



EMPEE DISTILLERIES LIMITED

(Our Company was originally incorporated as a Private Limited Company in the name of Empee Distilleries Private Limited on September 15, 1983 under the Companies Act, 1956 with the Registration Number: 10313. We subsequently changed the name of our Company to Empee Distilleries Limited with effect from December 01, 1983 under the provisions of Section 44 of the Companies Act, 1956)

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PUBLIC ISSUE OF 48,00,000 EQUITY SHARES OF RS. 10/- EACH AT A PRICE OF RS. 400 PER EQUITY SHARE FOR CASH AT A PREMIUM OF RS. 390 PER EQUITY SHARE AGGREGATING TO RS. 19200 LAKHS (HEREINAFTER REFERRED TO AS THE "ISSUE") BY EMPEE DISTILLERIES LIMITED ("THE COMPANY" OR THE "ISSUER"). THE ISSUE WILL CONSTITUTE 25.26% OF THE POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

THE ISSUE PRICE IS 40 TIMES THE FACE VALUE OF RS. 10/-

This Issue is being made through a 100% Book Building Process wherein not more than 50% of the Issue to Public shall be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. Further, not less than 15% of the Issue to Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Issue to Public 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.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for 3 additional working days after such revision, subject to the Bidding / Issue Period not exceeding 10 working days. Any revision in the Price Band, and the revised Bidding/Issue Period, if applicable, shall be widely disseminated by notification to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, by issuing a press release and by indicating the change on the websites of the Book Running Lead Manager ("BRLM") and the terminals of the member of the Syndicate.

RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of Empee Distilleries Limited ("the Issuer"), there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares of the Company is Rs. 10/- per Equity Share and the Issue Price is 40 times of the face value. The issue Price (as determined and justified by the Company in consultation with the Book Running Lead Managers, 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 of the Company nor 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 Issuing. For taking an investment decision, investors must rely on their own examination of the issuer and the Issue including the risks involved. The Equity Shares Issued 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' beginning on page no. iii of this Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to the issuer and the issue, which is material in the context of 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 Issued through this Prospectus are proposed to be listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). The in-principle approvals of NSE and BSE for the listing of the Equity Shares of the Company have been received pursuant to letters dated August 7, 2007 and June 29, 2007 respectively. BSE shall be the Designated Stock Exchange for the purpose of this Issue.

IPO GRADING

The Issue has been graded by CARE. CARE has assigned IPO Grade 3 to the Initial Public Offering of the Company. For more information on IPO Grading, please refer to page no. 12 of this Prospectus.

BOOK RUNNING LEAD MANAGER



Almondz Global Securities Limited
(formerly Allianz Securities Limited)
3, Scindia House, 2nd Floor, Janpath, New Delhi- 110001
Phone: +91 11 41514666; Fax: +91 11 41514665
Email: empee.ipo@almondzglobal.com
Investor Email Id: complaints@almondz.com
Website: www.almondzglobal.com
Contact Person: Mr. Sunit Shangle
SEBI Registration No: MB/INM 000000834

REGISTRAR TO THE ISSUE



Cameo Corporate Services Limited
Subramanian Building, No.1, Club House Road
Chennai - 600 002
Ph: +91 44 28460390
Fax: +91 44 28460129
E-mail: cameo@cameoindia.com
Website: www.cameoindia.com
Contact Person: Mr. R D Ramaswamy
SEBI Registration No: INR 000003753

BID / ISSUE PROGRAMME

BID/ISSUE OPENED ON : THURSDAY, NOVEMBER 1, 2007

BID/ISSUE CLOSED ON : TUESDAY, NOVEMBER 6, 2007

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SECTION I - GENERAL

DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Term	Description
"Empee Distilleries Limited" or "EDL" or "Empee" or "the Company" or "our Company"	Empee Distilleries Limited, a Public Limited Company incorporated under the Companies Act, 1956 with its Registered office at 693, Mount Road, Chennai Tamil Nadu, 600006.
"We" or "us" and "our"	Unless the context otherwise require, refers to Empee Distilleries Limited

