The Issue of Equity Shares excluding the Employee Reservation Portion
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000
Non Institutional Portion	The portion of the Issue being minimum 10% of the Net Issue to the Public i.e. 830,000 Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% margin money at the time of bidding, as applicable
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date as specified in the CAN
Price Band	Price band of a minimum price (floor of the price band) of Rs.155 and the maximum price (cap of the price band) of Rs.185 and includes revisions thereto
Pricing Date	The date on which Company in consultation with the BRLMs finalize the Issue Price
Promoter Group	Kamlesh Kumar Agarwal, Kumkum Agarwal, Anupama Agarwal, Archana Agarwal ABG Shipping Limited, Onaway Industries Limited, ABG Cement Limited, Jarrow Finance and Trading Private Limited, ABG Capital Limited, ABG Cranes Private Limited, ABG Power Private Limited, Cardinal Logistics Private Limited, AGBROS Leasing and Finance Private Limited, Indami Investments Private Limited, Oblique Trading Private Limited, Highgate Terminal Private Limited, ABG Projects and Services Limited (UK), ABG Heavy Industries Limited, Arabian Deep Sea Fishing Private Limited and Agbros Glass Works (India) Private Limited
Prospectus	The Prospectus to be filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
QIB Portion	The portion of the Issue Size to the Public being at least 60% of the Net Issue i.e. 4,980,000 Equity Shares of Rs. 10 each available for allocation to QIBs
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs 250 million and pension funds with minimum corpus of Rs 250 million

ABG SHIPYARD LIMITED

Term	Description
Red Herring Prospectus	Red Herring Prospectus is issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are issued and the size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/ Issue Opening Date. It will become a Prospectus after filing with Registrar of Companies after the pricing
Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Limited having its registered office as indicated on the cover page of this Prospectus
Retail Individual Bidder(s)	Individual Bidders (including HUFs and NRIs) who have not Bid for Equity Shares for an amount more than or equal to Rs.100,000, in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being minimum 30% of the Net Issue Size to the Public i.e. 2,490,000 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	The agreement to be entered into among our Company and the members of the Syndicate, in relation to the collection of the Bids in the Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as Underwriters, Syndicate Members are appointed by the BRLMs.
TRS/ Transaction Registration Slip	The slip or document issued by the members of the Syndicate to the Bidder as proof of registration of the Bid
UIN	Unique Identification Number issued in terms of the SEBI (Central Database of Market Participants) Regulations 2003
Underwriters	The BRLMs and Syndicate Members
Underwriting Agreement	The Agreement between the members of the Syndicate and our Company, on its own behalf to be entered into on or before the Pricing Date

CONVENTIONAL / GENERAL TERMS

Term	Description
AGM	Annual General Meeting
Articles/ AoA	Articles of Association of our Company, ABG Shipyard Limited
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
Auditors	The statutory auditors of our Company, M/s. Nisar & Kumar, Chartered Accountants.
Board of Directors/ Board/BOD	The Board of Directors of ABG Shipyard Limited or a duly constituted committee thereof
BSE	Bombay Stock Exchange Limited

Term	Description
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services Limited
Companies Act	The Companies Act, 1956, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
DIP Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
Director(s)	Directors of ABG Shipyard Limited unless otherwise specified
ECS	Electronic Clearing System
EFFC	Exchange Earning Foreign Currency Account
EGM	Extraordinary General Meeting
EPS	Earnings per equity share
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
FII/Foreign Institutional Investor	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
Financial year/fiscal/FY	The twelve months ended March 31 of a particular year unless otherwise stated
FIPB	Foreign Investment Promotion Board
GoI/ GOI	Government of India
HNI (High Networth Individuals)	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000.
HUF	Hindu Undivided Family
I.T. Act	The Income-Tax Act, 1961, as amended from time to time, except as stated otherwise
I.T. Rules	The Income-Tax Rules, 1962, as amended from time to time, except as stated otherwise
IIL	IL&FS Investsmart Limited
Indian GAAP	Generally accepted accounting principles in India.
i-Sec	ICICI Securities Limited
Lenders	Industrial and Development Bank of India, Punjab National Bank, Bharat Overseas Bank, Bank of India, State Bank of India, ICICI Bank, Bank of Baroda, Development Credit Bank, Oriental Bank of Commerce.

ABG SHIPYARD LIMITED

Term	Description
Memorandum/ MOA	The Memorandum of Association of ABG Shipyard Limited
NAV	Net Asset Value
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India
NRE Account	Non Resident External Account
NRI/ Non Resident Indian	Non-resident Indian, is a person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, and as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non-Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB/ Overseas Corporate Bodies	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue.
PAN	Permanent Account Number
Private Equity Investors	Merlion India Fund I Limited, Merlion India Fund III Limited, IL&FS Trust Company Limited (A/C IL&FS Private Equity Trust – Leverage India Fund), New York Life Investment Management India Fund II LLC and Jacob Ballas Capital India Private Limited
Promoters	ABG International Private Limited, Rishi Agarwal and Saket Agarwal
RBI	Reserve Bank of India
Registered Office of our Company	Near Magdala Port, Dumas Road, Surat: 395007, India
RoC	Registrar of Companies, Gujarat
RONW	Return on Network
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Guidelines for Disclosure and Investor Protection) 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
Stock Exchange	Bombay Stock Exchange Limited (BSE)
US GAAP	Generally accepted accounting principles in the United States of America

COMPANY/ INDUSTRY RELATED

Term	Description
CNC	Computerised Numerically Controlled
Cgt	Container Gross Tonnage
DNV	Det Norkse Veritas
Dry Dock	A dock where vessel can be rested in total dry condition.
DWT	Dead Weight Tonnes
ITP	Inspection Test and Protocol
EOT Crane	Electrically Operated Overhead Traveling Crane
LC	Letter of Credit
LIF	IL&FS Private Equity Trust through its scheme The Leverage India Fund
Merlion	Merlion India Fund I Limited
MIF III	Merlion India Fund III Limited
StanChart/SCPE	Standard Chartered Private Equity (Mauritius) II Limited
Slipways	Structure consisting of a sloping way down to the water from the place where ships are built or repaired
Synchrolift	A kind of gigantic fork lift or elevator used to move an entire vessel at a shore base or a shipyard
MoD	Ministry of Defence
AHT	Anchor Handling Tugs
DPV's	Dynamic Positioning Vessels
EPC	Export Packaging Credit
WCDL	Working Capital Demand Loans
L/C	Letters of Credit
BG	Bank Guarantee
HP	Hire-Purchase
GOG	Government of Gujarat
GMB	Gujarat Maritime Board
GIDC	Gujarat Industrial Development Corporation
IMO	International Maritime Organisation
GMB Act – 1982	Gujarat Maritime Board Act, 1982
GID Act 1999	Gujarat Industrial Development Act, 1999
MOU	Memorandum of Understanding

ABG SHIPYARD LIMITED

CERTAIN CONVENTIONS; USE OF MARKET DATA

In this Prospectus, the terms “we”, “us”, “our”, the “Company”, “our Company”, “ABG Shipyard Limited” unless the context otherwise indicates or implies, refers to ABG Shipyard Limited. In this Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and the word “Lac” means “one hundred thousand”, the word “million (million)” means “ten lac”, the word “Crore” means “ten million” and the word “billion (bn)” means “one hundred crore”. In this Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

Throughout this Prospectus, all figures have been expressed in millions.

Unless stated otherwise, the financial data in this Prospectus is derived from our financial statements prepared in accordance with Indian GAAP and included in this Prospectus. Our current fiscal year commenced on April 1, 2005 and ends on March 31, 2006. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices. Any reliance by Persons not familiar with Indian accounting practices on the financial disclosures presented in this Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

For additional definitions used in this Prospectus, see the section Definitions and Abbreviations on page i of this Prospectus. In the section entitled “Main Provisions of Articles of Association”, defined terms have the meaning given to such terms in the Articles of Association of our Company.

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

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain “forward-looking statements”. These forward looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements.

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- Our ability to successfully implement our strategy, our growth and expansion plans and technological changes;
- General economic and business conditions in India and other countries;
- Changes in the value of the Rupee and other currencies; and
- Changes in laws and regulations that apply to ship building industries specifically relating to subsidies, including laws that impact our ability to enforce our collateral.
- Changes in the foreign exchange control regulations in India.
- Increasing competition in and the conditions of the Indian and Global Ship building Industry
- The pricing we can obtain for our products
- Wage levels in India
- Changes in Political or Social conditions in India
- Loss of business from significant clients

For further discussion of factors that could cause our actual results to differ, see “Risk Factors” beginning on page x of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company, BRLMs, any member of the Syndicate nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchange

ABG SHIPYARD LIMITED

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, profitability and financial condition could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

Note: Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any risks mentioned herein under:

INTERNAL RISK FACTORS

We have planned capital expenditures, which may not yield the benefits intended.

Our operations require capital expenditures to increase capacity. We have commenced Rs 3,588 million capital expenditure plans aimed at increasing our ship building capacities to meet the growing demand. We also have other planned capital expenditures. Please refer to the section entitled "Objects of the Issue" beginning on page 20 and "Our Business" beginning on page 41 for details of proposed capital expenditure. The figures in our capital expenditure plans are based on management estimates and have not been appraised by any bank, financial institution or other independent organisation. In addition, our capital expenditure plans are subject to a number of variables, including possible cost overruns; construction/development delays or defects; receipt of critical governmental approvals; availability of financing on acceptable terms; and changes in management's views of the desirability of current plans, among others. In view of the reasons stated above, we cannot assure you that we will be able to execute our capital expenditure plans as contemplated. If we experience significant delays or mishaps in the implementation of our capital expenditure plans including but not limited to, construction delays, delay in receipt of government approvals, delay in delivery of equipment by suppliers etc there could be significant cost overruns. Due to these time and/or cost overrun the overall benefit of such plans to our revenues and profitability may decline. To the extent that completed and/or planned capital expenditure does not produce anticipated or desired revenue or cost-reduction outcomes, our profitability and financial condition will be negatively affected.

We have not entered into definitive agreements to utilise all the proceeds of the Issue.

We intend to use the net proceeds of the Issue for the capital expenditures described in section "Objects of the Issue" beginning on page 20 of this Prospectus. Except for the appointment of certain consultants and agreement for purchase of ship building machinery, we have not entered into any definitive agreements to utilise such net proceeds. We are yet to place orders for plant and machinery of Rs 232 mn totalling to 22.70% of the total cost of plant and machinery. Pending any use of the net proceeds of the Issue we intend to invest the funds in liquid instruments. Some of the equipments/components we intend to deploy are expected to be imported and must be paid for in foreign currency. Changes in foreign exchange rates adversely affecting the value of the Rupee may adversely affect the cost of the project.

We are yet to receive certain Government approvals for our proposed expansion

For the expansion of the project, we are yet to receive various approvals / permissions. Failure or delay in obtaining these approvals would adversely affect our business and may result in significant cost over runs and delays in our expansion plans. The summary of various approvals / permissions yet to be received are described in section "Licences and Approvals" beginning on page 114 of this Prospectus.

Our Promoter and Managing Director is a first generation entrepreneur. Further, we depend on our senior management team, and the loss of team members may adversely affect our business.

Our Promoter and Managing Director, Rishi Agarwal is a first generation entrepreneur on whom we rely for the

management of our day to day operations including our business strategy and growth plans. Our future performance will be affected by the absence of continued services of Rishi Agarwal. Further, if one or more members of our senior management team were unable or unwilling to continue in their present positions, those persons could be difficult to replace and our business could be adversely affected. If some of our key employees were to join a competitor or to form a competing company, some of our customers or clients might choose to do business with that competitor or new company. Furthermore, customers, clients or other companies seeking to develop in-house capabilities may hire away some of our senior management or key employees.

We may be unable to attract and retain skilled professionals.

Management Perception: Our ability to sustain our growth depends, in large part, on our ability to attract, train, motivate and retain highly skilled personnel. As on March 31, 2005 we had two hundred eighty four (284) permanent employees. Our inability to hire and retain additional qualified personnel will impair our ability to continue to expand our business. An increase in the rate of attrition for our experienced employees, would adversely affect our growth strategy. We cannot assure you that we will be successful in recruiting and retaining a sufficient number of technical personnel with the requisite skills to replace those technical personnel who leave. Further, we cannot assure you that we will be able to re-deploy and re-train our technical personnel to keep pace with continuing changes in our business. While we have never experienced a work stoppage as a result of labour disagreements or otherwise and we believe our relationship with our employees and their union is generally good, we cannot guarantee that we will not experience any strike, work stoppage or other industrial action in the future.

We place a heavy reliance on contractors for the performance of many of our operations

We rely heavily on contractors who engage on-site labourers for performance of many our operations. We are registered as a principal employer under the Contract Labour (Regulation and Abolition) Act. As on July 15, 2005, about 1,800 labourers are engaged through contractors at our shipyard. On an application made by the contract labourers, an Industrial Court or Tribunal may direct that the contract labourers are required to be regularized or absorbed, or, the state government may prohibit employment of contract labour.

We rely on import of raw materials and also export our products thus facing exchange rate risks.

Management Perception: A significant portion of our raw materials are imported. An adverse change in currency exchange rates will increase the cost of our imports. We also export a significant portion of our products. While we have a natural hedge with respect to the raw materials imported against the exports, any adverse change in the currency exchange rates will decrease the realization of exports and negatively impact our profitability

Revenues from sales outside India may reduce on account of a change in our strategy and such decreasing sales may adversely affect our performance.

Export Revenues from ship building excluding subsidy income accounted for 56.5%, 86.6% and 97.6% of our total revenues for fiscal 2005, 2004 and 2003 respectively. A fall in export sales either on account of fall in demand in the export market or increase in local sales on account of growth in demand from within India, will adversely impact the total subsidy earned by our Company on account of exports.

Ship building contracts are largely contractual in nature and the actual profits may differ significantly vis-à-vis estimated profits

Management Perception: Due to the nature of the ship building industry, most of our commercial contracts are currently executed on a fixed-price basis. We attempt to cover anticipated increase in costs of labour and materials through an estimation of such costs, which is reflected in the original price and normally with back-to-back commitments for major cost elements. Despite these attempts, however, the revenue, cost and gross profit realized on a fixed-price contract may vary from the estimated amounts because of changes in job conditions

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and variations in labour and equipment productivity over the term of the contract. These variations and the risks generally inherent in the ship building industry may result in gross profits realized by us being different from those originally estimated and may result in us experiencing reduced profitability or losses on projects. Depending on the size of the contract, these variations from estimated contract performance could have a significant effect on our operating results for any particular fiscal quarter or year.

In line with AS – 7 “Construction Contracts” our contract revenue and costs with respect to contracts entered into after April 1, 2003 are accounted on “Percentage of Completion Method”. Accordingly, cost estimates are reviewed periodically as the work progresses. To the extent such review results in adverse change in estimates, these revisions would result in a loss or a reduction or elimination of previously reported profits, which would be adjusted against current earnings, and could be material. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page 102 of this Prospectus

Much of our raw materials which are metals and equipments may fluctuate as they are linked to global commodity prices, which are outside our control.

Raw material costs are dependent on global commodity prices, which are outside our control. Our raw materials costs related principally to the purchase of metals, which are used in construction of hulls. Our metal prices are linked to global metal prices. As global metal prices increase, our metal costs increase. Further adverse movements in global metal prices or equipment prices would further increase our materials costs, which may have a material adverse effect on our profitability.

The cyclical nature of some of the industries serviced by us could effect our operations

The demand for our products and services is dependent upon many factors, including the financial condition of companies that purchase marine ships and require marine repair and conversion services, including companies in the offshore oil and gas industry and the petrochemical industry. Companies in these industries are subject to significant fluctuations in their revenue and profitability due to a variety of factors, including general economic conditions and factors affecting each of these industries individually. As per our current order book, around 64% of our current ship building orders are from the oil and gas industry. Due to the cyclical nature of the industry, we may also get excess orders when there is a boom and may have few orders when there is a downturn in a particular Industry. Adverse developments in the industries to which we provide our products and services could have a material adverse effect on the demand and prices of ships and in turn impact our financial condition and profitability.

We have a negative cash flow for certain periods

For the financial year 2004 we had a negative cash flow of Rs. 137 million arising from the utilization of cash in investing and other financing activities. For the six months period ended September 30, 2005 and for the financial year 2002, we had negative cash flow from operating activities of Rs. 429 million and Rs. 62 million respectively arising from increase in working capital requirement. Any negative cash flow in the future could affect our results of operations and financial conditions

Our inability to provide bank guarantee could significantly affect our future operations. We may also face potential liabilities from lawsuits or claims by customers in the future.

Management Perception: Some of our customers require us to give contract performance guarantee, advance and progress payment guarantees, and performance warranties in form of bank guarantees. As of September 30, 2005, we had outstanding contingent liabilities on account of contract performance and performance warranties (excluding advance payment guarantee) issued by banks with an aggregate face amount of approximately Rs. 143 million. Although we believe that we would be able to obtain contract bid and performance bonds, letters of credit and similar obligations on terms we regard as acceptable, there can be no assurance we will be successful in doing so. In addition, the cost of obtaining such bonds, letters of credit and similar obligations may increase. We face a potential threat of these guarantees being invoked/encashed.

Our Contingent liabilities as on September 30, 2005 aggregated to Rs 443 million.

As on September 30, 2005 we had the following contingent liabilities

- Performance/Delivery Guarantees given by the banks to our buyers of Rs 143 million
- Balance outstanding on guarantees given by us on behalf of other group companies of Rs 300 million.

Crystallisation of any of the above liabilities may require us to honour the demands raised, if any, which may adversely impact our liquidity and thereby may have a material adverse impact on our financial resources and network.

We have an outstanding Export Obligation of Rs 16.4 million, nonfulfilment of which may expose us to pay duty concessions availed together with interest and penalties.

We have imported certain equipments at concessional duty under export promotion capital goods (EPCG) scheme and have availed duty concession. As a result we have assumed export obligations which we are required to fulfil by fiscal 2008-2009. The consequence of not meeting the above commitment would be retroactive levy of import duty on items previously imported at concessional duty. Additionally the respective authorities have rights to levy penalties and / or interest for any defaults on case-by-case basis. We are proposing to import machinery against EPCG scheme for the new project. The export obligation with respect to the new project is estimated at Rs 1934.68 million, which will have to be fulfilled within a period of eight years.

Our Company has issued equity shares during the financial year 2005-2006 at a price, which is less than the price discovered through book building in the instant issue.

We have during the financial year 2005-2006 issued 9,621,801 shares at Rs 113.43 and 300,000 shares at a price of Rs 81 to various investors. The issue price to be determined through the book-building process is more than the price at which the above-mentioned two issuances of shares took place.

The extent of tangible assets that would be created out of the total project cost to be financed out of the issue could be less than 40% of the funds proposed to be raised.**Some of our Group Companies have incurred losses**

Certain group companies have incurred losses (as per their standalone financial statements) in recent years, as set forth in the tables below:

Name of the entity	Rs. in million		
	FY 2005	FY 2004	FY 2003
ABG International Private Limited	(0.02)	(0.57)	(0.00)*
Jarrow Finance & Trading Private Limited	0.03	0.02	(1.23)
ABG Capital Limited	(0.03)	(0.05)	(0.00)*
ABG Cranes Private Limited	(0.00)*	(0.03)	(0.00)*
ABG Power Private Limited	(0.00)*	(0.02)	(0.00)*
Cardinal Logistics Private Limited	(0.05)	(0.01)	-
ABG Cement Limited	(28.41)	Nil	Nil
Onaway Industries Limited	(23.12)	2.72	2.52
Agbros Glass Works (India) Private Limited	(0.16)	0.13	0.28
ABG Projects and Services Limited #	(140943)	(28562)	-

*less than Rs 10,000

The losses are indicated in UK pounds.

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We will be controlled by our Promoters as long as they own a majority of our Equity Shares, and our other shareholders will be unable to affect the outcome of shareholder voting during such time

After the completion of the Issue, the Promoters and the promoter group will own approximately 56.9% of our issued Equity Share Capital. As a result, our Promoter will have the ability to appoint the majority of the members of our Board, in accordance with the Companies Act and our Articles of Association, and determine the outcome of actions requiring the approval of our shareholders. See “Main Provisions of Articles of Association” on page 145 of this Prospectus for further details. The interests of our Promoter may conflict with the interests of our other investors, and you may not agree with actions it may take. Further, the extent of the Promoters shareholding in us may result in delay or prevention of a change of management or control of our company, even if such a transaction may be beneficial to our other shareholders.

Future sale of Equity Shares by some of our current shareholders could affect the price of our Equity Shares in the secondary market

The market price of our Equity Shares could be impacted if some of our existing shareholders sell a substantial number of Equity Shares post listing or the perception that such sales or distributions could occur. As per the provisions of the SEBI (Venture Capital Funds) Regulations, 1996 and amendments thereto the share capital held by venture capital funds registered with SEBI are not subject to any lock-in requirements and are freely transferable. Venture capital funds i.e. Leverage India Fund and Merlion India Fund III Limited, registered with SEBI hold 10,402,890 Equity Shares equivalent to 20.4% of our fully diluted Post Issue capital. The sale or perceived sale of Equity Shares by the Private Equity Investors of our Equity Shares held by them post listing may have adverse effect on the prices of our Equity Shares.

Rights of the Private Equity Investors under the Share Purchase, Subscription and Shareholders agreement dated May 27, 2005 and additional shareholders agreement dated September 15, 2005 can adversely affect the interest of other shareholders

We have entered into a Share Purchase, Subscription and Shareholders' Agreement dated May 27, 2005, with the Private Equity Investors. An additional shareholders agreement was executed between the private equity investors, the promoters and Jacob Ballas Capital India Private Limited and Newyork Life Investment Management India Fund II (“new investors”) on September 15, 2005, subsequent to the transfer of the share holding by Standard Chartered Private Equity Mauritius II Limited to the new investors. The Agreement provides that, subsequent to the listing of the Equity Shares of our Company on the Stock Exchange certain items of business shall require affirmative vote of each the Private Equity Investors in any general meeting of our Company and/or the consent of all the nominee director(s) of the Investors or written consent of the Investors, as the case may be, at any meeting of the Board of Directors or Committee thereof as the case may be. Such items of business include:

- (i) investment in subsidiaries other than investments in fully owned (100%) subsidiaries or any other investments
- (ii) amendments or any proposal to amend the Memorandum of Association or Articles of Association of our Company including any change in the maximum or minimum number of Board members provided in the articles of Association; or
- (iii) any resolution to appoint, re-appoint or remove any statutory and/or internal auditor for our Company.

It is not impossible that in exercising the affirmative voting rights, the Private Equity Investors may give priority to their interest as the investor in our Company.

We are subject to restrictive covenants in certain fund based and non fund based debt facilities provided to us by our lenders

There are restrictive covenants in agreements we have entered into with certain banks and financial institutions

for fund based and non fund based borrowings. These restrictive covenants require us to seek the prior permission of the said banks / financial institutions for various activities, including amongst others, alteration of the capital structure, raising of fresh capital, incurring expenditure on new projects, entering into any merger/amalgamation/restructuring, change in management etc. These restrictive covenants may affect some or all of the rights of our shareholders, including those mentioned on page 51 of this Prospectus.

We may not be able to sustain effective implementation of our business and growth strategy

Management Perception: The success of our business will depend greatly on our ability to effectively implement our business and growth strategy. Whilst we have successfully executed our business strategy in the past, there can be no assurance that we will be able to execute our strategy on time and within the estimated budget, or that we will meet the expectations of targeted customers. We expect our growth strategy to place significant demands on our management and other resources and require us to continue developing and improving our operational, financial and other internal controls. Our inability to manage our business and growth strategy could have a material adverse effect on our business, financial condition and profitability.

Our business is prone to accidents

Management Perception: Improper handling of our ship building processes like lifting of heavy materials by cranes, launching of ships, etc. may result in accidents which could cause injury to our employees, other persons on the site and could also damage our properties thereby affecting our operations. While we have taken insurance cover against the risk of damage to equipment, employees and third parties and other potential liabilities and damages, any large accident could result in disruption of operations and significant losses. We also have the risk of the actual liabilities exceeding the amount of insurance coverage leading to losses. For details of the insurance covers taken by us please refer to the para on Insurance cover taken by us on page 41 of this Prospectus under the Chapter “Our Business”

We are dependent on ABG Power Private Limited, a promoter group company, for the use of our corporate offices

Management Perception: Our corporate office is on rent from ABG Power Private Limited, which is a Promoter Group Company at the monthly rent of Rs. 0.18 million per month. We have paid an interest free security deposit of Rs 20 million. We cannot assure you that we will be able to continue to occupy these premises on same rent in future.

Some of the land purchased by us is not registered with the office of the registrar of land records

Certain properties are not registered in our name in the land record register at the office of the registrar of land records at Surat, Gujarat which is in the process of being registered in our name. However, if we are unable to get the necessary registrations, our title to the said properties shall be defective. See “Our Business” on page 41 of this Prospectus.

We face growing and new competition that may adversely affect our competitive position and our profitability

Management Perception: We operate in a highly competitive environment. In addition to public sector shipyards, we also face competition from various private sector shipyards. Some of our competitors from other countries, may enjoy many of the same advantages that we do and may even have lower cost structures, enabling them to compete vigorously on price. Contracts for the construction of ships are usually awarded on a competitive bid basis. Although we believe that customers consider, among other things, the availability and technical capabilities of equipment and personnel, efficiency, condition of equipment, safety record and reputation, however timely delivery and price competition are currently primary factors in determining which qualified shipbuilder is awarded a contract. We propose to build bigger ships in our new shipyard for which the market is well developed with established players.

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In most of our export markets, global producers are significantly larger than us and have significantly stronger market positions, production capacities and greater financial resources than we do. We also face significant competition from Indian players. These market participants include other small, limited-service providers and a number of full-service global companies. The larger competitors have a much broader portfolio of business, greater resources and more experience than smaller companies. While we have historically been able to provide our products in our principal markets at competitive prices and on a cost-efficient basis, there can be no assurance that we will be able to do so in the future, as our competitors may be able to offer products that are more cost effective than ours.

Securities of ABG Heavy Industries Limited were suspended from trading on the National Stock Exchange

The securities of ABG Heavy Industries Limited were suspended from trading on the National Stock Exchange ("NSE") with effect from July 23, 2001 on account of violation of Clauses 30, 31(d), 35, 40(a), 40(b) and 41 of the Listing Agreement. Subsequently ABG Heavy Industries Limited passed a special resolution at its annual general meeting held on September 30, 2003 for voluntary delisting its securities under applicable provisions of the Companies Act, 1956, the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 from The Stock Exchange-Ahmedabad, The Delhi Stock Exchange Limited, and the NSE. The NSE has vide its letter dated July 22, 2005 granted its approval for delisting of the securities of ABG Heavy Industries Limited with effect from July 21, 2005 subject to the condition that ABG Heavy Industries Limited will redress the investors' grievances (if any) for a minimum period of six months from the date of delisting.

Show Cause Notice Issued by SEBI to ABG Heavy Industries Limited

SEBI has vide letter dated June 22, 2004 issued to ABG Heavy Industries Limited, alleged that the ABG Heavy Industries has violated Regulations 6(2) and 6(4) for 1997 of the SEBI (SAST) Regulations, 1997, and Regulation 8(3) of the SEBI (SAST), 1997 for 1998, 1999, 2000, 2001 and 2002. SEBI has also levied a penalty of Rs. 175,000/- for the aforesaid violations. ABG Heavy Industries Limited has submitted its reply vide letter dated July 22, 2004 stating that there has not been a per se violation of the regulations as there has been no change in the shareholding and the same is a technical irregularity. So far ABG Heavy Industries Limited has not received any written communication from SEBI in relation to its letter dated July 22, 2004.

We are defendants in certain legal proceedings, incidental to our business and operations, which if determined against us, could have a material adverse impact on our profitability and financial condition.

An appeal has been filed by us for waiver of penalty imposed by the income tax department under Section 272A (g) of the Income Tax Act, 1961 with respect to delayed issuance of a tax deducted at source certificates to the contractors. The amount demanded by the income tax department is Rs. 0.33 million. We have till date paid Rs. 0.08 million. The said appeal is pending before Income Tax Appellate Tribunal, Ahmedabad.

The Company's assessable income for the assessment years 1996-97, 1997-98, 1998-99, 1999-2000 has been disputed by the Income Tax Department. An application under Section 245C of the Income Tax Act, 1961 has been filed by our Company before the Settlement Commission for resolution of disputed income in respect of the assessment years 1996-97, 1997-98, 1998-99, 1999-2000. The Settlement Commission has granted a stay in favour of the Company against recovery of taxes beyond Rs. 7 million, which has already been recovered by the income tax department. The total liability of the Company arising out of this litigation cannot be quantified as the alleged additional income has not been assessed, however the Company may incur a liability of Rs. 10 million or more.

There is one other case pending against us in the High Court of Gujarat, wherein the approximate liability against our Company could amount to Rs. 1 million. The amount of liability for the other cases pending against us is not ascertainable.

For more information regarding litigation involving our Company see “Outstanding Litigation” on page 107 of this Prospectus.

Outstanding litigation involving Promoter, Promoter Group Companies and Directors

There are eight cases filed by the Promoter, Promoter Group Companies and Directors, which aggregate to Rs. 55 million. There are seventeen cases pending against the Promoters and Promoters Group Companies, which aggregates to Rs. 67 million.

For more information regarding litigation involving our Promoters, Directors and Promoter Group Companies see “Outstanding Litigation” on page 107 of this Prospectus.

EXTERNAL RISKS TO THE COMPANY

Increasing employee compensation in India may reduce some of our competitive advantage and resulting in lower profit margins

Employee compensation in India has historically been significantly lower than employee compensation in the United States and Western Europe for comparably skilled professionals, which has been one of our competitive strengths. However, compensation increases in India may reduce some of this competitive advantage and may negatively affect our profit margins. Employee compensation in India is increasing at a faster rate than in the United States and Western Europe, which could result in increased costs relating to engineers, managers and other mid-level professionals. We may need to continue to increase the levels of our employee compensation to remain competitive and manage attrition. Such increase may have a material adverse effect on our business, profitability and financial condition.

The profitability of our company may suffer if we are ineligible for subsidy of thirty (30) % announced by the Government of India for a period of five (5) years ending on August 14, 2007 and / or if the Government of India reduces or withdraws such subsidies

Ship building subsidy of thirty (30) % has been announced by the Government of India for a period of five years ending on August 14, 2007. The Government of India had issued a press note dated October 25, 2002 vide Ministry of Shipping's letter no. SY-12025/3/98-SBR dated October 25, 2002 announcing the Ship Building Subsidy Scheme. Detailed procedures/guidelines were issued by Ship Building and Ship Repair Division, Ministry of Shipping, Government of India vide press note dated March 7, 2003. The subsidy is currently restricted to ocean-going merchant ships that are over eighty (80) meters in length if they are manufactured for the domestic market and ships of all types are eligible for the subsidy if they are manufactured for export subject to fulfilment of conditions. The revenue for the fiscal 2005 includes accrued subsidy of Rs 511 million. The benefit of subsidy to us is dependent on our ability to obtain orders for ships that are eligible for subsidy. We may face delays in the receipt of subsidies. Further we cannot assure you that the amount of subsidies allowed to us as on date shall continue to be provided after August 14, 2007. If there is a reduction or withdrawal in the value of subsidies allowed to private sector ship builders, it may adversely affect our business and profitability.

Taxes and other levies imposed by the GOI or the state government relating to our business may have a material adverse effect on the demand of our products

Taxes and other levies imposed by the central or state government that affect our industry include:

- customs duties on imports of raw material and components;
- excise duty on certain raw material and components
- central and state sales tax / value added tax

These taxes and levies affect the cost of building and prices of our ships and therefore demand for our ships. An

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increase in any of these taxes or levies, or the imposition of new taxes or levies in future, may have a material adverse impact on our business, profitability and financial condition.

Terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in a loss of business confidence and adversely affect our business, profitability and financial condition

Terrorist attacks and other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, profitability and financial condition. Increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

Regional conflicts in South Asia could adversely affect the Indian economy, disrupt our operations and cause our business to suffer

South Asia has from time to time experienced instances of civil unrest and hostilities among neighbouring countries, such as between India and Pakistan. In recent years there have been military confrontations along the India-Pakistan border. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel and transportation more difficult. Such political tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares and on the market for our products.

Our operations could be effected by natural calamities at or in the vicinity of such facility

Our operations are dependent on our ability to protect ship building yard against damage from any natural calamity like fire, earthquakes, floods, power losses and similar events. The occurrence of a natural disaster or other unanticipated problems at our ship building yards can cause interruptions in our operations. This risk is particularly relevant because our existing and proposed shipyard would be located in state of Gujarat within a distance of not more than 150 kilometres from each other. Any damage or failure that causes interruptions in our operations could have a material adverse effect on our business, financial condition and profitability.

If we fail to comply with environmental laws and regulations or face environmental litigation, our profitability may be adversely affected

We may incur substantial costs to comply with requirements of environmental laws and regulations. In addition, we may discover currently unknown environmental problems or conditions. We are subject to significant national and state environmental laws and regulations, which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our operations. Environmental laws and regulations in India have been increasing in stringency and it is possible that they will become significantly more stringent in the future. If any of our shipyards or the operations of such shipyards are shut down, we will continue to incur costs in complying with regulations, appealing any decision to close our facilities, maintaining production at our existing facilities and continuing to pay labour and other costs which continue even if the facility is closed. As a result, our overall operating expenses will increase and our profits will decrease.

Our performance is linked to the stability of Government policies and the political situation in India

The role of the Indian central and state governments in the Indian economy on producers, consumers and regulators has remained significant over the years. Since 1991, the Government of India has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. The Current Government in India, which was formed in June 2004, has continued policies and taken initiatives that support the continued

economic liberalization policies that had been pursued by the previous governments. We cannot assure you that these liberalization policies will continue in the future. Protests against privatisation could slowdown the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting ship building companies, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India and thereby affect our business.

Disruptions or lack of basic infrastructure such as our electricity supply from Gujarat State Electricity Board and water supply could result in an increase of manufacturing costs

In addition to supply from the Gujarat State Electricity Board, whilst we have parallel diesel generator sets to meet our present requirements. Any disruption in basic infrastructure, such as supply of electricity from Gujarat State Electricity Board or water supply etc. could substantially increase our manufacturing costs. We do not maintain business interruption insurance and may not be covered for any claims or damages if the supply of power is disrupted. Any disruption of the existing power or failure to obtain additional power as required by us may result in additional costs on us and have an adverse effect on our business, profitability and financial condition.

After this Issue, the price of our Equity Shares may be highly volatile, or an active trading market for our Equity Shares may not develop

The prices of our Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- Volatility in the Indian and global securities market or in the Rupee's value relative to the U.S. dollar, the Euro;
- Our profitability and performance;
- Perceptions about our future performance or the performance of Indian ship building companies generally;
- Performance of our competitors in the Indian ship building industry and the perception in the market about investments in the ship building sector;
- Significant developments in the regulation of ship building in our key markets;
- Adverse media reports on our Company or the Indian ship building industry;
- Changes in the estimates of our performance or recommendations by financial analysts;
- Significant developments in India's economic liberalisation and deregulation policies; and
- Significant developments in India's fiscal and environmental regulations.

There has been no public market for our Equity Shares. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the prices at which our Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Issue. Our share price is likely to be volatile and may decline post listing.

Changes in trade policies may impact us

Any change in policies by the countries, in terms of tariff and non-tariff barriers, from which we imports our raw material, components and/or countries to which we export our ships, may have an impact on our profitability.

Notes to risk factors

1. Net worth of our Company as on September 30, 2005 is Rs. 2429 million. The book value of the Equity Shares of our Company as on September 30, 2005 is Rs. 57.26 per Equity Share.

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2. Public Issue of 8,500,000 Equity Shares of Rs.10 each at a price of Rs 185 per share for cash aggregating Rs. 1572.50 million (herein after referred to as the "Issue").
3. The average cost of acquisition (net) of the Equity Shares of Rs. 10 by our Promoters are given below:

Promoter	Average cost of acquisition of shares (Rs.)
ABG International Private Limited	0.16
Saket Agarwal	0.27
Rishi Agarwal	0.27

4. We were incorporated as Magdala Shipyard Private Limited, under the Companies Act, 1956 on March 15, 1985. On May 25, 1995, our name was changed to ABG Shipyard Private Limited and further on June 14, 1995 our name was changed to ABG Shipyard Limited.
5. The Issue is being made through the 100% book building process where in at least 60% of the Net Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers ("QIBs"). If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.
6. Investors are advised to refer the paragraph on "Basis for the Issue Price" on page 29 of this Prospectus before making an investment in the Issue.
7. In the event of the Issue being oversubscribed, the allocation shall be on a proportionate basis to Retail Individual Bidders and Non-Institutional Bidders (Refer to the paragraph entitled "Basis of Allotment" on page 139 of this Prospectus).
8. Investors are free to contact any of the BRLMs for any clarification or information pertaining to the Issue.
9. All information shall be made available by the BRLMs and our Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
10. Please refer to page no. 68 of this Prospectus for details on Related Party Transactions.

SUMMARY**Overview**

Our Company is a leading private sector ship building company in India having facilities to build and repair a wide variety of marine ships for commercial and government customers. We are an established manufacturer of a variety of marine ships, including bulk carriers, deck barges, interceptor boats, anchor handling supply ships, diving support ships, tugs and offshore vessels. Our shipyard is certified by DNV for ISO 9001. We employ advanced construction techniques, including modular construction and advanced outfitting methods, in order to efficiently utilize its building space, equipment and personnel. During the FY 2005, our total income from operations were Rs 2,190 million.

Since 1990, we have built over eighty eight (88) ships of various types for both the domestic and international customers. During the last five years we have delivered forty four (44) ships. As on October 17, 2005, we have an order book position of twenty seven (27) ships under construction. We also derive a small amount of our revenue from ship repairs and construction of windmill towers. A snap shot of revenue break-up during the last three years is as follows:

Rs. in million

Particulars	FY 2005		FY 2004		FY 2003	
	Amount	%	Amount	%	Amount	%
<u>Ship Building</u>						
International	1,238	56.5%	1,609	86.6%	1,777	97.6%
Domestic	952	43.5%	249	13.4%	43	2.4%
	2,190	100.0%	1,858	100.0%	1,820	100.0%
Subsidy	511		-		-	
Ship Repair	155		108		98	
Windmill Towers	185		83		58	
	3,041		2,049		1,976	

Our shipyard is located at Magdala, near Surat on the banks of the river Tapi which is along the western coast of Gujarat, India. The shipyard is spread across 35 acres of the area. Our shipyard has state of the art, manufacturing facilities including a "Shiplift Facility" which is one of its kinds in this region, having a capacity of 4500 tons, side transfer facilities, CNC plasma cutting and steel processing machinery. The shipyard has multiple building berths, two Dry Docks, two jetties and covered fabrication shops equipped with modern CNC based fabrication machinery. The "Shiplift Facility" gives the yard an operational flexibility and enables the yard to simultaneously build on modular basis and repair up to twenty three (23) ships. The shipyard is certified by DNV for ISO 9001. Currently, the yard can construct ships of a maximum length of 155 meters and up to a maximum weight of 20,000 DWT. We also have indoor facilities to build aluminium ships of upto eighty (80) metres. We believe that our indoor work environment is a competitive advantage in building certain types of ships and in attracting and retaining customers. We are in the process of setting up a modern ship building facility at Dahej (150 kms from the existing yard). The proposed expansion would help us strengthen our presence in the global ship building industry and enable us to build larger and more complex ships.

ABG SHIPYARD LIMITED

We serve a variety of customers and markets which includes both private and government in India and outside. Our ability to construct a variety of ships on a cost-effective basis allows us to selectively pursue vessel construction opportunities that arise out of changing demands of various industries. We are experiencing significantly improved demand for our products and services from oil companies and defence sector in India. The order book position as on October 17, 2005 is Rs 13,294.90 million to be executed over a period of next three years. The sector wise break-up of the same is given as under :

Rs. in million

Particulars	Amount	%
Export		
Ship building Orders catering to Oil & Gas	3,720.54	55.46%
Ship building Orders catering to Fleet Service Sector	2,781.54	41.46%
Others Sector	206.62	3.08%
Sub-total (A)	6,708.70	100.00%
Domestic		
Ship building Orders catering to Product & Defence	3837.57	58.27%
Others	2418.62	36.72%
Repairs & Towers	330.00	5.01%
Sub-total (B)	6586.20	100.00%
Total	13294.90	

Our primary competitive strengths are as under:

- Among the leading private sector player in the Indian ship building industry
- Strong management team and a motivated and efficient work force.
- Existing profit making company having integrated facilities
- Multi product capability and proven track record
- Good operational performance due to good technical base, lower overheads, state of the art manufacturing facilities and effective marketing network.

Our Company's strategy is to leverage it's reputation as an efficient reliable, customer driven shipyard providing a diversified range of shipbuilding capabilities. The key elements of our business strategy are as follows:

- Wide variety of products for diversified markets.
- Strategically located shipyard
- To be cost-efficient and a low cost structure private sector shipbuilder in India.
- Maintaining a high quality dedicated workforce through training, superior benefits and the fostering of a close-knit, supportive culture.
- Continuous optimization of the shipyard infrastructure resulting into timely delivery of quality ships.
- Pursue projects/opportunities for construction, conversion and repair projects with attractive profit margins.
- Provide Sophisticated Engineering Services
- One-Stop Source for Shipyard Services

The Issue

Equity Shares Issued	
Fresh Issue	8,500,000 Equity Shares
Less: Reservation for Employees	200,000 Equity Shares
Net Issue to the Public	8,300,000 Equity Shares
<i>Of which</i>	
● Qualified Institutional Buyers portion (QIBs) (allocation on a discretionary basis)	4,980,000 Equity Shares
● Non-Institutional Portion (allocation on a proportionate basis)	830,000 Equity Shares
● Retail Portion (allocation on a proportionate basis)	2,490,000 Equity Shares
Equity Shares outstanding prior to the Issue	42,421,801
Equity Shares outstanding after the Issue	50,921,801

Use of the Fresh Issue Proceeds

Please see the section titled "Objects of the Issue" on page 20 of this Prospectus.

Notes:

- 1) In case of under subscription in any category, the unsubscribed portion may be allocated to the bidders in the other category.
- 2) The allocation to QIBs shall be determined by our Company in consultation with the BRLMs based on price commitment, investor quality, price aggression, earliness of bids, etc.

ABG SHIPYARD LIMITED

Summary Financial, Operating and Other Data

The tables sets forth selected financial information of our Company derived from its audited financial statements as at September 30, 2005, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001 all prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines and as described in the Auditor's report of M/s Nisar & Kumar, Chartered Accountants included in the section titled "Financial Statements" on page 71 of this Prospectus and should be read in conjunction with those financial statements and the notes thereto. For further discussion on our financial statements, please see "Management Discussion and Analysis of Financial Condition and Results of Operations" on page 102 and "Our Business" on page 41 of this Prospectus.

STATEMENT OF RESTATED PROFITS AND LOSSES

Rs. in million

For the Year Ended	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Income						
Ship Building	2,097	2,701	1,858	1,820	1,897	671
Wind Mill Towers	34	185	83	58	76	109
Ships Repairing	23	155	108	98	43	41
Trading Activities (in ships)	-	-	-	-	74	-
Lease Income	-	-	-	4	4	6
Other Income	6	-	23	3	-	-
Total Income	2,160	3,041	2,072	1,983	2,094	827
Expenditure						
Raw Material and Components	1,171	1,536	1,482	1,220	1,324	548
Cost of Trading Purchases (in ships)	-	-	-	-	74	-
Employees' Costs	65	98	65	51	44	27
Other Manufacturing Expenses	111	300	305	279	251	161
Administration Expenses	40	74	101	62	47	52
Selling & Distribution Expenses	57	109	34	88	44	8
Decrease / (Increase) in Work in Progress	146	(61)	(178)	(14)	54	(161)
Finance Charges (Net)	87	202	133	149	164	111
Depreciation	16	31	30	33	34	28
Total Expenditure	1,693	2,289	1,972	1,868	2,036	774
Profit before Tax & Extra-Ordinary Items	467	752	100	115	58	53
Extra ordinary Items						
Insurance Claims Received	26	1	16	-	1	1
Profit(Loss) on sale of fixed assets	-	-	-	-	-	-
Total of Extra-ordinary items	26	1	16	-	1	1
Net Profit Before Taxation	493	753	116	115	59	54
Provision for taxation – Current	77	52	29	31	9	6
Provision for taxation – Deferred	90	198	15	(1)	15	12
Total Provision for Taxation	167	250	44	30	24	18
Net Profit after Tax	326	503	72	85	35	36

STATEMENT OF RESTATED ASSETS AND LIABILITIES

Rs. in million

As At	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Fixed Assets						
Gross Block	1,315	1,296	1,233	1,202	678	656
Less: Depreciation	367	340	287	230	249	222
Less : Lease Equalisation	-	-	-	-	6	8
Net Block	948	956	946	972	423	426
Less : Revaluation Reserve	545	556	579	605	27	30
Net Block after Revaluation Reserve	403	400	367	367	396	396
Add: Capital Work in Progress	77	43	12	-	-	-
	480	443	379	367	396	396
Investments	240	-	-	-	-	2
Current Assets, Loans and Advances						
Inventories (Net of stage payments)	1,233	717	863	471	85	57
Sundry Debtors	101	129	189	178	464	93
Cash & Bank Balances	1,036	487	392	529	409	373
Loans & Advances	1,882	1,300	329	510	447	371
	4,252	2,633	1,773	1,688	1,405	894
Liabilities and Provisions						
Loan Funds						
Secured	796	730	319	274	559	406
Unsecured	-	-	1	47	30	14
	796	730	320	321	589	420
Deferred Tax Liability/(Asset)	368	278	81	66	8	(7)
Current Liabilities & Provisions						
Current Liabilities	1,281	1,024	1,195	1,206	869	581
Provisions for Tax	98	56	71	48	17	32
	1,379	1,080	1,266	1,254	886	613
Net Worth	2,429	988	485	414	318	266
Represented by :						
Share Capital	424	325	130	130	120	120
Share capital application					30	
Reserves & Surplus	2,550	1,219	934	889	195	176
Less: Revaluation Reserve	545	556	579	605	27	30
	2,429	988	485	414	318	266

ABG SHIPYARD LIMITED

GENERAL INFORMATION

Registered Office of Our Company

ABG Shipyards Limited
Magdala Port, Dumas Road,
Surat 395 007. India.
Registration No: 7730

Corporate Office of Our Company

ABG Shipyards Limited
4th and 5th Floor, Bhupati Chambers,
13, Mathew Road,
Mumbai 400 004.