CONVENTIONAL/GENERAL TERMS

Terms	Description
Articles / Articles of Association	Articles of Association of Empee Distilleries Limited.
Auditors	Statutory Auditors of the Company viz. Mr. N. C. Ananthakumar, Chartered Accountant, 125, M G Road, Secunderabad-500003
Board of Directors / Board	The Board of Directors of Empee Distilleries 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
Director(s)	Director(s) of Empee Distilleries Limited, unless otherwise specified
Equity Shares	Equity Shares of the Company of face value of Rs. 10 each unless otherwise specified in the context thereof
GIR Number	General Index Registry Number
HUF	Hindu Undivided Family
Indian GAAP	Generally Accepted Accounting Principles
MOA / Memorandum/ Memorandum of Association	Memorandum & Articles of Association of Empee Distilleries Limited
Non Residents	A person resident outside India, as defined under FEMA.
NRIs / Non-Resident Indians	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
Person or Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, Company, partnership, limited liability Company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires
Promoters	Mr. M P Purushothaman and Empee Holdings Limited
Registered Office	Registered office of the Company is situated at 693, Mount Road, Chennai Tamil Nadu-600006.
SEBI	Securities and Exchange Board of India constituted under the SEBI Act, 1992

EMPEE DISTILLERIES LIMITED

Terms	Description
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time
Stock Exchanges	Bombay Stock Exchange Limited and National Stock Exchange of India Limited

ISSUE RELATED TERMS

Terms	Description
Almondz	Almondz Global Securities Limited (formerly Allianz Securities Limited)
Allotment/Alot/ Allocation	Unless the context otherwise requires, the issue and the allotment of Equity Shares, pursuant to the Issue
Allottee	The successful bidder to whom the Equity Shares are being / have been allotted.
Bankers / Escrow Bankers to the Issue	ABN Amro Bank Limited, ICICI Bank Limited, Standard Chartered Bank and Axis Bank Limited
Bid	An indication to make an Offer during the Bidding Period by a prospective investor to subscribe to or purchase Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
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 in the Issue
Bid Closing Date/ 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 an English National Newspaper, a Hindi National Newspaper and one Regional language (Tamil) newspaper with wide circulation.
Bid cum Application Form/ Bid Form	The form in terms of which the Bidder shall make an Issue to subscribe the Equity Shares of the Company in terms of the Red Herring Prospectus
Bid Opening Date / 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 an English National Newspaper, a Hindi National Newspaper and one Regional language (Tamil) newspaper with wide circulation.
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 may submit their Bids

Prospectus

Terms	Description
Book Building Process	Book Building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is being made
BRLM / Book Running Lead Manager	Book Running Lead Manager to the Issue, in this case being Almondz Global Securities Limited (formerly Allianz Securities Limited)
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
Cap Price	The higher end of the Price Band, above which Issue Price will not be finalized and above which no Bids will be accepted
Cut-off Price	The Issue Price finalized by the Company in consultation with the BRLM. A Bid submitted at Cut-off Price by the Retail Bidder is a valid Bid at all price levels within the Price Band
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 as amended from time to time
Depository Act	The Depositories Act, 1996 as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
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 the Equity Shares to successful Bidders
Designated Stock Exchange	Bombay Stock Exchange Limited
Draft Red Herring Prospectus/DRHP	The Draft Red Herring Prospectus filed with SEBI, which does not have complete particulars on the price at which the Equity Shares are Issued and size of the Issue
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst the Company, Syndicate Members, the Registrar, the Escrow Collection Bank(s) and the BRLM for collection of the Bid Amounts and for remitting refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Bankers to the Issue at which the Escrow Account will be opened.
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or revision form
Floor Price	The price advertised by the Company prior to the Bid/Issue Opening Date, below which the Issue Price will not be finalized and below which no Bids will be accepted
Issue Account / 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

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Terms	Description
Issue Period	The period between the Bid / Issue Opening Date and Bid / Issue Closing Date including both these dates
Issue Price	The final price at which the Equity Shares will be allotted in terms of the Red Herring Prospectus, as determined by the Company in consultation with BRLM on the Pricing Date
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, being 10% to 100% of the Bid Amount.
Members of the Syndicate	The BRLM and the Syndicate Members
Mutual Fund portion	5% of QIB portion or 1,20,000 Equity Shares available to allocation to Mutual Funds only, out of QIB portion.
Non-Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers for this Issue, including affiliates of BRLM and Syndicate Members, or Retail Individual Bidders and who have bid for an amount more than Rs. 100,000.
Non-Institutional Portion	The portion of this Issue being not less than 15% of the Net Issue consisting of 7,20,000 Equity Shares of Rs. 10 each aggregating to Rs. 2880 Lakhs, available for allocation to Non Institutional Bidders.
Pay-in-Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	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 QIBs, whose Margin Amount is 10% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date.
Price Band	Being the price band of a minimum price of Rs. 350 per Equity Share (Floor Price) and the maximum price of Rs. 400 per Equity Share (Cap Price)(both inclusive), and including revision thereof.
Pricing Date	Means the date on which the Company, in consultation with the BRLM, finalizes the Issue Price
Prospectus	The Prospectus, 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 Bankers to the Issue for the purpose of transfer of monies from the Escrow Account on or after the Bid / Issue Opening Date
Public Issue/ Issue	Issue of 48,00,000 Equity Shares of Rs. 10/- each at a price of Rs. 400 per Equity Share for cash at a premium of Rs. 390 per Equity Share aggregating to Rs. 19200 Lakhs by Empee Distilleries Limited. The Issue would constitute 25.26% of the fully diluted post issue paid up capital of our Company.

Prospectus

Terms	Description
QIB Portion	Consists of 24,00,000 Equity Shares of Rs. 10 each aggregating at a price of Rs. 400 for cash aggregating Rs. 9600 Lakhs being not more than 50% of the Net Issue, available for allocation to QIBs. 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only.
Red Herring Prospectus or RHP	Means the document issued in accordance with Section 60B of the Companies Act and 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 RoC after the pricing and allotment
Registrars / Registrars to the Issue	Registrars to the Issue, in this case being Cameo Corporate Services Limited, Subramanian Building, No.1, Club House Road, Chennai, Tamil Nadu, Chennai- 600 002
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have made their bid for Equity Shares for a cumulative amount of not more than Rs. 100,000.
Retail Portion	Consists of 16,80,000 Equity Shares of Rs. 10 each aggregating Rs. 6720 Lakhs, being not less than 35% of the Net Issue, 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 the Bid options as per their Bid-cum-Application Form and as modified by their subsequent Revision Form(s), if any.
RoC / Registrar of Companies	Registrar of Companies, Block No 6, B Wing, IInd Floor, Shastri Bhawan, 26, Haddows Road, Chennai, Tamil Nadu- 600034
Syndicate Agreement	Agreement to be entered into amongst the BRLM, Syndicate Member(s) and the Company in relation to the collection of Bids in the Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLM.
TRS or Transaction Registration Slip	The slip or document registering the Bids, issued by the Syndicate Members to the Bidder as proof of registration of the Bid on submission of the Bid cum Application Form in terms of the Red Herring Prospectus
Underwriters	The BRLM and the Syndicate Members