Registrar of Companies

CGO Complex, Opp. Rupal Park,
B/L Ankur Bus Stand,
Naranpura,
Ahmedabad 380 061.
Gujarat

Board of Directors of our Company

The following table sets forth certain details regarding the members of our Board as of date of filing this Prospectus with SEBI:

S. No.	Name	Designation
1.	Kamlesh Kumar Agarwal	Chairman
2.	Rishi Agarwal	Managing Director
3.	Saket Agarwal	Promoter Director
4.	Ram Swaroop Nakra	Executive Director-Technical
5.	Mehernosh Rustom Pardiwala	Independent Director
6.	Ashok R. Chitnis	Independent Director (Additional)
7.	Ajay Saraf	Nominee Director
8.	Nainesh Jaisingh	Nominee Director
9.	Shahzaad Dalal	Nominee Director

For more details regarding our Directors please refer to "Our Management" on page 57 of this Prospectus

Company Secretary & Compliance Officer

Manoj G. Raichandani
4th Floor Bhupati Chambers
13, Mathew Road,
Mumbai 400 004.
Tel: +91-22-5656 3000
Fax: +91-22-2364 9236
E-mail: ipo@abgindia.com

Investors can contact the Compliance Officer in case of any Pre-Issue or Post-Issue related problems such as CANs, credit of allotted shares in the respective beneficiary accounts, refund orders etc.

Legal Counsel to the Issue

M/S Crawford Bayley & Co

State Bank of India Building,
N.G.N Vaidya Marg,
Fort, Mumbai 400 023.
Tel: +91-22-2266 3713
Fax: +91-22-2266 3978

Bankers to the Company

Bank of Baroda

Nirmal Building,
Nariman Point,
Mumbai 400 021.
Tel: +91-22-2202 1669
Fax: +91-22-2202 7168

Bank of India

Overseas Branch
Bank of India Building,
M.G. Road,
Fort, Mumbai 400 001.
Tel.: +91-22-2285 2852
Fax: +91-22-2267 4592

Bharat Overseas Bank Limited

Bharat Chambers
22/26, K. Dubash Marg,
Rampart Row,
Kalaghoda, Fort,
Mumbai 400 023.
Tel.: +91-22-2288 5873
Fax: +91-22-2283 4387

Development Credit Bank Limited

Fort Branch
8, Rajabhadur Mansion,
16, Ambalal Doshi Marg,
Fort, Mumbai 400 001.
Tel: +91-22-2267 6294
Fax: +91-22-2267 8329

IDBI Bank Limited

224, 'A' Wing
Mittal Court,
Nariman Point,
Mumbai 400 021.
Tel.: +91-22-5658 8121
Fax: +91-22-5658 8111

ICICI Bank Limited

ICICI Towers
8th floor, Corporate Banking Group,
Bandra Kurla Complex,
Mumbai 400 051.
Tel: +91-22-2653 7429
Fax: +91-22-2653 1122

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Oriental Bank of Commerce

(Erstwhile Global Trust Bank Limited)
Shreejee Chambers,
Tata Road No. 2,
Opera House,
Mumbai 400 004.
Tel: +91-22-2364 3571
Fax: +91-22-2363 7667

Punjab National Bank

P.N.B. House
Sir P.M. Road,
Fort, Mumbai 400 021.
Tel.: +91-22-2266 0040
Fax: +91-22-2266 3521

State Bank of India

World Trade Centre
Cuffe Parade, Colaba,
Mumbai 400 005.
Tel: +91-22-2218 1518
Fax: +91-22-2218 3991

Book Running Lead Managers

IL&FS Investsmart Limited

The IL&FS Financial Centre, Plot C-22, G Block,
Bandra-Kurla Complex,
Bandra (E), Mumbai 400 051.
Tel: +91-22-2653 3333
Fax: +91-22-2653 3075
Contact Person: Poorna Pikle
Website: www.investsmartindia.com
Email: abg.ipo@investsmartindia.com

ICICI Securities Limited

ICICI Centre
H. T. Parekh Marg,
Churchgate,
Mumbai 400 020.
Tel: +91-22-2288 2460
Fax: +91-22-2282 6580
Contact Person: Hari Kishan Movva
Website: www.iseconline.com
E-mail: abg_ipo@isecltd.com

Registrar to the Issue

Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound, LBS Marg,
Bhandup (West),
Mumbai 400 078.
Tel: +91-22-55555491-4
Fax: +91-22-55555499
Contact Person: Vishwas Attavar
Website: www.intimespectrum.com
E-mail: abgshipyard@intimespectrum.com

Syndicate Members

ICICI Brokerage Services Limited

ICICI Centre
H. T. Parekh Marg,
Churchgate,
Mumbai 400 020.
Tel: +91-22-2288 2460
Fax: +91-22-2282 6580
Contact Person: Anil Mokashi
Website: www.iseconline.com
E-mail: abgipo_ibsl@isecltd.com

Escrow Collection Banks

ICICI Bank Ltd.

Capital Markets Division
36, Mumbai Samachar Marg, Fort,
Mumbai 400 001.
Tel: +91-22-2265285
Fax: +91-22-22611138
E-mail: sidhartha.routray@icicibank.com
Contact Person: Mr. Sidhartha Routray
Website: www.icicibank.com

The Hongkong and Shanghai Banking Corporation Limited

52/60 Mahatma Gandhi Road,
Mumbai 400 001.
Tel : +91-22-2268 1673/2268 1290
Fax : +91-22-2273 4388
E-mail: dhirajbajaj@hsbc.co.in
Contact Person: Mr. Dhiraj Bajaj
Website: www.hsbc.co.in

Auditors to the Company

M/s Nisar & Kumar

Chartered Accountants
A – 17, Everest Building,
156, Tardeo Road,
Mumbai 400 034.
Tel: +91-22-23515414
Fax: +91-22-23515527
E-mail: rachana@nisarkumar.com

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Statement of Inter-Se Allocation of Responsibilities amongst BRLMs

The responsibilities and co-ordination for various activities in this Issue have been distributed amongst the BRLMs as under:

ACTIVITIES	RESPONSIBILITY	CO-ORDINATOR
1. Capital structuring with the relative components and formalities such as type of instruments, etc.	i-Sec, IIL	i-Sec
2. Due diligence of the company's operations / management / business plans/legal etc.	i-Sec, IIL	IIL
3. Drafting & Design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead Manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI	i-Sec, IIL	IIL
4. Drafting and approval of Issue and statutory publicity material, etc.	i-Sec, IIL	IIL
5. Drafting and approval of all corporate advertisement, brochure and other publicity material	i-Sec, IIL	i-Sec
6. Appointment of Advertising agency	i-Sec, IIL	i-Sec
7. Appointment of Registrar, Bankers and Printer	i-Sec, IIL	IIL
8. Marketing of the Issue, which will cover inter alia, Formulating marketing strategies, preparation of publicity budget Finalize Media & PR strategy Finalizing centers for holding conferences for brokers, etc. Finalize collection centers Follow-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Issue material	i-Sec, IIL	i-Sec
9. Finalizing the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities and order procurement	i-Sec, IIL	i-Sec
10. Finalizing of Pricing & Allocation	i-Sec, IIL	I-Sec
11. Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.	IIL	IIL
12. The post Issue activities of the Issue will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. Lead Manager shall be responsible for ensuring that these agencies fulfil their functions and enable him to discharge this responsibility through suitable agreements with the issuer company.	IIL	IIL

The selection of various agencies like the Bankers to the Issue, Escrow Collection Bank(s), Brokers, Advertising agencies, Public Relations agencies etc. will be finalized by our Company.

Even if many of these activities will be handled by other intermediaries, the designated BRLMs shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with our Company.

Credit Rating

As this is an Issue of Equity Shares there is no credit rating for this Issue.

Trustees

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

Monitoring of utilisation of funds

Our Company has appointed IL & FS Trust Company Ltd. to monitor the utilization of funds on regular basis.

Project Appraisal details

The project has not been appraised.

Book Building Process

Book building refers to the collection of Bids from investors, which is based on the Price Band, with the Issue Price being finalized after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

1. Our Company
2. Book Running Lead Managers
3. Syndicate Member who is an intermediary registered with SEBI or registered as brokers with BSE and eligible to act as Underwriters. Syndicate Member is appointed by the BRLMs;
4. Escrow Collection Bank(s); and
5. Registrar to the Issue.

SEBI, through its guidelines, has permitted an Issue of securities to the public through the 100% Book Building Process, wherein at least 60% of the Net Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers (QIBs). Further, upto 10% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and upto 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. We will comply with these guidelines for this Issue. In this regard, we have appointed the BRLMs to procure subscriptions to the Issue.

The process of book building, under SEBI Guidelines, is relatively new and the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue.

Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date. See the section titled "Terms of the Issue" in this Prospectus.

Steps to be taken by the Bidders for bidding:

- Check whether he/ she is eligible for bidding;
- Bidder necessarily needs to have a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Prospectus and in the Bid cum Application Form.

Illustration of Book Building and Price Discovery Process (Investors should note that the following is solely for the purpose of illustration and is not specific to the Issue)

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs.20 to Rs.24 per share, Issue size of 3,000 equity shares and receipt of five bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of our Company at various prices and is collated from bids from various investors.

Number of equity shares Bid for	Bid Price (Rs.)	Cumulative equity shares Bid for	Subscription
500	24	500	16.67%
1000	23	1500	50.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

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The price discovery is a function of demand at various prices. The highest price at which the issuer is able to Issue the desired quantum of shares is the price at which the book cuts off i.e., Rs. 22 in the above example. The issuer, in consultation with the BRLMs will finalise the Issue Price at or below such cut off price i.e. at or below Rs. 22. All bids at or above this Issue Price and cut-off bids are valid bids and are considered for allocation in respective category.

Underwriting Agreement

After the determination of the Issue Price and prior to filing of the Prospectus with RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMS shall be responsible for bringing in the amount devolved in the event that the members of the Syndicate do not fulfil their underwriting obligations.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with RoC)

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in million)
IL&FS Investsmart Limited	4,250,000	786.25
ICICI Securities Limited	4,249,900	786.23
ICICI Brokerage Services Limited	100	0.02

The above Underwriting Agreement is dated November 26, 2005.

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our Board of Directors, at their meeting held on November 26, 2005, have accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs, and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to the extent of the defaulted amount. Allocation to QIBs is discretionary as per the terms of this Prospectus and may not be proportionate in any way and the patterns of allocation to the QIBs could be different for various Underwriters.

CAPITAL STRUCTURE

Share Capital as on the date of filing of this Prospectus with RoC is set forth below:

Rs. in million

Particulars	Face Value	Aggregate value
A. Authorized Capital		
100,000,000 Equity Shares of Rs. 10 each	1000	
B. Issued Subscribed And Paid-Up Capital before the Issue		
42,421,801 Equity Shares of Rs. 10 each fully paid-up	424	
C. Present Issue to the public in terms of this Prospectus		
8,500,000 Fresh Issue Equity Shares of Rs. 10 each fully paid-up	85	1,573
D. Employee Reservation Portion		
200,000 Equity Shares of Rs. 10 each fully paid-up	2	37
E. Net Issue to the Public		
8,300,000 Equity Shares of Rs. 10 each fully paid-up	83	1,536
F. Issued, Subscribed and Paid-up Equity Capital after the Issue		
50,921,801 Equity Shares of Rs. 10 each fully paid-up	509	
G. Share Premium Account		
Before the Issue		1,016
After the Issue		2,504

Our Company was incorporated with an Authorised share capital of Rs. 2,500,000 divided into 15,000 Equity Shares of Rs. 100 each and 10,000 unclassified shares of Rs 100 each

Changes in Authorised Share Capital

Rs. in million

Date of shareholder approval	Increased from		Increased to	
	Number of shares	Amount	Number of shares	Amount
March 6, 1991	25,000	2.5	200,000	20
March 29, 1993	200,000	20	5,000,000	50
September 3, 1994	5,000,000	50	10,000,000	100
February 12, 1996	10,000,000	100	15,000,000	150
March 10, 2005	15,000,000	150	100,000,000	1,000

ABG SHIPYARD LIMITED

Notes to the Capital Structure:

1) Share Capital History of our Company:

Rs. in million

Date on which Equity Shares were allotted and made fully paid-up	Number of Equity Shares	Total Number of Shares Issued	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment of Consideration	Reasons for Allotment (bonus, swap etc.)	Cumulative Share Premium
February 22, 1985	20	20	100	100	Cash	Subscribers to Memorandum	0
March 29, 1986	4,180	4,200	100	100	Cash	Fresh allotment of shares to erstwhile promoters	0
September 9, 1986	3,010	7,210	100	100	Cash	Fresh allotment of shares to erstwhile promoters	0
November 17, 1986	1,100	8,310	100	100	Cash	Fresh allotment of shares to erstwhile promoters	0
March 30, 1991	16,690	25,000	100	100	Cash	Fresh allotment of shares to promoters	0
January 6, 1992	50,000	75,000	100	100	Cash	Fresh allotment of shares to promoters	0
March 30, 1992	5,000	80,000	100	100	Cash	Fresh allotment of shares to promoters	0
March 29, 1993	800,000	800,000	10	10	Split	Sub division of shares*	0
September 3, 1994	7,200,000	8,000,000	10	10	Bonus	Bonus issue in ratio 9:1	0
February 12, 1996	4,000,000	12,000,000	10	10	Bonus	Bonus issue in ratio 1:2	0
June 29, 2002	1,000,000	13,000,000	10	100	Cash	Fresh allotment of shares to promoters	900
March 15, 2005	19,500,000	32,500,000	10	10	Bonus	Bonus issue in ratio 3:2	0
July 7, 2005	7,855,064	40,355,064	10	113	Cash	Preferential Allotment to others	812
July 12, 2005	1,066,737	41,421,801	10	113	Cash	Preferential Allotment to others	923
August 11, 2005	300,000	41,721,801	10	81	Cash	Preferential Allotment to others	944
August 11, 2005	700,000	42,421,801	10	113	Cash	Preferential Allotment to others	1,016

* We have vide our resolution passed at the extra ordinary general meeting held on March 29, 1993 approved sub division of the equity shares of our Company from shares of face value of Rs. 100 each into equity shares of Rs. 10 each.

2) Promoter Contribution and Lock-in

Date of Allotment/ Acquisition and when made fully paid-up	Consideration (Cash, bonus, kind, etc.)	No. of shares	Face Value (Rs.)	Issue Price (Rs.)	Percentage of Post-Issue paid-up capital	Lock-in Period
ABG International Private Limited March 15, 2005	Bonus	10,184,361	10	NA	20.00	3 years

NA: Not Applicable

The Promoter has vide its letter dated August 10, 2005 given its consent for lock-in as stated above. The minimum Promoter's contribution shall be locked-in for a period of three years beginning from the date of allotment in this Public Issue. The balance pre-issue shareholding shall be locked-in for a period of one year from the date of allotment in this Public Issue excepting the Equity Shares held by venture capital funds and foreign venture capital investors registered with SEBI which are exempt from lock in. The details for the same are given below :

Name	Date of Allotment/ Acquisition	Date when made fully paid up	Consideration (Cash, bonus, kind etc)	No. of Equity Shares	Face Value (Rs.)	Issue/ acquisition Price (Rs.)	Lock-in Period (in yrs)
ABG International Pvt. Ltd.	02.09.1994	N.A.	Cash	127616	10	10	1 yr
	03.09.1994	03.09.1994	Bonus	5145982	10	-	
	12.02.1996	12.02.1996	Bonus	3900000	10	-	
	21.09.1996	N.A.	Cash	37500	10	10	
	15.03.2005	15.03.2005	Bonus	8921889	10	-	
	12.08.2005	N.A.	Cash	281250	10	10	
Rishi Agarwal	07.06.1989	N.A.	Cash	250	100	100	1 yr
	02.09.1994	N.A.	Cash	1250	10	10	
	03.09.1994	03.09.1994	Bonus	33750	10	-	
	12.02.1996	12.02.1996	Bonus	18750	10	-	
	15.03.2005	15.03.2005	Bonus	84375	10	-	
Saket Agarwal	07.06.1989	N.A.	Cash	250	100	100	1 yr
	02.09.1994	N.A.	Cash	1250	10	10	
	03.09.1994	03.09.1994	Bonus	33750	10	-	
	12.02.1996	12.02.1996	Bonus	18750	10	-	
	15.03.2005	15.03.2005	Bonus	84375	10	-	
Kamlesh Agarwal	02.09.1994	N.A.	Cash	2500	10	10	1 yr
	03.09.1994	03.09.1994	Bonus	22500	10	-	
	12.02.1996	12.02.1996	Bonus	12500	10	-	
	15.03.2005	15.03.2005	Bonus	56250	10	-	
Merlion India Fund III Limited	24.09.2005	N.A.	Cash	7758088	10	113	Not applicable as SEBI registered Foreign Venture Capital Fund
New York Life Investment Management India Fund II LLC	24.09.2005	N.A.	Cash	1842545	10	113	1 yr
Jacob Ballas Capital India Pvt. Ltd.	24.09.2005	N.A.	Cash	96976	10	113	1 yr
IL&FS Employee Welfare Trust	07.07.2005	N.A.	Cash	52896	10	113	1 yr
IVC Employee Welfare Trust	07.07.2005	N.A.	Cash	52896	10	113	1yr

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Name	Date of Allotment/ Acquisition	Date when made fully paid up	Consideration (Cash, bonus, kind etc)	No. of Equity Shares	Face Value (Rs.)	Issue/ acquisition Price (Rs.)	Lock-in Period (in yrs)
IL&FS Private Equity Trust through its scheme Leverage India Fund ("LIF")	07.07.2005	07.07.2005	Cash	925681	10	113	Not applicable as SEBI registered Venture Capital Fund
	12.07.2005	12.07.2005	Cash	1066737	10	113	
	12.07.2005	N.A	Cash	652384	10	113	
Others	11.08.2005	11.08.2005	Cash	700000	10	113	1 yr
Others	11.08.2005	11.08.2005	Cash	300000	10	81	1 yr

Locked-in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions. In terms of clause 4.16 (b) of the SEBI Guidelines, Equity Shares held by the Promoters may be transferred to and amongst the Promoters/ Promoter Group or to a new promoter or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

Further, in terms of clause 4.16 (a) of the SEBI Guidelines, Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable. Promoters' contribution has been brought in to the extent of not less than the specified minimum lot.

The following Equity Shares have been sold or acquired by our Promoters, during the period of six months preceding the date on which the Prospectus is filed with SEBI.

Transferor	Transferee	Date on which Equity Shares purchased or sold	Number of Equity Shares	Par value (Rs.)	Nature of payment	Purchase/ Sale Price (Rs.)
ABG International Private Limited	Merlion India Fund I Limited	July 7, 2005	2,212,818	10	Cash	113
	Standard Chartered Private Equity (Mauritius) II Limited	July 7, 2005	555,408	10	Cash	113
	IL&FS Employee Welfare Trust	July 7, 2005	52,896	10	Cash	113
	IVC Employee Welfare Trust	July 7, 2005	52,896	10	Cash	113
	IL&FS Private Equity Trust through its scheme Leverage India Fund ("LIF")	July 12, 2005	652,384	10	Cash	113
Kumkum Agarwal	ABG International Private Limited	August 12, 2005	93,750	10	Cash	10
Archana Agarwal		August 12, 2005	93,750	10	Cash	10
Anupama Agarwal		August 12, 2005	93,750	10	Cash	10

The maximum transfer price is Rs. 113 per Equity Share and the minimum transfer price is Rs 10 per Equity Share.

3) Details of the Capitalization of Reserves by our Company

Rs. in million

Date of Allotment of Bonus Shares	Date of approval to the Bonus Issue	Ratio of Bonus Issue	Number of Equity Shares of Rs. 10 each Issued as Bonus	Amount of Reserves Capitalized
September 3, 1994	September 3, 1994	9:1	7,200,000	72
February 12, 1996	February 12, 1996	1:2	4,000,000	40
March 15, 2005	March 10, 2005	3:2	19,500,000	195

4) Details of shares issued in the past one year below the issue price

Date of Issue	Number of Shares	Issue Price	Name of the Allottee	Reasons
July 7, 2005	7,855,064	113.43	Merlion India Fund I Limited, Standard Chartered Private Equity (Mauritius) II Ltd. IL&FS Trust Company Limited A/C IL&FS Private Equity Trust Leverage India Fund	To part finance the project. The issue price is above the price calculated as per CCI guidelines as we are an unlisted company
July 12, 2005	1,066,737	113.43	IL&FS Trust Company Limited A/C IL&FS Private Equity Trust Leverage India Fund	
August 11, 2005	300,000	81.00	Allotment to Others	
August 11, 2005	700,000	113.43	Allotment of Others	

5) Shareholding Pattern as of October 24, 2005

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue

Shareholder Category	Pre-Issue		Post-Issue	
	Number	%	Number	%
Promoters				
ABG International Private Limited	28,598,598	67.4%	28,598,598	56.2%
Rishi Agarwal	140,625	0.3%	140,625	0.3%
Saket Agarwal	140,625	0.3%	140,625	0.3%
Sub Total (A)	28,879,848	68.1%	28,879,848	56.7%
Promoter Group				
Kamlesh Kumar Agarwal	93,750	0.2%	93,750	0.2%
Sub Total (B)	93,750	0.2%	93,750	0.2%
Total Promoter and Promoter Group holdings (C=A+B)	28,973,598	68.3%	28,973,598	56.9%
Merlion India Fund III Limited	77,58,088	18.3%	77,58,088	15.2%
IL&FS Private Equity Trust through its scheme Leverage India Fund ("LIF")*	2,644,802	6.2%	2,644,802	5.2%
New York Life Investment Management India Fund II LLC	18,42,545	4.4%	18,42,545	3.6%
Jacob Ballas Capital India Private Limited	96,976	0.2%	96,976	0.2%
Others (non-residents)	10,000	0.0%	10,000	0.0%

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Shareholder Category	Pre-Issue		Post-Issue	
	Number	%	Number	%
Others (residents)	10,95,792	2.6%	10,95,792	2.2%
Sub Total (D)	13,448,203	31.7%	13,448,203	26.4%
Total pre issue share capital (E=C+D)	42,421,801	100.0%	42,421,801	83.3%
Public Issue (F)			8,500,000	16.7%
Total post issue share capital (G=E+F)	42,421,801	100.0%	50,921,801	100.0%

* SEBI registered venture capital entity not subject to lock-in

6) Equity Shares held by the top ten shareholders

a) Our top ten shareholders as on the date of filing the Prospectus with ROC are as follows:

Name of the Shareholders	Number of Equity Shares
ABG International Private Limited	28,598,598
Merlion India Fund III Limited	77,58,088
IL&FS Private Equity Trust through its scheme Leverage India Fund ("LIF")	2,644,802
New York Life Investment Management India Fund II LLC	18,42,545
Rishi Agarwal	140,625
Saket Agarwal	140,625
Advent Securities Private Limited	100,000
Aries Management Services (P) Limited	100,000
Gold Card Consultants (P) Limited	100,000
Jacob Ballas Capital India Private Limited	96,976

b) Our top ten shareholders ten days prior to filing the Prospectus with ROC are as follows:

Name of the Shareholders	Number of Equity Shares
ABG International Private Limited	28,598,598
Merlion India Fund III Limited	77,58,088
IL&FS Private Equity Trust through its scheme Leverage India Fund ("LIF")	2,644,802
New York Life Investment Management India Fund II LLC	18,42,545
Rishi Agarwal	140,625
Saket Agarwal	140,625
Advent Securities Private Limited	100,000
Aries Management Services (P) Limited	100,000
Gold Card Consultants (P) Limited	100,000
Jacob Ballas Capital India Private Limited	96,976

c) Our top ten shareholders two years prior to filing the Prospectus with ROC are as follows:

Name of the Shareholders	Number of Equity Shares
ABG International Private Limited	12,737,500
Rishi Agarwal	56,250
Saket Agarwal	56,250
Kamlesh Kumar Agarwal	37,500
Kumkum Agarwal	37,500
Archana Agarwal	37,500
Anupama Agarwal	37,500

- 7) As of the date of the Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our equity shares. The shares locked in by the promoter are not pledged to any party. The promoter may pledge the equity shares with banks or FIs as additional security for loan whenever availed by him from banks/FIs.
- 8) Buyback and Standby Arrangements: Neither we nor our Directors or the Promoters, their respective directors or the BRLMs have entered into any buyback and/or standby arrangements for the purchase of our Equity Shares from any person.
- 9) We have not raised any bridge loan against the proceeds of the Issue. For details on use of proceeds, see the section titled "Objects of the Issue" on page 20 of this Prospectus.
- 10) ABG International Private Limited is one of the promoters of our company. The shareholding of the ABG International Private Limited is as mentioned.

Name	No. of shares	%age Share holding
Rishi Agarwal	5001	50%
Saket Agarwal	5001	50%

- 11) There is no sale or purchase of shares by the promoters, directors of ABG International Private Limited six months prior to the date of filing of the Prospectus with SEBI.

The Issue is being made through the 100% book building process where in atleast 60% of the Issue Size shall be allocated on a discretionary basis to Qualified Institutional Buyers ("QIBs"). If at least 60% of the Issue Size cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, upto 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and upto 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spill over from any other category at the sole discretion of our Company and the BRLMs.

- 12) A Bidder cannot make a Bid for more than the number of Equity Shares offered in this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
- 13) As on date, the total number of Equity shareholders are 315
- 14) An oversubscription to the extent of 10% of the Issue size can be retained for the purpose of rounding off to the nearer multiple of while finalising the allotment.
- 15) There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Prospectus with SEBI until the equity shares offered through this Prospectus have been listed.
- 16) We presently do not intend or propose to alter our capital structure for a period of six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, or, if we enter into acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
- 17) At any given point of time, there shall be only one denomination for the Equity Shares of our Company and we shall comply with such disclosure and accounting norms specified by SEBI from time to time.
- 18) We have issued 6,000,000 Equity Shares out of revaluation reserves on September 3, 1994.

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OBJECTS OF THE ISSUE

The objects of the issue are to raise capital for financing the cost of setting up a new shipyard, working capital requirements and general corporate purposes. The objects of the Issue also include creating a public trading market for the Equity Shares of our Company by listing them on the Stock Exchanges. We believe that the listing of our shares will provide liquidity to our existing shareholders and enhance our visibility and brand name and enable us to use our equity shares for strategic growth opportunities.

Our assessment of fund requirement and deployment is based on internal management estimates and have not been appraised by any bank or financial institution or any independent organisation. Our capital expenditure plans are subject to a number of variables, including possible cost overruns; construction/development delays or defects; receipt of critical governmental approvals including availability of working capital finance on acceptable terms; and changes in management's views of the desirability of current plans, among others. In case of any variations in the actual utilization of funds earmarked for the above activities or increased fund deployment for a particular activity, the shortfall, if any, may be met with by surplus funds, if any available in the other areas and/or our Company's internal accrual, and/or the term loans/working capital loans that may be availed from the Banks/ Financial Institutions. The balance proceeds of the Issue in addition to the abovementioned requirements, if any, will be used for general corporate purposes including but not restricted to repayment of loans.

The main objects clause and objects incidental or ancillary to the main objects clause of the Memorandum of Association of our Company enables us to undertake the existing activities and the activities for which the funds are being raised by our Company, through the Issue.

Proposed Capital Expenditure and Means Of Finance

Proposed Capital Expenditure

Rs. in million

Particulars	Amount
Cost of setting up a new shipyard (including margin money)	4,000.00
Incremental Working Capital Margin for existing business	500.00
General Corporate purposes	305.48
Issue Expenses	117.02
Total	4922.50

Means of Financing

Rs. in million

Particulars		Amount
Initial Public Offering		1,572.50
Equity Placement with Financial Investors		1,000
Loan Funds :		
IL & FS	1,000	
ICICI Bank	1,350	2,350
Total		4,922.50

We propose to fund our incremental working capital margin of Rs 500 million from the proceeds raised through placement of equity with financial investors. The balance proceeds of the placement will be used for the purpose of part financing the proposed Shipyard at Dahej.

The broad terms and conditions of the lenders are as under :

Name of the Institution	Amount Sanctioned (Rs. in million)	Rate of Interest	Repayment schedule
IL &FS	1000	8.5 % (Floating)	The repayment will start in 18 months from the proposed date of commencement of commercial operations of the project or not later than 54 months from the date of execution of financing agreements. The repayment will be made in 18 equal quarterly instalments.
ICICI Bank	1350	8.05 % (Floating)	28 quarterly instalment commencing from April 30, 2010 and ending on January 31, 2017.

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

No part of the Issue proceeds will be paid as consideration to promoters, directors, key managerial personnel, associate or group companies.

Cost of Setting up the New Shipyard

The break-up of the Cost of setting up a new shipyard is as under

Rs. in million

Particulars	Estimated costs	Cost incurred up to September 30, 2005*
Land, dredging, land reclamation, protection work and design	288	
Construction of a dry dock	1,499	
Construction of Fabrication, Assembly Sheds and Administrative Offices	319	
Plant and Machinery	1,021	
Contingency	153	
Pre-Operative Expenses	308	53.30
Working Capital Margin	412	
Total	4,000	53.30

* as certified by Nisar & Kumar, Chartered Accountants dated October 13, 2005. The same has been sourced through funds raised from private equity investors.

Land, dredging, land reclamation, protection work and design

We propose to set-up a new shipyard capable of building / repairing vessels up to 120,000 DWT at Dahej, Gujarat. We have identified two plots of land admeasuring about 158 acres on the banks of the river Narmada. We have entered into a memorandum of understanding with Gujarat Maritime Board (GMB) on January 13, 2005 for obtaining the land admeasuring about 67 acres on long term lease and for waterfront usage. We have also made an application to the GIDC on February 24, 2005 for obtaining balance part of the land admeasuring about 91 acres adjacent to the GMB land.

Salient Features of the Memorandum of Understanding ("MOU") dated January 13, 2005 entered into with GMB.

- GMB to facilitate us in obtaining necessary permission/registrations from concerned departments of the State and Central Government and also help to avail incentives under the various schemes announced by the State/ Central Government.
- GMB to assist in providing basic infrastructure facilities like land, power, roads, water supply etc. and in obtaining the statutory approvals for establishing and efficient running of activities that are port and port led development.

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- This MOU does not assign any exclusive rights to our Company for the said project and in case of GMB receives more than one offer from other interested private companies for same project, than competitive bidding process as laid down by Government of Gujarat (GOG)/GMB will be adopted.
- The permission will be granted to set-up the yard subject to the GMB Act – 1982, the IP Act – 1908, the GID Act 1999 and all other applicable laws, rules & regulations.
- This MOU contains the expression of interest upon which the parties may proceed for port led development of Gujarat by proposed establishment of projects through the process laid down by GOG.

Subsequent to the MOU, GMB invited global expression of interest for the usage of the land and water front for port led development from interested parties who had not entered into a MOU with GMB. We had submitted a pre-feasibility report on May 25, 2005 and followed up the same with a presentation to GMB on June 8, 2005. Gujarat Maritime Board has vide its letter GMB/N/JSP&PVT/ JETTY CELL/389(10)/7350 dated October 5, 2005 has granted an “In principle” approval to our project. Some of the salient features of the approval granted are as follows :

- We shall abide by all terms and conditions as may be prescribed by GMB while according its final approval;
- The lease rent shall be Rs. 27.50 per sq mts per annum escalated at every three years by 10% of previous rate or as GOG may decide;
- Before taking the possession, we shall pay Rs. 3 million (Rs. three million) towards the advance lease rent for six months at the rate of Rs. 27.50 per sq mts per annum for about 21.20 hectares.
- A bank guarantee of Rs. 5 million (Rs. five million) shall be submitted to GMB within 30 days from the issue of this letter. This bank guarantee is against submission of detailed project report within 4 months, failing which; GMB shall cancel this in principal approval and forfeit the bank guarantee.
- The in principal approval is given only for the purpose of conducting various studies like land and hydrographic survey, soil investigation to prepare for environmental clearance.
- This in principal approval is subject to the approval of GOG. Therefore, we cannot start any construction work before executing agreement with GMB after GOG approval.

Dredging activity needs to be carried out for removing the earth from the seabed in the area of approach channel and turning circle. The material removed by dredging will be used for reclamation and reuse of land from the sea for constructing dry dock and outfitting quay. Pitching and slope protection is proposed to be constructed to protect the waterfront from erosion due to wave action.

Dry docks

The proposed facility will be consisting of two large dry docks admeasuring 400 meters length, 45 meters breadth and 10 meters in depth. These dry docks will accommodate bulk carriers of the size up to 120,000 DWT. Docks will have concrete floor and concrete vertical side walls with dock gates on river front and serviced by large capacity tower crane running on rails. Total cost of piling and pile caps for both the dry docks is estimated at Rs 662 million. The side walls will be supported on diaphragm walls taken to a sufficient depth. Total cost of diaphragm walls for supporting the sides, gate and rear side is estimated at Rs 518 million. The walls will carry loads as well as support soil. There will be cranes of suitable capacity in the central crane bay which will support operations in the dry dock.

Outfitting quay will be provided on either side of the dry docks and in front of crane bay. The quay will be 15 meters wide and a total of 300 meters long and is proposed to have a multifunctional role including, loading and unloading of equipment transported through sea. Ships being built in the dock can be floated and held against the quay when outfitting of equipment / machinery is required to be done in a floating condition. Very large ships can be held across dry dock gates also for some time without holding up any activity within the dock. At this time draft required is a literage draft. Quay width is designed to enable movement of trucks / mobile cranes etc.

Fabrication, Assembly Sheds and Administrative Offices

We shall be constructing covered fabrication / assembly sheds admeasuring 45,000 sq meter wherein, block construction of hulls on modular basis will be carried out. All the sheds will be equipped with suitable EOT Cranes.

Process sheds are dedicated ship processing sheds. We propose to set-up two major process sheds of 70 meters X 200 meters in front of each of the dry dock. These sheds will house welding machines, large capacity EOT Cranes etc. A common facility shed of 60 meters X 200 meters will be set-up for common facilities like hydraulic press, CNC machines,

etc. The out put of the common facility shed will be transferred for further processing to the major sheds. In addition to the process sheds, Customs bonded warehouses and storage facility sheds admeasuring 5,000 square meters will be set-up to house machinery / equipment like main engines, compressors, DG sets, thrusters, propellers and shafts etc. Part of custom bonded warehouse will be an open area.

The administrative and office buildings will be multi-storey blocks. It will consist of a separate section for the engineering and design function and will also have separate sections for client representatives, staff of classification societies in addition to general administrative and accounts functions. We also propose to set-up a separate area for recreational facilities, canteen, medical and welfare centre.

Plant and Machinery:

The summary of expenses estimated to be incurred under this head is as follows:

Rs in Million

Particulars	Amount
Plant and Machinery CIF including local transport and duties	666
Installation	123
Other equipment	232
Total	1,021

Plant and Machinery CIF including local transport and duties: We have entered into an equipment sale agreement dated April 25, 2005 with Irving Shipbuilding Inc, Canada to acquire shipbuilding machinery / equipments. We are in the process of placing an order for acquiring Tower Crane of suitable capacity. We have opened an irrevocable letter of credit in favour of Irving Shipbuilding Inc. We estimate that the equipment / machinery acquired from Irving Shipbuilding Inc and the tower crane will have a remaining life span of a minimum 25 years. The main equipments / machinery acquired from Irving Shipbuilding Inc include

- TTS Flat panel line including two plasma cutters and one oxy cutter with ultra heavy lift (UHL) trains
- Kasto pipe silo with automated pipe cutting and sorting system
- 1500 Tonne Hugh Smith Rolls
- Bennie Works Frame Bender
- 500 tonne Wilhem burger Press
- Six Overhead cranes with capacity ranging from 13.5 tonnes to 75 tonnes
- Gantry crane
- Stockyard crane with runways
- Automated paint spray system
- Fire suppression sprinkler system
- Dust collection system
- Paint and Blast Shop Equipment with grit handling, dust collection and air circulation system
- Synchrolift bogies and winch
- Curved Jigs, Wheelabrator systems, tools and fittings

Other equipment include welding rectifiers and machines, electricals, gas based standby power, material handling systems and other shop machines and compressors.

Our total power requirement for the new project is estimated at 2 MW. We shall make necessary applications to the state electricity board for the same. In addition to the above, we also propose to install a gas based standby power generating set with a capacity of 1 MW to provide for 100% back-up and double shift operations.

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Our Company has placed the orders for the following second hand machinery :

Name of the second hand machinery	Cost of machine (Rs. in million)	Name of supplier	Date of Order Placement	Expected Date of Delivery	Balance Estimated Age
Shipbuilding Equipments #	246.40	Irving Shipping Inc	April 2005	November 2005	25 years.
Kroll Tower Crane #	213.40	Macworth Resources Ltd.	September 2005	November 2005	More than 25 years
NCK Eiger Crawler Cranes 07 Nos. including duty	60.27	Skyles International	October 2005	November 2005	25 years

We have received quotations from J.M. Baxi & Co. vide their letter dated October 20, 2005 for an amount of Rs. 130.08 million towards the shipment of the above mentioned machinery

Our Company has to place orders for the following new machinery :

Name of the machinery	Cost of the machines (Rs. In Million)	Name of the supplier	Date of Quotation
Welding Rectifiers & Outfit	38.62	Ador Welding Ltd.	June 2005
Standby Power	24.69	GMMCO	August 2005
Electricals	20.80	Marine Electricals	June 2005
Distribution Board	5.20	Marine Electricals	June 2005
Lighting	6.24	Marine Electricals	June 2005
Centrifugal Compressor Unit for TMB 800-3 with HT Motor	18.15	Elgi Equipments Ltd.	October 2005
Lubricated Screw Compressors	2.79	Elgi Equipments Ltd.	October 2005
Material Handling system & Other Auxillary items	55.23		

Contingencies

The contingencies are estimated to be Rs 153 million being 3.75% of the total project cost.

Pre-Operative Expenses

Pre-operative expenses mainly consists of interest during construction period, technical fees, bank processing charges, legal expenses and cost of raising capital and long term debt.

Calculation of Working Capital Margin for - 'Proposed Facility'

The working capital margin is based on management estimates for the first two years of operations. We have estimated an initial order book of Rs 11,000 million.

Rs. in Million

Particulars	% of limits required vis-à-vis orders	Required Limit	Required Margin (%)	Margin Amount
Letter of Credit	20%	2,200	10%	220
Bank Guarantee	35%	3,850	5%	192
Total		6,050		412

Calculation of Incremental Working Capital Margin for Existing Operations

The existing limits were assessed in May 2004 on the basis of the then order book position of Rs 9000 million and potential orders of Rs 2000 million. Our current order book is Rs 13,245 million and we have estimated additional orders of Rs 4000 million. Requirement of fund based limits, letter of credit, and bank guarantee have been taken at various levels, which is in consonance with the industry practices and past trends.

Rs. in Million

Particulars	Existing Assessed Limit Position	% of limits required vis-a-vis orders	Revised Limit Position	Increase in Limits	Required Margin (%)	Incremental Margin Amount
Fund Based Limit	500	8%	1,380	880	25%	220
Letter of Credit	2,250	20%	3,449	1,199	10%	120
Bank Guarantee	2,750	25%	4,311	1,561	10%	156
Total	5,500		9,140	3,640		496

Issue Expenses

Issue expenses includes underwriting and management fees, selling commission, distribution expenses, legal fees, fees to advisors, stationery costs, advertising expenses and listing fees payable to the Stock Exchanges, among others. The total expenses for this Issue are estimated at Rs. 117.02 million, which will be paid by our Company.

Rs. in Million

Activity	Amount	% age of Total Issue Expenses	% age of Total Issue Size
Lead Management, underwriting and selling commission	70.02	59.84	4.45
Advertisement and Marketing expenses	22.00	18.80	1.40
Printing and stationery	20.00	17.09	1.27
Others (Registrars fee, legal fee, listing fee, etc)	5.00	4.27	0.32
Total estimated Offer expenses	117.02	100.00	7.44

Schedule of Implementation of the proposed shipyard

Name of the Activity	Tentative Schedule	
	From	To
Possession of Land, Investigations and Mobilisation	01.06.05	31.12.05
Construction of Dry Dock-Outfitting Quay	01.01.06	31.03.08
Dredging and Reclamation of land & Post Construction Dredging	01.11.05	29.02.08
Construction of fabrication / assembly sheds and Office Block	01.11.05	30.06.07
Ship-Building and Processing Machinery/ Equipment.	01.08.05	31.03.08
Date of Commercial Production	01.04.08	

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Details of Balance Fund Deployment

Rs. in Million

Name of the Activity	Total Amount	Year wise Requirement		
		2005-06	2006-07	2007-08
Land, dredging, land reclamation, protection work and design	288	175	105	8
Construction of a dry dock	1,499	250	690	559
Construction of Fabrication, Assembly Sheds and Administrative Offices	319	135	130	54
Plant and Machinery	1,021	696	215	110
Contingency	153	104	22	27
Pre-Operative Expenses	308	58	99	151
Working Capital Margin for proposed project	412	0	0	412
Working Capital for existing project	500	500	0	0
	4,500	1,918	1,261	1,321

Interim Use of Funds

The management, in accordance with the policies set up by the Board, will have flexibility in deploying the net proceeds received by us from the Issue. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, deposit with banks for necessary duration. We also intend to apply part of the proceeds of the Issue, pending utilization for the purposes described above, to temporarily reduce our working capital borrowings from banks and financial institutions.

Monitoring of Utilisation of Funds

IL&FS Trust Company Limited has been appointed to monitor utilisation of proceeds of the issue.

BASIC TERMS OF THE ISSUE

This Issue is being made through a 100% Book Building Process. The present Issue of 8,500,000 Equity Shares of face value of Rs.10 each at a price of Rs. 185 comprising of (a) Net Issue to the Public of 8,300,000 Equity Shares (b) Employee Reservation portion of 200,000 Equity Shares

	Employee Reservation Portion	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Up to 200,000 Equity Shares	Net Issue to the Public less allocation to Non-Institutional Bidders and Retail Individual Bidders, subject to a minimum of 4,980,000 Equity Shares.	Minimum of 830,000 Equity Shares.	Minimum of 2,490,000 Equity Shares.
Percentage of Issue Size available for allocation*	2.35% of the Issue	At least 60% of Net Issue to the Public	Minimum 10% of Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Retail Individual Bidders.	Minimum 30% of Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate	Discretionary	Proportionate	Proportionate
Minimum Bid	35 Equity Shares and in multiples of 35 Equity Share thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs 100,000 and in multiples of 35 Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs 100,000 and in multiples of 35 Equity Shares thereafter.	35 Equity Shares and in multiples of 35 Equity Share thereafter
Maximum Bid	Such number of Equity Shares so as to ensure that the Bid size does not exceed 200,000 Equity Shares	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 100,000
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialised form
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Employees as defined earlier in this Prospectus	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investor registered with SEBI, multilateral and bilateral development	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs in the name of karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.

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	Employee Reservation Portion	QIBs	Non-Institutional Bidders	Retail Individual Bidders
		financial institutions, Venture Capital Funds registered with SEBI, foreign Venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2,500 Lacs and pension funds with minimum corpus of Rs. 2,500 Lacs in accordance with applicable law.		
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate
Margin Amount	Full Bid Amount on bidding	Nil	Full Bid Amount on bidding	Full Bid Amount on bidding

* Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in Non-Institutional and Retail Individual categories would be allowed to be met with spill over inter-se from any other categories, at the sole discretion of our Company, BRLMs and subject to applicable provisions of SEBI Guidelines. The unsubscribed portion, if any, out of the Equity Shares under Employee Reservation Portion will be added back to the Net Issue.

** In case the Bid Cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid Cum Application Form.

BASIS FOR THE ISSUE PRICE

The Issue Price was determined by us in consultation with BRLMs, on the basis of assessment of market demand for the Equity Shares, by way of Book Building Process.

Qualitative Factors:

Our Competitive Strengths include:

- We are among the leading private sector players in the Ship Building industry in India
- We have a strong management team and motivated work force
- We are an existing profit making Company in operations for more than a decade in the Indian ship building industry having an integrated manufacturing facility to produce variety of ships
- We are the only shipyard in India that has a synchronised shiplift facility.
- Our current expansion plan underway would enable to increase our presence in the global ship building industry and also add to the capability to build ships upto 120,000 DWT.
- We have a multi product capability and proven ship building and repair capabilities;
- We believe that our consistency in the quality of ships built by us, our ability to deliver ships on time and remain competitive with good technical base, lower overheads, international manufacturing facilities and effective marketing network have shown consistent growth in revenues and profits.

Quantitative Factors**1. Adjusted Earnings per share (EPS) of face value of Rs.10**

Rs. in million

Period	Adjusted PAT	No. of shares	EPS (Rs.)	Weights
Year ended March 31, 2003	85	12756164	6.66	1
Year ended March 31, 2004	72	13000000	5.54	2
Year ended March 31, 2005	503	32500000	15.48	3
Weighted Average			10.70	

The earning per share has been computed on the basis of adjusted profits & losses for the respective years.