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COMPANY/INDUSTRY RELATED TERMS/DEFINITIONS

Asynchronous generators	A type of electric generator that produces alternating current that matches an existing power source.
Cases or c/s	Packing unit, bottles in the distillery industry
CASKS	DRUM made up of OAK wood
CST	Central Sales Tax
dBA	Decibels, unit of sound
DDGS	Distillers Dried Grains with Solubles
DG Set	Diesel Generator Set
Distillation	Distillation is a method of separating chemical substances based on differences in their volatilities.
DP	Demineralization Plant
DTCP	Directorate of town planning
ENA	Extra Neutral Alcohol
ESP	Electro Static Precipitator
Fermentation	Breakdown of organic substances and re-assembly into other substances
FD	Forced Draft Fan
FO	Furnace Oil
FRP	Fibre Reinforced Plastic
HP	Horse Power, Measurement of electricity
ID	Induced Draft Fan
IDC	Interest During Construction
I.S.	Industrial Spirit
IMFL	Indian Made Foreign Liquor
IREDA	Indian Renewable Energy Development Agency Limited
ISI	Indian Statistical Institute
KL	Kilo Litre
KLPD	Kilo Litre per Day
KSBC	Kerala State Beverages (Manufacturing & Marketing) Corporation Limited
KVAR	Unit for measuring reactive power
LPD	Litres Per Day
MCC	Machine Controlled Centre

MLSS	Mixed Liquor Suspended Solids is a measure of dry solids concentration in mg/l in mixed liquor in an aeration tank.
MT	Metric Tonnes
MW	Mege Watt, Unit of electricity
N.S	Neutral Spirit
NOC	No objection certificate
OBL	Other brought equipments
OSHA standards	Occupational Safety and Health Administration Standards
PCC	Power Controlled Centre
PPA	Powar Purchase Agreement
R.S.	Rectified Spirit
SA	Secondary Air
SEB	State Electricity Board
Silos	A structure used for storing bulk materials
TASMAC	Tamilnadu State Marketing Corporation Limited
WEG	Wind Energy Generators

ABBREVIATIONS OF GENERAL TERMS

Abbreviation	Full Form
A/c	Account
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BSE	Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
CIN	Corporate Identification Number
DRHP	Draft Red Herring Prospectus
EGM	Extraordinary General Meeting
EPS	Earning Per 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
FIIs	Foreign Institutional Investors (as defined under FEMA (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board

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Abbreviation	Full Form
FY / Fiscal/Financial Year	Period of twelve months ended September 30 of that particular year, unless otherwise stated
GIR Number	General Index Registry Number
GoI/Government	Government of India
HUF	Hindu Undivided Family
I.T. Act	Income Tax Act, 1961, as amended from time to time
MoF	Ministry of Finance, Government of India
MOU	Memorandum of Understanding
NAV	Net Asset Value
NPV	Net Present Value
NRE Account	Non Resident External Account
NRIs	Non Resident Indians
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
p.a.	Per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
RBI	The Reserve Bank of India
ROE	Return on Equity
RONW	Return on Net Worth
Rs.	Rupees
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
Sec.	Section
US	United States of America
USD/ US\$/ \$	United States Dollar

SECTION II - RISK FACTORS

CERTAIN CONVENTIONS; USE OF MARKET DATA

In the Prospectus, unless the context otherwise requires, all references to one gender also refers to the other gender. All references to "India" contained in this Prospectus are to the Republic of India.

Fiscal year of the Company commences on October 1 and ends on September 30, so all references to a particular "fiscal year" or "Fiscal" are to the twelve-month period ended September 30 of that year, unless otherwise specified. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

For additional definitions, see the section titled 'Definitions and Abbreviations' on page no. a of the Prospectus. In the section titled 'Main Provisions of Articles of Association of the Company' beginning on page no. 281 of the Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company.

Market data used throughout the Prospectus has been obtained from industry publications or 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 the Company believes market data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by the Company to be reliable, have not been verified by any independent source.

FORWARD LOOKING STATEMENTS

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

All forward looking statements are subject to risks, uncertainties and assumptions 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 the expectations include, among others: -

- General economic and business conditions in India and other countries
- Regulatory changes relating to the Beverages & Distillery Industry in India and its ability to respond to them
- Ability to successfully implement Company's strategy, growth and expansion, technological changes, Company's exposure to market risks that have an impact on its business activities or investments.
- The monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in industry.
- Changes in the value of the Rupee and other currencies.
- The occurrence of natural disasters or calamities
- Change in political condition in India

For further discussion of factors that could cause actual results to differ, see the section titled "Risk Factors" beginning on page no. iii 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 the Company 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, the Company, and the Book Running Lead Manager 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 Exchanges.

RISK FACTORS

An investment in equity involves a higher degree of risk. Investors should carefully consider all the information in this Prospectus, including the risks and uncertainties described below, before making an investment in Equity Shares of the Company. Any of the following risks as well as other risks and uncertainties discussed in this Prospectus could have a material adverse affect on business, financial condition and results of operations and could cause the trading price of Equity Shares of the Company to decline, which could result in the loss of all or part of your investment.

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial implication of any of the risks described in this section.

INTERNAL TO OUR COMPANY

Risks in Relation to our Business and Results of Operations:

- We, our subsidiary and promoter group companies are involved in certain legal proceedings, and any unfavorable outcome of the proceedings may impact profits and financial conditions of our Company.**

We are involved in legal proceedings and claims in India in relation to certain matters. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. Further, our Subsidiary and promoter group companies are parties to certain legal proceedings initiated by or against such parties. These proceedings are pending at different levels of adjudication before various courts, tribunals, enquiry officers, and appellate tribunals.

The summary of the cases is as follows:-

a) Litigations involving our Company:

Nature of Case	Number of Cases	Total Amount (Rs. in lakhs - the extent quantifiable)
Litigations Against our Company		
Labour	8	53.51
Civil	5	37.64
Consumer	1	1.00
Sales Tax	9	1035.12
Income Tax	5	1284.16
Litigations by Our Company		
Criminal	1	-
Labour	1	2.30
Income Tax	4	295.1
Sales Tax	9	1098.47
Civil	1	3.78
TOTAL		3811.08

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b) Outstanding Litigations involving our Subsidiary Company viz. Empee Sugars & Chemicals Limited

Nature of Case	Number of Cases	Total Amount (Rs. in lakhs - the extent quantifiable)
Litigations against Empee Sugars & Chemicals Limited		
Labour	1	1.43
Civil	3	163.24
Consumer	1	6.60
Litigations by Empee Sugars & Chemicals Limited		
Criminal	1	-
Statutory (Provident Fund)	1	4.63
Civil	1	6.59
Consumer	1	1.56
TOTAL		184.05

c) Outstanding Litigations involving our Promoter Group Companies

Nature of Case	Number of Cases	Total Amount (Rs. in lakhs - the extent quantifiable)
Litigations filed against our Promoter Group Companies		
Civil	3	-
Income Tax	4	94.05
Litigations filed by our Promoter Group Companies		
Statutory (Sales Tax)	1.	19.43
Statutory (Income Tax)	1	368.34
Statutory (Wealth Tax)	1	19.47
Criminal	3	-
TOTAL		501.29

For more information regarding the above legal proceedings, see the section titled "Outstanding Litigation, Material Developments and other Disclosures" beginning from page no. 208 of this Prospectus.

2. We are entirely dependent on government agencies for sale of our products and any change in government policies adversely affect our business operations

Distribution of liquor is completely controlled by each State, the rules and regulations are different for each State. Distribution controls take various forms viz. Auctions, free-market system, government controlled markets and canteen stores department. In the government controlled system, the distribution of liquor is controlled through State agencies such as Tamilnadu State Marketing Corporation Limited (TASMAC) in Tamil Nadu, KSBC in Kerala, the Andhra Pradesh Beverage Corporation in Andhra Pradesh, DSIDC in Delhi and so on. We are entirely dependent on the monthly orders placed by Tamilnadu State Marketing Corporation Limited (TASMAC) for sale of our products in the State of Tamilnadu. Similarly, in Kerala, Kerala State Beverages (Manufacturing & Marketing) Corporation Limited (KSBC) is the sole distributor of

our products. Since these agencies are the sole wholesalers, they also have the ultimate say in deciding on the entry of a brand into the State. Moreover, production and sales quantity is also guided by these agencies and license / approval is required for expansion in capacities by existing units. These restrictions limit the free availability and marketability of Company's products outside states also. Any change in government policies in respect of production, distribution or marketing of IMFL products could materially adversely affect our business operations and in turn adversely affect financials of our Company. As these agencies are government controlled, any material failure or inability, financial or otherwise, on their part to fulfil their obligations in respect of payments would also have a material adverse effect on the business and operations of our Company.