2. Price/Earning (P/E) ratio in relation to Issue Price of Rs. 185

- a. Based on year ended March 31, 2005 EPS is 11.95
- b. Based on weighted average EPS is 17.29

3. Return on Net Worth

Rs. in million

Period	Adjusted PAT	Networth	RoNW (%)	Weights
Year ended March 31, 2003	85	414	20.53%	1
Year ended March 31, 2004	72	485	14.85%	2
Year ended March 31, 2005	503	988	50.91%	3
Weighted Average			33.83%	

The Return on Net Worth has been computed on the basis of adjusted profits & losses for the respective year.

4. Minimum Return on Increased Net Worth Required to Maintain Pre- Issue EPS 11.25%.**5. Net Asset Value per Equity Share as at September 30, 2005 – Rs 57.26**

ABG SHIPYARD LIMITED

6. Net Asset Value per Equity Share after Issue

The net asset value per Equity Share after the Issue is Rs. 78.58

- Issue Price per Equity Share : Rs. 185
- Issue Price per Share will be determined on conclusion of book building process.

7. Comparison of Accounting Ratios

The comparable ratios of the companies which are to some extent similar in business are as given below:

	EPS (Rs.)	P/E	RONW	NAV (Rs.)
ABG Shipyard Limited	15.48	11.95	50.91%	30.40
Industry				
Bharti Shipyard Limited#	11.8	23.8	35.40%	57.60

Earnings per share, Return on Net Worth and net asset value are based on last audited financial results for the period ending 31st March, 2005 and considered bonus issue

Source: Capital Market Volume XX/15 dated September 26-October 9, 2005.

(Data based on trailing twelve months)

8. We have made the following equity issuances on preferential basis.

Date of Issue	Number of Shares	Issue Price
July 7, 2005	7,855,064	113.43
July 12, 2005	1,066,737	113.43
August 11, 2005	300,000	81.00
August 11, 2005	700,000	113.43

9. Issue Price is 15.5 times of the face value at the lower end of the price band and 18.5 times of the face value at the higher end of the price band. The Issue Price of Rs. 185 has been determined by us in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares by way of Book Building and is justified on the basis of the above factors.
10. The BRLMs believe that the Issue Price of Rs. 185 is justified in view of the above qualitative and quantitative parameters. See the section titled "Risk Factors" on page x of this Prospectus and the financials of our Company including important profitability and return ratios, as set out in the Auditors Report on financial statements on page 71 of this Prospectus to have a more informed view.

STATEMENT OF TAX BENEFITS

The Board of Directors
ABG Shipyard Ltd.
5th Floor, Bhupati Chambers,
13, Mathew Road,
Mumbai – 400 004

Dear Sirs,

We hereby certify that the enclosed annexure states the tax benefits available to **ABG Shipyard Ltd.** (the “Company”) and to the Shareholders of the Company under the provisions of the Income Tax Act, 1961 and other direct tax laws presently in force.

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

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

For Nisar & Kumar
Chartered Accountants
Sd/-
M.N. Ahmed
Partner
Membership No 018380

Place: Mumbai

Date: 9th August, 2005

ABG SHIPYARD LIMITED

ANNEXURE TO THE CERTIFICATE DATED

TAX BENEFITS

(A) BENEFITS TO THE COMPANY UNDER INCOME TAX ACT, 1961:

1. Subject to Compliance of certain conditions laid down in Section 32 of the Income Tax Act, 1961 (hereinafter referred to as "the Act") the Company will be entitled to a deduction for depreciation: -
 - a) In respect of tangible assets;
 - b) In respect of intangible assets being in the nature of know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April,1998 at the rates prescribed under Income Tax Rules, 1962;
 - c) under section 32(1)(iia) of the Act the company would be entitled to additional depreciation @20% of the actual cost of new Plant & Machinery during the previous year ending on or after 31.03.2006 subject to the fulfillment of other conditions specified under the said section.
2. Under section 35D of the Act a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of the industrial undertaking, for a period of five successive years subject to the limits provided and conditions specified under the said section.
3. Under section 115JAA(1A) of the Act tax credit shall be allowed of any tax paid (MAT) under section 115 JB of the Act for any Assessment Year commencing on or after 1st April 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 5 years succeeding the year in which the MAT credit initially arose.

(B) TO THE SHAREHOLDERS OF THE COMPANY - UNDER THE INCOME TAX ACT, 1961:

Resident Shareholders:

4. Under section 10(23D) of the Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income from investment in the shares of the company.
5. Under section 10(34) of the Act, income by way of dividends referred to in Section 115-O received on the shares of the company is exempted from the income tax.
6. Under section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being equity shares in the company (i.e. capital asset held for a period 12 months or more) would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:
 - a) The transaction of sale should be entered into in a recognized stock exchange in India and
 - b) The transaction is chargeable to securities transaction tax.
7. Under section 48 of the Act, if the company's shares are sold after being held for not less than twelve months, the gains [in cases not covered under section 10(38) of the Act], if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.
8. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains [other than those exempt under section 10(38)] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain is invested within a period of 6 months after the date of such transfer for a period of at least 3 years in Bonds specified in that section.

If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amounts so exempted shall be chargeable to tax subsequently, if the Bonds are transferred or converted into money within three years from the date of their acquisition.
9. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [other than those exempt under section 10(38) of the Act] on the transfer of shares of the Company, as and

when it is listed, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible issue of capital, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely –

- a) The issue is made by a public company formed and registered in India;
- b) The shares forming part of the issue are offered for subscription to the public;

If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amounts so exempted shall be chargeable to tax subsequently, if the new equity shares are transferred or converted into money within one year from the date of their acquisition.

10. Under section 54F of the Act, long term capital gains [other than those exempt under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
11. Under section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head “Profit and gains of business or profession” arising from taxable securities transactions.
12. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months), arising on transfer of shares in the Company on a recognized stock exchange, on which Security Transaction Tax is charged, shall be taxed at a rate of 10% (plus applicable surcharge and educational cess).
13. Under section 112 of the Act and other relevant provisions of the Act, Long term capital gains, [other than those exempt under section 10(38) of the Act], arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge and educational cess) after indexation as provided in the second proviso to section 48. The amount of such tax should however be limited to 10% (plus applicable surcharge and educational cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.

Non-Resident Indians/ Non Residents Shareholders Other than FIIs and Foreign venture capital investors:

14. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O received by a non-resident Indian shareholder (i.e. an individual being a citizen of India or person of Indian origin who is not a ‘resident’) on the shares of the Company is exempted from the tax.
15. Under section 10(38) of the Act, any long term capital gains arising to a non-resident shareholder from transfer of long term capital asset being an equity shares in a company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:
 - a) The transaction of sale should be entered into in a recognized stock exchange in India and
 - b) The transaction is chargeable to securities transaction tax.
16. Under Section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in Bonds specified in that section.
17. Under Section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] on the transfer of shares of the company, as and when it is listed, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian company forming part of an eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely –

ABG SHIPYARD LIMITED

- a) The issue is made by a public company formed and registered in India;
 - b) The shares forming part of the issue are offered for subscription to the public;
18. Under Section 54F of the Act, long term capital gains [in cases not covered under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
19. Under section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions.
20. Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (i.e. if shares are held for a period exceeding 12 months) [in cases not covered under section 10(38) of the Act], arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge and educational cess) after indexation as provided in the second proviso to section 48. The amount of such tax should however, be limited to 10% (plus applicable surcharge and Education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
21. Under section 115-I of the Act, the non-resident Indian shareholder has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating To Certain Incomes of Non-Residents" which are as follows:
- a) Under section 115E of the Act, where shares in the company are acquired or subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months on a recognised stock exchange, shall (in cases not covered under section 10(38) of the Act) be concession taxed at the flat rate of 10% (plus applicable surcharge and educational cess) (without indexation benefit but with protection against foreign exchange fluctuation).
 - b) Under provisions of section 115F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange (in cases not covered under section 115E of the Act) shall be exempt from Income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.
 - c) Under provisions of section 115G of the Act, it shall not be necessary for a Non-Resident Indian to furnish his return of income if his income chargeable under the Act, consists of only investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.
22. Under the first proviso to section 48 of the Act, in case of a non resident shareholder, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) (in cases not covered by section 115E of the Act), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/ loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilized in the purchase of the shares.

Foreign Institutional Investors (FIIs) :

23. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115-O received on the shares of the company is exempted from the tax.

24. In terms of section 10(38) of the Act, any long term capital gains arising to an investor from transfer of long term capital asset being an equity shares in a company would not be liable to tax in the hands of the investor if the following conditions are satisfied:
- The transaction of sale should be entered into in a recognized stock exchange in India and
 - The transaction is chargeable to such securities transaction tax.
25. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gain [in cases not covered under section 10(38) of the Act] arising on the transfer of share of the company will be exempt from capital gain tax if the capital gain are invested within a period of 6 month after the date of such transfer for a period of at least 3 years in bond specified in that section.
26. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] on the transfer of shares of the company, as and when it is listed, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian company forming part of a eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely –
- the issue is made by a public company formed and registered in India;
 - the shares forming part of the issue are offered for subscription to the public;
27. Under section 115AD (1)(ii) of the Act short term capital gains on transfer of securities shall be chargeable @ 30% /10% (plus applicable surcharge and educational cess).
28. Under section 115AD(1)(iii) of the Act income by way of long term capital gain arising from the transfer of shares (otherwise than as mentioned in 24 above) held in the company will be taxable @10% (plus applicable surcharge and educational cess). It is to be noted that the benefits of indexation are not available to FII's.

Venture Capital Companies/Funds

In terms of section 10(23FB) of the Act, all Venture capital companies/funds registered with Securities and Exchange of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including dividend from and income from sale of shares of the company.

(C) BENEFITS TO MEMBERS OF THE COMPANY UNDER THE WEALTH TAX ACT, 1957

Shares of company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act 1957, hence no shares are not liable to Wealth Tax Act, 1957.

(D) BENEFITS TO MEMBERS OF THE COMPANY UNDER THE GIFT TAX ACT, 1958.

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

Notes:

- All the above benefits are as per the current tax law as amended by the Finance Act, 2005.
- The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
- In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
- In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

INDIAN SHIP BUILDING INDUSTRY

Introduction

The ship building industry enjoys strategic importance in view of its role in developing a country's shipping fleet. Being a labour intensive industry, countries with low wage levels are ideally suited for ship building activities. The ship building sector is a global industry with China, South Korea and Japan controlling 78% of the total market share. India is a very small player with an insignificant market share.

The fortunes of the ship building industry generally fluctuate in tandem with global economic growth and international trade. The 3.9% global economy growth in 2003 and 5% in 2004 has been above the long term underlying trend of 3.6%. The tonnage demand for sea-borne traffic grew 10% in both 2003 and 2004 as compared with 4-5% growth per annum since the nineties.

Structural changes in the shipping market have resulted in longer distances and increased demand for all types of tonnage. A strong ship building market is expected to continue in the foreseeable future due to higher economic growth, low interest rates, its importance from defence perspective and a continuation of the global outsourcing trend.

Ship building also involves heavy engineering with a multi-disciplinary technical and industrial competence – requiring expertise in metallurgy, heavy sheet metal fabrication, high-tech welding, structural engineering, naval architecture, material sciences, hydrology and propulsion systems. The technological sophistication too has been increasing for building all sizes and types of ships.

Industry evolution

Ship building is a global industry with China, South Korea and Japan controlling 78% of the world market though modern ship building, as defined in the contemporary world, evolved in Europe.

Ship building as conducted in the past in many parts of the world, including India was limited to very small ships and with limited design sophistication. The political dominance and resulting trade influence of Europe in the colonial era necessitated the building of large ships. This need spurred the development of ship building industry in Europe and later in North America during industrial revolution. In this period, ship building industry saw a continual influx of superior technology with major changes in ship design and materials used to build ships, as also in the size and number of ships built.

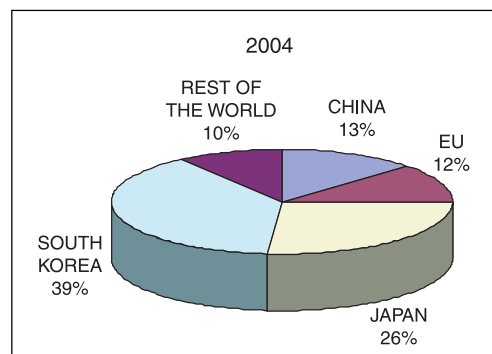
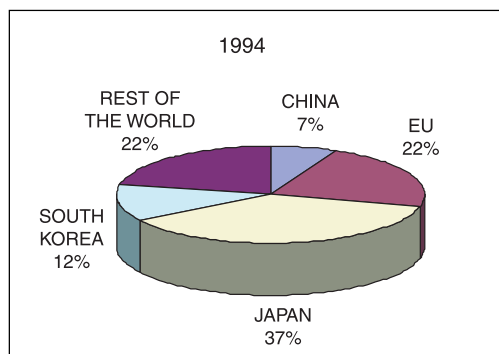
The maritime scenario witnessed momentous changes after World War II. In the late sixties, the European ship building industry began to steadily witness competitive challenges from developing countries like Japan and South Korea – indicating a shift towards the Asian countries. High labour costs in Europe and the US also contributed to a gradual shift in ship building to Asian Countries. Japan emerged as the one of the largest ship building nations outside Europe while South Korea emerged as a strong player in the seventies. The growth of South Korean shipyards was significant as it demonstrated capability to build large ships at highly competitive costs. Till date, both Japan and South Korea retain their hold with a 64% market share.

[Source: Commission of the European Communities – Seventh report from the commission to the council on the situation in world ship building, Brussels, 6-5-2003 COM (2003) 232 final.]

The increasing wage structures in Japan and South Korea are increasingly leading to the emergence of China and Taiwan as the other leading ship building nations. Japan, although no longer considered a low cost producer, is expected to continue to dominate the world market due to larger scale automation and robotisation in its shipyards.

India is also likely to compete for a share in the Asian ship building market space. With 100% FDI in Indian ship building sector and growing competitive pressures to expand capacities across geographies by harnessing local advantages, India has all the chances to bag its legitimate share of maritime action.

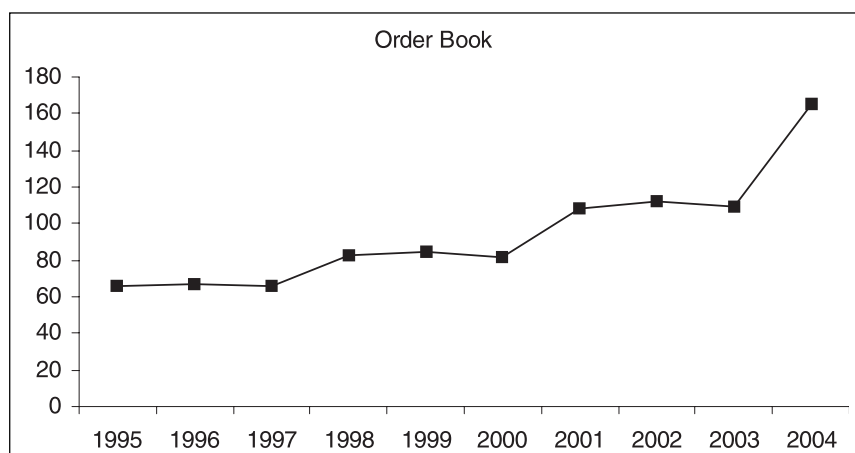
Market Share



Source: Marine INT (FMI) December 2004

The first six months of 2004 proved to be a turning point for global shipyards as capacity upped to break the 1977 cgt record; prices increased sharply reversing the last seven-eight year trend; yards received orders with berths booked in 2006/2007. Significantly, South Korea raced ahead of Japan in the ship building deliveries race (measured in cgt) to become the world's biggest ship building nation.

In 1995-2000, the global order book position increased at 5.3% CAGR – from 66mn dwt in 1995 to 81.2mn dwt in 2000. Strong demand from Asia in the last five years saw order books growing at a CAGR of 19.38% to 164.8mn dwt in 2004. The average utilization rate increased from 87.5% in 2003 to 91% in 2004. Globally, any shipyard operating at a capacity utilization of 90% or more is assumed to be operating at full capacity.



Source: Marine INT (FMI) December 2004

The increase in demand for shipping tonnage was mainly due to robust global economic growth in 2003 and 2004 at 3.9% and 5%, respectively. The rapid increase in outsourcing of industrial production has resulted in longer transport distances and increased demand for all types of tonnage.

A strong latent replacement demand for aging ships, especially tankers owing to the increasing pressure from various international organisations, governments and port authorities to curtail the operation of older, single-hull ships. The International Maritime Organisation (IMO) has prescribed a new phase out timetable setting 2015 as the principal cut-off date for all single hull tankers.

With the upturn in the shipping industry, the ship building industry is expected to also do well. Thus, the overall future of ship building is poised for growth and can be said to have maximum potential in low-cost countries like China, Taiwan, and India

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Cyclical nature

The shipping market is cyclical in nature and freight rates tend to be highly volatile. Freight rates and earnings of shipping companies are primarily driven by the demand-supply situation. While demand drivers are a function of world trade growth and trade patterns, the supply drivers are a function of new ship building orders and the scrapping of existing tonnage. The cyclical nature of the shipping market means highly variable workloads. Also, prices to build new ships may fluctuate significantly, according to market conditions. Governments try to maintain capacity through by widespread subsidization while other macro factors like oil prices, global GDP growth impact the cyclicity of the business.

Growth of the industry by ship types

The ship building demand covers a very wide portfolio of ship classes and sizes – beginning liquefied natural gas carrier ships to bulk carriers, tankers, specialized carriers like reefers, car carriers, container ships to smaller handy size cargo ships, tugs, barges or other smaller port crafts. The shipyard capacities and competencies are correspondingly segmented and vary according to the ships manufactured by them. While some yards specialize in building larger ships, others focus on mid-size bulk carriers/tankers and other smaller ships.

The main influence on demand is the volume of world trade. The demand for shipping services depends on the country's level of wealth, spending patterns and productivity. Expanding trade volumes create an upswing in freight rates and thus, demand for shipping and ship building. The composition of the merchant shipping industry can be divided into four broad carrier classes:

1. Tankers, also known as liquid bulk carriers, transports oil, liquefied gas and chemicals. Oil tankers make up the largest category of the world's merchant fleet.
2. Dry Bulk Carriers are the second largest fleet category and are used to transport iron ore, sugar, cement, lime stone and other materials
3. Container Ship, General Cargo and other special cargo and passenger ships carry all non bulk dry cargo including vehicles, paper, pulp, passengers, etc. This class includes reefers (refrigerated cargo ships transporting fruits, vegetables and meat), passenger cruise ships, life stock carriers, barges and the normal container ships freighting everything from major appliances to individual household possessions.
4. Offshore supply and utility ships, mainly assist in oil exploration activities. The function of these ships is to provide support services and transportation of stores, materials, equipment and personnel to/from and between offshore installations. They are also used to handle offshore oil and gas platforms and drilling rigs for towage and anchor handling situations.
5. Ships for Defence and Government authorities

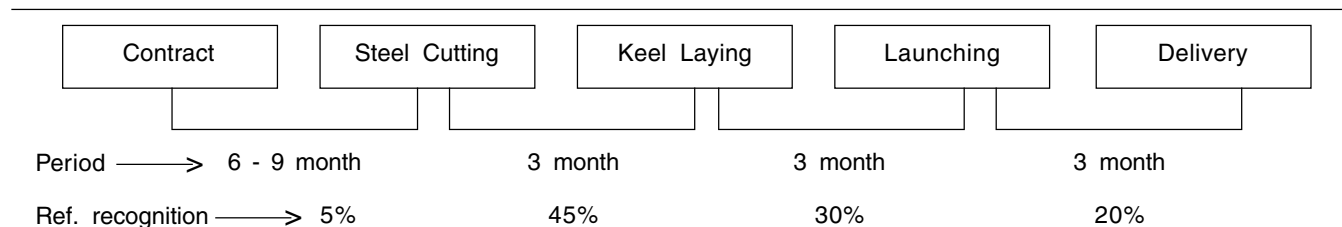
The revenues in this sector are dependent on the exploration and production activities. There is an intensification of exploration activities to enhance the world wide availability of oil and gas. In addition to the above, the average age of the world wide fleet servicing the oil exploration activities is nearly 20 years and some ships do not any longer meet the oil companies requirements and had to be withdrawn from the active fleet. All these factors mean a need of higher number of ships in this segment.

The growth in the tanker segment is directly related to the sea borne trade of crude oil. While the dry bulk and the container ships can be used for transport of a wide variety of products like metals, food grains, etc., during the last couple of years iron ore and steel related trade has increased substantially.

Ship building Process

Typically it takes 15-18 months to build a conventional vessel such as a bulk carrier, tanker or containership, and 28-32 months to construct an LNG vessel. Ship building companies recognize revenue based on the proportion of input of raw materials. Typically There are five cut off stages in the ship building process: contracting, steel-cutting, keel-laying, launch and delivery. From a typical vessel construction period of 15 to 18 months, it takes 6-9 months from contracting to steel-cutting (design period), 3 months from steel-cutting to keel-laying, 3 months from keel laying to launch and 3 months from launch to delivery. Since most of the raw materials are used between steel-cutting and launch, most of the revenue recognition for conventional ships is concentrated during the last 12 months before delivery.

Standard Vessel - Shipbuilding Process (15 - 18 Months)



Indian Ship Repair Industry

With the growing global fear of pollution and stricter environmental norms and regulations, ship-repairing services in India are in demand. Indian shipyards have competitive advantages like low labour costs, availability of skilled labour force and proximity to international shipping routes.

The ship repair industry worldwide is characterized by relatively low return in recent times. There are some significant exceptions to this generalization like Persian Gulf countries, UK, Singapore and China. However, rising costs in Singapore are expected to push the market towards India and China. Long steaming distance to Chinese yards from South Asia make India a better destination for ship repairs in the region.

Government initiatives

The Indian ship building industry stands to gain because of the following Government of India initiatives:

Maritime policy

The Government of India recently announced a draft policy for the maritime sector. The policy says that the Indian government is committed to strengthen the ship building sector – as it can generate employment and foreign exchange earnings. The GoI subsequently announced 100% FDI and plans to set up two international ship building yards on the east and west coast in public-private partnership. These initiatives are expected to boost Indian ship building activity onto the fast track and help it compete in the international market. The government has also extended its subsidy policy to private shipyards effective October 2002.

Ship building subsidy of thirty (30) % has been announced by the Government of India for a period of 5 years ending on August 14, 2007. The Government of India had issued a press note dated October 25, 2002 vide Ministry of Shipping's letter no. SY-12025/3/98-SBR dated October 25, 2002 announcing the Ship building Subsidy Scheme. Detailed procedures/guidelines for the same were issued vide press note dated March 7, 2003 issued by Ship building and Ship repair Division, Ministry of Shipping, Government of India. The subsidy is currently restricted to ocean-going merchant ships that are over 80 meters in length if they are manufactured for the domestic market and ships of all types are eligible for the subsidy if they are manufactured for export subject to fulfilment of conditions.

The Government of India has announced a major project known as 'Sagar Mala' to develop India's maritime sector. The project is primarily aimed at capacity expansion/modernization and creating new ports along India's coast. The project is expected to result in additional demand for 2500 new ships.

Salient features of the project

- New ports at a distance of every 100 nautical miles will be set up for shipping and fishing activities. A separate fund will be established for coastal shipping infrastructure
- Movement of bulk cargo to be encouraged by inland water and coastal shipping. Further, hinterland connectivity through the national highway grid to move sea borne cargo will also be encouraged.

There is a latent and significant demand from the domestic shipping market despite India having a significantly smaller sea fleet. The Indian shipyards are expected to register gains in ship building and ship repairs due to the following factors:

- Favourable policy changes by way of 100% FDI in ship building and subsidies up to 30% for all private yards
- Lower labour cost in comparison with Singapore, Korea, Japan, and east European yards.

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- Availability of a large pool of technically qualified personnel with proven skills in ship building production, engineering and other maritime areas compared with China, Indonesia.
- A long coastline with many suitable sites for large yards.
- Rise in domestic Indian coastal and overseas trade.
- The quality of India built ships is seen well.
- The input cost of materials and machinery available to Indian shipyards is at global benchmarked prices.
- Labour and managerial productivity is on the rise with better manufacturing facilities.
- Robust and fairly well-developed heavy industry manufacturing base and other ancillary support industries have synergies with shipyards

Opportunities

- Overall growth in sea trade.
- Shifting of the market to Asia due to lower labour costs.
- The announcement of “Sagar Mala” by the Indian government to develop India’s maritime sector. It is estimated that the project will result in additional demand of over 2500 new ships.
- Scrapping of old ships specially bulk carriers due to introduction of higher structural standards. All the maritime states have decided to scrap the ships over 15 years of age. This will result in higher demand for bulk carriers.
- Increasing containerization would result in higher demand for container ships.
- The director general of shipping in India has announced a mandatory condition assessment programme rating for all ships over 20 years and a complete ban on tankers over 25 years from entering India’s waters with effect from April 1, 2004. This is expected to boost demand for tanker ships in the future.
- Trade volumes - both overseas and coastal - are fast rising. Opportunities in specialized sectors like LNG, containers are also rising. Integrated logistics and multimodal transportation are opening up new businesses for shipping companies.
- Massive addition of refining capacities and exploration activities in India will force a significant change in the oil products trade. This will result in a higher requirement for ships catering to the offshore oil and gas sector.
- Container traffic is expected to grow significantly as a result of increasing containerization of general cargo exports from India and investments in container handling facilities.

OUR BUSINESS

Overview

Our Company is a leading private sector ship building Company in India having facilities to build and repair a wide variety of marine ships for commercial and government customers. We are an established manufacturer of a variety of marine ships, including bulk carriers, deck barges, interceptor boats, anchor handling supply ships, diving support ships, tugs and offshore vessels. Our shipyard is certified by DNV for ISO 9001. Our shipyard employs advanced construction techniques, including modular construction and advanced outfitting methods, in order to efficiently utilize its building space, equipment and personnel. During the FY 2005, our total income from operations were Rs. 2,190 million.

Since 1990, we have built over eighty eight (88) ships of various types for both the domestic and international customers. During the last five years we have delivered forty four (44) ships. As on October 17, 2005, we have an order book position of twenty seven (27) ships under construction. We also derive a small amount of our revenue from ship repairs and construction of windmill towers. A snap shot of revenue break-up during the last three years is as follows:

Rs. in million

Particulars	FY 2005		FY 2004		FY 2003	
	Amount	%	Amount	%	Amount	%
Ship Building						
International	1,238	56.5%	1,609	86.6%	1,777	97.6%
Domestic	952	43.5%	249	13.4%	43	2.4%
	2,190	100.0%	1,858	100.0%	1,820	100.0%
Subsidy	511		-		-	
Ship Repair	155		108		98	
Windmill Towers	185		83		58	
	3,041		2,049		1,976	

Our shipyard is located at Magdala, near Surat on the banks of the river Tapi which is along the western coast of Gujarat, India. The shipyard is spread across 35 acres of the area. Our shipyard has state of the art manufacturing facilities including a "Shiplift Facility" which is one of its kinds in this region, having a capacity of 4,500 tons, side transfer facilities, CNC plasma cutting and steel processing machinery. The shipyard has multiple building berths, two Dry Docks, two jetties and covered fabrication shops equipped with modern CNC based fabrication machinery. The "Shiplift Facility" gives the yard an operational flexibility and enables the yard to simultaneously build on modular basis and repair up to twenty three (23) ships. The shipyard is certified by DNV for ISO 9001. Currently, the yard can construct ships of a maximum length of 155 meters and up to a maximum weight of 20,000 DWT. We also have indoor facilities to build aluminium ships of upto eighty (80) metres. We believe that our indoor work environment is a competitive advantage in building certain types of ships and in attracting and retaining customers. We are in the process of setting up a modern ship building facility at Dahej (150 kms from the existing yard). The proposed expansion would help us strengthen our presence in the global ship building industry and enable us to build larger and more complex ships.

We serve a variety of customers and markets which includes both private and government in India and outside. Our ability to construct a variety of ships on a cost-effective basis allows us to selectively pursue vessel construction opportunities that arise out of changing demands of various industries. We are experiencing significantly improved demand for our products and services from oil companies and defence sector in India. The order book position as on October 17, 2005 is Rs. 13,294 million to be executed over a period of next three years.

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The sector wise break-up of the same is given as under:

Rs. in million

Particulars	Amount	%
Export		
Ship building Orders catering to Oil & Gas Sector	3,720.54	55.46%
Ship building Orders catering to Fleet Service Sector	2,781.54	41.46%
Others	206.62	3.08%
Sub-total (A)	6,708.70	100.00%
Domestic		
Ship building Orders catering to Product & Coast Guard	3837.57	58.27%
Others	2418.62	36.72%
Repairs & Towers	330.00	5.01%
Sub-total (B)	6586.20	100.00%
Total	13294.90	

Our Competitive Strengths

We believe that the following are our primary competitive strengths:

Among the leading private sector players in the Ship building industry

We are one of the largest manufacturers of ships in India. Our leadership position enables us to leverage our existing in-house skills, relationship with customers and provides potential to increase the complexity of ships built and supply value added complex ships. Our current expansion plan underway would enable to consolidate our leadership position in India and strengthen our presence in the Global Ship building industry.

Strong management team and motivated and efficient work force

Our Company is managed by a team of experienced and professional managers focussing on different aspects of ship building industry including design, manufacturing, marketing, quality control and finance. Our Promoters and management have substantial experience in ship building industry and its ancillary activities. It is essential that the professionals employed by us understand the new developments in the ship building industry. We believe that our professionals have been able to anticipate the developments in ship building, trends in materials use while achieving an optimal balance between costs and speed, deliver complex value added ships to our customers in time bound manner, which has contributed to our growth and success. Our Company's human resource policy revolves around a commitment to create an organisation that nurtures talents and motivate its work force. We have a very low attrition ratio which has provided our business continuity and stability.

Established Business

We are an existing profit making Company in operations for more than fifteen (15) years in the Indian ship building industry, having an integrated manufacturing facility to design, fabricate, assemble components etc. All our manufacturing facilities comply with the prevailing environmental regulations. We have undertaken large ship building contracts. Our ship building facility is versatile in nature and is capable of building ships by using different base material like steel or aluminium. Ship building is inversely proportionate to the type of material used, complexity of design and value added services to be integrated in the ship.

Multi product capability and proven track record

We are one of the few private sector companies in India having a comprehensive range of ship building capability. We have versatile manufacturing plants which can manufacture multiple products using a combination of processes and adopting a modular structure. We have complete infrastructure of fabrication shop, assembly line and have been able to develop efficient and cost effective processes at short notice. Our existing manufacturing facilities have the capabilities to apply both modular and one stage assembly. The flexible manufacturing infrastructure helps us to change our product mix in response to changes in customer demand with less new facility investment.

Good operational performance

Our Company with good technical base, lower overheads, international standard manufacturing facilities and effective marketing network has shown consistent growth in revenues and profits. We have maintained stringent control over our

operating costs. Our revenues are well distributed between domestic and export sales and we have built significant relationships with several large players.

Our Strategy

Our Company's strategy is to leverage its reputation as an efficient reliable, customer driven shipyard operator providing a diversified range of shipyard services. We propose to utilize our proven strengths to enhance our position as a leading Indian manufacturer of ships and to respond to anticipated new ship building construction opportunities with the objective of increasing the revenues. The key elements of our business strategy are as follows:

Wide Variety of Products for Diversified Markets

Our versatile ship building capability is one of our principal competitive strengths, not only reducing our dependence on particular types of products, but also providing engineering and manufacturing benefits across product lines. We have consistently upgraded our facilities to be in tune with International Efficiency levels. These facilities along-with a dedicated and independent quality control team allow the shipyard to deliver ships of international quality standards. Our company has successfully delivered ships which have been classed and approved by American Bureau, Bureau Veritas, Lloyds Registrar, DNV & IRS. We intend to continue to serve diversified markets, including a balance of commercial and governmental ship building projects.

Strategically Located Shipyards

Our shipyard which is strategically located along the West Coast, provide us with significant flexibility and efficiency in manufacturing a wide variety of ships. The new shipyard in the vicinity of the existing facility, thereby resulting in lower management overheads and increasing cost effectiveness.

Low Cost Structure

We believe that we are one of the cost-efficient shipbuilder in India. We have employed many advanced manufacturing techniques including modular construction methods, zone outfitting methods, advanced welding techniques, panel line fabrication, computerized plasma arc metal cutting and automatic sandblasting and painting. We use ITP which helps us to execute the project accurately the first time at optimum cost and quality supplies. Our company uses Microsoft Project and Prima Vera Software for execution of the project. The data fed in to this software is manually linked to various activities in line with the scheduled tasks. This assists in arriving at the detailed Critical Path for the project execution within the given time frame. We believe that these factors allow us to more effectively utilize the workforce and equipment, thereby allowing us to control costs, meet critical construction schedules and achieve attractive profit margins.

Maintaining a High Quality Dedicated Workforce

We invest in our employees through training, superior benefits and the fostering of a close-knit, supportive culture. Our management believes we have been able to maintain stable manpower levels and has flattened the labour force highs and lows typical in the shipyard industry through good labour practices.

Leveraging Economies of Scale

After the operationalisation of our Dahej Shipyard, our shipyards would be within 150 km corridor, enabling us to more effectively manage the available shipyard capacity through the allocation of projects between shipyards enabling them to consolidate the overheads. The proximity of the shipyards allows for centralizing many administrative functions. Management believes the uniformity of state regulations and the potential volume leverage gains from using single suppliers among all its facilities, as well as the potential interchangeability of the labour force, shall provide economic benefits to our Company.

Provide Good Quality Engineering Services

Engineering services are a key part of the complete ship building services offered by us. We maintain a large marine engineering department, consisting of approximately 140 employees, 45 of whom are engineers or naval architects. We have built several ships for the commercial and governmental markets. This capability allows our customers to select from standard configurations or have a ship built as per their specifications or design.

One-Stop Source for Shipyard Services

In addition to its core shipyard repair and construction services, we offer a range of related environmental services at its facilities, including tank cleaning, degassing and wastewater treatment. Following the pending acquisitions, complementary services such as these will enable us to become the only one-stop source of all shipyard services for all segments of the offshore support vessel, offshore barge and inland marine markets in India.

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Operations

We manufacture various kinds of specialized ships. Revenues derived from the repair and conversion segment of the shipyard industry generally produce higher gross profit margins than new construction. The repair and conversion market is currently experiencing growth due to several factors, including the increased utilization of aging fleets, consolidation of these fleets by well-capitalized vessel operators, and replenishment and upgrading of fleets.

We are engaged in various types of construction under contracts that generally range from six (6) months to twenty four (24) months in duration. We use the percentage-of-completion method of accounting for contracts entered after April 1, 2005 and, therefore, take into account the estimated cost, estimated earnings and revenue to date on fixed-price contracts not yet completed.

Our Location and Facilities

We have our Registered Office at Magdala, Dumas Road, Surat 395 007 and our Corporate Office is situated at 4th and 5th Floor, Bhupati Chambers, 13, Mathew Road, Mumbai 400 004. The corporate office handles all the requirements pertaining to finance, orders & procurement of equipments for ship building, designing and marketing.

Our existing shipyard is located at Magdala, Surat on the banks of the river Tapi. The shipyard is spread across 32.54 acres of the area. The administrative block has independent rooms for surveyors and client's representative.

- Dry Docks: A dry dock means a dock where a vessel can be rested in total dry conditions. We have two dry dock facilities :
 - The first dry dock measures 125 X 22.5 X 5.6 meters. This dock is fitted with computerized synchronous shiplift platform having capacity of 4500 tons. The shiplift facility is 122.5 meters long and 22.5 meters wide with a lifting capacity of 4500 tons. The shiplift facility has a process where through a hydraulic system, the ships are lifted from the drydock to be shifted on the berth alongside the drydock and vice-versa. The design allows a high degree of flexibility as it enables transfer of ships from both sides of the shiplift. The entire shiplift system is operated from a single control desk using a highly specialized hydraulic system
 - The shiplifting facility was constructed in 1994. It is due to this facility that we are able to manufacture and repair approximately 23 ships simultaneously. This facility enables tremendous operational flexibility. In India, no other shipyard has this facility
 - The other dry dock is 155 X 30 X 7.5 meters with a gantry crane having a lifting capacity of 80 tons, 35 meters under hook. This dry dock has been built with a unique capability of holding water upto 5 meters. This capability allows us to commission almost all of the ship's systems under controlled conditions
- Berths: The yard has fifteen berths along the sides of the dry dock
 - Ten berths along the sides of dry dock
 - Three berths alongside the fabrication shed
 - Two berths alongside the store
- Bonded Warehouse: Approximately, 50%-60% of the total raw material is imported. The yard has a bonded warehouse spread over 2000 square meters. This is used for the purpose of storing materials imported.
- Fabrication Shed: The fabrication shed has the following facilities:
 - Bays: There are four bays each measuring 150 X 30 meters. The activities carried out in the bays include cutting, bending, press rolling, block fabrication, steel fabrication, aluminium fabrication etc.
 - Covered Blasting Shops: There are two blasting shops one of 30 X 24 meters and the other of 60 X 15 meters. These shops are used for blasting of fabricated units, plates and profiles

We have obtained a legal opinion on the title documents in respect of freehold properties. The said opinion inter alia states that the conveyance deed in respect of all properties except certain identified land are not registered with relevant authority, accordingly our name is not registered as the owner of these properties. We have made necessary applications before the relevant authorities for converting these properties to non-agricultural land. Once the land is converted, we will undertake the registration of these properties. The opinion further states that the Surat Urban Development Authority has notified this area as an Industrial Zone and the above said properties fall under this Industrial Zone.

Power & Water Supply

The power requirement for our shipyard at Surat is 750 KVA, which is sanctioned by the Gujarat Electricity Board. However, to provide for a continuous uninterrupted power supply, we have made adequate arrangements through own DG sets having a total capacity of 1250 KVA. The power requirement for the proposed shipyard is estimated at 2 MW.

The total requirement of water at our existing shipyard is 50 kilo litre per day which is met through water tankers. The requirement of water for the proposed shipyard is estimated at 120 kilo litres per day.

Ship Building Process

Once a contract has been awarded to us, a project manager is assigned to supervise all aspects of the project from the date the contract is signed through delivery of the vessel. The project manager oversees the engineering department's completion of the ship's drawings and supervises the planning of the ship's construction. The project manager also oversees the purchasing of all supplies and equipment needed to construct the vessel, as well as the actual construction of the ship.

We construct each ship from raw materials like steel or aluminium, which are fabricated at the shipyard into the necessary shapes to construct the hull and ship superstructure. Component parts, such as propulsion systems, hydraulic systems and generators, auxiliary machinery and electronic equipment, are purchased separately by us and installed in the ship. We use job scheduling and costing systems to track progress of the construction of the ship, allowing the customer and us to remain apprised of the status of the ship's construction.

We employ a modular structure of building ships. With the assistance of computers, separate manufacturing drawings and bills of materials are prepared for each module, and each module is separately built. These modules are then assembled into a hull. Thereafter, activities like piping, electrical, installation of engines and other equipments and ventilation systems are carried out. The ship is then ready for launching. The engines, electrical systems are commissioned and then tested before final delivery is given to the customer.

Ship Repairs and Refit Process

The Ship Repair Division undertakes extensive repair work, which includes ship conversion, refurbishment, modernization, retrofitting, rebuilding and upgrading a wide range of ships that include Dredgers, Ethylene Carriers, Bulk Carriers, Offshore Supply Ships and Coast Guard Ships. Normally the time taken for ship repairs is about 30-60 days per ship.

Fabrication of Windmills Towers Process

As a part of optimum utilization of the facilities available at the shipyard, and there being demand for the windmill towers, our company has allocated a specific area within the shipyard for the manufacture of windmill towers. We manufacture windmill towers only for Enercon India Limited. Our company initially started to manufacture wind mill towers of 20 meters height and are currently manufacturing towers up to 56 meters height. The windmill tower business contributes approx. 6.0 % of the total revenue income of our company.

Materials and Supplies

The principal materials used by us in the ship building and repair businesses are standard steel shapes, steel plate and paint. Other materials used in large quantities include aluminium, steel pipe, electrical cable and fittings. We also purchase component parts such as propulsion systems, boilers, generators and other equipment. The material requirement for a particular ship is based on the specifications laid down in the contract. In a typical ship being constructed 50 to 60% of the materials & components are imported. All these materials and parts are currently available in adequate supply from domestic and foreign sources. Our shipyard has good rail and road connectivity and is located close to one of the large steel mills in India. We have not engaged, and do not presently intend to engage, in hedging transactions with respect to its purchase requirements for materials.

Metals are procured from mills which have a Class Certificate. We normally source the steel after the buyer approves a particular mill. Our company is in the ship building business for more than a decade and has established relationship with steel makers which we leverage to get quality material at reasonable costs within the specified time frame. We normally identify these mills at the tendering stage and we involve such identified mills in the negotiation process with the customer, which enables us to agree at the steel prices during tendering/negotiation stage insulating us from steel price movements. The major equipments for a ship are imported and tailor made for each ship. The lead time for delivery after placing the order may range from four (4) to eight (8) months. The suppliers are identified at the tendering stage and are part of the negotiation process for the final contract. As most of the equipment are specific to a ship it is not desirable

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to enter into any long term contracts for any equipment with these specific manufacturers. Our long term relationships with these equipments manufacturers enable us in sourcing such equipments at optimum price and receive delivery within requisite time schedule.

Contract Procedure, Structure and Pricing

Our contracts for ships generally are obtained through a competitive bidding process. A potential buyer ordinarily provides specifications and performance criteria for a proposed ship and will invite numerous shipbuilders to place bids for the construction of the ship. After being invited to place a ship bid, we generally assign a team of specialists from our estimating department and our engineering or research and development department to assess costs of completion. Management then determines the applicable profit margin and finalizes the bid. All contracts for the construction of Indian Navy ships are subject to competitive bidding. We make a large number of bids in the commercial market.

Most of the contracts entered into by us, whether commercial or governmental, are fixed-price contracts under which we retain all cost savings on completed contracts but are also liable for the full amount of all cost overruns. Historically, cost overruns on fixed price contracts have not been a significant problem for us. Some of our contracts are fixed-price incentive contracts, which provide for sharing between us and the customer of cost savings and cost overruns based primarily on a specified formula that compares the contract target cost with actual cost. In addition, such fixed-priced incentive contracts generally provide for payment of escalation of costs based on published indices relating to the ship building industry. Although all cost savings are shared under fixed-price incentive contracts, costs overruns in excess of a specified amount must be borne entirely by us.

Although varying contract terms may be negotiated on a case-by-case basis, commercial contracts entered into by us ordinarily provide for a down payment in a negotiated amount, with five or more progress payments at various stages of construction and a final payment upon delivery, which final payment may be subject to deductions if the ship fails to meet certain performance specifications based on tests.

Under commercial contracts, we generally provide either a six month to one year warranty with respect to workmanship. In the majority of commercial contracts, we do not warrant materials acquired from our suppliers but, instead, pass through the suppliers' warranties to the customer. Historically our expenses to fulfil warranty obligations have not been material in the aggregate. The warranty is given in the form of bank guarantee and ranges from five (5) % to ten (10)% of the contract value.

Manpower

We are a focused ship building company and derive a professional lineage from our Promoters and management who are experienced to anticipate industry trends and capitalise on new business opportunities that may emerge. We are in a man power driven industry and we believe that our employees are key contributors to our business success. To achieve this, we focus on attracting and retaining the best people possible. We believe that a combination of our strong brand name, our working environment and competitive compensation programs allow us to attract and retain these talented people.

Our senior management team consists of experienced individuals with diverse skills in manufacturing, ship design & operations, custom research, international business and finance. Our engineering team works towards a focused objective of manufacturing ships as per customer requirements keeping in mind the importance of quality, while working towards completing the process at the least cost and time. Our production team has vast experience in manufacturing ships, designing of ships and identifying efficient processes making their best efforts to uniquely position our Company that we believe is a critical driver for our business. A majority of our senior management team has been with us for long duration which lends stability and continuity to our operations.

Our team is well structured with pre-defined responsibilities. The organization is structured based on the function being undertaken and the various groups include (i) production / manufacturing (including procurement); (ii) Finance; (iii) marketing; (iv) human resources; (v) strategy; (vi) secretarial & legal matters. The production / manufacturing group is further divided into three teams which are situated in the ship yard with a counter part based at the corporate office. We currently employ more than two hundred (200) employees in our existing shipyard. We also use the services of around one thousand eight hundred (1800) skilled and semi skilled workers on contractual basis.

The manpower requirement for the new ship building facility is anticipated to be around 5000 including contract employees. Our existing ship building facility is located at Surat and we do not foresee any difficulty in the availability of and recruitment of the requisite quality manpower. While certain senior persons from the existing unit will oversee the operations

of the new ship building facility during the initial days, we would recruit both skilled and unskilled manpower across various functional areas. While the ship building facility would require additional manpower, the human resource requirement for the marketing and corporate department will not increase on linear basis and we shall start enjoying the benefits of economies of scale. We shall recruit personnel for the new ship building facility closer to the starting of commercial production of this unit.

We place special emphasis on the training of our employees to enable them to develop their skills and to meet changing requirements. We focus on an initial learning programme for our trainees as well as continuous learning programmes for all our employees. For the purpose of training our employees, we organize in-house and external training programmes. We believe that well-trained employees are key enablers for the efficient growth of our operations and our ability to manage large, complex designs. We are specifically focused on developing manufacturing and quality control competencies among our employees. Some of our initiatives that have helped us develop good managers include management development programmes whereby our experienced employees provides training on importance of quality control measures, tools employed to achieve quality products and discussions on new molecules being discovered. The training programmes are aimed at ensuring optimum utilization of employees skills.