- 3. Prices are negotiated and fixed by the Distributor agencies, controlled by State Government. Any negotiation in respect of any increase in products prices, the State Government of the State in which we operate or propose to operate may not consider the inflationary effect in the same proportion as the increase in input cost and in such a situation our financial operations will be adversely affected.**

Distributor agencies of liquor products in the State are controlled by the State Government who decides the price after negotiation with the manufacturers. The price so finalized generally takes into consideration the desired weightable to the inflationary effect on raw materials, packaging materials and other input costs. However, any negotiation in future in respect of any increase in prices of products, State Government may not consider inflationary effect in the same proportion to the increase in input cost. For example, Andhra Pradesh State Government has not given price increase during past many years. Similarly, KSBC has not increased the prices of IMFL products especially in the cheaper segment on account of increase in prices of our basic raw material viz. Extra Neutral Alcohol (ENA) which had grown up by 70%. We had curtailed the production levels in our Kerala Unit for those products which were not economical. However, we have not faced this situation in the State of Tamil Nadu in the past. But we cannot assure you that these kinds of situations will not arise in future with us in any State in which we operate or propose to operate and in such a situation, our financial operations will be adversely affected.

- 4. The Industry is politically sensitive and any adverse decisions on prohibition by the ruling party in the State adversely impacts the operations and financials of our Company.**

The Industry is politically sensitive and is dependent on ideologies of the party ruling the State. Prohibition has played critical role with the survival and profitability of many breweries and distillery companies in the Industry. On the one hand, the revenues lost because of prohibition can threaten the solvency of State governments; the very clamping of the dry order can threaten the regime's existence itself. The prohibition not only ban production, but also ban sale outside the State, which in turn adversely impact the industry. Already Gujarat, Haryana, Nagaland, Mizoram and Manipur are dry and the pressure for prohibition can be felt in other States as well. The decision of State government if any, in future, in prohibition in the states where we operate, can directly adversely impact our financial operations materially.

- 5. Industry is prone to frequent changes in government policies; any material changes in the duty structure may adversely impact our financials.**

Out of our total sales of Rs. 47879.94 lakhs during 2005-06, we have collected and paid Rs. 35076.06 lakhs (73.26%) towards state excise duty and sales tax. Our industry is prone to changes in state government policies in respect of taxes, levies, and state excise duty. Any material changes in the duty structure may adversely impact our financials.

- 6. The IMFL Industry has negative perception in the Indian cultural context leading to circumstances like ban on liquor consumption, advertising of alcoholic beverages etc which is not conducive to business development.**

The Industry faces the ban on advertising and brand promotion is more of retailer-push rather than consumer-pull. Other advertising has been through sponsorship of sports events, offer of free drinks, and contests.

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At the lower end of the market, brand promotion has been mainly through retailer discounts. These generally push up the marketing costs. But at the same time, the industry is wary about ad spend as even some serious effort can go waste if the threat of prohibition becomes a reality. We therefore, cannot assure that our marketing efforts bring the desired results.

7. The raw material prices are prone to price fluctuations which may adversely impact our profitability and financials.

The major raw materials required are spirit, bottles and caps and State Governments impose variety of duties on different products. Any increase in duty of any nature by the State Government on these raw materials could adversely impact our profitability and financials.

8. We had negative cash flows earlier and sustained negative cash flow could impact our growth and business.

We had negative cash flow of Rs. 119.33 lakhs and Rs. 99.76 lakhs for the period October 1, 2006 to June 30, 2007 and October 1, 2005 to September 30, 2006 respectively on account of investment in fixed assets. The net cash flow of a company is a key indicator to show the extent of cash generated from operations of the company to meet capital expenditure, pay dividends, repay loans and make new investments without raising finance from external resources. If we are not able to generate sufficient cash flows and sustained negative cash flow, it may adversely affect our growth and business.

9. Our business has experienced exceptional growth in the past, which is not sustainable and we cannot assure the same growth in the long run.

We have witnessed over 48.22% increase in sales income and more than 57.38% increase in net profit after tax i.e. an increase in sales income from Rs. 32303.58 lakhs to Rs. 47879.54 lakhs and an increase in net profit from Rs. 565.18 lakhs to Rs. 889.49 lakhs during year ended September 30, 2005 to September 30, 2006 respectively. These growth levels are exceptional and not sustainable and therefore, we can not assure that these growth levels will be maintained in future in terms of income or profitability.

10. Our response to latest trends in the distillery industry may adversely affect the competitiveness and the ability of the Company to develop newer generation products.

Our success depends in part on our ability to develop new products and markets. We are constantly scanning the environment for developments related to market perceptions, consumer preferences, competition, regulation, etc. However, our failure to develop new and improved products or develop markets may have an adverse effect on our business.

11. Our business depends on our manufacturing facility and the loss of or shutdown of operations of the manufacturing facility due to operating risks, such as breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities or on any other grounds could adversely affect our business or results of operations.

Our manufacturing facility is subject to operating risks, such as breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities.

12. Unauthorised parties may infringe upon or misappropriate our intellectual property, which could have a material adverse effect on our business, financial condition and results of operations and could cause the price of our Equity Shares to decline.

We have made an application for registration of trademarks in respect of our 71 brand names for which registration is pending as on date. We may not be able to obtain adequate or timely injunctive or equitable relief to protect our intellectual property. If we are unable to successfully enforce or protect our material intellectual property rights, it could have a material adverse effect on our business, financial condition and

results of operations and could cause the price of our Equity Shares to decline. For further details in respect of our trade mark applications, please refer to section titled "Our Business" appearing on page no. 80 of this Prospectus.

13. We are dependent on our management team for success whose loss could seriously impair the ability to continue to manage and expand business efficiently.

Our success largely depends on the continued services and performance of our management and other key employees. The loss of service of the promoters and other senior management could seriously impair the ability to continue to manage and expand the business efficiently. Further, the loss of any of the senior management or other key personnel may adversely affect the operations, finances and profitability of our Company. Any failure or inability of our Company to efficiently manage its human resources would adversely affect our ability to implement new projects and expand our business.

14. Our Promoter / Promoter Group have interests in us other than reimbursement of expenses incurred or normal remuneration or benefits and may create potential conflict of interest.

Our Promoter Mr. M. P. Purushothaman is interested in the Company other than the extent of his shareholding in the Company as he has given on lease the premises to our Company, where our registered office is located. One of ventures of Promoters viz. Aruna Constructions has also leased out the premises to our Company, where our Corporate Office is located. Our Directors may also be regarded as interested in the Equity Shares, held by them or that may be subscribed by or allotted to the companies, firms, in which they are interested as directors, members, partners, and promoters, pursuant to this Issue and this could create conflict of interest to that extent. All of the Directors may also be deemed to be interested to the extent of any dividend payable to them in respect of the Equity Shares. For more details, see the sections "Related Party Transactions" on page no. 162 of this Prospectus.

15. We utilize various properties on leasehold. In case of termination or non-renewal of these leases whether due to any breach or otherwise could adversely affect the business operations.

Our Company does not currently own the premises at which our Registered Office and Corporate Office are located. The Registered Office of our Company is on lease from Mr. M. P. Purushothaman, one of the Promoters, who owns the premises, without any consideration. Further, the Corporate Office at Tamil Nadu used by us for business activities is also leasehold. Any termination of these leases/ licenses whether due to any breach or otherwise, or non-renewal thereof, could adversely affect the business operations. For details about property and its ownership, please refer to page no. 92 of this Prospectus.