We seek to adopt a very open culture and a participative management style, to enable us to benefit most from the knowledge and skills of our management and technical professionals. We have also linked remuneration to performance, with certain portion of salary of management and research/technical professionals being earned as variable pay. We strive to foster a feeling of well-being in our employees through care and respect. We have several structured processes including employee mentoring, grievance management and corporate ethics programmes which are intended to facilitate a friendly and cohesive organisational culture. We have established a mentoring program that enables us to facilitate and associate ourselves closely with our employees' interests and aspirations.

Insurance

We maintain insurance against property damage caused by fire, flood, explosion and similar catastrophic events that may result in physical damage or destruction to our facilities and equipment. All policies are subject to deductibles and other coverage limitations. We also maintain commercial general liability insurance, including builders' risk coverage. Other coverages currently in place include workers compensation, water pollution, automobile and hull/P&I. These policies are subject to deductibles, maximum coverage amounts and various exclusions. Although we maintain insurance protection that we considers economically prudent, there can be no assurance that we will be able to maintain adequate insurance at rates which management considers commercially reasonable, nor can there be any assurance such coverage will be adequate to cover all claims that may arise.

Health and Safety

We maintain high standards on safety at our shipyards. Our management is concerned with the safety and health of our employees and maintains a safety assurance program to reduce the possibility of costly accidents. Our safety department establishes guidelines for compliance with all applicable state safety regulations. We also provide training and safety education through orientations for new employees and regular employee safety meetings. Our commitment to the safety of our employees supports our labour management strategy and translates into reduced costs for workers' compensation benefits.

Sales and Marketing

The efficiency of the marketing network is a critical success factor for Ship building company. We believe that our reputation and experience facilitate our marketing efforts. We believe that our customer-driven philosophy of quality, price and timely delivery leads to close customer relationships that provide us with on-going opportunities to be invited to bid for bidding.

Our marketing and sales strategy includes utilizing the key employees, as salespersons to target relationships previously established and develop new relationships with customers in the targeted markets. We identify future contracts by contacting customers and potential customers on a regular basis in order to anticipate contracts that will be competitively bid or negotiated exclusively with us. Our personnel also keep its customers advised of available capacity for drydocking, conversion and repair activity. We do not have a standard distribution process as we generally negotiate the terms of a contract order prior to commencement of such project. Accordingly, we do not maintain an inventory of products for distribution.

We are actively involved in strengthening the relationships with customers through continuous interaction between our key personnel, project managers and the customers' project supervisors with respect to ongoing projects. To accommodate

ABG SHIPYARD LIMITED

the needs of the customers' project supervisors, we have established on-site office facilities that such project supervisors may use during the construction or repair project. We also seek to anticipate the current and future needs of its customers as well as broader industry trends through these relationships.

We identify the product segment to be targeted based on the size of the market along with domestic and export market dynamics, our comfort levels with design and processes, acceptability of the product, demand, access to relevant customers, ability to do timely delivery, our competitive advantage in terms of pricing & quality along with profile of prospective clients.

We have organized our marketing teams based on the target markets and product segments. We have made investments in setting up and developing our marketing network in line with the long term strategy to enter in value added products higher in the value chain. Our marketing and selling network could be bifurcated into the following segments:

- Domestic Customers
 - New Customers - We stay in regular contact with our prospective buyers. We also invite interested prospective buyers to visit our manufacturing facilities and provide them comfort on the manufacturing practices being followed;
 - Existing Customers – We are currently catering to large base of customers. To retain its client base, our marketing team regularly interacts with these customers and focuses on gaining an insight of the additional needs of such customers. We lay great importance on timely delivery, quality, and meeting of client specifications.
 - Ship Repairs – We are in touch with most of the large ship owners in India to garner the ship repair business.
- International Customers - We deploy both direct selling and indirect network to garner business. Our marketing strategy for identifying international customers includes:
 - Focused media campaign: We have created widespread international awareness through systematic media coverage in the leading shipping journals like Trade winds, Fariplay etc;
 - Active discussions with ship brokers: We are in regular touch with various leading ship brokers who provides leads;
 - Participation in international conferences: We regularly participate in International and Domestic shipping conferences held every year. Our company plans to make presentations to ship brokers and take up stalls in such future exhibitions which would highlight the shipyard's capabilities and strengths;
 - Leveraging relationship with specialized ship designers: We have strengthened our relationship with large reputed specialized ship designers by procuring basic design. These specialized design companies are in touch with most of the leading ship owners, who specialize in their own areas viz, Bulk Carriers, Cement Carriers, Container Ships, AHTS, DPV's, other specialized projects like newsprint carriers etc. These relationships provide us interesting leads about the potential opportunity.
- Government Business – We are in touch with various government department for new orders
- Our Company has not entered into any technical, marketing or financial collaboration.

Competition

Ship building was recognized as one of the key strategic industries to be developed to meet India's defence requirements and shipping tonnage under the national merchant fleet.

The Indian ship building industry is small by global standards. Ninety per cent of all India-owned ships are foreign built, and shipyards in India use mostly imported equipment. Overall, there are 28 large, medium and small shipyards, many of them combining ship repair services. Major shipyards are in the public sector domain. India's share in international ship building is quite low and there are very few private sector shipyards.

The Indian ship building industry structure can be divided into three distinct segments:

Public sector shipyards : The public sector shipyards build merchant class ships. These include Hindustan Shipyard Ltd, Cochin Shipyard Ltd, Hoogly Dock & Port Engineers Limited and Central Inland Water Transportation Ltd.

Defence shipyards : There are three naval shipyards under the purview of the Ministry of Defence (MoD) which include Mazgaon Dock Limited, Goa Shipyard Limited, and Garden Reach Shipbuilders & Engineers.

Private shipyards : India has two mid-sized private shipyards namely ABG Shipyard Limited, and Bharati Shipyard. Besides, a number of smaller shipyards and repair yards make smaller barges, tugs, patrol ships, fishing ships.

As far as international markets are concerned the ship building has moved from Europe to Asia. We face competition from countries like China, Korea and Japan. There has been a significant increase in capacity both through the construction of new facilities and the up gradation of existing shipyards. China is now emerging as a major player in our market segment and is the price leader. Japanese and South Korean shipbuilders presently dominate major segments of the ship construction industry, including tankers and bulk carriers. This dominance in ship construction is likely to continue, since tankers and bulk carriers are expected to constitute the major growth areas in world ship building.

Export possibilities and Export Obligation

Export Possibilities:

Of the order book of Rs 13294.90 mn as on October 17, 2005, the export orders account for Rs 6708.70 mn.

Export Obligation:

For our existing shipyard at Surat, our Company has imported capital machinery under the EPCG scheme. We have an outstanding export obligation of Rs 16.49 million that we have to fulfil by fiscal 2009. We shall be importing machinery against EPCG scheme for the new project. The export obligation with respect to the new project is estimated at Rs 1934.68 million, which will have to be fulfilled within a period of eight years.

Capacity and Capacity Utilisation

Existing facility – Magdala, Surat

The shipyard has 14 nominated berths available for hull Berth allocation for an average mix of vessels 45 to 120 metres length. There are 3 construction bays presently available with 12 skids in each bay. This allows 36 skids available for construction of 10X10 metres blocks considering 4 skids are allocated per vessel, at a given time 9 vessels could be under block fabrication. These capacities of Hull berths and skids indicate that there could be 23 vessels under different stages of production in the shipyard at a given time. Additionally 2 jetties and 1 Dolphin Jetty will accommodate 4 vessels and 1 vessel respectively for stages between launching and delivery.

The capacity cannot be worked out on DWT as the vessels built are customized/specialized/utility vessels wherein the equipments on board the vessels determine their order value. In the existing facility vessels upto 20000 DWT can be built.

New facility – Dahej

We propose to set-up a new shipyard capable of building/repairing vessels up to 120,000 DWT at Dahej, Gujarat. This facility will have a potential capability to built upto 8 vessels simultaneously on modular basis. The proposed facility will be consisting of two large dry docks admeasuring 400 meters length, 45 meters breadth and 10 meters in depth. These dry docks will accommodate bulk carriers of the size up to 120,000 DWT.

PURCHASE OF PROPERTY

For the details of the property to be purchased for setting up of the new shipyard, please refer to the section titled “Objects of the Issue” beginning on page 20 of this Prospectus.

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OUR INDEBTEDNESS

The following is a summary of Secured Loans taken by us as on September 30, 2005:

(Rs. in million)

S. No.	Name of the Lender	Facility	Sanctioned Amount	Balance	Rate of Interest
1	ICICI Bank Ltd*	Cash Credit	50	44	14.00%
		Demand Loan	100	100	9.50%
		EPC	50	50	7.25%
		Letter of Credit**	260	1,158	-
		Bank Guarantee**	2,500	1,467	-
2	Bank of Baroda	EPC	50	50	7-9.50%
		Letter of Credit	210	208	-
		Bank Guarantee	150	184	-
3	Development Credit Bank*	Cash Credit	-	15	14.00%
		EPC	100	100	8.00%-11%
		Letter of Credit	200	166	-
		Bank Guarantee	150	21	-
4	Oriental Bank of Commerce	Cash Credit	10	9	14.00%
		EPC	40	40	As per RBI directives / H.O. guidelines
		Letter of Credit	380	380	-
		Bank Guarantee	120	94	-
5	Punjab National Bank	Letter of Credit	90	94	-
		Bank Guarantee	110	83	-
6	State Bank of India*	Cash Credit	200	190	As per banks schedule
		Letter of Credit	200	-	-
		Bank Guarantee	600	-	-
7	Bharat Overseas Bank Ltd	EPC	100	100	8.50%
		Letter of Credit	131	85	-
		Bank Guarantee	19	12	-
8	IDBI Bank Ltd	EPC	50	50	7.50% to 8.50%
		Letter of Credit/ Bank Guarantee	200	184	-
9	Bank of India	Cash Credit	10	3	14.00%
		EPC	40	40	6.75% to 11.25%
		Letter of Credit	250	244	-
	Hire Purchase Finance :				
10	ICICI Ltd.,	Car Loan	9	7	7.25% to 8.50%
11	GE Countrywide Financial Services Ltd.	Car Loan	1	-	do
12	Kotak Mahindra Bank	Crane HP	2	1	do
13	Kotak Mahindra Plus Car Loan	Car Loan	-	-	do

* Interchangability between fund and non fund based limits.

** Interchangeable

Notes :

A. Security for working capital facility for S.No. 1 to 9:

1. Pari-passu charge on the company's assets, including all immovable and movable assets both present and future.
2. Personal guarantee of three directors and corporate guarantee of Holding Company.

B. Security for Vehicles / equipments for S.No. 10 to 13 :

3. Hypothecation of the individual assets financed

C. All the loans are repayable on demand

D. Unmatured interest charges of Rs. 0.53 included in the above Hire Purchase Loans

We avail both fund-based and/ or non-fund based facilities from various banks in order to meet our working capital requirement. In respect of fund-based facility, the banks provide us with cash credit facility, working capital demand loan and/ or packing credit facility.

With respect to non-fund based facility, the banks provides with bank guarantees and/ or letter of credit facility. Bank guarantees are of different types namely, stage payment guarantees, performance guarantees, bid guarantees and customs guarantees. We have to provide guarantee with respect to ship building contracts at every stage of ship building. For this purpose, we avail of the stage payment guarantee facility provided by various banks. We in order to provide performance guarantee to its prospective owner, avails of guarantee facility from banks. In this case, the ships under construction are provided as security to banks for performance of ship building contract. The ship under construction and the material and equipment purchased by us for construction are hypothecated to the bank by an agreement between us and the bank concerned. Once the ship is built and delivered as per the requirements and conditions to the prospective owner, the hypothecation deed and the charge come to an end. Bid guarantees are availed by us in case of bids.

Restrictive Covenants under our Loan Agreements

Some loan agreements executed by our Company with various lenders contain certain restrictive covenants, which prohibit us from declaring any dividend, entering into any scheme of merger, amalgamation, compromise or arrangement, amending its articles and memorandum of association, altering its capital structure, change the composition of our board, etc., without obtaining prior consent of the lenders in that behalf. Our Company has at no point of time defaulted in payment of principle and / or interest on various loans.

REGULATIONS AND POLICIES

The Merchant Shipping Act, 1958

As regards ship operations, the principal legislation in India is the Indian Merchant Shipping Act. The Act has incorporated the provisions of several international conventions that India has ratified in the past, thus prescribing international standards for the shipping industry. The Act sets out the requirements which vessels registered in India are to comply with, including in relation to the following:

- Installation of safety equipment on board vessels;
- Number and standard of competence of officers and seamen operating and manning the vessel;
- Crew agreement;
- Engagement and discharge of seamen; and
- Surveys and inspections to be undertaken on vessels.

The Merchant Shipping (Cargo Ship Construction And Survey) Rules, 1991

The Merchant Shipping Act, 1958 empowers the Government of India to make rules prescribing the requirements regarding the hull, equipment and machinery which vessels registered in India are to comply with. In the exercise of this power the Central Government enacted the Merchant Shipping (Cargo Ship Construction and Survey) Rules, 1991 that are to be complied with by all sea-going cargo ships of 500 tons gross or more, registered in India.

The Rules provide specifications for the construction of the hull of a cargo ship, including its structural strength, fitting of collision bulkheads, construction and testing of watertight bulkheads, decks and inner bottoms, construction and testing of watertight decks, trunks, tunnels, duet keels and ventilators, watertight doors, tests of watertight doors, ballast and bilge pumping and drainage arrangements, etc.

The Rules regulate the installation of machinery, boilers and other pressure ships, boiler feed systems, steam pipe systems, air pressure systems, cooling water systems, oil and gaseous fuel installations, lubricating and other oil systems machinery controls and steering gear, and electric and electro-hydraulic steering gear. The Rules also include provisions for ventilating systems in machinery spaces, protection against noise, communication between navigating bridge and machinery space, engineers alarm, etc.

The Merchant Shipping (Construction And Survey of Passenger Ships) Rules, 1977

The Central Government has also enacted the Merchant Shipping (Construction And Survey of Passenger Ships) Rules, 1977 that are to be complied with by all sea-going passenger ships, registered in India.

The Rules prescribe the requirements of the hulls of passenger ships regarding structure, watertight sub-division into compartments, fitting of collision bulkhead, double bottom tanks, watertight decks, steps and flats, watertight recesses and trunk ways, watertight tunnels, weather decks, etc. The Rules also prescribe the requirement of stability of passenger ships.

The Rules require fire protection measures to be adopted in the structure, bulkheads and decks. Means of escape for passengers are to be provided. Adequate ventilation systems are to be provided, windows and side scuttles, restricted use of combustible material, etc.

Part III of the Rules deals with carriage of passengers. The Rules provide requirements for position of passenger accommodation, lighting and ventilation, space requirements for different classes of passengers, accommodation, etc.

OUR HISTORY AND CERTAIN CORPORATE MATTERS

Our History

Our Company was originally incorporated as 'Magdala Shipyard Private Limited' vide its certificate of incorporation bearing number 7730 dated March 15, 1985 with Registrar of Companies, Gujarat, Dadra & Nagar Haveli under the Companies Act, 1956 by Ram Swaroop Nakra and T. V. Ramchandani. The current promoters acquired the shares in the year 1989.

The name of our Company was changed to 'ABG Shipyard Private Limited' on May 25, 1995. Subsequently, on the receipt of approval from the Central Government of India, our Company became a Public Limited Company and fresh certificate of incorporation was issued by the Registrar of Companies, Gujarat, Dadra & Nagar Haveli on June 14, 1995.

We delivered our first ship named "Nand Hazira", a bulk carrier, in November 1990 to Essar Shipping Limited. During the period 1990 to 1994 our Company delivered 18 ships mostly bulk carriers and cement carriers. In the year 1996 we achieved our first major break through in the international markets and delivered three newsprint carriers to Lys Line AS, Oslo, Norway. Our shipyard has the capacity to construct ships up to 20,000 DWT and 155 meter length. Our shipyard has been certified by DNV for ISO 9001 for its manufacturing process.

The table below shows the changes in the Name Clause of our Company since incorporation:

Date	Type of change/ Reasons for change
May 25, 1995	"ABG Shipyard Private Limited". The name of our Company was changed so as to represent the group identity. "ABG" represents "Agarwal Business Group."
June 14, 1995	"ABG Shipyard Limited" The name was changed to convert our company from Private Limited to Public Limited company.

Our Company has changed its registered office and the details of the same are mentioned below:

Previous Address	New Address	Date of Change	Reason for Change
132, Sarjan Society, Athwa Lines, Surat 395007	Near Magdala Port, Dumas Road, Surat 395007	December 24, 1993	To improve the general administration of our Company

Major Events of our Company since inception

Year	Event
1985	Incorporation of our Company as a Private Limited Company
1989	Acquisition of shares by the current promoters
1990	Delivery of the first ship of our Company
1993	First major domestic order
1994	Set up the ship lift facility of our Company
1994	Received our first export order
1995	Conversion into Public Limited Company
1996	Entry into the European Markets
2000	First Government Order- Indian Coast Guard for 2 interceptor boats.
2001	Entry into Gulf/Mid East Markets
2002	All India Award for Highest Exporters from EEPC under the category 'Highest Growth in Export- Non SSI
2003	All India Award for Highest Exporters from EEPC under the category 'Highest Growth in Export- Non SSI
2004	Certification for ISO 9001:2000 received from DNV Netherlands
2005	Preferential allotment of Equity Shares

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Main objects of the Company

Our main objects as contained in our Memorandum of Association are:

To undertake and carry on the business of ship building, shippers, ship-owners, repairers, refitters, fabricators, designers and manufacturers of Barges, Pontoons, Tugs, Launches, Dredges, Fishing Trawlers, Offshore structures, platforms, towers and other types of inland, harbour and seagoing crafts and structures with or without steam, sail, motors or other means of propulsion, with steel, wood, cement, aluminium or reinforced plastics, or any other construction materials, and carry on the business as designers, engineers, manufacturers, assemblers, erectors of various mechanical, structural. Electrical and electronic equipments, fittings, piping, cabling, including refrigeration, ventilation, air-conditioning, instrumentation, all types machinery, implements and hardwares required for marine, offshores, harbours, ports and ancillary services.

Our present business is as per the main objects of our Company

Changes in Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Amendment	Details of Amendment
March 6, 1991	Increase in the Authorised Capital of our Company from Rs. 2.5 million to Rs.20 million
March 29,1993	Increase in the Authorised Capital of our Company from Rs. 20 million to Rs.50 million and Sub-Division of the face value of shares from Rs.100 each into shares of face value of Rs. 10 each
September 3, 1994	Increase in the Authorised Capital of our Company from Rs. 50 million to Rs.100 million
June 2, 1995	Change in the other object clause of our Company to include activities of manufacturing and dealing in cement.
February 17, 1995	Name of our Company changed from Magdala Shipyard Private Limited
February 12, 1996	Increase in the Authorised Capital of our Company from Rs. 100 million to Rs.150 million
March 10, 2005	Increase in the Authorised Capital of our Company from Rs. 150 million to Rs 1000 million

SUBSIDIARIES OF THE COMPANY

We do not have any subsidiaries

Investment by the Private Equity Investors

Our Company has entered into a Share Purchase, Subscription and Shareholder Agreement dated May 27, 2005 (hereafter referred to as the "Agreement") with Standard Chartered Private Equity (Mauritius) II Limited, Merlion India Fund I Limited, IL&FS Private Equity Trust, IVC Employees Welfare Trust, IL&FS Employees Welfare Trust.

Summary of the Share Purchase, Subscription and Shareholder agreement dated May 27, 2005 and September 15, 2005

Subject to the condition precedent mentioned in the Agreement, the Investors have agreed to subscribe to the fresh shares and purchase from ABG International Private Limited the existing share cumulating to an aggregate value of Rs 1012 million and Rs 400 million respectively, for the purpose of funding our Company's expansion plans for setting up a new shipyard at Dahej, Gujarat as per the table below:

Rs. in million	Subscription to fresh Shares	Purchase of existing Shares	Total
Merlion	629	251	880
SCPE	157	63	220
LIF	226	74	300
IVC EWT	-	6	6
IL&FS EWT	-	6	6
Total	1,012	400	1,412

The Agreement provides the respective rights and obligation, inter se, the Investors and our Company. The following are the important provisions of the Agreement:

- The Investors have a right of first refusal to purchase any of the shares held by the Promoters on terms no less favourable than those at which the Promoters intend to sell their shares to any other person.
- The Investors have an anti-dilution right, whereby our Company is restrained from issuing fresh equity, securities at terms and valuation less favourable to our Company than the terms and valuation at which the Investor Securities are being subscribed and purchased.
- The Investor have a right of first refusal for a period of two years from the date of listing of the shares, to purchase upto its pro-rata share of any equity or equity-linked issue offered by our Company to financial investors at the same price, terms and conditions as our Company orders such securities to the said financial investors.
- The Promoters are restrained from transferring any part of their shares of our Company held by them directly or indirectly, except with the prior and discretionary consent of the Investors.
- The Promoters are required at any time prior to the listing of shares pursuant to an IPO, the total shareholding of the Promoters in our Company shall not fall below 51% of the enhanced equity capital of our Company prior to the IPO.
- The Investors have tag along rights, whereby if the Promoters desire to transfer any of their shares, the Investors shall also have the right to transfer all or any portion of their respective shares on the same terms and conditions. The Promoters are required to ensure in such an event, that the proposed purchaser purchases all the shares offered by the Investor. If the proposed purchaser is not willing to purchase all the shares offered by the Investors and the Promoters, then the shares offered by the Investors shall be sold to the proposed purchaser on first priority basis.
- The Investors are at all times free and fully entitled to sell or otherwise transfer any or all of its shares held in our Company along with all the attendant rights contained in the Agreement, to any person, provided that the Investors shall not transfer and/or all its shares for a period of 48 months from the IPO Closing Date, (i) without the consent of Rishi Agarwal, where shares are sold to any person who is a competitor; (ii) sell shares to any person who is a strategic investor, who is not a competitor and not a financial investor except with the super majority rights (as mentioned hereafter).
- The Promoters have agreed that they shall not without the prior written consent of the Investors, have any active involvement in, or association with, any shipbuilding and ship repair business other than that of our Company, and shall not initiate any new activities or expansions related to our existing or proposed line of business, or the main object contained in the Memorandum of Association of our Company.
- The Investor has a right to nominate a Director of Indian Nationality on the Board who shall not be subject to retirement by rotation.
- The Agreement also requires that all fundamental issues shall require the affirmative vote of each of the Investors in any General Meeting of our Company and/or the consent of all the Nominee Directors of the Investors or written consent of the Investors at any meeting of the Board of Directors or Committee thereof. The fundamental issues, inter alia, include:
 - (a) Acquisition of any assets of other businesses, creation of joint ventures / partnership, mergers, de-mergers and consolidations, business restructuring, re-organisation and diversification, acquisitions, new investments, mergers, divestments, sale, transfer or amalgamation, of our Company and its assets, issuance or sale of equity of Subsidiaries or sale of assets.
 - (b) Investment in Subsidiaries other than investments in fully owned (100%)
 - (c) Agreements or arrangements between our Company and the Promoters, or Related Parties
 - (d) Amendments or any proposal to amend the Memorandum or Articles of Association
 - (e) Recommending, giving or renewing security for, or the guaranteeing of debts or obligations of, our Company or any Subsidiary and /or Affiliates
 - (f) Recommendation of declaration of any dividend to any class of Shareholders.
 - (g) Any increase in the issued, subscribed or paid up equity or preference share capital of our Company, or re-

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organization of the share capital of

- (h) All decisions with respect to listing of the Shares of our Company on any recognised stock exchange
- (i) Any act which would materially impact the rights and interests of the Investors under the Agreement,
- (j) Any strategic/financial/other alliance with a Third Party which results in investments by our Company or offers certain exclusive rights to partner;

However, subsequent to the listing of the Equity Shares of our Company on the Stock Exchange certain items of business shall require affirmative vote of each of the Private Equity Investors in any general meeting of our Company and/or the consent of all the Nominee Director(s) of the Investors or written consent of the Investors, as the case may be, at any meeting of the Board of Directors or Committee thereof as the case may be. Such items of business include:

- (i) investment in subsidiaries other than investments in fully owned (100%) subsidiaries or any other investments
- (ii) amendments or any proposal to amend the Memorandum of Association or Articles of Association of our Company including any change in the maximum or minimum number of Board members provided in the Articles of Association; or
- (iii) any resolution to appoint, re-appoint or remove any statutory and/or internal auditor for our Company.
 - The Investors also have the right to consult the management and be informed on the material developments, business operations, properties and financial and other condition of our Company.
 - Our Company and the Promoters have undertaken that they shall provide an exit to the Investors by way of listing of the shares on the stock exchanges or such other means as would enable the Investors to exit within 48 months from the satisfaction of the conditions precedent in the Agreement

An amendment to the Share Purchase, Subscription and Shareholders' Agreement dated May 27, 2005 has been executed between us and the Private Equity Investors by an Amendment Agreement dated August 6, 2005. The Amendment Agreement provides that three years subsequent to the Initial Public Offer of our Company and the listing of the Equity Shares of our Company on the Stock Exchange, the Promoters have a right to sell, cumulatively, upto 2% of the fully diluted share capital of the company in any 12-month period after giving the Private Equity Investors a clear five days notice, provided that the collective Promoters shareholding in our Company does not fall to below 51% of the fully diluted equity capital of our Company.

Note: The shares that form part of promoters' holding and locked in as per the SEBI DIP Guidelines, shall not be available for sale as contemplated above.

Further, as per the additional agreement dated September 15, 2005 Standard Chartered Private Equity (Mauritius) II Limited has transferred its shareholding in the Company to entities mentioned below. Vide the Additional Shareholders' Agreement dated September 15, 2005 (hereinafter referred to as Additional Shareholders' Agreement), entered into between the parties to the Shareholders' Agreement dated May 27, 2005 with New York Life Investment Management India Fund II, LLC and Jacob Ballas Capital India Private Limited (jointly hereinafter referred to as "New Investors"), Standard Chartered Private Equity (Mauritius) II Limited, has been agreed between the parties that the New Investors shall be entitled, in respect to the shares transferred to them by StanChart, to all the rights granted to the StanChart under the Shareholders' Agreement dated May 27, 2005.

Name of the Transferee Entity	No. of Shares Transferred
New York Life Investment Management India Fund II LLC	1,842,545
Jacob Ballas Capital India Pvt. Ltd.	96,976

Strategic and Financial Partners

We do not have any strategic or financial partners .

OUR MANAGEMENT

Board of Directors

As per our Articles of Association, we cannot have less than three or more than twelve Directors. We currently have nine Directors. Of the total strength of the board, 3 are independent Directors.

The following table sets forth certain details regarding the members of our Board as of the date of filing this Prospectus with SEBI:

S. No.	Name, Designation, Address and Occupation	Date of Appointment and Term	Age (in years)	Other Directorships/ Partner/ Trustee
1.	Rishi Agarwal Managing Director 7A/B Floor Somerset Place 61D, Bhulabhai Desai Road Sophia College Lane Mumbai - 400 026 Occupation: Business	February 11, 1989 Subject to retirement by rotation	38	<ul style="list-style-type: none"> ● Cardinal Logistics Private Limited ● ABG Cement Limited ● ABG Cranes Private Limited ● ABG Power Private Limited ● ABG Heavy Industries Limited ● ABG Shipping Limited ● Onaway Industries Limited ● YAR Aviation Private Limited ● ABG Projects and Services Limited (UK) ● ABG International Private Limited
2.	Kamlesh Kumar Agarwal Non Executive Chairman 7A/B Floor Somerset Place 61D, Bhulabhai Desai Road Sophia College Lane Mumbai - 400 026 Occupation: Business	November 4, 1992 Subject to retirement by rotation	63	<ul style="list-style-type: none"> ● ABG Heavy Industries Limited ● Onaway Industries Limited ● ABG Shipping Limited ● Cardinal Logistics Private Limited ● ABG Cement Limited ● Agbros Glass Works (India) Private Limited
3.	Saket Agarwal Promoter Director 7A/B Floor Somerset Place 61D, Bhulabhai Desai Road Sophia College Lane Mumbai - 400 026. Occupation: Business	February 11, 1989 Subject to retirement by rotation	41	<ul style="list-style-type: none"> ● Cardinal Logistics Private Limited ● ABG Cement Limited ● ABG Cranes Private Limited ● ABG Power Private Limited ● ABG Heavy Industries Limited ● ABG Shipping Limited ● Onaway Industries Limited ● ABG Projects and Services Limited (UK) ● South West Port Limited
4.	Ram Swaroop Nakra Executive Director -Technical 503, Sea Goddess Green Fields Estate, Juhu Mumbai 400 049. Occupation: Service	August 28, 1995 Subject to retirement by rotation	67	None
5.	Mehernosh Rustom Pardiwala Independent Director 4, Sea-Bird, B.J. Road Bandra (West), Mumbai 400 050. Occupation: Professional	January 27, 2005 Subject to retirement by rotation	37	<ul style="list-style-type: none"> ● Pardiwala and Company, Proprietor ● Jal Choksey Memorial Foundation, Trustee

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S. No.	Name, Designation, Address and Occupation	Date of Appointment and Term	Age (in years)	Other Directorships/ Partner/ Trustee
6.	Ajay Saraf Nominee Director – ICICI Bank Limited Bandra Kurla Complex Bandra (East) Mumbai 400 051 Occupation: Banker	September 21, 2005 Not subject to retire by rotation	36	<ul style="list-style-type: none"> • Videocon International Ltd. • Videocon Industries Ltd. • ICICI- West Bengal Infrastructure Development Corporation Ltd.
7.	Ashok R. Chitnis Independent Director (Additional) R 6/1 Saudamini Bhusari Colony Paud Road, Poona – 411 038 Occupation: Business	August 12, 2005 till next Annual General Meeting	62	<ul style="list-style-type: none"> • Torindo (Partner) • Trinautic International (Partner)
8.	Nainesh Jaisingh Nominee Director - Standard Chartered Private Equity (Mauritius) II Limited Block 25, Leonie Hill Singapore 239225 Occupation- Banker	July 7, 2005 till next Annual General Meeting	38	<ul style="list-style-type: none"> • Aurobindo Pharmaceuticals Limited
9.	Shahzaad Dalal Nominee Director - IL& FS Trust Company Limited A/c IL&FS Private Equity Trust- Leverage India Fund Rashmi Apartments, 4 th Floor 'D' Wing, 11, Carmichael Road Mumbai – 400 026 Occupation – Service	July 12, 2005 till next Annual General Meeting	45	<ul style="list-style-type: none"> • IL&FS Finvest Limited • Noida Toll Bridge Company Limited • IPF Online Limited • Indraprastha Gas Limited • Shoppers Stop Limited • Datamatics Technologies Limited • Development Investment Trustee Company Private Limited • AIG Indian Equity Sectoral Fund LLC, Mauritius • AIG India Equity Advisor LLC, Mauritius • Bharat Serums & Vaccines Limited • SARA Fund Trustee Company Private Limited • IL & FS Investment Managers Limited • Ethypharm LL Private Ltd. • IL & FS Education and Technology Services Limited (Earlier Know as School Net India Limited) • Tejas Networks India Limited • Consolidated Transportation Networks Ltd • Imetrix Technologies Ltd • Arch Pharamlabs Ltd • Max Telecom Ventures Ltd, Alternate Director • IL&FS Investments Insurance and Risk Management Service Limited

Brief Biography of our Directors

Rishi Agarwal, aged 38 years, Managing Director. For more details on Rishi Agarwal please refer to the section titled “Our Promoters” on page 66 of this Prospectus.

Saket Agarwal, aged 40 years, Director. For more details on Saket Agarwal please refer to the section titled “Our Promoters” on page 66 of this Prospectus.

Kamlesh Kumar Agarwal, aged 61 years, is a matriculate. He has a rich and varied experience in Shipping and allied and Glass, Travel and Food businesses. He is currently Non- Executive Chairman of our Company. He is actively looking after Group’s interest in Glass, Travel and Food businesses.

R. S. Nakra, aged 65 years, is a B.Tech from I.I.T. Khadagpur. He is a Naval Architect. He promoted our Company in the year 1985 and is the Director of our Company since its inception. In the year 1989, Agarwal family took over our Company and since then he is working as Executive Director (Technical) of our Company. He has been instrumental in chartering the growth of our Company. He has over 30 years of experience in design and construction of Ships and other floating crafts and is one of the India’s foremost ship designers and construction experts. He has also been a consultant on assignment for Asian Development Bank.

Ajay Saraf, aged 36 years is a Nominee Director from ICICI Bank Limited. He is a graduate from Calcutta University and is also a qualified Chartered Accountant and Cost & Works Accountant. He has been working with ICICI Bank Limited since 2002, prior to which he was with American Express Bank for 10 years. He has a wide range of experience in Corporate Banking, Investment Banking and Treasury.

Mehernosh Rustom Pardiwala, aged 38 years, is a Director of our Company. He holds a Bachelors degree in Arts, LLB and also Solicitor’s degree from Mumbai University. He is an advocate and solicitor of Bombay High Court enrolled with Bar Council of Maharashtra and Goa since 1990. He has vast experience of more than 14 years in the legal profession and has handled variety of civil and commercial matters. He also works on various legal matters including opinion and documentation for various banks and corporate clients. He also acts as an Arbitrator on behalf of various companies.

Ashok R. Chitnis, aged 62 years, is an Additional Director of our Company. He is a marine engineer with 35 years of experience. He served for 11 years in various capacities including, as Chief Engineer with Scindia Steam Navigation Company and as Chief Surveyor with Indian Registrar of Shipping. During his tenure he had held positions as Field/ Chief Surveyor Head of Training Cell and was also instrumental in the implementation of Quality Management Systems. He was a fellow of the Institute of the Maritime Engineers (India) since its inception and President of the said Institute of Maritime Engineering (India) since its inception and also its President since 2001 – 2003. Also, as a member of the Indian delegation, he has attended the sessions of the Maritime Safety Committee of International Maritime Security at the SOLAS Conference. He has further conducted a large number of QMS Audits (ISO 9000:1987, ISO 9000: 1994, and ISO 9001: 2000) for various Industrial sectors.

Nainesh Jaisingh, aged 38 years is the India and Financial Services Sector specialist for SCPE and has worked with the global equity investment arm of Standard Chartered since 2000. Prior to this, Nainesh worked for more than 10 years in ANZ Investment bank and ANZ Grind lays, in both investment banking and commercial banking roles. Nainesh has made and managed successful investments in the Financial Services Software sector in Singapore and India. Nainesh holds a bachelor’s degree in Engineering and an MBA from the Indian Institute of Management, Bangalore

Shahzaad Dalal, aged 45 years, Director, is the Vice Chairman and Managing Director of IL&FS Investment Managers Limited. He is a Management Graduate with over 20 years of experience. He is on the Board of various IL&FS Group Companies such as IL&FS Asset Management Limited, IL&FS Education and Technology Services Limited, Noida Toll Bridge Company Limited. He was responsible for the overall planning and rising of resources for Infrastructure Leasing & Financial Services Limited (IL&FS) sponsored infrastructure projects. Prior to joining IL&FS he was responsible for structured leasing and hire purchase products, marketing and credit evaluation with erstwhile ICICI Limited

Borrowing Powers of our Board

Vide EGM resolution dated March 10, 2005 our Board is authorized to take borrowings upto an aggregate amount not exceeding Rs. 10,000 million.

ABG SHIPYARD LIMITED

Compensation of our Directors

Remuneration of the Managing Director

Rishi Agarwal is entitled to receive compensation for his services as the Managing Director of our Company. The present terms of employment of Rishi Agarwal are with effect from January 1, 2003 for a period of five years. The material terms of remuneration and perquisites payable to Rishi Agarwal are as under:

- a) Remuneration: Rs. 1.50 million per year
- b) Incentive: Commission @5% of the net profits, restricted to Rs 3.00 million
- c) Perquisites: Rent free fully furnished accommodation, medical reimbursement, leave travel allowance for travel in India (one trip per year), Club fees for 2 clubs, personal accident insurance, car & telephone.

Remuneration of the Whole Time Director

R. S. Nakra is entitled to receive compensation for his services as the Whole Time Director of our Company. The present terms of employment of R. S. Nakra are with effect from January 1, 2003 for a period of five years. The material terms of remuneration and perquisites payable to R. S. Nakra are as under:

- a) Remuneration: Basic Salary of Rs 2.4 million per year
- b) House Rent Allowance: Sixty (60)% of Basic Salary
- c) Leave Travel Allowance: Rs 100,000 per annum;
- d) Medical Re-imburement: Rs 50,000 per annum;
- e) House Maintenance: Rs 200,000 per annum
- f) Professional Pursuit re-imburement: Rs 90,000 per annum
- g) Corporate Attire: Rs 90,000 per annum
- h) Performance Incentive: Maximum of Rs 200,000 per annum

Our Articles permit us to pay our Directors sitting fees of Rs. 5,000 for each Board and Committee meeting attended by them. We do not pay any remuneration to our other Directors.

Payment or benefit to officers of our Company

Except as stated in this Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees.

Corporate Governance

We have established a tradition of best practices in corporate governance. We have complied with the requirements of the applicable regulations, including the listing agreement to be executed with Stock Exchanges and the SEBI Guidelines, in respect of corporate governance, including constitution of the Board and Committees thereof. Our corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management and constitution of Board Committees, majority of them comprising of independent Directors and chaired by an independent Director to oversee critical areas.

We have a broad based Board of Directors constituted in compliance with the Companies Act and listing agreement to be executed with Stock Exchanges and in accordance with best practices in corporate governance. The Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas. Our management provides the Board of Directors detailed reports on its performance on a quarterly basis.

The Board of Directors has nine (9) Directors of whom two (2) are wholetime Directors, two (2) are promoter Directors, two (2) are investor Directors and three (3) are independent Directors. The Chairman of the Board of Directors is a non-executive director.

Committees of the Board

Audit Committee

The terms of the Audit Committee comply with the requirements of Clause 49 of the listing agreement to be entered into

with the Stock Exchanges. The committee consists of only non-executive Directors, with the majority being independent Directors. The committee constituted of four members namely M.J. Subbaiah, Nainesh Jaisingh, M.R. Pardiwala and Ashok R. Chitnis. The Committee was reconstituted on October 24, 2005 consisting of Ajay Saraf, Nainesh Jaisingh, M.R. Pardiwala and Ashok R. Chitnis. Ajay Saraf is the chairman of the Audit Committee.

The principal functions of the committee are to:

- Review our Company's financial statements, before submission to, and approval by the Board;
- Review our Company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence raise concerns about possible improprieties in matters of financial reporting, financial control or other matters;
- Review management's and the internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management;
- Monitor the integrity of our Company's internal financial controls;
- Assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks;
- Review the internal audit program and ensure that the internal audit function is adequately resourced and has appropriate standing within our Company;
- Receive a report on the results of the internal auditor's work on a periodic basis;
- Review and monitor management's responsiveness to the internal auditor's findings and recommendations; and
- Monitor and assess the role and effectiveness of the internal audit function in the overall context of our Company's risk management system.

Nomination-cum-Remuneration Committee

The Nomination cum Remuneration Committee consists of non-executive Directors, with the Chairman being an independent Director. The Committee comprises of four members namely M.R. Pardiwala, M.J Subbaiah and Kamlesh Kumar Agarwal. The committee was reconstituted on October 24, 2005 consisting of Shahzaad Dalal, Kamlesh Kumar Agarwal and M.R.Pardiwalla. Shahzaad Dalal is the Chairman of our Compensation Committee. The Committee determines the grant of stock option and also reviews the overall compensation structure including managerial remuneration and related policies aimed at attracting, motivating and retaining personnel. The Committee has the authority to determine the compensation packages of executive Directors and senior management and determine the parameters and supervise the operation of the bonus schemes of our Company. The Committee will review recommendations made to it by our Company and is authorized to investigate any activity within its terms of reference, seek any information from any employee of our Company and obtain independent professional advice.

Investor Grievances and Share Transfer Committee

The Investor Grievances and Share Transfer Committee comprised of R.S. Nakra, M.R. Pardiwala, Rishi Agarwal and Saket Agarwal. The committee was reconstituted on October 24, 2005 consisting of Shahzaad Dalal, Ajay Saraf, Rishi Agarwal, Saket Agarwal and R S Nakra. Shahzaad Dalal is the Chairman of this committee. The Investor Grievances and Share Transfer Committee looks into redressal of shareholder and investor complaints, issue of duplicate/ consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/ transmission of shares and debentures and reference to statutory and regulatory authorities. The scope and functions of the Investor Grievances and Share Transfer Committee are as per Clause 49 of the Listing Agreement to be executed with the stock exchange.

Shareholding of the Directors

Our Articles do not require our Directors to hold any qualification shares in our Company. The list of Directors holding Equity Shares and the number of Equity Shares held by each of them as on date is set forth below:

Sr. No.	Shareholders	No. of Equity Shares held
1.	Rishi Agarwal	140,625
2.	Saket Agarwal	140,625
3.	Kamlesh Kumar Agarwal	93,750

ABG SHIPYARD LIMITED

Interests of Directors

All Directors of our Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association. Our Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of our Company. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in our Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of this Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as Directors, members, partners or trustees. Our Managing Director, Rishi Agarwal and Ram Swaroop Nakra, Wholetime Director is entitled to receive remuneration from us. See the section titled "Compensation of our Directors" on page 60 of this Prospectus.

We have rented a part of our corporate office premises, from ABG Power Private Limited and the monthly rent payable is Rs.180,000 per month. We have also provided interest free deposit of Rs 20 million to ABG Power Private Limited for the office provided by them in Leave & Licence basis to our Company.

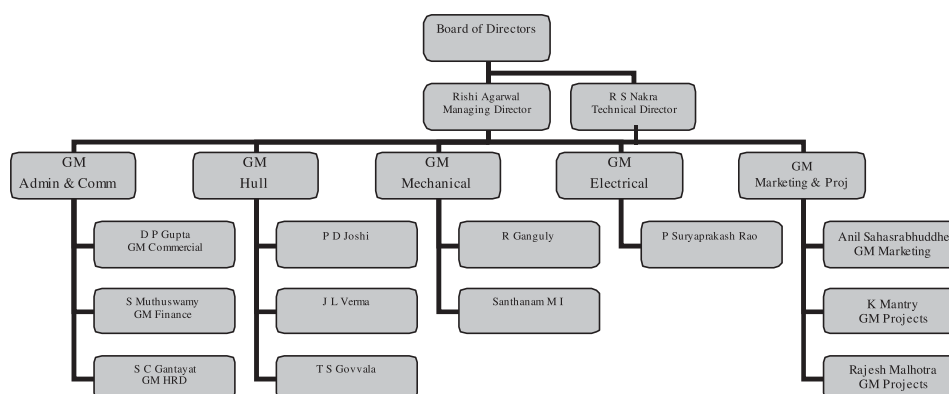
Further, Mr. Mehernosh Rustom Pardiwala, our Director is deemed to be interested to the extent of fees payable to him in his capacity as our legal advisor with respect to some of our legal proceedings.

Changes in our Board of Directors in the last 3 years

The following are the changes to our Board of Directors in the last 3 years and no changes thereafter have taken place:

Name	Date of Appointment	Date of Cessation	Reason
Kum Kum Agarwal	December 31, 1997	March 29, 2003	Ceased to be a Director upon resigning from the Board of Directors.
Dr. H S Vaccha.	April 1, 1998	September 9, 2004	Ceased to be a Director upon ICICI withdrawing his nomination
M. J. Subbaiah	July 24, 2002	September 21, 2005	Appointed and then ceased to be a Nominee Director upon ICICI withdrawing his nomination
Major Arun Pathak	March 22, 2004	September 8, 2004.	Ceased to be a Director upon resigning from the Board of Directors.
Amitabh Bhargava	September 9, 2004	April 25, 2005	Appointed and then ceased to be a Nominee Director upon ICICI withdrawing his nomination
Mehernosh Rustom Pardiwala	January 27, 2005	-	Appointed as Additional Director
R. Sundararaman	May 24, 2005	August 12, 2005	Ceased to be a Director upon resigning from the Board of Directors.
Nainesh Jaisingh	July 7, 2005	-	Appointed as a Nominee Director of Standard Chartered Private Equity (Mauritius) II Limited
Shahzaad Dalal	July 12, 2005	-	Appointed as a Nominee Director of IL& FS Trust Company Limited.
Ashok R. Chitnis	August 12, 2005	-	A/c IL&FS Private Equity Trust- Leverage India Fund Appointed as Additional Director
Ajay Saraf	September 21, 2005	-	Nominated by ICICI Bank Limited

Organization Structure



Key Managerial Personnel of our Company

P. D. Joshi, aged 57 years, son of Indramani Joshi, has 38 years of experience in the shipbuilding industry. He started his career with Indian Navy in the year 1967. He joined the Indian Navy as a Structural man and worked with the Indian Navy for a period of 22 years. Subsequently, in the year 1989 he joined ABG Shipyard as Manager (Hull) and is currently General Manager (Hull) Operations. He is responsible for hull fabrication, yard supervision and co-ordination with Owner's representatives. He reports to R S Nakra and currently draws a remuneration of Rs 1.60 mn per annum.

Jawaharlal Verma, aged 51 years, son of Lalprasad Verma, has 29 years of experience. He holds diploma in Mechanical and Electrical Engineering. He started his career as a Field Supervisor. Prior to ABGSL, Mr. Verma was working with Wig Brothers, Hazira, Surat as a Resident Engineer. Mr. Verma, joined ABG Shipyard in the year 1989 as Asst. Manager (Hull Construction) and is currently General Manager (Hull) Operations. He is responsible for hull fabrication, yard maintenance, erection and commissioning of units and shifting and launching of vessels. He reports to R S Nakra and currently draws a remuneration of Rs 1.60 mn per annum.

Rathindra Ganguly, aged 57 years, son of Birendra Mohan Ganguly, has 35 years of experience. He is a member of the All India Management Institute of Engineering (Sec. A & B of AMIE 1970) and holds B.O.A.T (Electrical & Mechanical (1969), IRSM & E.E (1969), FTC in Ship Building(1976) He started his career with Indian Railway Workshop as a Supervisor. Mr. Ganguly, joined ABG Shipyard as Dy.General Manager (Mechanical) in the year 1992 and is the overall in-charge of Machineries & Projects. Prior to ABGSL, he was working with Central Inland Water Transport Corporation Ltd, Kolkatta as a Deputy Manager and was responsible for building of Barge docking and unlocking of vessels and repair of vessels. He is currently General Manager (Mechanical) and reports to R S Nakra and currently draws a remuneration of Rs 1.60 mn per annum.

T Swamy Govvala, aged 50 years, son of Sreeramulu, has 31 years of experience. He holds a bachelors degree in Mechanical Engineering from Andhra University (1984) He started his career with Hindustan Shipyard in 1972 as an Engineer Mr. Govvala was working with the NCS Group as General Manager – Operations and Projects prior to joining ABG Shipyard Ltd. He joined our company in the year 2004 as General Manager (Hull) and is responsible for Hull fabrication and incharge of Passenger Vessels. He is currently General Manager (Hull) and reports to R S Nakra and currently draws a remuneration of Rs 1.30 mn per annum.

Santhanam M I, aged 46 years, son of Mani Iyer, has 24 years of experience. He holds a bachelors degree in Mechanical Engineering from Annamalai University (1980) He started his career with Mazagon Dock Ltd. as an Asstt. Manager (Hull Assembly) Mr. Santhanam was working with the Dempo Shipbuilding and Engineering Pvt. Ltd. as Senior Works Manager prior to joining ABG Shipyard Ltd. He joined our company in the year 2004 as General Manager (Projects) and is the overall in-charge of projects. He is currently General Manager (Mechanical) and reports to Rishi Agarwal and R S Nakra and currently draws a remuneration of Rs 1.60 mn per annum.

Damodar Prasad Gupta, aged 50 years, son of Ramgopal Agarwal, has 26 years of experience. He is a chartered accountant and an M.Com graduate. He started his career with Oriental Talc Products as Accountant. Mr. Gupta was Dy.

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General Manager (Mktg.) in Vikrant Cements prior to joining ABGSL. He joined our company in the year 1994 as Dy. General Manager (Commercial) and is the responsible for the commercial activities of the yard including civil construction, liasoning with government officials. He is currently General Manager (Commercial) and reports to Rishi Agarwal and R S Nakra and currently draws a remuneration of Rs 1.80 mn per annum.

P Surya Prakash Rao, aged 59 years, son of P Surya Narayana, has 36 years of experience. He holds a bachelor degree in electrical engineering from Andhra University. He started his career with Hindustan Shipyard Ltd as an Engineer. Mr. Rao joined our company in the year 1996 as Dy. General Manager (Electrical) and is the responsible for all electrical design and related work in vessels. He is currently General Manager (Electrical) and reports to Rishi Agarwal and R S Nakra and currently draws a remuneration of Rs 1.30 mn per annum.

Subas C Gantayat, aged 47 years, son of Mr. Sribaschh Gantayat has 23 years of experience. He holds a post graduate degree in Industrial Relations and Personnel Management and LLB from Utkal University. He started his career with Prajatantra Prachar Samity (News Paper Group) as a Personnel Officer. Thereafter he joined Larsen & Turbo Ltd., Hazira, Surat and worked there for 12 years and become Head of Personnel & IR (as Sr. Manager) Mr. Gantayat was Senior Manager, Personnel and Human Resources at L&T Limited, Hazira, prior to joining ABGSL. He joined our company in the year 2004 as General Manager (HRD) and is the responsible for the recruitment, training and human resource development. He is currently as General Manager (HRD) reports to Rishi Agarwal and R S Nakra and currently draws a remuneration of Rs 1.30 mn per annum

S Muthuswamy, aged 49 years, son of P Santhanam, has 27 years of experience. He holds a masters degree in financial management and also a masters degree in commerce. He started his career with Fiber Foils group. as an Executive - Finance. Mr. Muthuswamy was Senior Manager, Finance and Accounts at Nathani Steel Limited, Mumbai, prior to joining ABGSL. He has also worked with Garware Wall Ropes. He joined our company in the year 1995 as Deputy General Manager Finance and is responsible for finance and accounts. He is currently General Manager (Finance) and reports to Rishi Agarwal and currently draws a remuneration of Rs 1.80 mn per annum.

Anil Shasrabhuddhe, aged 50 years, son of Raghunath Sharabhuddhe, has 26 years of experience. He holds a Diploma in Business Management and also Licentiate Mechanical Engineer. He started his career with Mahindra & Mahindra Ltd. as an Industrial Engineer . Mr. Sharabhuddhe was Manager Marine Sales, Wartsila NSD India Ltd. prior to joining ABGSL. He has also worked with Mahindra and Mahindra, Westerwork Engineers Ltd. and Asea Brown Boveri Ltd. He joined our company in the year 1999 as General Manager and is responsible for marketing and project management. He is currently General Manager (Marketing) and reports to Rishi Agarwal and currently draws a remuneration of Rs 1.34 mn per annum.

Kandha Mantry, aged 47years, son of Padan Mantry, has 24 years of experience. He is a Naval Architect and is an IIT graduate from Kharagpur. He started his career with Mazgoan Dock Ltd. Mumbai as a Officer (Design). Mr. Mantry was the Design Manager at Mazgaon Docks Ltd. prior to joining ABGSL. He has also worked with GTR Cambell Marine Consultants, Canada . He joined our company in the year 2000 as Deputy manager (Design)and is responsible for project management. He is currently General Manager (Projects) and reports to Rishi Agarwal and currently draws a remuneration of Rs 1.60 mn per annum.

Rajesh Malhotra, aged 47 years, son of Purshottamlal Malhotra, has 24 years of experience. He holds a Final Passing out Certificate from Marine Engineering College – Director of Marine Engineering Training. He started his career with Shipping Corporation of India as a Junior Engineer. Mr. Malhotra was Chief Engineer with Anglo Eastern Shipmanagement Ltd. prior to joining ABGSL. He has also worked with Larsen & Turbo Shipping and Marine Engineering Research Institute, Mumbai. He joined our company in the year 2000 as Senior Manager (Shipping) and is responsible for project management. He is currently General Manager (Projects) and reports to Rishi Agarwal and currently draws a remuneration of Rs 2.32 mn per annum.

The Key managerial personnel whose names appear above are permanent employees and are on the rolls of our Company.

Shareholding of our Key Managerial Personnel

Name	Number of Equity Shares
P. D. Joshi	10,859
Jawaharlal Verma	10,859
Rathindra Ganguly	10,859
T Swamy Govvala	1,651
Santhanam M I	4,641
Damodar Prasad Gupta	10,859
P Surya Prakash Rao	4,641
Subas C Gantayat	3,248
S Muthuswamy	10,062
Anil Shasrabhuddhe	5,160
Kandha Mantry	6,020
Rajesh Malhotra	5,160

Changes in our Key Managerial Employees during the last three years

Other than the following there has been no change in the key managerial personnel of our Company:

Name	Age (Yrs.)	Date of Joining	Date of Leaving	Qualification	Designation
Santhanam.M.I	46	10.03.04	-	B.E. (Mech.)	G.M (Machinery)
T.Swamy Govvala	50	22.06.04	-	B.E. (Mech.)	G.M (Hull)
Subas C. Gantayat	47	11.05.04	-	PG – IND. REL. & PM, LL.B	G.M (HRD)
M. C. Agarwal	43	01.07.04	04.05.05	B. Tech. (Chem. Engg)	GM (HSE)
Shiv Prakash Sharma	39	15.05.04	18.11.04	M. Tech.	GM (Quality Control)
S Mathur	66	15.12.92	15.12.04	B. Tech	J.GM (Design)
P Satyanarayan	62	04.11.96	07.02.03	LME	G.M (Hull)
A N Vedula	59	08.10.97	20.04.04	BE, MBA, PGDAS, PGDIE	G.M (Machinery)
D.N Mathur	49	06.08.01	30.06.04	BE. (Mech.)	G.M (Machinery)
M.S Sethi	55	01.08.02	30.10.02	BE. M. Tech, MBA, MS	CGM (Yard)
M Gangadhara Rao	47	10.10.02	15.02.03	B.E Mech. ME (Welding)	GM (Towers)
*Bharat Hora	47	29.04.96	13.12.03	MOT (First Class),	GM (Projects)
*Neville Kootar	48	15.06.01	18.02.04	Chartered Engineer P G Dip. (Export), P.G. Dip (Computer Management)	GM (Projects)

* Mumbai Office

Bonus and/or profit sharing plan for key managerial personnel

There are no special Bonus / Profit sharing plan for any of our key managerial personnel. All our key managerial personnel are eligible for performance incentive as is applicable to other employees of our Company.

Payment or Benefit to Officers (non-salary related)

No amount or benefit has been paid or given within the preceding two preceding years or is intended to be paid or given to any of the officers except the normal remuneration for services rendered as officers or employees.

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OUR PROMOTERS

ABG International Private Limited

Our Company is a subsidiary of ABG International Private Limited. ABG International Private Limited was incorporated in Maharashtra on September 3, 1993 as Magdala International Private Limited. On June 24, 1994, the name of the Company was changed to ABG Magdala International Private Limited. Later, on October 31, 1996, the name of the Company was changed to ABG International Private Limited. The Registration No. of the ABG International Private Limited is 73745/11. The main object of the company is to conduct trading activities. ABG International Private Limited is promoted by Rishi Agarwal and Saket Agarwal. There has been no change in the management of the company since incorporation. Other subsidiaries of ABG International Private Limited includes Onaway Industries Limited; ABG Shipping Limited; ABG Cement Limited; Jarrow Finance & Trading Private Limited and B.F. Engineering Private Limited

The shareholders of ABG International Private Limited are:

Shareholders	% of holding
Rishi Agarwal	50%
Saket Agarwal	50%

The board of directors comprised of Rishi Agarwal, S. Muthuswamy and D. P. Gupta.

Permanent Account Number AABCA2890G

Bank Account Number Bank of India - CA: 3536

We confirm that the Permanent Account Number, and Bank Account Number of ABG International Pvt. Ltd have been submitted to BSE at the time of filing the Red Herring Prospectus with them

Rishi Agarwal



Permanent Account Number : ADNPA 1610Q
Voter ID Number : MT/04/024/093246
Passport Number : Z-1590216
Driving License Number : 85-C-23118
Bank Account Number : Bank of India - SB: 24801

Rishi Agarwal, aged 38 years, MBA (Finance) from Purdue University of USA is a first generation technocrat and is the Managing Director of our company. After returning from USA he took over the management of ABG Shipyards Limited and under his able stewardship and guidance we have reached to present level of one of the largest private sector Shipyards in India. He has rich experience in the Marine business.

Saket Agarwal



Permanent Account Number : AANPA2136J
Passport Number : Z – 000288
Bank Account Number : HDFC Bank – 0051050011206
Driving License Number : 85/23728/Delhi
Note: Voter ID Number Not Available

Saket Agarwal, aged 41 years, is a Commerce Graduate from Mumbai University. He has rich experience in marine business, port services, port development and transportation. He is the managing director of ABG Heavy Industries Limited, a listed company with a market capitalisation of Rs 1,856 million, which is in the business of heavy lifts and port related services.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of Rishi Agarwal and Saket Agarwal have been submitted to BSE at the time of filing the Red Herring Prospectus with them.

Common Pursuits

There are no companies within the group in the same line of business

Interest of Promoters / Directors**Property acquired by our Company within 2 years**

We have not acquired any property during the last two years from the Promoters of our Company or from any company in which the Promoters are directly and/or indirectly related.

Payment or benefit to Promoters

The Promoters and Directors of our Company have no interest in our Company except to the extent of remuneration received by them in their respective capacities and reimbursement of expenses and to the extent of any Equity Shares of our Company held by them. There are no interests of Promoters or payment or benefit to Promoters / Directors as mentioned elsewhere in the document.

ABG SHIPYARD LIMITED

RELATED PARTY TRANSACTIONS

For related party transactions, see “Related Party Transactions” on page 83 of this Prospectus.

CURRENCY OF PRESENTATION

In this Prospectus, all references to “Rupees” “Rs.” are to the legal currency of India, all references to “U.S. Dollars”, and “US\$” are to the legal currency of the United States and all reference to “UK Pounds” are to the legal currency of the United Kingdom.

Any percentage amounts, as set forth in “Risk Factors”, “Business”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Prospectus, unless otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Indian GAAP.

For your convenience, this Prospectus contains translations of some Rupee amounts into U.S. Dollars, which should not be construed as a representation that those Rupee or U.S. Dollar amounts could have been, or could be, converted into U.S. Dollars or Rupees, as the case may be, at any particular rate, the rate stated below, or at all. The noon buying rate on June 30, 2005 was Rs. 43.51 per US\$1.00.

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DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and our Shareholders. However, the declaration of dividend may require prior approval of some of our lenders as per the terms of the loan agreement executed with them. Declaration of dividend will also depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition. Our Company has no stated dividend policy. In order to conserve the funds, and use it for growth, we have till date not declared and paid any dividend.

FINANCIAL STATEMENTS**AUDITOR'S REPORT**

The Board of Directors
ABG Shipyard Limited
5th Floor, Bhupati Chambers
13, Mathew Road
Mumbai- 400004

Dear Sirs,

1. We have examined the financial information of ABG Shipyard Ltd. (the Company), annexed to this Report which have been prepared in accordance with the requirements of:
 - a. Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ("the Act");
 - b. The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') issued by the Securities and Exchange Board of India Act, 1992: and
 - c. The terms of reference received from the Company, requesting us to carry out the work, proposed to be included for the purpose of the Offering Memorandum in connection with the public issue of Equity shares being fresh issue of Equity Shares through book building process.
2. For the years 2001-02 and 2002-03 the Company has prepared financial statements for period ending June 30, 2002 and March 31, 2003 respectively. Accordingly the financial statements presented to the members of the Company for the period ended June 30, 2002 and March 31, 2003 were for fifteen (15) months and nine (9) months respectively. However, for the purpose of this report, the financial statements for the years 2001-02 and 2002-03 have been prepared by the company for twelve (12) months period.

We report that:

3. We have examined the attached 'Statement of Restated Profit and Loss' for the years/period ended March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004; March 31, 2005 and September 30, 2005 and the attached 'Statement of Restated Assets and Liabilities' of the company as at those dates ('financial statements ') (Annexure I and II) as prepared by the Company. These Profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure III to this report. Based on our examination of these financial statements, we confirm that:
 - the impact of changes in Accounting Standard – 7 (AS-7) 'Construction Contracts' adopted by the Company and adjustments made thereof as detailed in the note no.1 of Annexure III ;
 - the prior period items have been adjusted in the financial statements in the years to which they relate;
 - the extraordinary items, which need to be disclosed separately in the financial statements, are appropriately disclosed; and
 - there are no Qualifications in the auditors' reports, which require any adjustments to the financial Statements.
4. The 'Significant Accounting Policies' adopted by the Company and the 'Notes to Accounts' are enclosed as Annexure IV.
5. We have also examined the following financial information:
 - a. No dividend has been paid by the Company, in respect of each of the financial years/period ended at March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004; March 31, 2005 and September 30, 2005 on the shares of the Company.

ABG SHIPYARD LIMITED

- b. 'Statement of Principal Terms of Loans & Assets Charged as Security as at September 30, 2005' of the Company enclosed as Annexure V to this report and report that it correctly records the matters stated therein.
- c. 'Statement of Accounting Ratios' of the Company for each of the financial years/period ended at March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004 ;March 31, 2005 and September 30, 2005 enclosed as Annexure VI to this report and confirm that they have been correctly computed from the figures as stated in the 'Statement of Restated Profits and Losses' and 'Statement of Restated Assets and Liabilities' of the Company referred to in paragraph 3 above.
- d. 'Statement of Related Party Disclosure' for each of the financial years ended March 31, 2003; March 31, 2004 and March 31, 2005 and September 30, 2005 enclosed as Annexure VII to this report and confirm that the relationships and transactions between the Company and its related parties have been appropriately reported in accordance with 'Accounting Standard – 18 Related Party Disclosures' issued by The Institute of Chartered Accountants of India.
- e. 'Statement of Tax Shelter' for each of the financial years ended March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004 , March 31, 2005 and September 30, 2005 enclosed as Annexure VIII to this report and report that, in our opinion, it correctly reflects the 'Tax Shelter' for each of these years.
- f. 'Capitalization Statement' enclosed as Annexure IX to this report and report that it correctly records the matters stated therein.

This report is intended solely for your information for inclusion in the Prospectus in connection with the proposed Public Issue of the Company's shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

For **Nisar & Kumar**
Chartered Accountants

Sd/-

M.N. Ahmed
Partner
Membership Number: 018380

Place: Mumbai
Date: 24th October, 2005

STATEMENT OF RESTATED PROFITS AND LOSSES

(Rs. in million)

For the Year Ended	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Income						
Ship Building	2,097	2,701	1,858	1,820	1,897	671
Wind Mill Towers	34	185	83	58	76	109
Ships Repairing	23	155	108	98	43	41
Trading Activities (in ships)	-	-	-	-	74	-
Lease Income	-	-	-	4	4	6
Other Income	6	-	23	3	-	-
Total Income	2,160	3,041	2,072	1,983	2,094	827
Expenditure						
Raw Material and Components	1,171	1,536	1,482	1,220	1,324	548
Cost of Trading Purchases (in ships)	-	-	-	-	74	-
Employees' Costs	65	98	65	51	44	27
Other Manufacturing Expenses	111	300	305	279	251	161
Administration Expenses	40	74	101	62	47	52
Selling & Distribution Expenses	57	109	34	88	44	8
Decrease / (Increase) in Work in Progress	146	(61)	(178)	(14)	54	(161)
Finance Charges (Net)	87	202	133	149	164	111
Depreciation	16	31	30	33	34	28
Total Expenditure	1,693	2,289	1,972	1,868	2,036	774
Profit before Tax & Extra-Ordinary Items	467	752	100	115	58	53
Extra ordinary Items						
Insurance Claims Received	26	1	16	-	1	1
Profit(Loss) on sale of fixed assets	-	-	-	-	-	-
Total of Extra-ordinary items	26	1	16	-	1	1
Net Profit Before Taxation	493	753	116	115	59	54
Provision for taxation - Current	77	52	29	31	9	6
Provision for taxation - Deferred	90	198	15	(1)	15	12
Total Provision for Taxation	167	250	44	30	24	18
Net Profit after Tax	326	503	72	85	35	36

ABG SHIPYARD LIMITED

ANNEXURE II

STATEMENT OF RESTATED ASSETS AND LIABILITIES

(Rs. in million)

As At	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Fixed Assets						
Gross Block	1,315	1,296	1,233	1,202	678	656
Less: Depreciation	367	340	287	230	249	222
Less : Lease Equalisation	-	-	-	-	6	8
Net Block	948	956	946	972	423	426
Less : Revaluation Reserve	545	556	579	605	27	30
Net Block after Revaluation Reserve	403	400	367	367	396	396
Add: Capital Work in Progress	77	43	12	-	-	-
	480	443	379	367	396	396
Investments	240	-	-	-	-	2
Current Assets, Loans and Advances						
Inventories (Net of stage payments)	1,233	717	863	471	85	57
Sundry Debtors	101	129	189	178	464	93
Cash & Bank Balances	1,036	487	392	529	409	373
Loans & Advances	1,882	1,300	329	510	447	371
	4,252	2,633	1,773	1,688	1,405	894
Liabilities and Provisions						
Loan Funds						
Secured	796	730	319	274	559	406
Unsecured	-	-	1	47	30	14
	796	730	320	321	589	420
Deferred Tax Liability/(Asset)	368	278	81	66	8	(7)
Current Liabilities & Provisions						
Current Liabilities	1,281	1,024	1,195	1,206	869	581
Provisions for Tax	98	56	71	48	17	32
	1,379	1,080	1,266	1,254	886	613
Net Worth	2,429	988	485	414	318	266
Represented by :						
Share Capital	424	325	130	130	120	120
Share capital application	-	-	-	-	30	-
Reserves & Surplus	2,550	1,219	934	889	195	176
Less: Revaluation Reserve	545	556	579	605	27	30
	2,429	988	485	414	318	266

CHANGE IN ACCOUNTING POLICIES

1. The Company had consistently been following 'completed contract method' as prescribed under Accounting Standard –7 (AS-7) 'Construction Contracts' for recognition of revenue from contracts. Due to mandatory revision in AS-7 with effect from April 1, 2003 the Company is following 'percentage completion method' in respect of contracts entered into or activity commenced on or after April 1, 2003. However for the purpose of the financials prepared for the purpose of this prospectus, the accounts have been restated from the year March 31, 2001 giving effect to the mandatory change in AS-7, i.e. as per percentage completion method.
2. The Accounting standard relating to AS-22 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India became applicable to the Company only from the financial year ended March 31, 2003. However for the purpose of financial statement prepared for the purpose of this prospectus, deferred tax assets and liabilities have been determined for the years ending March 31, 2001 and March 31, 2002 also.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**A) Significant Accounting Policies****1. Basis of Accounting**

The financial statements are prepared under the historical cost convention on the basis of going concern and as per applicable Indian Accounting Standards and are based on the Accrual basis of accounting.

2. Revenue Recognition

Revenue is recognized in Accounts in accordance with Accounting Standard -7 (Revised) issued by The Institute of Chartered Accountants of India. The method of recognition is on 'completed contract method' for construction projects entered into or construction activities commenced prior to April 1, 2003, and on 'percentage completion method' for contracts entered into or in respect of which construction activities commenced on or after April 1, 2003. Revenue is recognized under percentage completion method on the basis of the proportion that contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs.

For the purpose of these financials the Company has restated its financials w.e.f. year ended March 31,2001 to date, giving effect to the mandatory revision in AS-7

Ship Repairs: Revenue from ship repair is recognized on the basis of job completion.

3. Depreciation

- a) Freehold land is not depreciated.
- b) Dry Dock I & II (included in Plant & Machinery) and Dry Dock Civil Work I & II (included in Factory Building) and Jetty are depreciated on Straight Line Method in accordance with AS - 6 of the Institute of Chartered Accountants of India at the rates prescribed in Schedule XIV to the Companies Act, 1956.
- c) Other assets are depreciated by Reducing Balance Method in accordance with the rates prescribed in Schedule XIV to the Companies Act, 1956.
- d) For Leased Assets the Company has charged off depreciation in accordance with the accounting standard and relevant guidelines issued by the Institute of Chartered Accountants of India. The differential depreciation between the amount chargeable as per Companies Act - Schedule XIV and the amount as per said guidelines, is being reflected under the Lease Adjustment Account under Fixed Assets. A matching annual charge, representing capital recovery of leased asset, is made to the Profit & Loss Account as lease equalisation.

4. Impairment Loss

As per Accounting Standard – 28 'Impairment of Assets' effective from April 1, 2004 the company assesses at each Balance Sheet date whether there is any indication that any asset may be impaired and if such indication exists, the carrying value of such asset is reduced to its recoverable amount and a provision is made for such impairment loss in the profit and loss account.

5. Miscellaneous and Preliminary Expenditure

Effective April 1, 2003, such expenditure is written off as incurred in accordance with Accounting Standard -26 'Intangible Assets' where applicable.

6. Retirement Benefits

Regular contributions for Provident Fund are made at certain percentage of salary for eligible employees. Provisions for Gratuity and Leave encashment for eligible employees are made at the end of each financial year based on actuarial valuation.

7. Capital Work In Progress

All expenditure, including advances given relating to development of land, buildings, dry docks etc. are accumulated and shown as capital work-in-progress till the completion of such activities.

8. Fixed Assets

Fixed Assets are recorded at Cost. Cost is purchase cost and includes development cost incurred, together with all incidental costs of acquisition, borrowing costs and other related internal costs. Profit/Loss on disposal of fixed assets is recognised in the Profit and Loss Account.

9. Borrowing costs

Borrowing Costs attributable to the acquisition and construction of the qualifying assets are capitalized as part of the cost of respective assets up to the date when such asset is ready for its intended use. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. Other borrowing costs are charged to the Profit and Loss account.

10. Valuation of Inventory

Inventories of raw materials and components, spares and consumables are valued at lower of cost and net realizable value. Cost represents purchase cost and other incidental costs, if any. Cost of inventories is computed on weighted average \ FIFO basis.

11. Work in Progress and Cost Allocation

Each construction contract is considered as a cost center and all costs directly identifiable to the Contract are charged on actual basis. Certain indirect costs are also allocated to the various contracts using appropriate overhead recovery method. Contract work-in-progress is valued at cost, including therein profit or loss arrived at in accordance with Accounting Standard -7.

12. Foreign Currency Transaction

Transactions in Foreign Currencies are recorded at the exchange rate prevailing on the date of the transactions. Current assets and Liabilities (monetary items) are translated at the year end closing rate, if unsettled at the year end. The resulting gains or losses on account of exchange differences either on settlement or on translation are recognised in the Profit & Loss account except in cases where they relate to the acquisition of Fixed Assets, in which case they are adjusted to the carrying cost of such assets.

13. Provisions for Current and Deferred Tax

Provision for Current Tax is made on the basis of estimated taxable income under the provisions of the Income Tax Act, 1961.

Deferred Tax resulting from "timing differences" between book and taxable profit is accounted for, using the tax rates and laws that have been enacted or substantively enacted as on the Balance Sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the asset will be realised in future.

14. Government Subsidy

Government subsidies related to shipbuilding contracts are recognized on compliance with the relevant terms and conditions of the Subsidy Scheme. Such subsidies are recognized in the Profit and Loss account and presented under 'Revenue from Operations'.

15. Provisions, Contingent Liabilities and Contingent Assets

A provision is made based on reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation. Contingent liabilities if material are disclosed by way of notes to Accounts. Contingent Assets are not recognized.

ABG SHIPYARD LIMITED

B) NOTES TO ACCOUNTS

1. Contingent liability not provided for:

(Rs. in Million)

S.N.	Particulars	30.09.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
1	Guarantee / Counter Guarantees given to Bankers / Institution on behalf of Companies against loans availed by them.	300	NIL	NIL	7	10	219
2	Counter Guarantee given to Banks	NIL	NIL	NIL	NIL	NIL	39
3	Performance / Delivery Guarantee given by Banks to the Buyers	143	284	143	201	152	7
4	Disputed Income Tax Liability for which the Company has preferred appeal.	NIL	NIL	NIL	NIL	NIL	53
	In respect of certain disputed taxes the company has approached income tax Settlement Commission for settling dispute. The final settlement is awaited. Pending such decision, the Company has a contingent liability, which cannot be determined till disposal.	Not ascertainable	Not ascertainable	Not ascertainable	Not ascertainable	Not ascertainable	-

2. The Accounting standard relating to AS-22 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India became applicable to the Company only from the financial year ended March 31, 2003. However, for these financial statements the same has been given effect from April 2000.

Deferred Tax Liabilities consist of the following:

(Rs. in million)

	Particulars	30.09.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
1.	Deferred Tax Liabilities						
	On account of timing difference of depreciation	67	59	63	63	0	0
	On account of profit on Projects under construction	306	224	24	6	8	0
2.	Deferred Tax Assets						
	On account of gratuity liability	3	3	2	2	0	0
	On account of Leave encashment liability	2	2	1	1	0	0
	On account of disallowance u/s 40(a) of I.T. Act		0	3	0	0	0
	On account of profit on Projects under construction			0	0	0	7
3.	Deferred Tax Liabilities / (Assets) (Net)	368	278	81	66	8	(7)

3. Contracts remaining to be executed on capital account and not provided for:

(Rs. in million)

30.09.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
30	65	45	Nil	Nil	Nil

4. The Company has consistently been following 'completed contract method' as prescribed under Accounting Standard – 7 (AS-7) 'Construction Contracts' for recognition of revenue from ship building contracts. Due to mandatory revision in AS -7 with effect from April 1, 2003 the Company is following 'percentage completion method' in respect of projects entered into or activity commenced on or after April 1, 2003. For the purpose of these financials the Company has restated its financials w.e.f. year ended March 31, 2001 to date giving effect to the mandatory revision in AS-7

The Disclosure in accordance with Accounting Standard -7 (Revised) issued by the Institute of chartered Accountants of India is as under:

(Rs. in million)

	Particulars	30.09.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
a.	Contract revenue recognized as revenue in the period	1711	1907	1257	1063	1838	423
b.	Contract cost incurred and recognized profits (net) upto reporting date.	3141	2349	1616	1631	1950	579
c.	Advances Received	2386	1933	1304	1491	1292	510
d.	Gross amount due from customers for contract work	1026	783	456	509	949	172
e.	Gross amount due to customers for contract work	488	363	145	369	290	102

5. The company has not given or taken any asset on financial lease subsequent to financial year ended March 31, 2002. The company has taken commercial / residential premises under cancelable operating leases. The Lease agreements are usually renewable by mutual consent on mutually agreeable terms. The expenses in respect of operating leases have been accounted as Administrative Expenses.
6. In the opinion of the management, Current Assets, Loans and Advances have value in realisation in the ordinary course of business at least equal to the amount at which they are stated.
7. Details of Sundry Debtors :

(Rs. in million)

Financial Year	30.09.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
Debtors outstanding for more than 6 months :						
Due to Related parties	0	0	0	107	33	33
Due to Others	51	83	37	65	51	42
Total	51	83	37	172	84	75
Other Debtors						
Due to Related parties	0	0	0	0	76	1
Due to Others	50	46	152	6	304	17
	50	46	152	6	380	18
Total	101	129	189	178	464	93

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8. Details of Loans and Advances :

(Rs. in million)

Financial Year	30.09.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
Inter Corporate Deposits	0	0	0	33	30	27
Advances recoverable in cash or kind for value to be received	1738	979	108	180	213	203
Government Deposits	1	1	1	1	1	1
Dues from Related parties	48	205	151	237	154	66
Accommodation Deposit & Others	95	86	27	27	28	27
Tax Deducted at Source/Advance Tax	0	29	42	32	21	47
Total	1882	1300	329	510	447	371

9. Details of unsecured Loans :

(Rs. in million)

Financial Year	30.09.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
From Bank (TOD)	0	0	1	47	28	6
From Companies	0				2	8
Total	0	0	1	47	30	14

10. The company has revalued some of its assets in the year ended March 31, 2003.

STATEMENT OF PRINCIPAL TERMS OF LOANS AND ASSETS CHARGED AS SECURITY AS ON 30.09.2005

(Rs. in million)

S.No.	Name of the Lender	Facility	Sanctioned Amount	Balance	Rate of Interest (p.a.)
1	ICICI Bank Ltd*	Cash Credit	50	44	14.00%
		Demand Loan	100	100	9.50%
		EPC	50	50	7.25%
		Letter of Credit**	260	1,158	-
		Bank Guarantee**	2,500	1,467	-
2	Bank of Baroda	EPC	50	50	7-9.50%
		Letter of Credit	210	208	-
		Bank Guarantee	150	184	-
3	Development Credit Bank Ltd.*	Cash Credit	-	15	14.00%
		EPC	100	100	8.00%-11%
		Letter of Credit	200	166	-
		Bank Guarantee	150	21	-
4	Oriental Bank of Commerce	Cash Credit	10	9	14.00%
		EPC	40	40	As per RBI directives / H.O. guidelines
		Letter of Credit	380	380	-
5	Punjab National Bank	Bank Guarantee	120	94	-
		Letter of Credit	90	94	-
6	State Bank of India*	Bank Guarantee	110	83	-
		Cash Credit	200	190	As per banks schedule
		Letter of Credit	200	-	-
7	Bharat Overseas Bank Ltd	Bank Guarantee	600	-	-
		EPC	100	100	8.50%
		Letter of Credit	131	85	-
8	IDBI Bank Ltd	Bank Guarantee	19	12	-
		EPC	50	50	7.50% to 8.50%
9	Bank of India	Letter of Credit/ Bank Guarantee	200	184	-
		Cash Credit	10	3	14.00%
		EPC	40	40	6.75% to 11.25%
10	Hire Purchase Finance : ICICI Ltd.,	Letter of Credit	250	244	-
		Car Loan	9	7	7.25 % to 8.50 %
11	GE Countrywide Financial Services Ltd.,	Car Loan	1	-	do
12	Kotak Mahindra Bank	Crane HP	2	1	do
13	Kotak Mahindra Plus Car Loan	Car Loan	-	-	do

* Interchangability between fund and non fund based limits.

** Interchangeable

Notes :

- A. Security for working capital facility for S.No. 1 to 9:
 1. Pari-passu charge on the company's assets, including all immovable and movable assets both present and future.
 2. Personal guarantee of three directors and corporate guarantee of Holding Company.
- B. Security for Vehicles / equipments for S.No. 10 to 13 :
 3. Hypothecation of the individual assets financed
- C. All the loans are repayable on demand
- D. Unmatured interest charges of Rs. 0.53 million included in the above Hire Purchase Loans

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ANNEXURE-VI

STATEMENT OF ACCOUNTING RATIOS

Particulars		30.09.05 Not-annulised	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Adjusted Net Profit - as per Annexure-I (Rs in million)	(A)	326	503	72	85	35	36
Weighted average number of equity shares outstanding during the year/period	(B)	36942302	32500000	13000000	12756164	12000000	12000000
Number of equity shares outstanding at the end of the year	(C)	42421801	32500000	13000000	13000000	12000000	12000000
Net worth - as per Annexure-II (Rs. in Million)	(D)	2,429	988	485	414	318	266
Accounting Ratios:							
Basic and Diluted earning per share (Rs)	(A)/(B)	8.84	15.48	5.54	6.66	2.92	3.00
Return on Networth (%)	(A)/(D)	13.42	50.91	14.85	20.53	11.01	13.53
Net Asset Value Per Share (Rs.)	(D)/(C)	57.26	30.40	37.31	31.85	26.50	22.17

1,95,00,000 Shares issued as bonus shares during the year March 2005

Formulae:

Earning Per Share (basic and diluted) = $\frac{\text{Adjusted Net Profit}}{\text{Weighted average number of equity shares outstanding during the year}}$

Return on Net Worth = $\frac{\text{Adjusted Net Profit}}{\text{Net Worth}}$

Net Asset Value per Share = $\frac{\text{Net Worth}}{\text{Number of Equity Shares outstanding at the end of the year}}$

Statement of Related Parties Disclosure

A. List of Related Parties:

Holding Company	ABG International Pvt. Ltd.
Fellow Subsidiary Companies	Onaway Industries Ltd. ABG Shipping Ltd Jarrow Finance & Trading Pvt. Ltd. Banal Investment & Trading Pvt. Ltd.* ABG Cement Ltd. B. F. Engineering Pvt. Ltd. *
Associates Companies	ABG Heavy Industries Ltd. Agbros Leasing & Finance Pvt. Ltd. ABG Power Pvt. Ltd. Oblique Trading Pvt. Ltd. Arabian Deepsea Fishing Pvt. Ltd. Indami Investment Pvt. Ltd.** Agbros Glass Works Pvt. Ltd. ** ABG Cranes Pvt. Ltd. ** ABG Goa Port Ltd. ** ABG Capital Ltd. ** ABG Terminal Pvt. Ltd. **
Key management personnels	Mr. Rishi Agarwal Mr. Saket Agarwal Mr. Ram Swaroop Nakra

* Cease to be related parties

** No Transactions

B. Transactions with Related Parties :

a. Transactions with related parties during the period ended 30.09.2005

(Rs. in Million)

Particulars	Name of Related party	Holding Company	Fellow Subsidiaries	Associates	Key Management Personnel
<i>Expenses :</i>					
Rent	Jarrow Finance & Trading Pvt. Ltd. ABG Power Pvt. Ltd Agbros Leasing and Finance Pvt. Ltd.		- - -	1 - -	
Remuneration	Rishi Agarwal R.S.Nakra				1 2
Finance: Payment	Jarrow Finance & Trading Pvt. Ltd ABG Heavy Industries Ltd		-	1	

ABG SHIPYARD LIMITED

(Rs. in Million)

Particulars	Name of Related party	Holding Company	Fellow Subsidiaries	Associates	Key Management Personnel
Repayment	Onaway Industries Ltd ABG Shipping Ltd Oblique Trading P. Ltd		52 101	1	
Outstanding Balances as on 30.09.2005					
Loans and Advances Receivables	Onaway Industries Ltd. ABG Shipping Ltd. Agbros Leasing & Finance Pvt. Ltd. ABG Power Pvt. Ltd.		-	2 2	
Loans and Advances Payables	ABG International P. Ltd ABG Heavy Industries Ltd. Rishi Agarwal	1		63	4
Accommodation Deposits	Jarrow Finance & Trading Pvt. Ltd. ABG Power Pvt. Ltd. Agbros Leasing & Finance Pvt. Ltd.		4	20 20	
Amount Written Off or Provided For		-	-	-	-

a. Transactions with related parties during the year ended 31.03.2005

(Rs. in million)

Particulars	Name of Related party	Holding Company	Fellow Subsidiaries	Associates	Key Management Personnel
<i>Income:</i>					
Interest on advances	ABG Shipping Ltd. Onaway Industries Ltd.		4 7		
<i>Expenses :</i>					
Rent	Jarrow Finance & Trading Pvt. Ltd. Agbros Leasing and Finance Pvt. Ltd.		-	-	
Remuneration	Rishi Agarwal R.S.Nakra				5 5
Sale of Investments : Shares	ABG International Pvt. Ltd.	-			
Deposits Given: Accommodation deposits	ABG Power Pvt. Ltd.			20	
Finance : Payment	ABG International Pvt. Ltd. Onaway Industries Ltd. Jarrow Finance & Trading Pvt. Ltd. ABG Shipping Ltd. ABG Heavy Industries Ltd. ABG Power Pvt. Ltd.	2	19 - 225	20 3	
Repayment	ABG International Pvt. Ltd. Onaway Industries Ltd. Arabian Deep Sea Fishing Ltd. ABG Shipping Ltd. ABG Heavy Industries Ltd.	2	30 3 185	-	
Outstanding Balances as on 31.03.2005					
Loans and Advances Receivables	Onaway Industries Ltd. ABG Shipping Ltd. Agbros Leasing & Finance Pvt. Ltd. ABG Power Pvt. Ltd. Oblique Trading Pvt. Ltd.		55 101	2 3 1	
Loans and Advances Payables	Onaway Industries Ltd. ABG Heavy Industries Ltd. Rishi Agarwal		3	64	4
Accommodation Deposits	Jarrow Finance & Trading Pvt. Ltd. ABG Power Pvt. Ltd. Agbros Leasing & Finance Pvt. Ltd.		4	20 20	
Other Payables	Onaway Industries Ltd.		1		
Amount Written Off or Provided For		-	-	-	-

ABG SHIPYARD LIMITED

b. Transactions with related parties during the year ended 31.3.2004

(Rs. in Million)					
Particulars	Name of Related party	Holding Company	Fellow Subsidiaries	Associates	Key Management Personnel
Income: Interest on advances	Onaway Industries Ltd.		8		
Expenses : Rent	Jarrow Finance & Trading Pvt. Ltd. Agbros Leasing and Finance Pvt. Ltd.		-	-	
Remuneration	Rishi Agarwal R.S.Nakra				5 3
Finance : Payment	ABG International Pvt. Ltd. Onaway Industries Ltd. B.F.Engineering Pvt. Ltd. Jarrow Finance & Trading Pvt. Ltd. Banal Investment & Trading Pvt. Ltd. ABG Shipping Ltd. ABG Cement Ltd.	64	18 86 - - 37 -		
Repayment	ABG Heavy Industries Ltd. ABG International Pvt. Ltd. Onaway Industries Ltd. B.F.Engineering Pvt. Ltd. Jarrow Finance & Trading Pvt. Ltd. Banal Investment & Trading Pvt. Ltd. ABG Shipping Ltd. ABG Cement Ltd. ABG Heavy Industries Ltd. Agbros Leasing & Finance Pvt. Ltd.	183	7 119 - - 99 23	1 12	
Outstanding Balances as on 31.03.2004					
Loans and Advances Receivables	Onaway Industries Ltd. ABG Shipping Ltd. Agbros Leasing & Finance Pvt. Ltd. Arabian Deep Sea Fishing Ltd. Oblique Trading Pvt. Ltd.		62 58	2 3 1	
Loans and Advances Payables	B.F.Engineering Pvt. Ltd. Onaway Industries Ltd. ABG Heavy Industries Ltd. Rishi Agarwal		1 3	84	5
Accommodation Deposits	Jarrow Finance & Trading Pvt. Ltd. Agbros Leasing & Finance Pvt. Ltd.		5	20	
Other Payables	Onaway Industries Ltd.		1		
Amount Written Off or Provided For		-	-	-	-

c. Transactions with related parties during the year ended 31.03.2003

(Rs. in million)

Particulars	Name of Related party	Holding Company	Fellow Subsidiaries	Associates	Key Management Personnel
Income:					
Interest on advances	Onaway Industries Ltd.		8		
Expenses :					
Rent	Jarrow Finance & Trading Co.Pvt.Ltd. Agbros Leasing and Finance Pvt. Ltd.		-	-	
Other Charges	Banal Investment Pvt. Ltd. B.F.Engineering Pvt. Ltd.		1 -		
Remuneration	Rishi Agarwal R.S.Nakra				5 3
Sale of Assets	Onaway Industries Ltd.		-		
Finance :					
Payment	ABG International Pvt. Ltd. Onaway Industries Ltd. B,F.Engineering Pvt. Ltd. Jarrow Finance & Trading Co.Pvt.Ltd. Banal Investment & Trading Pvt. Ltd. ABG Shipping Ltd. ABG Cement Ltd. ABG Heavy Industries Ltd. ABG Cranes Pvt. Ltd.	1	13 5 - 3 110 - -	4 5	
Repayment	ABG International Pvt. Ltd. Onaway Industries Ltd. Jarrow Finance & Trading Co.Pvt.Ltd. Banal Investment & Trading Pvt. Ltd. ABG Shipping Ltd. ABG Cement Ltd. ABG Heavy Industries Ltd. ABG Cranes Pvt. Ltd.	1	17 - - 40 1	44 5	
Outstanding Balances as on 31.03.2003					
Loans and Advances Receivables	ABG International Pvt. Ltd. Onaway Industries Ltd. B.F.Engineering Pvt. Ltd. ABG Shipping Ltd. ABG Cement Ltd. Oblique Trading Pvt. Ltd. Agbros Leasing & Finance Ltd. Arabian Deep Sea Fishing Ltd.	119	51 32 120 23	1 3 3	
Loans and Advances Payables	Onaway Industries Ltd. ABG Heavy Industries Ltd. Rishi Agarwal		3	72	-
Accommodation Deposits	Jarrow Finance & Trading Pvt. Ltd.		5		
Other Payables	Onaway Industries Ltd.		1		
Amount Written Off or Provided For		-	-	-	-

Note : The Accounting Standard No. 18 on 'Related Parties Disclosure' is applicable to the Company w.e. f. April 1, 2002

ABG SHIPYARD LIMITED

ANNEXURE VIII

STATEMENT OF TAX SHELTER

(Rs. in million)

Financial Year	30.09.2005	31.03.2005*	31.03.2004*	31.03.2003*	31.03.2002*	31.03.2001*
Profit / (Loss) as per books of account before tax	493	689	195	121	15	23
Tax rates (%) **	33.66	36.60	35.88	36.75	35.70	39.55
Notional Tax Payable (A)	166	252	70	44	5	9
Permanent Differences:						
Deduction for export profits u/s 80HHC	-	-	22	52	-	10
Dividends	-	-	-	-	-	-
Other Adjustments	(4)	14	(5)	(4)	(5)	(1)
Total of (B)	(4)	14	17	48	(5)	9
Timing Differences:						
Difference between book and IT Depreciation	23	5	1	2	5	7
Difference between Book and IT method of accounting which has been consistently followed for taxation	245	535	132	-	-	-
Other Adjustments	-	(7)	(28)	(1)	(3)	(1)
Total of (C)	268	533	105	1	2	6
Net Adjustment (B+C)	264	547	122	49	(3)	15
Tax Impact Thereon (E)	89	200	44	18	(1)	6
Tax on Business Profits F=(A-E)	77	52	26	26	6	3
Income under Other heads	-	-	-	2	4	4
Tax on Other Heads of Income (G)	-	-	-	1	1	2
Total Tax for the year/period (F+G)	77	52	26	27	8	5

* The information pertaining to the years above are based on books of accounts & income tax returns filed by the Company.

** Tax rates include surcharge and education cess wherever applicable

Capitalisation Statement

(Rs. in million)

Particulars	Adjusted for present issue	30.09.2005	31.03.2005
Loan Funds :			
Short term Loan	796	796	730
Long term Loan	0	-	-
Total Loan Funds	796	796	730
Share Holders Funds:			
Equity Share Capital	509	424	325
Reserves & Surplus*	4,038	2,550	1,219
Less : Revaluation Reserve	545	545	556
Total Shareholders' Funds	4,002	2,429	988
Total Capitalisation	4,798	3,225	1,718
Total Debt / Equity Ratio	0.20 : 1	0.33 : 1	0.73 : 1
Long term Debt / Equity Ratio	Not applicable	Not applicable	Not applicable

* Not adjusted for Issue Expenses

ABG SHIPYARD LIMITED

CASH FLOW STATEMENT

Rs. in million

S.N.	PARTICULARS	30.09.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
A.	Cash Flow From Operating Activities:						
	Net Profit before tax	493	752	116	114	58	54
	Adjustments for :						
	Depreciation (Charged to P/L account)	16	31	30	33	34	28
	Lease Equalisation	-	-	-	-	11	8
	Finance Charges	87	202	207	39	50	72
	Miscellaneous expenses Written off	-	-	0	-	-	-
	Loss/(Profit) on sale of fixed assets (net)	-	0	(0)	0	(0)	0
	Op. Profit before working capital changes	596	985	353	186	153	162
	Adjustments for :						
	(Increase)/Decrease in Inventories	(784)	(930)	47	(15)	(1,338)	(55)
	(Increase)/Decrease in Trade receivables	28	60	(12)	286	(371)	58
	(Increase)/Decrease in Trade Advances	(790)	(945)	137	(59)	(94)	19
	Increase/(Decrease) in Trade Payables (Excluding payments from Customers)	259	(212)	(170)	336	289	170
	Increase/(Decrease) in Stage Payments from Customers (net)	268	1,113	(279)	(371)	1,310	28
	Cash generated from Operations	(423)	70	76	363	(51)	382
	Direct Taxes Paid	(6)	(50)	(10)	(10)	(11)	(15)
	Cash Generated From Operating activities	(429)	21	66	353	(62)	367
B.	Cash Flow From Investing Activities:						
	Purchase of Fixed Assets	(52)	(96)	(43)	(6)	(46)	(65)
	Sale of Fixed assets	-	0	0	9	0	1
	Increase in Investments	(244)	-	-	-	2	-
	Sale of Investments	-	0	-	-	-	-
	Cash Used In Investing Activities	(296)	(96)	(43)	3	(44)	(64)
C.	Cash Flow From Financing Activities:						
	Share Application Money Received	1,116	-	-	70	30	-
	Repayment of long term borrowings	354	-	(20)	(39)	(32)	(66)
	Proceeds from issue of Share Capital	(288)	-	-	-	-	-
	Proceeds from Long Term borrowings	-	454	-	-	-	-
	Proceeds from short term borrowings	-	-	-	20	211	-
	Repayments of short term borrowings	179	(44)	-	(249)	(9)	-
	Repayments of other borrowings	-	-	-	-	-	(7)
	Proceeds from other borrowings	-	-	67	-	-	68
	Repayments to other borrowings (net)	-	-	(49)	-	-	-
	Repayment of loans/ deposits given (net)	(87)	(39)	47	-	-	(9)
	Loans/ deposits given (net)	-	-	-	1	(8)	6
	Finance Charges	-	(202)	(207)	(39)	(50)	(72)
	Cash Generated in Financing Activities	1,274	169	(162)	(236)	142	(81)
	Net (decrease) / Increase in cash and cash equivalents (A + B + C)	549	94	(137)	120	36	222
	Opening Balance of Cash & Cash Equivalents	487	392	529	409	373	151
	Closing Balance of Cash & Cash Equivalents	1,036	487	392	529	409	373

Notes: Cashflow statement has been prepared under the indirect method as set out in Accounting Standard 3 issued by the Institute of Chartered Accountants of India

GROUP COMPANIES

ABG International Private Limited:

ABG International Private Limited was incorporated in Maharashtra on September 3, 1993 as Magdala International Private Limited. On June 24, 1994, the name of the Company was changed to ABG Magdala International Private Limited. Later, on October 31, 1996, the name of the Company was changed to ABG International Private Limited. The main object of the Company is to conduct trading activities.

The shareholders of ABG International Private Limited are:

Shareholders	% of holding
Rishi Agarwal	50%
Saket Agarwal	50%

The board of directors comprises of Rishi Agarwal, S.Muthuswamy and D. P. Gupta.

The financial highlights of ABG International Private Limited as per the latest available audited financial statements for the last three financial years are as under-

Rupees

Particulars	Year ended March 31		
	2005	2004	2003
Sales & Other Income	Nil	Nil	587,722
Profit after Tax	(20,688)	(574,504)	(2,993)
Equity Capital	100,020	100,020	100,020
Réserves & Surplus (excluding revaluation reserve)	25,433,279	25,453,967	26,028,471
EPS	(2.07)	(57.44)	(0.30)
Net Asset Value / (Negative net worth)	25,533,299	25,553,987	26,128,491
Net Asset Value / (Negative net worth) Per Share	2552.82	2554.89	2612.33

Note :The unsecured loans as on March 31, 2005 is Rs. 517.21 million

ABG Shipping Limited

ABG Shipping Limited was incorporated in Maharashtra on December 2, 1994, as ABG Shipping Private Limited. Subsequently, it was converted to ABG Shipping Limited under section 44 of the Companies Act, 1956, on December 7, 2000. ABG Shipping Limited is engaged in the business of owning and chartering ships. ABG International Private Limited and its nominees hold 100% shareholding in ABG Shipping Limited.

The board of directors comprises of Rishi Agarwal, Saket Agarwal and Kamlesh Kumar Agarwal.

The financial highlights of ABG Shipping Limited as per the latest available audited financial statements for the last three financial years are as under-

Rupees

Particulars	Year ended March 31		
	2005	2004	2003
Sales & Other Income	40,083,779	33,447,637	33,382,336
Profit after Tax	7,122,653	1,894,922	1,114,269
Equity Capital	63,987,000	63,987,000	987,000
Share Application Money from Holding Company	238,000,000		
Réserves & Surplus (excluding revaluation réserve)	81,771,607	75,447,376	73,552,453
EPS	1.11	14.30	95.16
Net Asset Value / (Negative net worth)	145,758,607	139,434,376	74,539,453
Net Asset Value / (Negative) Per Share	22.78	21.79	755.21

Note :The unsecured loans as on March 31, 2005 is Rs. 118.41 million

ABG SHIPYARD LIMITED

ABG Cement Limited

ABG Cement Limited was incorporated in Gujarat on February 26, 1996 and received certificate for commencement of business on April 17, 1996. The Company is yet to commence its business activity. ABG International Private Limited and its nominees hold 100% shareholding in ABG Cement Limited.

The board of directors comprises of Rishi Agarwal, Saket Agarwal and Kamlesh Kumar Agarwal.

The financial highlights of ABG Cement Limited as per the latest available audited financial statements for the last three financial years are as under-

Rupees

Particulars	Year ended March 31		
	2005	2004	2003
Sales & Other Income	36,518	NIL	NIL
Profit after Tax	(28,406,648)	NIL	NIL
Equity Capital	500,700	500,700	500,700
Reserves & Surplus (excluding revaluation reserve)	(28,406,648)	NIL	NIL
EPS	(567.3)	NIL	NIL
Net Asset Value / (Negative net worth)	(27,905,948)	(27,852,295)	(27,774,983)
Net Asset Value / (Negative) Per Share	(557)	(556)	(555)

Note :The unsecured loans as on March 31, 2005 is Rs. 33.01 million

Jarrow Finance & Trading Private Limited

Jarrow Finance & Trading Private Limited was incorporated in Maharashtra on March 24, 1994. Jarrow Finance & Trading Private Limited is a Non Banking Finance Company (NBFC). ABG International Private Limited and its nominees hold 100% shareholding in Jarrow Finance & Trading Private Limited.

The board of directors comprises of S. Muthuswamy and P. K. Sinha.

The financial highlights of Jarrow Finance & Trading Private Limited as per the latest available audited financial statements for the last three financial years are as under-

Rupees

Particulars	Year ended March 31		
	2005	2004	2003
Sales & Other Income	360,000	360,000	360,000
Profit after Tax / (Loss)	31,101	21,971	(1,232,789)
Equity Capital	100,000	100,000	100,000
Reserves & Surplus (excluding revaluation reserve)	(1,179,717)	NIL	NIL
EPS	3.11	2.19	(438.68)
Net Asset Value / (Negative net worth)	(1,179,717)	(1,110,818)	(1,132,589)
Net Asset Value / (Negative) Per Share	(101.79)	(111.08)	(113.03)

Note: The unsecured loans as on March 31, 2005 is Rs. 4.46 million

Onaway Industries Limited

Onaway Industries Limited was incorporated in Maharashtra as Seacrest Products Limited on December 18, 1991. The name of this company was changed to ABG Foods Limited on October 30, 1995. On November 22, 1999, Onaway Glassworks Private Limited was merged with the company. The name of this company was changed to Onaway Industries Limited on October 16, 2000. Onaway Industries Limited has two divisions: Food Division and Glass Works Division. The Food Division is engaged in the cultivation of Tiger Shrimp at the Shrimp farm located at Block no 3, Mendhar Village, Taluka Gandevi, District Navsari, Gujarat. It has 72 ponds covering an area of 168 acres. The Glass Works Division is engaged in the manufacture of Glass Vials at its factory located in Taloja. The Glass Vials are used for pharmaceutical freeze drying, dental cartridges, tablests and perfumes.

The shareholding pattern of Onaway Industries Limited is as follows:

Shareholders	% of holding
ABG International Private Limited and nominees	82.47%
Kamlesh Kumar Agarwal	17.53%

The board of directors comprises of Rishi Agarwal, Saket Agarwal and Kamlesh Kumar Agarwal.

The financial highlights of Onaway Industries Limited as per the latest available audited financial statements for the last three financial years are as under-

Rupees

Particulars	Year ended March 31		
	2005	2004	2003
Sales & Other Income	58,915,145	76,066,640	79,678,981
Profit after Tax / (Loss)	(23,124,769)	2,720,144	2,518,893
Equity Capital	46,200,070	46,200,070	46,200,070
Réserves & Surplus (excluding revaluation réserve)	1,907,872	25,032,641	22,312,497
EPS	(5.01)	0.59	0.55
Net Asset Value / (Negative net worth)	48,107,942	70,031,362	66,985,615
Net Asset Value / (Negative) Per Share	10.41	15.16	14.50

Note: The unsecured loans as on March 31, 2005 is Rs. 92.23 million

ABG Capital Limited

ABG Capital Limited was incorporated on December 8, 1995 as an investment company.

The Shareholding Pattern of ABG Capital Limited is as follows:

Shareholders	% of holding
Saket Agarwal	49.95%
Rishi Agarwal	49.95%
Others	0.1%

The Board of Directors of ABG Capital Limited P.K. Sinha, S.D.D Gunasekar and S. Muthuswamy

The financial highlights of ABG Capital Limited as per the latest available audited financial statements for the last three financial years are as under

Rupees

Particulars	Year ended March 31		
	2005	2004	2003
Sales & Other Income	NIL	NIL	NIL
Profit after Tax / (Loss)	(29,631)	(52,974)	(7,768)
Equity Capital	500,700	500,700	500,700
Réserves & Surplus (excluding revaluation réserve)	(164,273)	(134,642)	(82,043)
EPS	(0.59)	(1.06)	0.15
Net Asset Value / (Negative net worth)	336,427	365,492	418,657
Net Asset Value / (Negative) Per Share	6.71	7.29	8.36

Note: The unsecured loans as on March 31, 2005 is Rs. 0.08 million

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ABG Cranes Private Limited

ABG Cranes Limited was incorporated on September 26, 1995 as a private limited company with the objective of owning and leasing cranes. ABG Capital Limited and its nominees hold 100% of shareholding in ABG Cranes Private Limited. Saket Agarwal and Rishi Agarwal are the directors of ABG Cranes Limited.

The financial highlights of ABG Cranes Limited as per the latest available audited financial statements for the last three financial years are as under-

Rupees

Particulars	Year ended March 31		
	2005	2004	2003
Sales & Other Income	NIL	NIL	NIL
Profit after Tax / (Loss)	(4,605)	(35,102)	(5,230)
Equity Capital	100,000	100,000	100,000
Reserves & Surplus (excluding revaluation reserve)	(64,869)	(60,264)	(25,162)
EPS	(0.46)	(3.51)	(0.52)
Net Asset Value / (Negative net worth)	35,131	39,736	74,838
Net Asset Value / (Negative) Per Share	3.51	3.97	7.48

Note: The unsecured loans as on March 31, 2005 is Rs. 0.02 million

ABG Power Private Limited

ABG Power Private Limited was formed with the objective of investing in the power sector. ABG Power Private Limited is currently not operational. ABG Power Private Limited have provided office premises on leave & licence basis to our Company for which we have given us interest free deposit of Rs. 20 million. ABG Capital Limited and its nominees will hold 100% shareholding of ABG Power Private Limited.

Saket Agarwal and Rishi Agarwal are the directors of ABG Power Private Limited.

The financial highlights of ABG Power Private Limited as per the latest available audited financial statements for the last three financial years are as under

Rupees

Particulars	Year ended March 31		
	2005	2004	2003
Sales & Other Income	NIL	NIL	NIL
Profit after Tax / (Loss)	(6,236)	(24,860)	(5,110)
Equity Capital	100,000	100,000	100,000
Reserves & Surplus (excluding revaluation reserve)	(82,086)	(75,850)	(50,990)
EPS	(0.63)	(2.49)	(0.51)
Net Asset Value / (Negative net worth)	17,914	24,150	49,010
Net Asset Value / (Negative) Per Share	1.79	2.42	4.90

Note: The unsecured loans as on March 31, 2005 is Rs. 0.03 million

Cardinal Logistics Private Limited

Cardinal Logistics Private Limited was incorporated on May 13, 2003 as a private limited company. The business of Cardinal Logistics Private Limited includes Supply, Operation and Maintenance of 2 Nos. Mobile Harbour Crane at Kolkata Port Trust.

The shareholding pattern of Cardinal Logistics Private Limited is as follows:

Shareholders	% of holding
ABG Heavy Industries Limited and its nominees	76.00%
Indian Infrastructure Private Limited	12.00%
Roadwings International Private Limited	12.00%

Saket Agarwal, Rishi Agarwal, Kamlesh Kumar Agarwal, Prafulla Kumar Sinha, Arun Kedia and Sanjay Kumar Surekha are the directors of Cardinal Logistics Private Limited

Cardinal Logistics Private Limited has also issued 600,000 preference shares to ABG Heavy Industries Limited.

The financial highlights of Cardinal Logistics Private Limited as per the latest available audited financial statements for the last three financial years are as under-

Particulars	Year ended March 31	
	2005	2004
Sales & Other Income	Nil	Nil
Profit after Tax / (Loss)	(50,100)	(13,395)
Equity Capital	60,100,000	100,000
Reserves & Surplus (excluding revaluation reserve)	(63,495)	(13,395)
EPS	(0.008)	(1.33)
Net Asset Value / (Negative net worth)	60,036,505	86,605
Net Asset Value / (Negative) Per Share	9.98	8.66

Rupees

Note: The unsecured loans as on March 31, 2005 is Rs. 62.21 million

ABG Heavy Industries Limited

ABG Heavy Industries was incorporated as Onaway Carriers Private Limited on December 15, 1983 as a private limited company. Subsequently this company became a limited company and the word private was deleted under section 43A of the Companies Act on April 25, 1985. This company was converted into a limited company on April 19, 1985 under section 23(1) of the said act. The name of company was again changed from Onaway Carriers Limited to Onaway Engineering Limited on June 22, 1987. Onaway Engineering Limited became Onaway Engineering Private Limited under section 43A(4) on March 30, 1989. The name of this company was again changed from Onaway Engineering Private Limited to ABG Heavy Industries Private Limited on September 14, 1994. The name of the company was changed to ABG Heavy Industries Limited on September 19, 1994. ABG Heavy Industries is listed on the Bombay Stock Exchange Limited.

The board of directors as on June 30, 2005 include Saket Agarwal, Rishi Agarwal, Kamlesh Kumar Agarwal, H.P. Prabhu and R.G. Govindrajpuram.

Details of any violations of securities laws by or imposition of penalties by SEBI and other regulatory authorities:

SEBI has vide letter dated June 22, 2004 issued to ABG Heavy Industries Limited, alleged that the ABG Heavy Industries has violated Regulations 6(2) and 6(4) for 1997 of the SEBI (SAST) Regulations, 1997, and Regulation 8(3) of the SEBI (SAST), 1997 for 1998, 1999, 2000, 2001 and 2002 to the effect that the company had failed to inform SEBI, changes in promoters' holding in the company during these years. SEBI has also levied a penalty of Rs. 175,000/- for the aforesaid violations. ABG Heavy Industries Limited has submitted its reply vide letter dated July 22, 2004 stating that there has not been a per se violation of the regulations as there has been no change in the shareholding and the same is a technical irregularity. So far ABG Heavy Industries Limited has not received any written communication from SEBI in relation to its letter dated July 22, 2004

The securities of ABG Heavy Industries Limited were suspended from trading on the National Stock Exchange ("NSE") with effect from July 23, 2001 on account of violation of Clauses 30, 31(d), 35, 40(a), 40(b) and 41 of the Listing Agreement.

Subsequently, ABG Heavy Industries Limited passed a special resolution at its annual general meeting held on September

ABG SHIPYARD LIMITED

30, 2003, for voluntary delisting its securities under applicable provisions of the Companies Act, 1956, the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 from The Stock Exchange-Ahmedabad, The Delhi Stock Exchange Limited, and the NSE. NSE has vide its letter dated July 22, 2005 granted its approval for delisting of the securities of ABG Heavy Industries Limited with effect from July 21, 2005 subject to the condition that ABG Heavy Industries Limited will redress the investors' grievances (if any) for a minimum period of six months from the date of delisting.

The shareholding pattern of ABG Heavy Industries Limited as on June 30, 2005 is as follows:

Shareholders	% of holding
Indian Promoters	69.71
Mutual funds and UTI	0.04
Banks, FIs, Insurance companies, Central/State Governments, Non-Govt Institutions	1.78
Private Corporate Bodies	5.68
Indian Public	21.97
NRIs/OCBs	0.33
Others	0.50
Total	100

The financial highlights of ABG Heavy Industries Limited as per the latest available audited financial statements for the last three financial years are as under

(Rs in Million)

Particulars	Year ended March 31		
	2005	2004	2003
Sales & Other Income	723	618	577
Profit after Tax / (Loss)	100	119	92
Equity Capital	113	113	113
Reserves & Surplus (excluding revaluation reserve)	1,096	1,015	908
EPS	8.87	10.55	8.13
Net Asset Value / (Negative net worth)	1,209	1,128	1,027
Net Asset Value / (Negative) Per Share	106.82	99.65	90.71

Note: The unsecured loans as on March 31, 2005 is Rs. 50.80 million

Stock Market Data

	BSE	
	High	Low
March 2005	90.00	62.00
April 2005	123.00	71.05
May 2005	126.00	105.00
June 2005	131.95	101.20
July 2005	154.00	97.00
August 2005	275.00	130.00
September 2005	280.00	184.00

The current market price as on October 24, 2005 is Rs. 174.05

Promise v/s Performance

In the year 1995, the Company had offered 34,07,200 Equity Shares of Rs. 10/- each out of which 575,000 Equity Shares were allotted on firm allotments basis at a premium of Rs. 80/- and the net public offer of 2,832,200 Equity Shares were allotted for at premium of Rs. 60/-.

(Rs. in Million)

Year Ended March 31	Projections			Actuals		
	1995	1996	1997	1995	1996	1997
Operational receipts	312	544	653	313	500	549
Other Income	31	4	5	35	7	41
Increase in Job-in-progress	20	13	-	(29)	(6)	0
Cost of operations	237	288	341	193	169	154
Gross profit	126	273	317	126	332	436
Interest	23	57	60	20	112	147
Depreciation	28	95	113	36	119	126
Preliminary expenses w/off	-	2	2	1	1	1
Profit before tax	75	118	142	88	119	181
Provision for tax	9	4	24	4	8	11
Profit after tax	66	114	118	84	119	170
Equity Share Capital	113	113	113	113	113	113
Reserves and Surplus (Excluding Revaluation reserve)	434	500	570	452	518	624
Dividend	-	-	-	-	-	-
EPS (Rs.)	7.77	10.06	10.43	7.40	10.48	15.03
Book value per share (Rs.) (Excluding Revaluation Reserve)	38.60	46.17	54.11	39.34	46.90	58.89
Book value per share (Rs.) (Including Revaluation Reserve)	48.30	54.15	60.37	49.02	54.87	65.15

Investor Grievance and Redressal System

The Company had received 30 complaints during the period April 1, 2005 to June 30, 2005. The same were resolved and there are no pending complaints.

Arabian Deep Sea Fishing Private Limited

An application has been made on May 13, 2005 to remove the name of the Company from the Registrar of Companies. The application for removal of name from the Registrar of Companies has been made u/s 560 of the Companies Act, 1956 as the paid up share capital of the company was less than Rs one lakh

Agbros Glass Works (India) Private Limited

Agbros Glass Works (India) Private Ltd. was initially incorporated as "Essar Glass Works Private Limited" in Chennai on June 4, 1975 with the objects of carrying on business of manufacturing and trading in all types of Glass and Glass Products and manufactures Ampoules, Vials and Perfumery Tubes.

The shareholding pattern of Agbros Glass Works (India) Private Ltd. is as follows:

Shareholders	% of holding
Kamlesh Kumar Agarwal	0.06%
Rishi Agarwal	49.97%
Saket Agarwal	49.97%

The board of directors comprised of Kamlesh Kumar Agarwal, Kumkum Agarwal and Ravindranathan

ABG SHIPYARD LIMITED

The financial highlights of Agbros Glass Works (India) Private Ltd. as per the latest available audited financial statements for the last three financial years are as under-

Rupees

Particulars	Year ended March 31		
	2005	2004	2003
Sales & Other Income	13,994,992	15,336,663	16,777,331
Profit after Tax / (Loss)	(164,898)	129,082	278,688
Equity Capital	520,300	520,300	520,300
Réserves & Surplus (excluding revaluation réserve)	3,829,803	3,994,701	3,865,619
EPS	(3.17)	2.48	5.36
Net Asset Value / (Negative net worth)	4,350,103	4,515,001	4,385,919
Net Asset Value / (Negative) Per Share	83.60	86.77	84.29

ABG Projects and Services Limited (UK)

ABG Projects & Services Limited, UK was incorporated in the United Kingdom on October 21, 2003 as limited company to carry on business of leasing out equipment for use in harbours. It is a 100% subsidiary of ABG Heavy Industries Limited and its nominees.

Rishi Agarwal and Saket Agarwal are the directors of the company

The financial highlights of ABG Projects and Services Limited, UK as per the latest available audited financial statements is as under

Particulars	Year ended March 31, 2005	Year ended March 31, 2004
	UK Pounds	UK Pounds
Sales & Other Income	Nil	Nil
Profit after Tax / (Loss)	(140,943)	(28,562)
Equity Capital	125,002	125,002
Reserves & Surplus (excluding revaluation reserve)	(169,505)	(28,562)
EPS	(1.13)	(0.23)
Net Asset Value / (Negative net worth)	(44,503)	96,440
Net Asset Value / (Negative) Per Share	(0.35)	0.77

Disassociation by ABG International Private Limited

Name of Company	Date of Disassociation	Quantity Holding	% of Holding	Sold to
BF Engineering Private Limited	December 31, 2004	18,250	99%	Ten Ocean Marine Limited
Banal Investments Trading Private Limited	December 31, 2004	9,980	99%	Ten Ocean Marine Limited

Note: As per SICA, none of the group companies are 'sick companies'

CHANGES IN ACCOUNTING POLICIES IN THE LAST THREE YEARS

The method of recognition of revenue on ships is on completed contract basis for construction projects entered into or commenced prior to 01.04.2003, and on percentage completion basis for contracts entered into or in respect of which construction activities commenced only from 01.04.2003. Revenue is recognized under percentage completion basis on the basis of proportionate contract costs incurred for work performed up to the reporting date bears to the estimated total contract costs.

ABG SHIPYARD LIMITED

SELECTED FINANCIAL INFORMATION

STATEMENT OF RESTATED PROFITS AND LOSSES

(Rs. in million)

For the Year Ended	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Income						
Ship Building	2,097	2,701	1,858	1,820	1,897	671
Wind Mill Towers	34	185	83	58	76	109
Ships Repairing	23	155	108	98	43	41
Trading Activities (in ships)	-	-	-	-	74	-
Lease Income	-	-	-	4	4	6
Other Income	6	-	23	3	-	-
Total Income	2,160	3,041	2,072	1,983	2,094	827
Expenditure						
Raw Material and Components	1,171	1,536	1,482	1,220	1,324	548
Cost of Trading Purchases (in ships)	-	-	-	-	74	-
Employees' Costs	65	98	65	51	44	27
Other Manufacturing Expenses	111	300	305	279	251	161
Administration Expenses	40	74	101	62	47	52
Selling & Distribution Expenses	57	109	34	88	44	8
Decrease / (Increase) in Work in Progress	146	(61)	(178)	(14)	54	(161)
Finance Charges (Net)	87	202	133	149	164	111
Depreciation	16	31	30	33	34	28
Total Expenditure	1,693	2,289	1,972	1,868	2,036	774
Profit before Tax & Extra-Ordinary Items	467	752	100	115	58	53
Extra ordinary Items						
Insurance Claims Received	26	1	16	-	1	1
Profit/(Loss) on sale of fixed assets	-	-	-	-	-	-
Total of Extra-ordinary items	26	1	16	-	1	1
Net Profit Before Taxation	493	753	116	115	59	54
Provision for taxation - Current	77	52	29	31	9	6
Provision for taxation - Deferred	90	198	15	(1)	15	12
Total Provision for Taxation	167	250	44	30	24	18
Net Profit after Tax	326	503	72	85	35	36

STATEMENT OF RESTATED ASSETS AND LIABILITIES

Rs. in million

As At	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Fixed Assets						
Gross Block	1,315	1,296	1,233	1,202	678	656
Less: Depreciation	367	340	287	230	249	222
Less : Lease Equalisation	-	-	-	-	6	8
Net Block	948	956	946	972	423	426
Less : Revaluation Reserve	545	556	579	605	27	30
Net Block after Revaluation Reserve	403	400	367	367	396	396
Add: Capital Work in Progress	77	43	12	-	-	-
	480	443	379	367	396	396
Investments	240	-	-	-	-	2
Current Assets, Loans and Advances						
Inventories (Net of stage payments)	1,233	717	863	471	85	57
Sundry Debtors	101	129	189	178	464	93
Cash & Bank Balances	1,036	487	392	529	409	373
Loans & Advances	1,882	1,300	329	510	447	371
	4,252	2,633	1,773	1,688	1,405	894
Liabilities and Provisions						
Loan Funds						
Secured	796	730	319	274	559	406
Unsecured	-	-	1	47	30	14
	796	730	320	321	589	420
Deferred Tax Liability/(Asset)	368	278	81	66	8	(7)
Current Liabilities & Provisions						
Current Liabilities	1,281	1,024	1,195	1,206	869	581
Provisions for Tax	98	56	71	48	17	32
	1,379	1,080	1,266	1,254	886	613
Net Worth	2,429	988	485	414	318	266
Represented by :						
Share Capital	424	325	130	130	120	120
Share capital application	-	-	-	-	30	-
Reserves & Surplus	2,550	1,219	934	889	195	176
Less: Revaluation Reserve	545	556	579	605	27	30
	2,429	988	485	414	318	266

ABG SHIPYARD LIMITED

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

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Prospectus. You should also read the section titled "Risk Factors" beginning on page x of this Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to ABG Shipyard Limited on a standalone basis. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and restated as described in Auditor's report of M/s Nisar & Kumar dated October 24, 2005.

The following discussion is based on our restated financial statements for the years ended March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004 and March 31, 2005 and for the six month period ended September 30, 2005, which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and on information available from other sources. Our fiscal year ends on March 31 each year, so all references to a particular year are to the twelve-month period ended on March 31 of that year. For the years 2001-02 and 2002-03, we had prepared financial statements for periods ending June 30, 2002 and March 31, 2003 respectively but for the purpose of this discussion, we have used the financial statements submitted to the Income-tax department for the year ended March 31, 2002 and March 31, 2003.

The Directors confirm that there have been no events or circumstances since the date of the last financial statements which materially and adversely affect or are likely to affect the profitability of our Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

Overview

We have a facility for the manufacture and repair of a wide variety of marine ships with the manufacturing plants in line with world class technologies and certification. Our business is mainly into Ship Building, Wind Mill Towers, Ship Repairs and other miscellaneous activities.

Our Company is one of the leading private sector companies in India having facilities to build and repair a wide variety of marine ships for commercial and government customers. We are an established manufacturer of a variety of marine ships, including large and small bulk carriers, deck barges, interceptor ships, anchor handling supply ships, diving support ships, tow boats and offshore tug boats. Our manufacturing process is in line with world-class standards and the yard is certified by DNV for ISO 9001. Our principal operations consist of the construction of marine ships, whereas other operations include construction of Wind Mill Towers, Ship Repairs and other miscellaneous activities

Financials

Total Income:

Our total income has grown at a CAGR of over 38.5% during the period FY 2001 - FY 2005. This has largely been contributed by revenue from Ship building which has increased at a CAGR of about 41% during the five year period with the contribution to the net sales of around 89%. Revenue from Wind Mill Towers has increased at a CAGR of over 14% during the period FY 2001 – FY 2005 and Revenue from ship repairing has increased at a CAGR of over 39% during the same period. As a proportion of the Net sales, Ship Repair has been contributing to almost same levels for the past three years registering an equally proportionate increase as Net Sales.

We do not account for Revenues and subsidy if the cost incurred until the end of the financial year is not more than ten (10%) percentage of total estimated cost.

Rs. in million

Particulars	For the year ended March 31							
	2005		2004		2003		2002	
Ship Building	2701	88.8%	1,858	89.7%	1820	91.8%	1897	90.6%
Ship Repairing	155	5.1%	108	5.2%	98	4.9%	43	2.1%
Wind Mill Towers	185	6.1%	83	4.0%	58	2.9%	76	3.6%
Trading, Lease Rentals & Other Income	-	0.0%	23	1.1%	7	0.4%	78	3.7%
	3,041	100.0%	2,072	100.0%	1,983	100.0%	2,094	100.0%

We have accrued for subsidy income during the FY 2005 as per the Government of India policy as described on page 39 of this Prospectus.

Key factors affecting our operations

There are several key factors which may affect our operations. Some the most important factors are given below

1. The global demand for new ships
2. The competition from domestic and global ship building companies.
3. Cost of steel and aluminium which are the important raw materials used by us in ship building
4. Support from the Government in the form of subsidies

Comparison of the various items of income and expenditure between financial statements for H1 FY 2006, FY 2005 over FY 2004, FY 2004 over FY 2003 and FY 2003 over FY 2002

Rs. Million

Particulars	H1 FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
Income					
Revenue From :					
Ship Building	2,097	2,701	1,858	1,820	1,897
% yoy		45.37%	2.09%	-4.06%	182.71%
% of Net Sales	97.35%	88.82%	90.68%	91.92%	90.59%
Wind Mill Towers	34	185	83	58	76
% yoy		122.89%	43.10%	-23.68%	-30.28%
% of Net Sales	1.58%	6.08%	4.05%	2.93%	3.63%
Ships Repairing	23	155	108	98	43
% yoy		43.52%	10.20%	127.91%	4.88%
% of Net Sales	1.07%	5.10%	5.27%	4.95%	2.05%
Trading Activities		-	-	-	74
Lease Income		-	-	4	4
Net Sales	2,154	3,041	2,049	1,980	2,094
% yoy		48.41%	3.48%	-5.44%	153.20%
Other Income	6	-	23	3	-
Total Income	2,160	3,041	2,072	1,983	2,094
Expenditure					
Raw Material Consumed	1,171	1,536	1,482	1,220	1,324
% of Net Sales	54.36%	50.51%	72.33%	61.62%	63.23%
Cost of Trading Purchases		-	-	-	74
Employee Costs	65	98	65	51	44
% yoy		50.77%	27.45%	15.91%	62.96%
Other Manufacturing Expenses	111	300	304.8	279	251.1
% of Net Sales	5.15%	9.87%	14.88%	14.09%	11.99%
Administration Expenses	40	74	101	62	47
% yoy		-26.73%	62.90%	31.91%	-9.62%
Selling & Distribution Expenses	57	109	34	88	44
% of Net Sales	2.65%	3.58%	1.66%	4.44%	2.10%
Decrease/(Increase) in W.I.P	146	(61)	(178)	(14)	54
Total Expenditure	1,590	2,056	1,809	1,686	1,838
EBIDTA	570	985	263	297	256
% yoy		274.24%	-11.38%	16.06%	33.28%
% of Net Sales	26.46%	32.39%	12.85%	15.00%	12.22%

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For the six month period ending September 30, 2005 compared to year ended March 31, 2005

Revenue:

Ship Building

Revenue from Ship building amounted to Rs. 2,097 million in the first half of FY 2006. Of the total income Rs. 329 million is contributed from subsidy. Revenue from ship building contributed about 97% of the net sales in the half year.

Wind Mills Towers

Revenue from the manufacturing of Wind Mills Towers amounted to Rs. 34 million and contributed 1.57% of the net sales in the half year.

Ships Repairing

Our company did marginal ship repairing activity amounting to Rs 23 million in the first half of FY 2006.

Expenditure:

Consumption of Raw Material

As a percentage of revenue, cost of consumption of Raw Material has increased to 54.4% in first half of FY 2006 from 50% in FY 2005. The increase in consumption of raw material is because of purchase of imported components.

Employee Costs

The employee cost for the first half of FY 2006 was Rs 65 million.

Selling and Distribution Expenses

The Selling and Distribution Expenses have reduced to 2.65% as a percentage of net sales in the first half of FY 2006 as against 3.58% in FY 2005.

Finance Charges (Net)

Finance Charges include interest paid on loans and guarantee commission / LC charges on non-fund based limits utilized. The finance charges amounted to Rs. 87 million in first half of FY 2006.

For the year ending March 31, 2005 compared to year ended March 31, 2004

Revenue:

Ship Building

Revenue from Ship Building witnessed an increase of 45.37% in FY 2005 over FY 2004. Of the total increase, Rs 511 million is contributed by income from subsidy. Excluding this subsidy, we registered a growth of about 8% in the revenue from Ship Building. We have delivered ships amounting to Rs 1,504 million during the FY 2005 as compared to Rs 1,853 million for the FY 2004.

Wind Mills Towers

Revenue from the manufacturing of Wind Mills Towers increased by 122.89% in FY 2005 over FY 2004 due to increase in scale of operations.

Ships Repairing

On account of increase in overall ship refurbishing / repair activity the revenues under this category has increase by 43% in FY 2005 vis-à-vis FY 2004.

Other Income

The Other Income of FY 2004 includes Excise duty refund of Rs. 13.2 million and certain credit balances written back amounting to Rs. 9.5 million.

Expenditure:

Consumption of Raw Material

As a percentage of Revenue, cost of consumption of Raw Material has reduced to about 50% in FY 2005 from 72% in FY 2004. In addition to certain cost reduction measures undertaken by our Company the accrual of subsidy has also resulted is proportionate reduction in materials consumed.

Employee Costs

In FY 2005, Employee Costs increased by 50% as compared to FY 2004 due to increase in the number of employees and increase in compensation paid.

Selling and Distribution Expenses

The Selling and Distribution Expenses have increased to 3.58% as a percentage of Net Sales in FY 2005 as against 1.66% in FY 2004. The Selling and Distribution Expenses include Brokerage & Commission on ship building orders received of Rs 28 million in FY 2004 and Rs 97 million in FY 2005.

Finance Charges (Net)

Finance Charges include interest paid on loans and guarantee commission / LC charges on non-fund based limits utilized. The finance charges have increased by more than 50% in FY 2005 as compared to FY 2004

For the year ending March 31, 2004 compared to year ended March 31, 2003

Revenue:

Ship Building

Revenue from Ship Building has increased by about 2% in FY 2004 as compared to FY 2003. The ship building revenues for FY 2004 includes an amount of Rs. 269 million pertaining to contracts received after April 1, 2003 which were under construction.

Wind Mills Towers

Revenue from Wind Mills Towers has grown by 43.1% in FY 2004 as compared to FY 2003 on account of increase in activity.

Ships Repairing

Revenue from Ships repairing increased by over 10% in FY 2004 as against FY 2003.

Expenditure:

Consumption of Raw Material

Raw Material consumption has increased from 61.62% of total income in FY 2003 to 72.33% in FY 2004.

Employee Costs

Employee costs had increased by about 27% in FY 2004 as compared to FY 2003. This increase is normal and is primarily as a result of the increase in scale of business.

For the year ending March 31, 2003 compared to year ended March 31, 2002

Revenue:

Ship Building

Revenue from Ship Building had reduced by 4% in FY 2003 as compared to FY 2002. There was a marginal reduction in shipbuilding activity in FY 2003.

Wind Mills Towers

Revenue from Wind Mills Towers had reduced by about 23% in FY 2003 as compared to FY 2002.

Ships Repairing

Revenue from Ship Repair had increased by 127% in FY 2003 as compared to FY 2002.

Expenditure:

Consumption of Raw Material

The raw materials consumed for FY 2002 includes ships, which were under construction and hence the raw material consumed for the FY 2002 needs to be analysed net of increase in work-in-progress.

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Employee Costs

Employee Costs increased by 16% in FY 2003 as compared to FY 2002 which is normal and has grown in line with the increase in business operations.

Information regarding:

a) Unusual or infrequent events or transactions:

There have been no unusual or infrequent transactions that have taken place apart from the transaction relating to capital infusion through private equity participation. For the details of the same, please refer to the section titled "Capital Structure" on page 13.

b) Significant Economic changes that materially affected or are likely to affect income from continuing operations:

Volatility in Foreign exchange rates may have an inflationary effect on cost of imports and exports. Barring this factor, there are no significant economic changes that materially affect or likely to affect income from continuing operations.

c) Known trends or uncertainties:

Some of the raw materials, which are imported, have shown a volatile trend in the last 3 to 5 years. The cyclical movement in the prices of these materials seem to be on account of the changes in demand supply position. As a sequel to the volatility in the price of raw materials, the end product prices tend to move up or come down in the same direction if not in the same proportion.

d) Future relationship between costs and revenue;

As we derive majority of our revenues from Ship building we do not foresee any significant changes in the trends of historical costs and revenue relationship.

e) Seasonality of business:

Business of our company is not affected by the seasonality.

f) Except as disclosed in the Prospectus there are no plans to enter new products or new business segment.

g) For details on the competition conditions refer to page 41 of "Our Business" section

h) Over dependence on single supplier/customer:

We source our raw materials from a number of suppliers and are not under threat from excessive dependence on any single supplier. The threat from excessive dependence on a single customer is not significant as the customer base is well diversified.

(Rs. in million)

Particulars	Sept. 2005	2005	2004	2003
Total Revenue	2,154	3,041	2,049	1,976
Top Customer*	782	683	529	376
%	36%	22%	26%	19%

* No common customer in any of the year under review

Details of material developments after the date of last balance sheet

Our Directors confirm that there have been no adverse events that have occurred since the date of last Financial Statement as on September 30, 2005 which have affected the operations of our Company.

In the opinion of Directors of our Company, since the date of the last financial statement as on September 30, 2005 there have arisen no circumstances that materially or adversely affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next 12 months.

The Directors declare and confirm that no information /material likely to have a bearing on the decision of investors in respect of shares offered in terms of this Prospectus have been suppressed / withheld and/or incorporated in the manner that would amount to misstatement/ misrepresentation.

OUTSTANDING LITIGATION

There are no outstanding litigations against our Company, our subsidiaries, our Directors, our Promoters and our Promoter group disputes, tax liabilities, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares issued by our Company, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956) against our Company, our subsidiaries, our Directors and our Promoters, except the following:-

A. CASES FILED AGAINST OUR COMPANY

1. An application under Section 245C of the Income Tax Act, 1961 has been filed by our Company before the Settlement Commission for resolution of disputed income in respect of the assessment years 1996-97, 1997-98, 1998-99, 1999-2000. The Income Tax Department has alleged an additional disputed income of Rs. 100 million. The disputed income is presently been assessed by the Assessing Officer. This dispute has arisen subsequent to a search operation conducted on the Company under Section 132 of the Income Tax Act, 1961. In order to avoid protracted litigation, the Company has made an application for amicable settlement and 10% of the disputed income has been offered as additional income subject to deductions under Section 80HHC and Section 80IA of the Income Tax Act, 1961. The main issues that are being considered and resolved by the Settlement Commission are as follows:
 - (a) Determination of the income earned for the assessment years 1996-97, 1997-98, 1998-99, 1999-2000 and the undisclosed income, if any.
 - (b) Determination of whether certain purchases and expenses as incurred and recorded in the books of accounts for the purpose of business and whether the same are allowable as deduction.
 - (c) To determine whether the invoices, vouchers and other documents and details available as regards the above stated expenses are sufficient to prove the genuineness of expenses incurred, and if not whether having regard to other details, nature of business, and other circumstances, the same are in any case allowable as expenses
 - (d) To determine the amount of deduction permissible to the Company under Section 80IA and Section 80 HHC of the Income Tax Act, 1961.
 - (e) To decide whether any penalties are leviable under various provisions of the Income Tax Act, 1961 and if so, waiver of such penalties.The Settlement Commission has granted a stay in favour of our Company against recovery of taxes beyond Rs. 7 million which has already been recovered by the income tax authorities. The total liability of our Company arising out of this litigation cannot be quantified as the alleged additional income has not been assessed, however we may incur a liability of Rs. 10 million or more.
2. A special civil application filed by Rajendrabhai Thakorebhai Patel against the State of Gujarat, our Company, Narmada Cement Company Limited and Ambuja Cement Company Limited and Vipul Shipyard in the High court of Gujarat, whereby the applicant has challenged the order dated October 19, 2001 issued by the State of Gujarat which order waived the surcharge on the lump sum contribution payable by the defendant companies including our Company under section 201 of the Gujarat Panchayat Act, 1993. Liability of our Company would be approximately Rs. 1 million.
3. A civil revision application was filed by Thakarshi K. Patel against our Company in the High Court of Gujarat challenging the order dated August 13, 2003 passed by the Civil Judge (Senior Division), Surat whereby the petitioner's application for review of the order dated January 5, 2002 was rejected. This case relates to land of the revenue Survey No.60/1/A of village Gavier of taluka Choryasi, District Surat, which was transferred to the petitioner. The petitioner has in the Regular Civil Suit No.177 of 2001 filed ABG Shipyard Limited alleged that our Company was preventing the petitioners from using the internal roads and making illegal constructions by encroaching upon the road area in such a way that the petitioner's land was not accessible from the internal roads. The said suit was rejected by the learned judge vide order dated January 5, 2002 in respect of the application seeking review of the order against which the Civil Revision Application was been filed in the High Court of Gujarat.

ABG SHIPYARD LIMITED

4. A civil suit has been filed against our Company by one Sukhiben in the Civil Court, Surat in respect of Company's land bearing revenue survey no.60/1 of village Gawiyar, Ta-Choryasi, District Surat and had asked for a declaration that the Company has no right to manage the land. The suit filed is pending hearing of the injunction application.

B. CASES FILED BY OUR COMPANY

1. We have filed an appeal before in the Appellate Tribunal, Surat regarding a penalty imposed under S. 272A(g) of the Income Tax Act, 1961 for non-issuance of a TDI certificate to the contractor within the allotted time period. The demand is for Rs. 0.3million as penalty charges and the amount paid up till date is Rs.81,550. The appeal has been filed for waiver of the penalty.

C. LITIGATION AGAINST OUR PROMOTER/PROMOTER GROUP

There is no pending dispute/outstanding litigations against our Promoters or the Promoter group or our Directors for any criminal offence, economic offence or otherwise and no other defaults to financial institutions and no other cases of non-payment of statutory dues, violation of statutory regulations or disputed tax liabilities, except the following:

1. ABG Heavy Industries Limited

Commercial Litigation filed by the Company

Parties	Authority Before Which Pending	Brief Particulars of the Suit/Appeal	Status	Amount of Claim Involved (Rs. in millions)
ABG Heavy Industries Limited v. Panchmahal Cement Company Limited	High Court, Bombay	Summary Suit filed by the ABG Heavy Industries Limited for recovery of inter-corporate deposit of Rs. 20 million plus interest i.e. Rs. 1.4 million against Panchmahal Cement Company Limited	The High Court of Bombay has vide its order dated November 28, 2000 directed Panchmahal Cement Company Limited to pay ABG Heavy Industries Rs.20 million along with interest at 18% per annum from the date of filing of the suit till payment.	20 million- plus interest at the rate of 18% per annum.
ABG Heavy Industries Limited v. Panchmahal Cement Company Limited and others	Metropolitan Magistrate, 33 rd Court, Bombay	ABG Heavy Industries Limited had paid to Panchmahal Cement Company Limited an inter-corporate deposit of Rs.20 million to be repaid after peiord of 120 days with interest at the rate of 28% per annum. The cheques issued by Panchmahal Cement Company Limited to ABG Heavy Industries Limited for Rs. 20. million and Rs. 1.4 million were dishonoured twice for reason stated by the bank as insufficiency of funds.	The Metropolitan Magistrate vide order dated October 19, 2004 acquitted the accused uunder Section 245 (1) of Criminal Procedure Code for offence punishable under Section 138 read with section 141 of Negotiable Instruments Act, 1881 and their bail bonds were cancelled.	Charge the accused under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881.

Parties	Authority Before Which Pending	Brief Particulars of the Suit/Appeal	Status	Amount of Claim Involved (Rs. in millions)
ABG Heavy Industries Limited v. Renewable Energy System Limited	High Court, Hyderabad	ABG Heavy Industries Limited has filed a petition under Section 433(e) and (f) read with Section 439 (b) and (c) of the Companies Act, 1956 for winding up of Renewable Energy System Limited as it is alleged that it has been unable to pay its dues of Rs. 7.2 million including principal and interest thereon at 24%. The Court ordered the respondent Company to be wound up on 17.06.99.	The respondent Company filed an affidavit that the Board of Industrial and Financial Reconstruction had rejected the case of ABG Shipyard Industries Limited. Company and therefore they have made a fresh reference.	Rs. 7.2 million
ABG Heavy Industries Limited v. Panchmahal Cement Company Limited	High Court, Bombay	Summary Suit filed by the ABG Heavy Industries Limited for recovery of inter-corporate deposit of Rs. 20 million plus interest i.e. Rs. 1.4 million against Panchmahal Cement Company Limited	The High Court of Bombay has vide its order dated November 28, 2000 directed Panchmahal Cement Company Limited to pay ABG Heavy Industries Rs.20 million along with interest at 18% per annum from the date of filing of the suit till payment.	Rs. 20 million- plus interest at the rate of 18% per annum.
ABG Heavy Industries Limited v. Panchmahal Cement Company Limited and others	Metropolitan Magistrate, 33 rd Court, Bombay	ABG Heavy Industries Limited had paid to Panchmahal Cement Company Limited an inter-corporate deposit of Rs.20 million to be repaid after period of 120 days with interest at the rate of 28% per annum. The cheques issued by Panchmahal Cement Company Limited to ABG Heavy Industries Limited for Rs. 20 million and Rs. 1.4 million were dishonoured twice for reason stated by the bank as insufficiency of funds.	The Metropolitan Magistrate vide order dated October 19, 2004 acquitted the accused under Section 245 (1) of Criminal Procedure Code for offence punishable under Section 138 read with section 141 of Negotiable Instruments Act, 1881 and their bail bonds were cancelled.	Charge the accused under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881.

ABG SHIPYARD LIMITED

Parties	Authority Before Which Pending	Brief Particulars of the Suit/Appeal	Status	Amount of Claim Involved (Rs. in millions)
ABG Heavy Industries Limited v. Renewable Energy System Limited	High Court, Hyderabad	ABG Heavy Industries Limited has filed a petition under Section 433(e) and (f) read with Section 439 (b) and (c) of the Companies Act, 1956 for winding up of Renewable Energy System Limited as it is alleged that it has been unable to pay its dues of Rs. 7.2 million including principal and interest thereon at 24%.	The respondent Company filed an affidavit that the Board of Industrial and Financial Reconstruction had rejected the case of ABG Heavy Industries Limited and therefore they have made a fresh reference.	Rs. 7.2 million
ABG Heavy Industries Limited v. Mohsin Brothers	District Court, Vishakapatnam.	ABG Heavy Industries filed an appeal against the order of the Illrd Additional Junior Civil Court Judge at Vishakapatnam for recovery of Rs.56,350 plus interest in respect of amount due towards work contract.	Appeal is pending	Rs. 56,350/- plus interest.
ABG Heavy Industries Limited v. Rajdoot Enterprises	Principal District Judge, Vishakapatnam.	ABG Heavy Industries has filed an appeal against the order of the IInd Junior Civil Court Judge at Vishakapatnam for recovery of Rs.81,768 plus interest in respect of the work orders.	Appeal pending	Rs. 81,768/- plus Rs. 12,265/- interest.

Commercial Litigation filed by the Company

Parties	Authority Before Which Pending	Brief Particulars of the Suit/Appeal	Status	Amount of Liability Involved
Kakani Naga Raju proprietor of Saradhi Industries v. ABG Heavy Industries Limited	Illrd District Judge at Vishakapatnam	Suit filed by Kakani Nagaraju for the realization of Rs. 3.2 million with interest for the work of fabrication, erection and testing of ducting for pelletisation plant at Vishakapatnam	ABG Heavy Industries has challenged the jurisdiction of the court and requested for transfer of the case to a competent court of Mumbai.	Rs. 3.2 million including interest and court fees of Rs. 35,226/-
Hindustan Engineering & Construction Company Limited v. ABG Heavy Industries Limited	Senior Civil Judge, Vishakapatnam.	Hindustan Engineering and Construction Company Limited has a suit for recovery of payments to be made by ABG Heavy Industries Limited for work order dated June 6, 1997 at the project site of Hindustan Petroleum Corporation Limited.	ABG Heavy Industries Limited has challenged jurisdiction of the court and raved for transfer of the case to a competent court in Mumbai.	Rs.0.4 million plus interest.

Parties	Authority Before Which Pending	Brief Particulars of the Suit/Appeal	Status	Amount of Liability Involved
Jayamukhta Electronics v. ABG Heavy Industries Limited	Senior Civil Judge, Vishakapatnam	Jayamukhta Electronic has filed a suit for realization of Rs. 0.2 million plus interest.	Suit pending	Rs. 0.2 million plus interest.
S. Narasinga Rao v. ABG Heavy Industries Limited	III Senior Civil Judge, Vishakapatnam	S. Narasinga Rao has filed a suit for realization of Rs. 2.0 million under work order dated August 8, 1997	Case is pending before III Senior Civil Judge, Vishakapatnam	Rs. 2 million plus interest
Suryakiran Enterprises v. ABG Heavy Industries Limited	III Senior Civil Judge	Suryakiran Enterprises has filed a suit for realization of payment of Rs. 0.2 million in respect of two purchase/work orders dated June 13, 1997.	Case pending in III Senior Civil Judge, Vishakapatnam	Rs. 0.2 million plus interest
Mazid Enterprises v. ABG Heavy Industries Limited	III Senior Civil Judge	SMazid Enterprises has filed a suit for realization of Rs. 0.13 million for the work executed under work order dated October 10, 1997.	Case is pending before III Senior Civil Judge, Vishakapatnam	Rs. 0.13 million plus interest.
Amit Engineers v. ABG Heavy Industries Limited	IIInd Additional Junior Civil Judge, Vishakapatnam	Amit Engineers has filed a suit for the realization of Rs. 54,905/- as payment for supply of welding electrodes under work order dated June 17, 1997.	Case pending before IIInd Additional Junior Civil Judge.	Rs. 54,905/- plus interest.
Kailash Steel Enterprises v. ABG Heavy Industries Limited.	IIInd Senior Civil Judge, Vishakapatnam.	Kailash Steel Enterprises has filed a suit for realization of bill amount of Rs. 0.1 million as payment for 12 mm size M.S. Plates.	Case is pending before IIInd Senior Civil Judge. ABG Heavy Industries Limited has challenged jurisdiction of the court and rayed for transfer of the case to a competent court in Mumbai.	Rs. 0.1 million plus interest.
Sterling Enterprises v. ABG Heavy Industries Limited	IIInd Additional District Judge, Vishakapatnam.	Sterling Enterprises has filed a suit for recovery of Rs. 0.3 million plus interest and 8% difference in sales tax under Andhra Pradesh Government Sales Tax Act and Central Sales Tax Act.	ABG Heavy Industries Limited has challenged jurisdiction of the court and rayed for transfer of the case to a competent court in Mumbai.	Rs. 0.3 million plus interest and difference in sales tax.

ABG SHIPYARD LIMITED

Parties	Authority Before Which Pending	Brief Particulars of the Suit/Appeal	Status	Amount of Liability Involved
Manoz Dugar v. ABG Heavy Industries Limited	Ist Additional Senior Civil Judge, Vishakapatnam.	Manoz Dugar has filed a suit for recovery of bill amount of Rs. 0.15 million plus interest at the rate of 30% as agreed upon in the contract for the supply of electrical goods on credit.	Ist Additional Senior Civil Judge has passed a decree dated December 18, 2003 directing ABG Heavy Industries to pay Rs. 0.21 million with interest @ 6% per annum from February 4, 1999 and also to pay Rs. 11,108/- towards cost of suit.	Rs. 0.21 million plus Rs.11,108/- (cost of suit) plus 6% interest rate.
M/s. Reach (Cargo Movers) v. ABG Heavy Industries Limited	High Court, Bombay	M/s. Reach (Cargo Movers) has filed a petition for winding up of ABG Heavy Industries Limited as it has been alleged that ABG Heavy Industries Limited have failed and neglected to pay the dues of Rs. 1.5 million despite statutory notice.	This petition has been dismissed vide order dated June 25, 1999 as ABG Heavy Industries has paid the undisputed amounts and the case has been transferred to a Commercial Causes Court. The case is pending before the Commercial Causes Court.	Rs. 1.5 million plus interest at 18%.
Hindustan Petroleum Corporation Limited v. ABG Heavy Industries Limited	Sole Arbitrator	ABG Heavy Industries Limited was awarded contracts at Vizag by Hindustan Petroleum Corporation Limited. ABG Heavy Industries Limited executed the work however, a fire explosion took place at the site. It is alleged that HPCL has received Rs. 1000 million towards insurance claims. ABG Heavy Industries Limited has intimated HPCL on the losses caused to them. However, ABG Heavy Industries Limited has not been compensated. Hindustan Petroleum Corporation Limited has filed claims on the ABG Heavy Industries Limited and the matter subsequently referred for arbitration.	A common memo has been filed by ABG Heavy Industries Limited on April 15, 2003.	Rs. 55.5 million plus interest @ 24% per annum

Securities:

Parties	Authority Before Which Pending	Brief Particulars of the Suit/Appeal	Status	Amount of Liability Involved
Show Cause notice dated June 23, 2004 issued by SEBI	Adjudication Officer appointed under Section 151 of the SEBI Act, 1996	SEBI has vide letter dated June 23, 2004 issued to ABG Heavy Industries Limited alleged that the ABG Heavy Industries has violated Regulations 6(2) and 6(4) for 1997 of the SEBI (SAST) Regulations, 1997, and Regulation 8(3) of the SEBI (SAST), 1997 for 1998, 1999, 2000, 2001 and 2002 and hence liable under Section 15A of the SEBI Act, 1996 for a penalty of Rs.0.1 million for each day during which such failure continues or Rs. 1 crore, whichever is less. ABG Heavy Industries Limited has submitted its reply vide letter dated July 22, 2004 stating that there has not been a per se violation of the regulations as there has been no change in the shareholding and the same is a technical irregularity.	Pending before the Adjudication Officer	Rs.1 million

The securities of ABG Heavy Industries Ltd. have been suspended from trading on the National Stock Exchange of India Ltd. with effect from July 23, 2001 on account of violation of Clauses 30, 31(d), 35, 40(a), 40(b) and 41 of the Listing Agreement. The ABG Heavy Industries Ltd. has provided the proof of compliance of the above clauses to NSE. However, the suspension on trading of securities of ABG Heavy Industries Ltd. has been continued by NSE.

ABG Heavy Industries Ltd. has passed a special resolution at its Annual General Meeting held on September 30th 2003 for delisting its securities from The Stock Exchange-Ahmedabad, The Delhi Stock Exchange Limited, and the National Stock Exchange of India Limited. The delisting has been in compliance with the applicable provisions of the Companies Act, 1956, Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003. NSE has vide its letter dated July 30, 2005 to the ABG Heavy Industries approved the delisting of the securities with effect from July 21, 2005.

2. ABG Shipping Limited

Five claims have been made against ABG Shipping Limited in respect of damage caused by its vessel, M.V. Keshav on account of the tsunami on December 26th, 2004. The details are as follows:

Name of Claimant	Amount
MV Canadian Express	Amount not ascertained
MV Gem of Tuticorin	Amount not ascertained
Dharani Sugars and Chemicals Limited	More than Rs.2.9 million
Headquarters Coast Guard Region (East)	Not ascertained at the moment

The above claims have not yet culminated into litigation.

D. CONTINGENT LIABILITIES NOT PROVIDED FOR

For ABG Shipyard Limited

- In respect of performance/ delivery guarantees given by the banks to the buyers Rs. 284 million.
- In respect of certain disputed taxes, our Company has approached appropriate authorities such as Income tax settlement commission for settling disputes. The final settlements are awaited. Pending such decisions, our Company has a contingent liability, which cannot be determined till disposal.

E. SMALL SCALE UNDERTAKINGS

We or any of our Promoter(s) or Group Companies do not owe amount to any small scale undertaking(s) or any other creditor exceeding Rs. 100,000 which is outstanding more than 30 days.

ABG SHIPYARD LIMITED

LICENSES AND APPROVALS

In view of the approvals listed below, we can undertake this Issue as well as our current business activities and no further major approvals are required from any Government authority for us to continue our activities.

Approvals for our Business

We have received the following Government approvals / licenses / permissions:

- (a) Registration certificate dated December 28th 2004 for undertaking all types of refit of FPVs/IPVs/SDBs/IBs at Surat issued by Director General of India Coast Guard, Ministry of Defence, Gol. The certificate shall be valid for a period of two years from December 19th 2004.
- (b) Certificate of registration as Ship Repairing Unit (Certificate number: DCS/SRU/2004/07) dated July 15th 2004 for carrying on repair of sea going ships issued by Directorate General of Shipping, Mumbai. This certificate shall be valid from July 15th 2004 to February 5th 2007.
- (c) This consent has been granted under Section 25 of the Water (Prevention and Control of Pollution) Act 1974 and under Section 21 of the Air (Prevention and Control of Pollution) Act 1981.
 - (a) Consent and Authorization dated June 28th 2004 for use of outlet for the discharge of trade effluent and emission due to operation of industrial plant for manufacture of fabrication of steel ship (650) and fabrication of steel WMT (200) issued by Gujarat Pollution Control Board. This certificate shall be valid up to March 31st 2009.
 - (b) Consent and Authorization dated June 28th 2004 for the management and handling of hazardous wastes (oil and discarded drums) located at Surat premises issued by Gujarat Pollution Control Board. This certificate shall be valid up to March 31, 2009.
- (d) CRZ Clearance vide letter number ENV-10-2003-11-P dated November 3rd 2004 for construction of outfit jetty at ABG Shipyards at Surat issued by Forests and Environment Department, Gandhinagar. This clearance shall be valid for a period of three years from the date of issue.
- (e) Det Norske Veritas Management System Certificate (Certificate number 00330-2004-AQ-BOM-RVA) dated March 4th 2004 issued by DNV Certification B.V., Netherlands. The certificate states that the quality management system of our Company has been found to conform to the Quality Management System standard: ISO 9001: 2000. The certificate shall be valid until February 5th 2007.
- (f) Service Tax Certificate of Registration dated January 29th 2004 issued by Superintendent of Central Excise and Customs, Surat under Section 69 of the Finance Act 1994. The Service Tax Registration number is AACCA2731PST001.
- (g) Certificate of Importer-Exporter Code (IEC) issued by Ministry of Commerce, Gol on December 1st 1995. The PAN number is AACCA2731P and the IEC number is 0388221054.
- (h) Acknowledgment of Memorandum (Number: 1028/SIA/IMO/2000) dated April 25th 2000 for manufacture of wind mill tower at Surat issued by Entrepreneurial Assistance Unit, Secretariat for Industrial Assistance, Ministry of Commerce and Industry, Gol.
- (i) Acknowledgment of Memorandum (Number: 1027/SIA/IMO/2000) dated April 25th 2000 for manufacture of ocean going ships at Surat issued by Entrepreneurial Assistance Unit, Secretariat for Industrial Assistance, Ministry of Commerce and Industry, Gol.
- (j) Central Sales Tax Registration Certificate (Number 117485) dated February 9th 1990 effective from November 10th 1989 issued by Sales Tax Officer, Unit 5, Surat under the Central Sales Tax (Registration and Turnover) Rules 1957.
- (k) Gujarat Sales Tax Registration (Number 2223000988) dated June 6th 2002 effective from July 1st 2002 issued by the Sales Tax Officer (1) Class-I, Unit 8, Surat under the Gujarat Sales Tax Act, 1969.

- (l) Gujarat Sales Tax Recognition Certificate (Number 520) June 16th 1990 for issuing Form 19 issued by the Sales Tax Officer (2), Surat under Section 32, Gujarat Sales Tax Act, 1969.
- (m) Factory Registration Number 37(3701) 537/issued by Chief Factory Inspector, Gujarat, License Number 78385.
- (n) Employee's Provident Fund Registration (Number MH/37521) dated November 15, 1991, effective from October 30, 1990 issued by the Regional Provident Fund Commissioner, Maharashtra and Goa, Schemes framed under Employee's Provident Fund and Miscellaneous Provisions Act, 1952.
- (o) Employee State Insurance Registration (Bombay) (Number 32838) dated July 7, 1993, effective from December 1, 1992 issued by the Regional Director, Bombay, Maharashtra under Section 2(12)/1/5 of Employee's State Insurance Act, 1948.
- (p) Certificate issued under the Bombay Shop & Establishments Act, 1948 with the Registration No.DII 10679 effective from December 13, 1993. (undated).
- (q) Permission obtained under the Customs Act, 1968 to operate warehouses issued by Assistant Commissioner, Central Excise, DN-IV, Surat dated July 7, 1989 of the Registration No. VIII/40-79/BWH/89 effective from 9th April, 1990. Approvals yet to be received for the purpose of the New Shipyard.

We are in the process of obtaining the following licenses / approvals / permissions for the purpose of the new shipyard

1. License under Factories Act 1948
2. Provident Fund Registration
3. Registration of Establishment under contract labour (R & A Act 1970 & Rules framed there under)
4. Sales Tax Registration
5. Service Tax Registration
6. Profession Tax Registration for Company as well as Employees
7. Income Tax Account Number
8. T.D.S. Registration
9. Excise Registration Certificate/ Excise Control Code Number (ECC).
10. Personnel Ledger Account under ECC.
11. Permission / Approval for construction of jetty from GMB.
12. International Ship & Port Safety (ISPS) code clearance.
13. Coastal Regulation Zone (CRZ) / Environmental clearance.
14. Permission from Gujarat Pollution Control Board (GPCB)
15. Manufacturing/Repairing under bond from Customs (Section 65 of Customs Act 1962).
16. Licence for private bonded warehouse.

ABG SHIPYARD LIMITED

MATERIAL DEVELOPMENTS

Our Directors confirm that there have been no adverse events that have occurred since the date of last Financial Statement as at September 30, 2005 which have affected the operations of our Company.

In the opinion of Directors of our Company, since the date of the last financial statement as at September 30, 2005 there have arisen no circumstances that materially or adversely affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next 12 months.

The Directors declare and confirm that no information /material likely to have a bearing on the decision of investors in respect of shares offered in terms of this Prospectus have been suppressed / withheld and/or incorporated in the manner that would amount to misstatement/ misrepresentation.

OTHER REGULATORY AND STATUTORY DISCLOSURES**Authority for the Issue****ABG Shipyard Limited**

“The Fresh Issue has been authorized a special resolution passed by the members of our Company at an Extra-Ordinary General Meeting of the shareholders of our Company held on March 10, 2005 pursuant to Section 81(1A) of the Companies Act, 1956 and a resolution passed by the Board of Directors in their meeting held on January 27, 2005.”

Prohibition by SEBI

Our Company, our Directors, our Promoters, the directors and persons in control of our Promoters, our Group Companies, other companies promoted by our Promoters and companies with which our Company's Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Eligibility for the Issue

As per Clause 2.2.1 of SEBI Guidelines, an unlisted company may make an initial public offering of equity shares, only if it meets the following conditions; with eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- We have net tangible assets of at least Rs.30 million in each of the preceding three full years (of 12 months each) of which not more than 50% are held in monetary assets.
- We have a track record of distributable profits as per Section 205 of Companies Act, during the immediately preceding five years, and is compliant with clause 2.2.1(b) of the SEBI Guidelines.
- We have a net worth of at least Rs.10 million in each of the preceding three full years of 12 months each;
- We have not changed our name in the last one year; and
- The aggregate of the proposed Issue and all previous issues made in the same financial year in terms of size (i.e. Issue through this Prospectus + firm allotment + promoters contribution through this Prospectus) does not exceed five (5) times our pre-issue net worth as per the audited balance sheet of the last financial year.

The following table shows the net tangible assets, distributable profits and net worth for the past three fiscal years in accordance with Indian GAAP:

Rs. in millions

IPO Eligibility Criteria	FY 2003	FY 2004	FY 2005
Net tangible assets	2055	2152	3076
Distributable profits, as per Section 205 of the Companies Act	85	56	502
Net worth*	414	485	988
Monetary Assets	707	581	616
Monetary Assets as a % of Net Tangible Assets	34%	27%	20%

* Net of revaluation reserves

Further in terms of Clause 2.2.2A of the DIP Guidelines, the prospective allottees shall be more than one thousand (1,000)

Further, the Issue is subject to the fulfilment of the following conditions as required by the Securities Contracts (Regulation) Rules, 1957:

- A minimum of 2,000,000 Equity Shares (excluding reservations, firm allotments and promoters contribution) are offered to the public;
- The Issue Size, which is the Issue Price multiplied by the number of Equity Shares offered to the public, is a minimum of Rs. 1,000 million; and
- The Issue is made through the Book Building Process with allocation of 60% of the Issue to Qualified Institutional Buyers, as defined under DIP Guidelines.

ABG SHIPYARD LIMITED

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN 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 DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, IL&FS INVESTSMART LTD. AND ICICI SECURITIES LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, BOOK RUNNING LEAD MANAGERS, IL&FS INVESTSMART LTD. AND ICICI SECURITIES LIMITED, HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED AUGUST 16, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

1. "WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, ETC. AND OTHER MATERIALS, MORE PARTICULARLY REFERRED TO IN THE ANNEXURE IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.
2. 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, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:
 - THE DRAFT RED HERRING PROSPECTUS 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;
 - THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;
 - BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND
 - WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.
3. WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS."

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF

THE RED HERRING PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC., ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND 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 BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

Disclaimer from our Company and the BRLM

Our Company, Our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, would be doing so at his or her own risk.

The BRLMs accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered amongst the BRLMs and us and the Underwriting Agreement to be entered amongst the Underwriters and us.

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

Our Company is obliged to update the Prospectus and keep the public informed of any material changes till the listing and trading of the Equity Shares offered in this Issue are commenced.

We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

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

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

ABG SHIPYARD LIMITED

Disclaimer Clause of Bombay Stock Exchange Limited

As required, a copy of the Red Herring Prospectus has been submitted to BSE (The Designated Stock Exchange).

“The Bombay Stock Exchange (“the Exchange”) has given vide its letter dated September 26, 2005, permission to this Company to use the Exchange’s name in the Red Herring Prospectus as one of the stock exchanges on which this Company’s securities are proposed to be listed. The Exchange has scrutinized the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The BSE does not in any manner:

- a) warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document or
- b) warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or
- c) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that the Red Herring Prospectus has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.”

NSE Filing

Our Company was also considering listing on the National Stock Exchange of India Limited (“NSE”) and accordingly a letter was written to NSE in this regard. We would like to inform that we do not intend to pursue the listing on the NSE and have requested NSE accordingly.

Filing

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, has been delivered for registration to the Registrar of Companies, CGO Complex, Opp. Rupal Park, B/L Ankur Bus Stand, Naranpura, Ahmedabad, Gujarat 380061 and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC.

A copy of the Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at Ground Floor, Mittal Court, “A” Wing, Nariman Point, Mumbai 400 021.

Listing

Applications have been made to the BSE for permission to deal in and for an official quotation of our Equity Shares. Bombay Stock Exchange Limited, shall be the Designated Stock Exchange with which the basis of allotment will be finalized for non-institutional portion and retail portion.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by the Stock Exchange mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within eight days after our Company become liable to repay it from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier then and every Director of our Company who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within 7 working days of finalization and adoption of the Basis of Allotment for the Issue.

Impersonation

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

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or*
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,*

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

Withdrawal of the Issue

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue anytime after the Bid/ Issue Opening Date without assigning any reason thereof.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to the Issue; and (b) Book Running Lead Managers to the Issue and Syndicate Members, Escrow Collection Bankers, Registrar to the Issue and Legal Advisor to the Company and Underwriters, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, located at Ahmedabad, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

M/s Nisar & Kumar, Chartered Accountants, and our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

M/s Nisar & Kumar, Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Prospectus and has not withdrawn such consent up to the time of delivery of this Prospectus for registration with the RoC.

Expert Opinion

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

Expenses for the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commissions, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. For the details of estimated Issue expenses please refer to Page 25 of this Prospectus

Underwriting Commission and Brokerage

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares.

Particulars Regarding Public Issues during the Last Five Years

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

Letters of Allotment or Refund Orders

We shall give credit to the Beneficiary Account with Depository Participants within two working days of finalization of the basis of allotment of Equity Shares. Our Company shall dispatch refund orders, if any, of value up to Rs. 1,500, by “Under Certificate of Posting”, and will dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first bidder's sole risk.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, our Company further undertakes that:

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- a) Allocation and allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/ Issue Closing Date;
- b) Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date; and
- c) Our Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if transfer is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an escrow collection bank(s) and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the bidders.

Issue Program

BID/ISSUE OPENS ON	:	NOVEMBER 18, 2005
BID/ISSUE CLOSSES ON	:	NOVEMBER 26, 2005

Bids and any revision in bids shall be accepted **only between 10 a.m. and 5 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) or uploaded till such time as may be permitted by the BSE on the Bid/Issue Closing Date.

Our Company reserves the right to revise the Price Band during the Bidding Period/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be widely disseminated by notification to the BSE by issuing a press release, and also by indicating the change on our web site and/or the BRLMs and at the terminals of the members of the Syndicate.

Issues otherwise than for Cash

Except as stated in the section entitled "Capital Structure" on page 13 of this Prospectus, we have not issued any Equity Shares for consideration otherwise than for cash.

Fees Payable to the BRLMs, Brokerage and Selling Commission

The total fees payable to the BRLMs including brokerage and selling commission for the Issue will be as per the memorandum of understanding executed between our Company and the BRLMS dated August 12, 2005 a copy of which are available for inspection at our Corporate Office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Registrar' memorandum of understanding dated June 17, 2005 copies of which is available for inspection at our Corporate Office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

Underwriting Commission and Brokerage on Previous Issues

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

PARTICULARS REGARDING LISTED COMPANIES UNDER THE SAME MANAGEMENT WHICH HAVE MADE ANY CAPITAL ISSUES DURING THE LAST 3 YEARS.**PROMISE VS PERFORMANCE IN RESPECT OF PREVIOUS ISSUES****For our Company:**

This being an Initial Public Issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Listed Ventures of the Promoters

Promise V/s Performance - Last one issue details as per Clause 6.12.20.2. Refer page 100 of this Prospectus.

Outstanding Debentures or Bond Issues or Preference Shares

We have no outstanding debentures or bond issues.

Stock Market Data for our Equity Shares

This being an Initial Public Issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Companies under the Same Management

There are no companies under the same management within the meaning of Section 370 (1B) of the Companies Act 1956, other than the subsidiaries and group Companies, details of which are provided in the section titled "Group Companies" on page 91 of this Prospectus.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Issue, Intime Spectrum Registry Limited and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit and refund orders to enable investors to approach the Registrar to the Issue for redressal of their grievances.

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

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

We have appointed Mr. Manoj Raichandani as the Compliance Officer and he may be contacted in case of any pre-Issue or post Issue related problems. He can be contacted at our Corporate Office.

Changes in Auditors during the last three financial years and reasons thereof

There have been no changes of the auditors in the last three years.

Capitalization of Reserves or Profits

We have not capitalized our reserves or profits at any time, except as stated in the section entitled "Capital Structure" on page 13 of this Prospectus.

Revaluation of Assets

We have revalued our assets in the past five years.

Details of borrowings in our Company

Please refer to page 71 in this Prospectus under "Financial Statements" for details of borrowings in our Company.

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TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of our Company, the terms of this Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of this Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Stock Exchanges, RoC and/or other authorities, as in force on the date of this Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank *pari passu* in all respects with the other existing shares of our Company including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of Allotment.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being issued in terms of this Prospectus at an issue price of Rs. 185 per share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws.

The face value of the shares is Rs. 10 and the Issue Price is 18.5 times of the face value.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Articles of Association of our Company.

For further details on the main provisions of our Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see "Main Provisions of Articles of Association of our Company" on page 145 of this Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares of our Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of our Company shall only be in dematerialized form for all investors. Since trading of our Equity Shares will be in dematerialized mode, the tradeable lot is one equity share. Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Shares to the successful bidders subject to a minimum Allotment of 35 Equity Shares.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares transferred, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the equity shares; or
- b. to make such transfer of the equity shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirements of the notice have been complied with.

Notwithstanding anything stated above, since the allotment in this Issue will be made only in dematerialised mode, there is no need to make a separate nomination with our Company. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue amount including devolvement of the members of the Syndicate, if any, within 60 days from the Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act.

Jurisdiction

The jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, India.

Subscription by Non Residents/NRIs/ FIIs/ Foreign Venture Capital Fund registered with SEBI /Multilateral and Bilateral Development Financial Institutions.

As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, there exist a general permission for the NRIs/ FIIs/ Foreign Venture Capital Fund registered with SEBI/Multilateral and Bilateral Development Financial Institutions to invest shares of an Indian company by way of subscription in a public issue. However, such investments would be subject to other investment restrictions under RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from the FIPB/RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for non-residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI and Multilateral and Bilateral Development Financial Institutions and all applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the policy of RBI, Overseas Corporate Bodies cannot participate in this Issue.

Application in Issue

Equity Shares being issued through this Prospectus can be applied for in the dematerialized form only.

Withdrawal of the Issue

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime including after the Bid Closing Date, without assigning any reason thereof.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "Qualified Institutional Buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

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ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process and in terms of Rule 19(2)(b) of the SCRR, wherein at least 60% of the Net Issue to the public shall be available for allocation on a discretionary basis to QIB Bidders. Further not less than 30% of the Net Issue to the public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 10% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Our Company, in consultation with the BRLMs would have the discretion to allocate to QIBs based on a number of criteria which would typically include but not be limited to the following: prior commitment, investor quality, price and earliness of bid. In case of Employee Reservation Portion, Non-Institutional Bidders and Retail Individual Bidders, we would have a right to reject the Bids only on technical grounds.

Investors should note that allotment to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment in physical form. The Equity Shares, on allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the application form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public including resident QIBs, Non Institutional Bidders and Retail Individual Bidders	White
NRIs and FIIs	Blue
Employees	Green

Who can Bid?

- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*." Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
- Indian Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission, as applicable);
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and who are authorised under their constitution to hold and invest in equity shares;

- NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Multilateral and Bilateral Development Financial Institutions; and
- Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Note: The BRLMs, the Syndicate Member and any associate of the BRLMs and Syndicate Member (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary and will not be eligible in the QIB Portion. Further, the BRLMs and Syndicate Member shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the Foreign Institutional Investor or sub-account ("FIIs") may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Application by Mutual Funds

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Application by NRIs

Bid cum application forms have been made available for NRIs at the Corporate Office of our Company.

Eligible NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. Eligible NRIs who intend to make payment through NRO Accounts shall use the Bid cum Application Form meant for resident Indians (Blue in color).

Application by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue capital (i.e. 10% of 5,092,180 Equity Shares of Rs. 10 each) Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date, no such resolution has been recommended to the shareholders of our Company for adoption.

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As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/ foreign venture capital investor.

Maximum and Minimum Bid Size

For Retail Individual Bidders: The Bid must be for a minimum of 35 Equity Shares and in multiples of 35 Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders portion. The cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

For Non-Institutional Bidders and QIB Bidders: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 35 Equity Shares thereafter. A Bid cannot be submitted for more than the Net Issue to the public. However, the maximum Bid by a QIB Bidder should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid Closing Date/Issue Closing Date.

For Employee Reservation Portion: The Bid must be for a minimum of 35 Equity Shares and in multiples of 35 Equity Shares thereafter.

In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'cut-off'.

Information for the Bidders

- (a) We will file the Red Herring Prospectus with the RoC at least three days before the Bid Opening Date/ Issue Opening Date.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares according to the terms of the Red Herring Prospectus and applicable law) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our Corporate Office or from any of the members of the Syndicate.
- (d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms which do not bear the stamp of the members of the Syndicate will be rejected.

Method and Process of Bidding

- (a) Our Company and the BRLMs shall declare the Bid Opening Date/Issue Opening Date, Bid Closing Date/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the RoC and also publish the same in two national newspapers (one each in English and Hindi) and a widely circulated regional newspaper in Gujarati. This advertisement shall contain the salient features of the Red Herring Prospectus in the nature of the specifications under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the BRLMs and the Syndicate Member and their bidding centers. The Syndicate Member shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- (b) Investors who are interested in subscribing for the Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.
- (c) The Bidding Period shall be a minimum of three days and not exceed seven days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and

Hindi) and a widely circulated regional newspaper in Gujarati and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 13 days.

- (d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details see the section titled "Issue Procedure" on page 126 of this Prospectus) within the Price Band and specify the demand (i.e. the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- (e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure-Build up of the Book and Revision of Bids" on page 132 of this Prospectus.
- (f) The Syndicate Member will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
- (g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- (h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the section titled "Issue Procedure-Terms of Payment and Payment into the Escrow Accounts" on page 130 of this Prospectus.

Bids at Different Price Levels

1. The Price Band was fixed at Rs. 155 to Rs. 185 per Equity Share of Rs. 10 each, Rs. 155 being the Floor Price and Rs. 185 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re. 1.
2. In accordance with SEBI Guidelines, our Company reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.
3. In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 13 days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English, Hindi and Gujarati), and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.
4. Our Company, in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
5. Bidders can bid at any price within the Price Band. Bidders have to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders and the Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non-Institutional Bidders and such Bids from QIB Bidders and Non Institutional Bidders shall be rejected.**
6. Retail Individual Bidders who bid at the Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off Price shall deposit the Bid Amount based on the Cap Price in the respective Escrow Accounts. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut-off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut off Price, shall receive the refund of the excess amounts from the respective Escrow Accounts/refund account(s).
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band

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(such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to the revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Escrow Accounts/refund account(s).
9. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 35 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Escrow Mechanism

We shall open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the respective Escrow Account. The Escrow Collection Bank(s) will act in terms of the Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the monies from the Escrow Accounts to the Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Accounts/refund account(s) as per the terms of the Escrow Agreement and this Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, who is required to pay Margin Amount greater than 0% shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details see the section titled "Issue Procedure-Payment Instructions" on page 137 of this Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Accounts, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders, i.e., Employee Reservation Portion, QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders, would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Basic Terms of the Issue" on page 27 of this Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder not later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the appropriate Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be rejected. However, if the members of the Syndicate, do not waive such payment, the full amount of payment has to be made at the time of submission of the bid form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had Bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid Closing Date/Issue Closing Date, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

- (a) The Syndicate Member will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.
- (b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Member and its authorised agents during the Bidding Period/Issue Period. Syndicate Member can also set up facilities for off-line electronic registration of Bids subject to the condition that it will subsequently download the off-line data file into the on-line facilities for book building on an half hourly basis. On the Bid Closing Date/ Issue Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) The aggregate demand and price for Bids registered on the electronic facilities of NSE and BSE will be downloaded on an half hourly basis, consolidated and displayed on-line at all bidding centers. A graphical representation of the consolidated demand and price would be made available at the bidding centers and the websites of the Stock Exchanges during the Bidding Period/Issue Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
 - Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.);
 - Investor Category –Individual, Corporate, FII, NRI or mutual fund, etc.;
 - Numbers of Equity Shares Bid for;
 - Bid price;
 - Bid cum Application Form number;
 - Whether payment is made upon submission of Bid cum Application Form; and
 - Depository Participant identification no. and client identification no. of the demat account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) In case of QIB Bidders, the members of the Syndicate also have the right to accept the Bid or reject it without assigning any reason. In case of Bids under the Employee Reservation Portion, Non-Institutional Portion and Bids under the Retail Portion, Bids would not be rejected except on the technical grounds listed in this Prospectus.
- (h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by us or the BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme or project of our Company.
- (i) It is also to be distinctly understood that the approval given by BSE should not in any way be deemed or construed that this Prospectus has been cleared or approved by BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on BSE.

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Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the Syndicate Member shall be electronically transmitted to the NSE or BSE mainframe on a half hourly basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLMs on a half hourly basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Prospectus. In case of QIB Bidders, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (h) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

- (a) After the Bid Closing Date/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with us.
- (b) Our Company, in consultation with the BRLMs, shall finalise the "Issue Price", the number of Equity Shares to be allotted in each portion and the allocation to successful QIB Bidders. The allocation will be decided based *inter alia*, on the quality of the Bidder, and the size, price and time of the Bid.
- (c) The allocation for QIB Bidders for at least 60% of the Net Issue would be discretionary. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 10% and 30% respectively of the Net Issue would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Allocation to QIBs, Non Residents, FIIs and NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by RBI while granting permission for allotment of Equity Shares to them.
- (e) The BRLMs, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (f) We reserve the right to cancel the Issue any time after the Bid Opening Date/Issue Opening Date without assigning any reasons whatsoever.
- (g) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid Closing Date/Issue Closing Date.

Signing of Underwriting Agreement and Filing with the RoC

- (a) Our Company, the BRLMs and the Syndicate Member shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.

- (b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with the RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by our Company after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

- (a) The BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.
- (b) The BRLMs or members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Accounts at the time of bidding shall pay in full the amount payable into the Escrow Accounts by the Pay-in Period specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allotted to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

- Check if you are eligible to apply;
- Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour), as the case may be;
- Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;
- Ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- Ensure that you have been given a TRS for all your Bid options;
- Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more and attach a copy of the PAN Card and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN along with the application for the purpose of verification of the number, with the Bid cum Application Form. In case you do not have a PAN, ensure that you provide a declaration in Form 60 prescribed under the I.T. Act along with the application; and
- Ensure that the Demographic Details are updated, true and correct in all respects.

Don'ts:

- Do not Bid for lower than the minimum Bid size;
- Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the Price

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Band;

- Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- Do not pay the Bid Amount in cash;
- Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;
- Do not Bid at Cut-off Price (for QIB Bidders, Non-Institutional Bidders, for whom the Bid Amount exceeds Rs. 100,000);
- Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Net Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- Do not submit Bid accompanied with Stockinvests.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

- Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRIs and FIIs and applying on repatriation basis).
- Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- The Bids from the Retail Individual Bidders must be for a minimum of 35 Equity Shares and in multiples of 35 thereafter subject to a maximum Bid Amount of Rs. 100,000.
- For Employees Reservation Category, the Bid must be for a minimum of 35 Equity shares and in multiples of 35 thereafter.
- For Non-institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 35 Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- Thumb impressions and signatures other than in the languages specified in the Eighth Schedule of the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Permanent Employees of our Company

For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees/Directors of our Company.

Bids under Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. Green colour Form).
- Eligible Employees, as defined above, should mention the following at the relevant place in the Bid cum Application Form:
 - Employee Number
 - The sole/ first bidder should be Eligible Employees as defined above.
 - Only Eligible Employees would be eligible to apply in this Issue under this Reservation Portion.
 - Bids by Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
 - Eligible Employees who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Eligible Employees whose minimum Bid amount exceeds Rs. 100,000.

- The maximum bid in this category by any Eligible Employee cannot exceed 200,000 Equity Shares.
- Bid/ Application by Eligible Employees can be made also in the “Net Issue to the Public” and such bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 200,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- Under-subscription in this category would be added back to the Net Issue.
- If the aggregate demand in this category is greater than 200,000 equity shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to para “Basis of Allotment” on page 139 of this Prospectus.

Bidder’s Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant’s name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor our Company shall have any responsibility and undertake any liability for the same.

Bidder’s Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT’S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant’s name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (“Demographic Details”). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorise the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither we nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant’s identity (DP ID) and the beneficiary’s identity, then such Bids are liable to be rejected.

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Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made pursuant to a power of attorney by FII's, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we and the BRLMs may deem fit.

We, in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids by NRIs

NRI bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from the Registrar to the Issue or BRLMs whose addresses are printed on the cover page of the Red Herring Prospectus.
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

Bids by NRIs and FIIs on a repatriation basis

Bids and revision to Bids must be made:

- On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three).
- By FIIs for a minimum of such number of Equity Shares and in multiples of 35 thereafter that the Bid Amount exceeds Rs. 100,000. For further details see section titled "Issue Procedure-Maximum and Minimum Bid Size" on page 128 of this Prospectus.
- In the names of individuals, or in the names of FIIs, or in the names of foreign venture capital funds, multilateral and bilateral development financial institutions, but not in the names of minors, firms or partnerships, foreign nationals (including NRIs) or their nominees and foreign venture capital investors.
- Refunds, dividends and other distributions, if any, will be payable in Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Rupee drafts purchased abroad, such payments in Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by RBI at the rate of

exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

- It is to be distinctly understood that there is no reservation for NRIs and FIIs. All NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

We shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

(a) Payment into Escrow Account

- The Bidders for whom the applicable Margin Amount is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
- In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.
- The payment instruments for payment into the Escrow Account should be drawn in favour of:
 - In case of Resident Bidders: **“Escrow Account – ABG Public Issue”**
 - In case of Non Resident Bidders: **“Escrow Account – ABG Public Issue-NR”**
 - In case of Employees: **“Escrow Account – ABG Public Issue –Employees”**

In case of bids by NRIs applying on a repatriation basis, the payments must be made through Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in the NRE Accounts or the Foreign Currency Non-Resident Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non Resident Ordinary (NRO) Account of the Non Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to the NRE Account or the Foreign Currency Non-Resident Account.

In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

- Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Accounts.
- The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Banker to the Issue.
- On the Designated Date and no later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Bank(s) shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers’ clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvests/money orders/postal orders will not be accepted.

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Payment by Stock invest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn with immediate effect. Hence, payment through stockinvest would not be accepted in this issue.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Each member of the Syndicate may, at its sole discretion, waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all portion.

PAN Number

Where the maximum Bid for Equity Shares by a Bidder is for the total value of Rs. 50,000 or more, i.e. the actual numbers of Equity Shares bid for multiplied by the bid price is Rs. 50,000 or more, the Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her Permanent Account Number (PAN) allotted under the I.T.Act and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN ("PAN Communication") along with the application for the purpose of verification of the number. Bidders who do not have PAN are required to provide a declaration in Form 60 prescribed under the I.T.Act along with the application. Bid cum Application Forms without this photocopy/ PAN Communication/ declaration will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

Unique Identification Number – MAPIN

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/quote UIN under the MAPIN Regulations/ Circulars vide its circular MAPIN/ Cir- 13/2005.

Our right to Reject Bids

We and the BRLMs reserve the right to reject any Bid without assigning any reason therefore in case of QIB Bidders. In case of Employee Reservation Portion, Non-Institutional Bidders and Retail Individual Bidders who Bid, we have a right to reject Bids on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on among others on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;
- Age of First Bidder not given;
- In case of partnership firms, shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;

- Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- PAN photocopy/ PAN Communication/ Form 60/Form 61 declaration not given if Bid is for Rs. 50,000 or more;
- UIN Number not given for Body Corporates;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bank account details for refund are not given;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders applying for greater than 100,000 Equity Shares;
- Bids for number of Equity Shares, which are not in multiples of 35;
- Category not ticked;
- Multiple Bids as defined in this Prospectus;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvests/money order/postal order/cash;
- Signature of sole and /or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the BRLMs or the Syndicate Member;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not submitted by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid Opening Date/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure–Bids at Different Price Levels" at page 129 of this Prospectus;
- Bids by OCBs; and
- Bids by US Persons other than "Qualified Institutional Buyers" as defined in Rule 144A under the Securities Act.

Basis of Allotment or Allocation

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue size less allotment to Non-Institutional Bidders and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 2,490,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 2,490,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 35 Equity Shares and in multiples of 35 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

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- The Net Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 830,000 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 830,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 35 Equity Shares and in multiples of 35 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allocation would be decided by us in consultation with the BRLMs and would be at our sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid. The aggregate allocation to QIB Bidders shall not be less than 4,980,000 Equity Shares.

D. For Employees Reservation Portion

- Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 200,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 200,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 35 Equity Share. For the method of proportionate basis of allocation, refer below.
- Only employees as defined in the Red Herring Prospectus are eligible to apply under Employee Reservation Portion.

The unsubscribed portion, if any, out of the Equity Shares in the Employee Reservation Portion will be added back to the Net Issue. Under-subscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spill over from any other category at the sole discretion of our Company and the BRLMs.

Method of proportionate basis of allocation in the Retail and Non-Institutional Portions

Bidders will be categorized according to the number of Equity Shares applied for by them.

- (a) The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.
- (c) If the proportionate allotment to a Bidder is a number that is more than 35 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- (d) In all Bids where the proportionate allotment is less than 35 Equity Shares per Bidder, the allotment shall be made as follows:
 - Each successful Bidder shall be Allotted a minimum of 35 Equity Shares; and
 - The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above; and

- (e) If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.

Equity Shares in Dematerialised Form with NSDL or CDSL

The allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

- a tripartite agreement dated July 7, 2005 with NSDL, us and Registrar to the Issue; and
- a tripartite agreement dated July 1, 2005 with CDSL, us and Registrar to the Issue. This is to be executed prior to the filing of the Red Herring Prospectus with the RoC.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- Non-transferable allotment advice or refund orders will be directly sent to the Bidders by the Registrar.
- If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- The trading of the Equity Shares of our Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Impersonation

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

"Any person who:

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

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Undertakings by our Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that the refund orders or allotment advice to the successful Bidders shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through the Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Registrar to the Issue

We shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Utilisation of Issue Proceeds

The Board of Directors of our Company certifies that:

- all monies received out of the Fresh Issue of Equity Share to the public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of the Fresh Issue of Equity Share shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Fresh Issue of Equity Share, if any, shall be disclosed under the appropriate separate head in the balance sheet of our Company indicating the form in which such unutilised monies have been invested;
- Our Company shall not have any recourse to the Fresh Issue of Equity Share proceeds until the approval for trading the Equity Shares is received from the Stock Exchanges.
- The utilisation of monies received under Promoters' contribution shall be disclosed under an appropriate head in the balance sheet of our Company indicating the purpose for which such monies have been utilized; and
- The details of all unutilised monies out of the funds received under Promoters' contribution shall be disclosed under a separate head in the balance sheet of our Company indicating the form in which such unutilised monies have been invested.

Our Company shall not have any recourse to the Issue proceeds until the approval for trading the Equity Shares is received from the Stock Exchanges. Pending utilisation of the proceeds of the Fresh Issue as specified under the heading "Objects of the Issue", the net proceeds from the Fresh Issue may be invested by our Company in interest bearing liquid instruments including deposits with banks.

Disposal of Applications and Applications Money and Interest in Case of Delay in Dispatch of Allotment Letters/ Refund Orders

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalisation of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post only at the sole or First Bidder's sole risk and adequate funds for the purpose shall be made available to the Registrar by us.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalisation of the basis of allotment.

In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, we further undertake that:

- Allotment shall be made only in dematerialised form within 15 days of the Bid Closing Date/Issue Closing Date;
- dispatch refund orders within 15 days of the Bid Closing Date/Issue Closing Date would be ensured; and
- we shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

We will provide adequate funds required to the Registrar of the Issue for dispatch of refund orders or allotment advice.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank(s) and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in shares and convertible debentures of an Indian company is regulated through the foreign direct investment policy of the Gol ("FDI Policy") and by the Reserve Bank of India ("RBI") as per the provisions of the Foreign Exchange Management Act, 1999 ("FEMA") and rules, regulations and guidelines there under. While the FDI Policy lays down the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA, along with rules, regulations and guidelines there under, regulates the precise manner in which such investment may be made. Under the FDI Policy, unless specifically restricted, foreign direct investment is freely permitted in all sectors of Indian economy and without any prior approvals, but person's resident outside India are required to follow prescribed procedures for making such investment. In the event an approval of the Gol is required, the same may be obtained through the Foreign Investment Promotion Board ("FIPB").

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

In the Ship building Industry FDI upto 100% is allowed on the automatic route with no entry-level condition.

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RIGHTS OF MEMBERS

The Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission see the section titled "Main Provisions of the Articles of Association" on page 145 of this Prospectus.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI guidelines, the important provisions of the Articles of Association of our Company relating to, inter alia, members voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and debentures and process for modification of the same and on their consolidation and splitting are detailed below. Please note that the each provisions herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

CAPITAL INCREASE AND REDUCTION OF CAPITAL

3. The authorised Share Capital of the company is Rs.1, 00,00,00,000/- (Rupees One Hundred Crores Only) divided into 10,00,00,000/- (Ten Crores Only) Equity Shares of Rs.10/- each.
4. Subject to these Articles, the Company in General Meeting may, from time to time, increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amount, as the resolution shall prescribe. Subject to the provisions of the Act, any share of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof, shall direct, and if no direction is given, as the Directors shall determine; and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company, and with a right of voting at general meeting of the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of these Articles, the Directors shall comply with the provisions of Section 97 of the Act.
5. Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and instalments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.
6. Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue Preference Shares, which are liable to be redeemed, and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.
8. The Company may (subject to the provisions of Section 78, 80 and 100 to 105 inclusive, of the Act) from time to time by Special Resolution, reduce its share capital and any capital Redemption Reserve Account or Share Premium Account in any manner for the time being authorised by law and in particular capital may be paid off on the footing that it may called upon again or otherwise. This Article is not to derogate from any power the Company would have if it were omitted.
9. Subject to the provisions of Section 94 of the Act the Company in General Meeting may, from time to time, sub-divide or consolidate its shares, or any of them, and the resolution whereby any share is sub-divided, may determine, that, as between the holder of the shares resulting from such sub-division one or more of such shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the others or other. Subject to aforesaid the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
- 10.2 It is clarified for the avoidance of doubt that the Company undertakes not to use the Subscription Amount for meeting any redemption and/or buyback obligations to holder(s) of the existing Shares of the Company or any other equity or debt instruments issued by the Company or borrowings or debt, with the exception of working capital related borrowings.

SHARES AND CERTIFICATES

13. Subject to the provisions of Article 75B:
 - (a) and further subject to the provisions of the Act where at any time after the expiry of two years from the formation of the Company or the expiry of one year from the allotment of shares made for the first time after its formation whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, whether out of unmissed share capital or out of increased share capital, then such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in

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proportion, as nearly as circumstances admit, to the capital paid up on these shares at the date. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined. After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they think most beneficial to the Company.

(b) and notwithstanding anything contained in the preceding sub-clause the Company may :

- i. By a special resolution; or
- ii. Where no such special resolution is passed, if the votes cast (whether on a show of hands, or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company, offer further shares to any person or may not include the persons who at the date of the offer, are the holders of the equity shares of the Company.

(c) and notwithstanding anything contained in sub-clause (a) above, but subject, however, to Section 81 (3) of the Act, the Company may increase its subscribed capital on exercise of an option attached to the debentures issued or loans raised by the Company to convert such debenture or loans into shares, or to subscribe for shares in the Company.

16. In addition to and without derogating from the powers for that purpose conferred on the Board under Articles 13 and 14 the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such person (whether members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a member or not) the option to call for or be allotted shares of any class of the Company either (subject to compliance with the provisions of Section 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment, or disposal of any shares.
17. Any application signed by or on behalf an applicant for shares in the Company, followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is entered on the Register of Members shall, for the purposes of these Articles, be a Member.
18. The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by them, shall immediately on the insertion of the name of the allottee in the Register of Members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.
19. Every Member, or his heirs, executors, or administrator shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being, remain unpaid thereon, in such amounts, at such time or times, and in such manner as the Board shall, from time to time in accordance with the Company's regulations, require or fix for the payment thereof.
20. (a) Every Member or allottee of shares shall be entitled with or without payment to receive one share certificate specifying the name of the person in whose favour it is issued, the shares to which it relates and the amount paid-up thereon. Such certificate shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of its letter of allotment or its fractional coupons of requisite value, save in case of issues against letters of acceptance or of renunciation or in case of issue of bonus shares. Every such certificate shall be issued under the seal of the Company, which shall be affixed in the presence of two Directors or persons acting on behalf of the Directors under a duly registered power of attorney and the Secretary or some other person appointed by the Board for the purpose, and two Directors or their Attorneys and the Secretary or other person shall sign the share certificate, provided that if the composition of the Board permits of it, at least

one of the aforesaid two Directors shall be a person other than a Managing or whole time Director. Particulars of every share Certificate issued shall be entered in the Register of Members against the name of the person, to whom it has been issued, indicating the date of issue.

- (b) Any two or more joint allottees of a share shall, for the purpose of this Article, be treated as a single Member, and the certificate of any share, which may be the subject of joint ownership, may be delivered to anyone of such joint owners on behalf of all of them. For any further certificate the Board shall be entitled, but shall not be bound, to prescribe a charge not exceeding Rupee One. The Company shall comply with the provisions of Section 113 of the Act.
- (c) A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as engraving in metal or lithography, but not by means of a rubber stamp, provided that the Director shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.
21. (a) No certificate of any share or shares shall be issued either in exchange for those which are sub-divided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn out, or where the cages on the reverse for recording transfers have been duly utilised unless the certificate in lieu of which it is issued is surrendered to the Company.
- (b) When a new share certificate has been issued in pursuance of clause (a) of this Article, it shall state on the face of it and the stub or counterfoil to the effect that it is "issued in lieu of share certificate No. and sub-divided / replaced/on consolidation of shares".
- (c) If a share certificate is lost or destroyed, a new certificate in lieu thereof shall be issued only with the prior consent of the Board and on such terms, if any, as to evidence and indemnity as to the payment of out-of-pocket expenses incurred by the Company in investigating evidence, as the Board thinks fit.
- (d) When a new share certificate has been issued in pursuance of clause (c) of this Article, it shall state on the face of it and against the stub or counterfoil to the effect that it is "duplicate issued in lieu of share certificate No." and the word "Duplicate" shall be stamped or punched in bold letters across the face of the share certificate.
- (e) Where a new share certificate has been issued in pursuance of clause (a) or clause (c) of this Article, particulars of every such share certificate shall be entered in a Register of Renewal and Duplicate Certificates indicating against the name of the persons to whom the certificate is issued, the number and date of issue of the share certificate in lieu of which the new certificate is issued, and the necessary changes indicated in the Register of Members by suitable cross reference in the "Remarks" Column.
- (f) All blank forms to be issued for issue of share certificates shall be printed and the printing shall be done only on the authority of a resolution of the Board. The blank forms shall be consecutively machine numbered and the forms and the blocks, engravings, facsimiles and hues relating to the printing of such forms shall be kept in the custody of the Secretary or of such other person as the Board may appoint for the purpose and the Secretary or the other person aforesaid shall be responsible for rendering an account of these forms to the Board.
- (g) The Managing Director of the Company for the time being or, if the Company has no Managing Director, every Director of the Company shall be responsible for the maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates except the blank forms of shares certificates referred to in Sub-Article (f).
22. If any share stand in the names of two or more persons, the person first named in the Register of Members shall as regards receipt of dividends or bonus or service of notices and all or any other matter connected with Company, except voting at meetings, and the transfer of the shares, be deemed the sole holder thereof but the joint-holders of a share shall be severally as well as jointly liable for the payment of all instalments and calls due in respect of such share and for all incidents thereof according to the Company's regulations.
23. Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise any equitable, contingent, further or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as the holder thereof, but the Board shall be at liberty at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.

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24. None of the funds of the Company shall be applied in the purchase of any shares of the Company, and it shall not give any financial assistance for or in connection with the purchase or subscription of any shares in the Company or in its holding Company save as provided by Section 77 of the Act.
25. Either the Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act, as amended from time to time or any statutory modification thereto or re-enactment thereof.
26. Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing securities, rematerialise its securities held in the Depositories and / or offer its fresh securities in a dematerialised form pursuant to the Depositories Act, and the rules framed thereunder, if any.
27. Every person subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with a Depository.
30. Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be registered owner for the purpose of effecting transfer of ownership of security on behalf of the Beneficial Owner.
31. Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the security held by it.
32. Every person holding securities of the Company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a member of the Company. The Beneficial Owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a Depository.
33. Except as ordered by a Court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the name appears as the Beneficial Owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has express or implied notice thereof, but the Board shall be entitled at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.
35. Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a Participant, the Company shall cancel such certificate and substitute in its records the name of Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly.
40. Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares in physical form subject to the provisions of the Depository Act.

INTEREST OUT OF CAPITAL

47. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provision of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid up, for the period, at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building, or the provision of plant.

CALLS

48. The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such call as it thinks fit upon the Members in respect of all moneys unpaid on the shares held by them respectively and each Member shall pay the amount of every call so made on him to the person or persons and at all times and places appointed by the Board. A call may be made payable by instalments.
49. Whenever any calls for further share capital are made on shares, such calls shall be made on a uniform basis on all shares falling under the same class. For the purposes of this Article shares of the same nominal value of which different amounts have been paid up shall not be deemed to fall under the same class.

52. A call may be revoked or postponed at the discretion of the Board.
53. The joint-holder of a share shall be jointly and severally liable to pay all calls in respect thereof.
54. The Board may, from time to time at its discretion, extend the time fixed for the payment of any call, and may extend such time as to all or any of the Members who from residence at a distance or other cause, the Board may, deem fairly entitled to such extension but no Member shall be entitled to such extension save as a matter of grace and favour.
55. The Board may, from time to time at its discretion, extend the time fixed for the payment of any call, and may extend such time as to all or any of the Members who from residence at a distance or other cause, the Board may, deem fairly entitled to such extension but no Member shall be entitled to such extension save as a matter of grace and favour.
59. (a) The Board may, if it thinks fit, agree to and receive from any Member willing to advance the same, all or any part of the amounts of his respective shares beyond the sums, actually called up and upon the moneys so paid in advance or upon so much thereof, from time to time, and at any time thereafter as exceeds the amount of the calls then made upon and due in respect of the shares on account of which such advances are made the Board may pay or allow interest, at such rate as the Member paying the sum in advance and the Board agree upon. The Board may agree to repay at any time the amount so advanced or may at any time repay the same upon giving to the Member three months' notice in writing. Provided that moneys paid in advance of calls on any shares may carry interest but shall not confer a right to dividend or participate in profits.
(b) No Member paying any such sum in advance shall be entitled to voting rights in respect of the moneys so paid by him until the same would but for such payment become presently payable.
60. The Company shall have a first and paramount lien on every share (other than fully paid-up shares) for all moneys (whether presently payable or not) payable at a fixed time in respect of such share. PROVIDED THAT the Board may, at any time, declare any share to be wholly or in part exempt from the provisions of these Articles.

FORFEITURE OF SHARES

65. If any Member fails to pay any call or installment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may at any time thereafter, during such time as the call or installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.
66. The notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places on and at which such call or installment and such interest thereon at such rate as the Directors shall determine from the day on which such call or installment ought to have been paid and expenses as aforesaid are to be paid. The notice shall also state that, in the event of the non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or installment is payable, will be liable to be forfeited.
67. If the requirements of any such notice as aforesaid shall not be complied with, every or any share in respect of which such notice has been given, may at any time thereafter before payment of all calls or instalments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited share not actually paid before the forfeiture.
68. When any share shall have been so forfeited notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members but no forfeiture shall be in any manner invalidated by any commission or neglect to give such notice or to make any such entry as aforesaid.
69. Any share so forfeited shall be deemed to be the property of the Company and may be sold, re-allotted, or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.
70. Any member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, on demand all calls, instalments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon from the time of the forfeiture until payment at such rate as the Board may determine and the Board may enforce the payment thereof, if it thinks fit.

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71. The forfeiture of a share shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demands against the Company, in respect of the share and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.
74. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a duplicate or certificates in respect of the said shares to the person or persons entitled thereto.
75. The Board may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annual the forfeiture thereof upon such conditions as it think fit.

TRANSFER AND TRANSMISSION OF SHARES

- 75A.1 Notwithstanding anything contained herein, the Promoters shall not Transfer any of their Shares (“**Sale Shares**”) without providing the Investors with a right of first refusal to acquire the Sale Shares on terms no less favourable than those at which the Promoters intend to sell the Sale Shares. Such right of the Investors to purchase the Sale Shares shall be proportionate to their respective shareholding in the Company at the time of the issuance of the Sale Notice as set out herein.
- 75A.2 For the purpose of Article 75A. 1, the Promoter intending to sell any Shares shall, by notice in writing (“**Sale Notice**”) notify the Investors, the number of Sale Shares proposed to be sold and the price and other commercial terms at which the Sale Shares are proposed to be sold (which price and terms are collectively referred to as the “**Sale Price**”). Within 45 days of receipt of the Sale Notice, the Investors may agree to purchase or refuse to purchase the Sale Shares at the Sale Price intimated by in the Sale Notice, and may communicate the same to the Promoters.
- 75A.3. In the event that either Investor rejects or fails to communicate its decision to purchase the Sale Shares, the other Investor shall have a right to acquire the Sale Shares that the rejecting Investor was entitled to purchase.
- 75A.4. In the event of both Investors refusing the offer, or failing to communicate their acceptance of the offer, the selling Promoter shall be free to sell the Sale Shares set out in the Sale Notice to the Third Party purchaser on terms identical to those set out in the Sale Notice. Failure to complete such sale within a period if 45 days shall result in a lapse of such right, and any Transfer of any Shares thereafter by the Promoter shall once again be subject to the provisions of this Article 75A
- 75A.5. Upon receipt of acceptance of the offer from either or both Investors, the selling Promoter shall ensure a sale of the relevant Sale Shares to such Investor within a period of 45 days. Should such completion of the sale not be possible owing to pendency of any regulatory approval, the said period of 45 days shall stand extended by such period as necessary for securing the regulatory approval.
- 75A.6. The Company and the Promoters shall unconditionally ensure, that no purchase of any Shares by a Third Party purchaser who acquires shares pursuant to this Article 75A shall be effective unless such Third Party purchaser agrees in writing to be bound by the terms and conditions of the Agreement, with such changes as may be necessitated by prevalent circumstances, and amendments to these Articles of Association and, subject further to their signing a Deed of Adherence in the form set out in Schedule 7 to the Agreement.
- 75B.1 Notwithstanding anything to the contrary contained in these Articles, and notwithstanding the veto right of the Investors under Articles 126A.19 and 210A.19, or any other provisions of these Articles, the Company shall not issue any fresh equity, or securities/ rights convertible to fresh equity, at terms and valuation less favorable to the Company than the terms and valuation at which the Investor Securities are being subscribed to and purchased as detailed in Clause 3.2.1 of the Agreement, for a period of 12 months from Closing Date. Provided, if such a fresh issue is made by the Company, the Investors shall be suitably compensated by the Company and / or the Promoters such that their entry valuation is retrospectively adjusted to become less than or equal to the valuation proposed in the said fresh issue. The mechanism for implementing the said retrospective entry valuation adjustment will be mutually agreed upon between the Investors and the Company at the time of such adjustment.
- 75B.2 Without prejudice to Article 75B. 1, the Investors shall have a right of first refusal, for a period of 2 years from the date of listing of the Shares, to purchase upto its pro-rata share of any equity or equity-linked issue offered by the Company to financial investors at the same price, terms and conditions as the Company offers such securities to

the said financial investors. The right under this Article 75B 2 shall not apply to the IPO and issue of Shares by the Company to its employees under the Company's existing ESOP.

- 75B.3 The Company and the Promoters shall unconditionally ensure, that any and all further investors who agree to subscribe for any Shares or other equity or equity-linked securities in the Company by way of a preferential issue under this Article 75B, shall so subscribe or purchase the said securities, only after agreeing in writing to be bound by the terms and conditions of an agreement duly approved by the Investors, similar in form and content to the Agreement (with such changes as may be necessitated by prevalent circumstances) and these Articles and, subject further to their signing a Deed of Adherence in the form set out in Schedule 7 of the Agreement .
- 75C.1 Notwithstanding anything contained herein, the Promoters shall not Transfer any part of their Shares of the Company held by them directly or indirectly, except with prior written discretionary consent of the Investors except for transfers to any investment company wholly-owned by the Promoters.
- 75C 2. Notwithstanding anything contained herein, the Promoters shall be free to pledge or create a lien on their Shares in favour of scheduled commercial banks and development financial institutions in India, only for the purpose of raising debt finance for the Company, without the prior written consent of the Investors.
- Provided however, that the terms of the pledge entered into with such banks and financial institutions shall contain an express provision that any Transfer of the Shares so pledged, whether by the pledge, to the pledgee or at the instance of the pledgee, shall be subject to the Investors' rights under Article 75C. 1 and the right of the Investors to sell Shares held by the Investors as provided in Article 75D. Provided further that the pledgee shall acknowledge that the obligations of the Promoters as set out in Articles 75C and 75D shall stand vested in the pledgee.
- 75C3 The Promoters shall ensure that any time prior to the listing of the Shares pursuant to an IPO, the total shareholding of the Promoters in the Company shall not fall below 51% of the enhanced equity capital of the Company prior to the IPO. A breach by the Promoters of the provisions of this Article 75C shall constitute a material breach of the Agreement. In the event that the Shares are listed pursuant to an IPO, this Article 75C shall cease to have effect.
- 75D1 Notwithstanding anything contained herein, and without prejudice to the provisions of Articles 75C and 75A, whenever any of the Promoters desires to Transfer any of their Shares ("**Promoter Sale Shares**"), such Promoter shall by notice in writing ("Transfer Notice") notify the Investors of the number of Promoter Sale Shares proposed to be sold or Transferred by such Promoter(s) and the terms and conditions of the Transfer, including price ("**Issue Price**") and the name of the proposed purchaser ("Proposed Purchaser").
- 75D2 The Investors shall, within 45 days of the receipt of the Transfer Notice, have a right to Transfer all or a portion of their respective Shares, on the same terms and conditions (including the Issue Price) as the Promoters have intimated in the Transfer Notice, and shall communicate the same to the Promoters. The Promoters shall ensure that the Shares proposed to be Transferred by the Investors under this Article 75D are purchased by the Proposed Purchaser and the purchase consideration for the said sale duly remitted by the Proposed Purchaser to the Investors, prior to the sale of the Promoter Sale Shares by the Promoter.
- 75D3 Failure on the part of the Investors to communicate the exercise of their rights to Transfer the Shares as detailed in Article 75D. 2 shall be deemed to be a refusal by the Investors to Transfer the Shares held by them. In such an event, the Promoters shall be required to consummate the sale of the Promoter Sale Shares to the Proposed Purchaser within a period of 45 days on the terms and conditions contained in the Transfer Notice. In the event of a failure to so consummate the sale within the stipulated 45 days, any sale of Shares held by the Promoters shall once again be subject to the provisions of this Article 75D.
- 75D4 If the Proposed Purchaser is not willing to purchase all the Shares offered by the Investors and the Promoters, then, the Shares offered by the Investors shall be sold to the Proposed Purchaser on a first priority basis.
- 75E Notwithstanding anything to the contrary contained in these Articles, The Investors shall be always free and fully entitled to sell or otherwise Transfer any or all of its Shares held in the Company along with all attendant rights as contained herein, to any Person including independent third parties; provided that, (i) the Investors shall not, for a period of 48 months from Closing Date or till IPO Closing Date, whichever is earlier, without the written consent of Rishi Agarwal, sell any Shares to any Person who is a Competitor; (ii) the Investors shall not, for a period of 48 months from Closing Date or till IPO Closing Date, whichever is earlier, sell any Shares to any Person who is a strategic investor who is not a Competitor and not a financial investor, except without the attendant rights under Article 126A and 210A.

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- 75F The Investors shall not be required to pledge, mortgage, hypothecate, charge or otherwise encumber any part of the Shares, or Investor Securities held by the Investors, or otherwise offer any such securities as collateral to any Third Party for any purpose, including for providing financial support or a negative lien, including but not limited to the lenders of the Company. Subject to Applicable Law, the Shares held by the Investors shall not be subject to any lock-in during or after the IPO.
- 75G The Promoters and the Company covenant to issue not more than 1.00 million ESOP Shares towards the implementation of the ESOP scheme prior to filing of the IPO offer document with SEBI.
- 75H The Company and the Promoters undertake that they shall provide an exit to the Investors by way of listing of the Shares on the Stock Exchanges or such other means as would enable the Investors to exit within a period of 48 (Forty Eight) months from the Closing Date.
- 85 Subject to the provisions of the Act and Articles 60 and 61 any person becoming entitled to share in consequence of the death, lunacy, bankruptcy, insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the share or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered, he shall testify the election by executing in favour of his nominee an Instrument of Transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the shares. This clause is hereinafter referred to as the "transmission clause".
86. A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends or money as hereinafter provided, be entitled to receive, and may give a discharge for, any dividends or other moneys payable in respect of the share.
87. There shall be paid to the Company, in respect of the transfer or transmission of any number of shares to the same party, such fee, if and, as the Directors may require.
90. A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividend and other advantages to which he would be entitled if he were the registered holder of the shares, except that that he shall not, before being registered as a Member in respect of the shares, be entitled to exercise any right conferred by membership in relation to meetings of the Company PROVIDED THAT the directors shall, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the shares and if the notice is not complied with within ninety days, the directors may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the shares until the requirements of the notice have been complied with.

NOMINATION

91. Every shareholder or Debenture holders of the Company, may at anytime, nominate, in the prescribed manner, a person to whom his shares in, or debentures of the Company shall vest in the event of his death.
92. Where the shares in, or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company as the case may be, shall vest in the event of death of all the joint holders.
93. Notwithstanding anything contained in any other law for the time being a force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in or debentures of the Company, the nominee shall, on the death of the shareholder or Debenture holders or, as the case may be, on the death of the joint holders, become entitled to all the rights in such shares or debentures or, as the case may be, all the joint holders, in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied, cancelled in the prescribed manner.
94. Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares in or debentures of the Company, in the event of his death, during the minority.

TRANSMISSION OF SECURITIES BY NOMINEE

95. A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either –
- (a) to be registered himself as holder of the share or debenture, as the case may be; or
 - (b) to make such transfer of the share or debenture, as the case may be, as the deceased shareholder or Debenture holders, could have made;
 - (c) if the nominee elects to be registered as holder of the share or debenture, himself, as the case may be, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debenture holder as the case may be;
 - (d) a nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the share or debenture except that he shall not, before being registered as a member in respect of his share or debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable or rights accruing in respect of the share or debenture, until the requirements of the notice have been complied with.

BUY BACK OF SHARES

96. Subject to the other provisions of these Articles and provisions of sections 77A, 77AA, 77B and 217 (2B) of the Act, the Company is hereby authorised to buy-back the Company's shares or other specified securities out of its free reserves or its securities premium account or from the proceeds of any shares or other specified securities; Provided that no buy-back of any kind of shares or other specified securities shall be made out of the proceeds of an earlier issue of the same kind of shares or the same kind of other specified securities.

BORROWING POWERS

105. Subject to the provisions of Sections 58A, 292 and 293 of the Act the Board may, from time to time at its discretion by a resolution passed at a meeting of the Board, accept deposit from members either in advance of calls or otherwise and generally raise or borrow or secure the repayment of any sum or sums of money for the purposes of the Company. Provided, however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of the business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the Company in General Meeting.
106. Subject to the provisions of Article 68 hereof, the payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Ordinary Resolution shall prescribe including by the issue of debentures or debenture-stock of the Company, charged upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being and debentures, debenture-stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.
107. Any debentures, debentures stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at General Meetings, appointment of Directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in general meeting accorded by a Special Resolution. Any debentures, debentures stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at General Meetings, appointment of Directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in general meeting accorded by a Special Resolution.

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SHARE WARRANTS

110. The Company may issue share warrants subject to, and in accordance with, the provisions of Section 144 and 115 of the Act and accordingly the Board may in its discretion, with respect to any share which is fully paid, upon application in writing, signed by the person registered as holder of the share, from time to time, require as to identity of the person signing the application, on receiving the certificate (if any) of the share, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant.
111. The bearer of a share warrant may at any time deposit the warrant at the office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending and voting and exercising the other privileges of a Member at any meeting held after the expiry of two clear days from the time of deposits, as if his name was inserted in the Register of Members as the holder of the share including in the deposited warrant.

CONVERSION OF SHARES INTO STOCKS AND RECONVERSION

116. The Company in General Meeting may convert any paid-up shares into stock, and when any shares shall have been converted into stock, the several holders of such stock may thenceforth transfer their respective interest therein, or any part of such interest, in the same manner and subject to the same regulations as, and subject to which shares from which the stock arise might have been transferred if no such conversion had taken place or as near thereto as circumstances, will admit. The Company may at any time convert any stock into paid-up shares of any denomination.
117. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings, of the Company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets of winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

MEETINGS OF MEMBERS

118. The Company shall within a period of not less than one month nor more than six months from which it is entitled to commence business, hold the Statutory Meeting of the members of the Company subject to and in accordance with the provisions of Section 165 of the Act.
119. The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year. All General Meetings other than Annual General Meetings shall be called Extra-ordinary General Meetings. An Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall lapse between the date of one Annual General Meeting and that of the next.

Provided that it will be permissible to hold its first Annual General Meeting within a period of not less than eighteen months from the date of its incorporation; and if such meeting is held within that period it shall not be necessary for the Company to hold any Annual General Meeting in the year of its incorporation or in the following calendar year.

Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of Section 166 (i) of the Act to extend the time within which any Annual General Meeting may be held. Every Annual General Meeting shall be called for a time during business hours, on a day that is not a public holiday, and shall be held at the office of the Company or at some other place within the city in which the office of the Company is situate as the Board may determine and the notice calling the Meeting shall specify it as the Annual General Meeting. The Company may in any one Annual General Meeting fix the time for its subsequent Annual General Meetings. Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any General Meeting which he attends on any part of the business which concerns him as Auditor. At every Annual General Meeting of the Company there shall be laid on the table the Directors Report and Audited Statement of Accounts. Auditors' Report (if not already incorporated in the Audited Statement of Accounts), the Proxy Register with Proxies and the Register of Directors' shareholdings which latter Register shall remain open and accessible during the continuance of the meeting. The Board shall cause to be prepared the Annual List of Members, Summary of the Share Capital, Balance Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with Section 159, 161 and 220 of the Act.

127. Five Members present in person shall be a quorum for a General Meeting. The Quorum for the meeting shall be as provided in Section 174 of the Act.
130. The chairman (if any) of the Directors shall be entitled to take the Chair at every General Meeting, whether Annual or Extra-ordinary. If there be no such Chairman of the Directors, or if at any Meeting he shall not be present within fifteen minutes of the time appointed for holding such Meeting or if he shall be unable or unwilling to take the chair then the members present shall elect another Director as Chairman, and if no Director be present or if all the Directors present decline to take the Chair, then the Members present shall elect one of their number to be Chairman.
133. If in any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless before or on the declaration of the result of the show of hands a poll is ordered to be taken by the Chairman of the meeting of his own motion or unless a poll is demanded by any member or members present in person or by proxy and holding shares in the company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution or on which an aggregate sum of not less than Rupees 50,000 has been paid up the demand for a poll may be withdrawn at any time by the person or persons who made the demand.
134. Unless a poll is so demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Minutes Book of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution.
137. Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the vote given on the poll and to report thereon to him. One of the scrutineers so appointed shall always be a Member (not being an officer or employee of the Company) present at the Meeting provided such a Member is available and willing to be appointed. The Chairman shall have power at any time before the result of the poll is declared to remove a scrutineer from office and fill vacancies in the office of scrutineer arising from such removal or from any other cause.
138. Any poll duly demanded on the election of a Chairman of a Meeting or on any question of adjournment shall be taken at the Meeting forthwith.
139. The demand for a poll except on the questions of the election of the Chairman and on an adjournment shall not prevent the continuance of a Meeting for the transaction of any business other than the question on which the poll has been demanded.

VOTE OF MEMBERS

140. No Member shall be entitled to vote either personally or by proxy at any General Meeting or Meeting of a class of shareholders either upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has, and has exercised, any right of lien.
141. Subject to the provisions of these Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the Company, every Member, not disqualified by the last preceding Article shall be entitled to be present, and to speak and vote at such Meeting, and on a show of hands every Member present in person shall have one vote and upon a poll the voting right of every Member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company. Provided, however, if any preference shareholder be present at any Meeting of the Company, save as provided in clause (b) of sub-section (2) of Section 87, he shall have a right to vote only on resolutions placed before the Meeting which directly affect the rights attached to his preference shares.
145. Subject to the provisions of these Articles votes may be given either personally or by proxy. A body corporate being a Member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act and such representative shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual Member.

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MINUTES OF MEETING

155. The Company shall cause minutes of all proceedings of every General Meeting to be kept within thirty days of the conclusion of every such Meeting concerned entries thereof in books kept for that purpose with their pages consecutively numbered.
158. The minutes of each Meeting shall contain a fair and correct summary of the proceedings thereat.

DIRECTORS

163. Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors shall not be less than three and not be more than twelve including Ex-officio Directors/Nominee Directors /Investor Directors/ Debenture Directors and Alternate Directors.
164. Unless the above named First Directors of the Company resign or otherwise cease to hold office of Director, they shall hold such office upto the date of the First Annual General Meeting of the Company and thereafter the Directors shall be appointed in accordance with the provisions contained in these Articles.
- 173A.1 Each Investor shall have a right to nominate one director ("Investor Director") of Indian nationality on the Board.
- 173A.4 The Investor Directors shall be entitled to all the rights and privileges of other non-executive Directors including the sitting fees and expenses as payable to other non-executive Directors but if any other fees, commission, monies or remuneration in any form is payable to the Directors other than non-executive directors and/or fees or charges for services rendered by Directors other than in the capacity as a director, the fees, commission, monies and remuneration in relation to such Investor Directors shall accrue to the Investors and the same shall accordingly be paid by the Company directly to the Investors.
190. At every Annual General Meeting of the Company, one-third of such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, the number nearest to one-third shall retire from Office of Directors. The non-retiring Directors Ex-Officio Directors/Nominee Directors, Investor Directors and Debentures Directors, if any, shall not be subject to retirement under this clause and shall not be taken into account in determining the rotation of retirement or the number of Directors to retire.

PROCEEDINGS OF THE BOARD OF DIRECTORS

202. The Directors may meet together as a Board for the despatch of business from time to time and shall so meet at least once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn and otherwise regulate their meetings, as they think fit.
205. The majority of the Directors shall elect from among them the Chairman of the Board from time to time. The Chairman shall be paid such remuneration as the Company in General Meeting may determine. The Chairman shall not have a casting vote.
209. Questions arising at any meeting of the Board of Director or a committee or sub-committee thereof or in resolution to be passed by circular shall be decided by a majority of votes and in the case of a equality of votes, the Chairman shall have a second or casting vote provided.
- 210A. Notwithstanding anything contained in these Articles, any action with respect to the Fundamental Issues, as listed in Article 126A, shall require the consent of all the Investors Director(s) of the Investors or written consent of the Investors, as the case may be, at any meeting of the Board of Directors or Committee thereof as the case may be.
- 210B. The Directors including the Investor Directors of the Investors shall have the right to be kept informed by and / or advise the Management with regard to any material developments affecting the Company's business, to discuss business operations, properties and the financial or other condition of the Company with its officers and employees, to consult with and advise the Management on significant business issues and to regularly meet with the Management.
- Notwithstanding its listed status, subsequent to IPO, the Company shall provide Management Information System ("MIS") reports to the Investors in a format and frequency to be mutually agreed, without violating any Applicable Laws.
- 211.1 Subject to the restrictions contained in Section 292 of the Act the Board may delegate any of their powers to one or more Committees of the Board consisting of such member or members of its body as it thinks fit, and it may from time to time revoke and discharge any such Committee of the Board either wholly or in part, and either as

to persons or purposes; but every Committee of the Board so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed on it by the Board. All acts done by any such Committee of the Board in conformity with such regulations and in fulfilment of the purposes of their appointment but not otherwise, shall have the like force and effect as if done by the Board. Provided that every such Committee shall have as one of its member the Director referred to in Article 210 or his alternate Director.

- 211.2 The Investors shall have the right to nominate their nominees on each Committee appointed by the Board.
213. No resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors or all the members of the Committee, then in India (not being less in number than the quorum fixed for a meeting of the Board, or a Committee, as the case may be), and to all other Directors or Members of the Committee at their usual address in India and has been approved by such of the Directors or Members as are then in India, or by a majority of such of them, as are entitled to vote on the resolution. The provisions of this Article shall be subject to the provision of Article 210.
- 215(a) The Company shall cause minutes of all proceedings of every meeting of the Board and Committee thereof to be kept by making within thirty days of the conclusion of every such meeting entries thereof in books kept for that purpose with their pages consecutively numbered.

MANAGEMENT

238. The Company shall not appoint or employ at the same time more than one of the following categories of managerial personnel namely Managing Director or Manager.
239. The Directors shall from time to time appoint a Secretary and, at their discretion, remove any such Secretary to perform any functions, which by the Act are to be performed by the Secretary and to execute any other ministerial or administrative duties, which may from time to time be assigned to the Secretary by the Directors. The Directors may also appoint at any time any person or persons (who need not be the Secretary) to keep the Registers required to be kept by the Company.

CONSEQUENCES OF DEFAULT

- 239A. Notwithstanding anything contained in the Agreement, but without prejudice to such other rights or remedies that may be available to the Investors under the provisions of the Agreement or in law, in the event of a Material Breach of the Agreement by the Promoters or the Company, (collectively referred to as "Default/s") any of the Investors shall be entitled to exercise the following right:

The Company shall, if required by the Investors, buy back the Shares held by the Investors in accordance with Applicable Law. The valuation in this regard shall be concluded by reputed independent valuer as appointed by and paid for by the Investors, which valuation shall be acceptable to the Company. The Promoters shall not be entitled to participate in such buyback offer of Shares by the Company. In the event the Applicable Law does not allow for the exercise of this right by the Investors, the Shares held by the Investors shall, at the said valuation, be sold to ABG International Private Limited in accordance with Applicable Law.

- 239B. The Company shall indemnify and save harmless the Investors and the Investor Directors ("Indemnified Persons") from and against any and all actions, suits, claims, proceedings, costs, damages, judgments, amounts paid in settlement and expenses (including without limitation attorneys' fees and disbursements at actuals) (collectively, "Loss") relating to or arising out of any inaccuracy in or breach of the Warranties, covenants or agreements made by the Company. Without prejudice to any right that may be available to the Investors in respect of any breach by the Promoters, whether in law, tort, contract or otherwise, the Promoters shall indemnify and save harmless the Indemnified Persons from and against any and all Loss relating to or arising out any inaccuracy in any of the Promoter's Warranties as contained in the Agreement.

The Promoters shall also indemnify and save harmless the Company from and against any and all Loss relating to or arising out of the guarantee that the Company has provided to ICICI Bank, for a term loan facility of INR 300 million that ICICI Bank has extended to a Promoter group company, ABG Shipping Limited.

DIVIDENDS

242. The profits of the Company, subject to any special rights relating thereof created or authorised to be created by these Articles and subject to the provisions of these Articles, shall be divisible among the members in proportion

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to the amount of capital paid up or credited as paid up and to the period during the year for which the capital is paid-up on the shares held by them respectively.

243. The Company in general Meeting may declare dividends to be paid to Members according to their respective rights, but no dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.
244. No dividend shall be declared or paid otherwise by the Company for any financial year out of profits for the year arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act except after the transfer to the reserves of the Company of such percentage of its profits for the year as may be prescribed or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both provided that :
- (a) If the Company has not provided for depreciation for any previous financial year or years shall before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of the financial year or out of the profits of any other previous financial year or years;
- (b) If the Company has incurred any loss in any previous financial year or years the amount of loss or any amount which is equal to the amount provided for depreciation for that year or these years whichever is less shall be set off against the profits of the Company for the years for which the dividend is provided to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of Sub-section (2) of Section 205 of the Act or against both.

Provided further that, no dividend shall be declared or paid for any financial year out of the profits of the Company for the year arrived at after providing for depreciation as above, except after the transfer to the reserves of the Company of such percentage of its profits for that year as may be prescribed in accordance with Section 205 of the Act or such higher percentage of its profits as may be allowed in accordance with that Section.

245. The Board may, from time to time, pay to the Members such interim dividend as in their judgement the position of the Company justifies.
246. Where Capital is paid in advance of calls, such capital may carry interest but shall not in respect thereof confer a right to dividend or participate in profits.
247. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.
248. The Board may retain dividends payable upon shares in respect of which any person is, under Article 64 entitled to become a Member, or which any person under that Article is entitled to transfer, until such person shall become a Member, in respect of such shares or share duly transfer the same.
249. Any one of several persons who are registered as the joint-holder of any share may give effectual receipts for all dividends or bonus and payments on account of dividends or bonus or other moneys payable in respect of such shares.
250. No Member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money be due or owing from him to the Company in respect of such share or shares or otherwise howsoever, either alone or jointly with any other person or persons, and the Board may deduct from the interest or dividend payable to any Member all sums of money so due from him to the Company.
251. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer. Provided, however, that where any instrument of transfer of shares has been delivered to the Company for registration and the transfer of such shares has not been registered, the company shall:
- (a) transfer the dividend in relation to such shares to the special account referred to in Section 205A unless the company is authorised by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer, and
- (b) keep in abeyance in relation to such shares any offer of rights shares under clause (a) of sub-section (1) of Section 81 and any issue of fully paid up bonus shares in pursuance of sub-section (3) of section 205.

252. (a) If the Company has declared a dividend but which has not been paid or a dividend warrant in respect thereof has not been paid within 30 days from the date of declaration to any shareholders entitled to the payment of the dividend the Company shall within 7 days from the date of the expiry of the said period of 30 days open a special account in that behalf in any Scheduled bank called "the unpaid dividend account".
- (b) Any money transferred to the unpaid dividend account of the Company, which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investors' Education and Protection Fund established by the Central Government.
253. Any dividend which has not been claimed or the warrant in respect whereof has not been encashed within the period prescribed under Section 205 A, shall be deposited in a special account as provided for in the said Section 205 A of Act.
254. No unpaid dividend shall bear interest as against the Company.
255. Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the Members of such amount as the meeting fixes but so that the call on each Member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the Member, be set off against the calls.
256. (a) The Company in General Meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the Reserve Fund, or any Capital Redemption Reserve Account, or in the hands of the Company and available for dividend for representing premium received on the issue of shares and standing to the credit of the Share Premium Account be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such shareholders in paying up in full either at par or at such premium as the resolution may provide, any unissued shares or debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares of debentures or debentures stock and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum, provided that a Share Premium Account and a Capital Redemption Reserve Account may, for the purposes of this Article only be applied in the paying of any unissued shares to be issued to members of the Company as fully paid bonus shares.
- (b) A General Meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the Company, or in investments representing the same, or any other undistributed profit of the Company not subject to charge for income tax be distributed among the members on the footing that they receive the same as capital.
- (c) For the purpose of giving effect to any resolution under the preceding paragraphs of this Article the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates, and may fix the value for distribution of any specific assets, and may determine that such cash payments shall be made to any members upon the footing of the value so fixed or that fraction of less value than Rs.10/- may be disregarded in order to adjust the rights of all parties, and may vest any such cash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may seem expedient to the Board. Where requisite a proper contract shall be delivered to the Registrar for registration in accordance with Section 75 of the Companies Act, 1956, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, and such appointment shall be effective.

WINDING UP

276. The Liquidator on any winding-up (whether voluntary, under supervision or compulsory) may, with the sanction of a Special Resolution, but subject to the rights attached to any preference share capital, divide among the contributories in specie any part of the assets of the Company and may with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit.

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INDEMNITY AND RESPONSIBILITY

277. Subject to Section 201 of the Act, every Director, Officer or Agent for the time being of the Company shall be indemnified out of the assets of the Company against all liability incurred by him in defending any proceedings, whether civil or criminal in which judgement is given in his favour or in which he is acquitted or discharged or in connection with any application under Section 633 of the Act in which relief is granted to him by the Court.
278. Every Director, Manager, Auditor, Treasurer, Trustee, member of a committee, officer, servant, agent, accountant, or other person employed in the business of the Company shall, if so required by the Board, before entering upon his duties sign a declaration pledging himself to observe strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Directors or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained.
- (b) No member shall be entitled to visit or inspect any works of the Company without the permission of the Directors or to require discovery of or any information respecting any details of the Company's trading, or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process of any other matter, which may relate to the conduct of the business of opinion of Directors, it would be inexpedient in the interest of the Company to disclose.

CONFLICT

279. In case of any conflict between the provisions of these Articles and the provisions of the Agreement, the provisions of the Agreement shall prevail, subject however to Applicable Laws.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Prospectus, delivered to the Registrar of Companies, Gujarat located at Ahmedabad for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company from 10.00 a.m. to 4.00 p.m. from the date of this Prospectus until the Bid/ Issue Closing Date.

Material Contracts

1. Letter of appointment to ICICI Securities Limited and IL&FS Investsmart Limited as BRLMs from ABG Shipyard Limited dated April 2, 2005.
2. Memorandum of Understanding dated June 17, 2005 between Intime Spectrum Registry Limited and ABG Shipyard Limited.
3. Memorandum of Understanding dated August 12, 2005 amongst ABG Shipyard Limited and the BRLMs.
4. Syndicate Agreement dated October 26, 2005 among our Company, BRLMs and Syndicate members.
5. Escrow agreement dated October 26, 2005 among our Company, BRLMs, Escrow Collection Bank(s), and Registrar to the Issue.
6. Underwriting Agreement dated November 26, 2005 among our Company, BRLMs and Syndicate members.

Material Documents

1. Our Memorandum and Articles of Association as amended from time to time;
2. Copy of Certificate of Incorporation of the Company dated March 15, 1985.
3. Documents pertaining to appointment and remuneration of our Managing Director and Executive Director.
4. Memorandum of Understanding with Gujarat Maritime Board dated January 13, 2005
5. Memorandum of Understanding dated April 25, 2005 with Irving Shipbuilding Inc, Canada.
6. Resolution passed by the shareholders of our Company at the Extra Ordinary General Meeting passed under section 81(1A) held on March 10, 2005.
7. Annual reports of ABG Shipyard Limited for the years ended March 31, 2001, 2002, 2003, 2004 and 2005;
8. Audited Financial Statement submitted to the Income-tax department for the years ended March 31, 2002 and 2003;
9. Copy of the tax benefit report dated August 9, 2005 from our Auditors;
10. Report of the Auditors M/s. Nisar & Kumar, Chartered Accountants, dated October 24, 2005.
11. Consents of Auditors, Bankers to the Company, BRLMs, Syndicate Members, Domestic legal counsel to Company, Directors, Company Secretary, Registrars, Bankers to the Issue, compliance officer, Underwriters as referred to, in their respective capacities;
12. General Powers of Attorney executed by some of the Directors for the purpose of the Initial Public Offering;
13. Sanction letters from Infrastructure Leasing & Financial Services Limited and ICICI Bank Limited dated August 31, 2005 and September 30, 2005 respectively. .
14. Shareholders agreement dated May 27, 2005 entered between us and the private equity investors and additional agreement dated September 15, 2005 wherein SCPE has sold its shareholding to Jacob Ballas Capital India Private Limited and New York Life Investment Management India Fund II LLC.
15. Listing application filed with BSE dated August 18, 2005
16. In principal listing approval from BSE September 26,2005
17. Tripartite agreement between the NSDL and CDSL, our Company and Registrar to the Issue dated July 7, 2005 and July 1, 2005 respectively;
18. Due Diligence Certificate dated August 16, 2005 to SEBI from IL&FS Investsmart Limited and ICICI Securities Limited;
19. SEBI observation letter No CFD/DIL/ISSUES/V/51619/2005 dated October 11, 2005

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time so required in the interest of our company or if required by the other parties, without reference to the Shareholders subject to the compliance of the applicable laws.

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DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all the statements in this Prospectus are true and fair.

SIGNED BY ALL THE DIRECTORS

Sd/-
Kamlesh Kumar Agarwal : Chairman

Sd/-
Rishi Agarwal : Managing Director

Sd/-
Saket Agarwal : Director

Sd/-
Ram Swaroop Nakra : Director

Sd/-
Ajay Saraf : Director

Sd/-
Mehernosh Rustom Pardiwala : Director

Sd/-
Nainesh Jaisingh : Director

Sd/-
Shahzaad Dalal : Director

Sd/-
A. R. Chitnis : Director

Sd/-
S. Muthuswamy : GM (Finance)

Sd/-
Manoj Raichandani : DGM (Finance) & Company Secretary

Place : Mumbai
Date : November 26, 2005

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