16. Besides our Company, one of our Promoter Group Company viz. Appolo Alchobev Limited is engaged in Distillery business and other two group companies viz. Appolo Beers Private Limited and Universal Sprits Limited are authorized to carry on distillery business as per their Memorandum of Association. Given the intense competition in the present scenario, there could be potential conflict of interest among the group companies.

One of our Promoter Group Company viz. Appolo Alchobev Limited is engaged in Distillery business and other two group companies viz. Appolo Beers Private Limited and Universal Sprits Limited are authorized to carry on distillery business as per their Memorandum of Association We have entered into non-compete agreements with respect to our existing business activities with the aforesaid companies. For more details please refer to the section titled "History and Certain Corporate Matters" on page no 111 of this Prospectus.

17. We have taken unsecured loan which are repayable on demand. In case of untimely demand, we will have to borrow funds from banks/ financial institutions at higher rate of interest, which will impact our financial operations.

Our Company had taken unsecured loan of Rs. 1953.39 lakhs as on June 30, 2007 to finance our working

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capital requirements at 12.50% p.a. from Global Trade Finance Limited, which can be recalled at any time and in that event, may affect the financial operations of our Company to that extent.

- 18. The Company has twice revalued its land, building and plant & machinery, in July 1994 and March 2003, the details of which are as under:**

(Rs. In lakhs)

	Cost on the date of Revaluation (i.e. on July 14, 1994)	Revaluation as on July 14, 1994	Amount After revaluation as on July 14, 1994	Additions during period July 14, 1994 & March 3, 2003	Reductions during period July 14, 1994 & March 3, 2003 *	Depreciation during period July 14, 1994 & March 3, 2003 *	Cost as on the date of Revaluation (i.e. on March 3, 2003)	Revaluation as on March 3, 2003	Amount after revaluation as on March 3, 2003
Land	46.14	253.58	299.72	50.16	-	-	349.88	1,123.37	1,473.25
Building	313.75	531.96	845.71	170.57	-	62.87	953.41	93.19	1,046.60
Plant & Machinery	477.34	2535.91	3013.25	3251.15	1244.69	2570.67	2449.04	1224.91	3673.95
Total	837.23	3321.45	4158.68	3471.88	1244.69	2633.54	3752.33	2441.47	6193.80

* The reason for decrease in cost of Plant & Machinery is on account of the Beer division sold to McDowell Alchobev Limited.

- 19. We have contingent liabilities not provided for in our balance sheet, as restated, as at June 30, 2007. In the event that any of these contingent liabilities materializes; our financial condition would be adversely affected.**

As per our audited accounts for the period ended June 30, 2007, we have following outstanding contingent liabilities:

Particulars	June 30, 2007 (Rs. in lakhs)	% of Net Profit	% of Networth
Corporate Gurantee to banks	1475.00	100.85	27.70
Claim against the Company not acknowledged as debts	87.00	5.95	1.63
Disputed Income tax demand	1572.00	107.49	29.52
Disputed Sales Tax Demand	1640.00	112.14	30.80
Total	4774.00	326.53	89.65

In the event that any of these contingent liabilities materialize, our financial condition may be adversely affected.

- 20. Our insurance cover may be inadequate to fully protect us from all losses and this may have material adverse affect on our business and financial operations.**

Our insurance policies currently consists of comprehensive coverage for plant & machinery, building, stocks for risks relating to fire, natural calamities, burglary, machinery breakdown for total insured amount of Rs. 5710.36 lakhs, details of which are disclosed on page no 94 of this Prospectus. However, our insurance policies may not provide adequate coverage in certain circumstances and are subject to certain deductibles, exclusions and limits on coverages. We cannot assure you that the terms of our insurance policies will be adequate to cover any damage or loss suffered by us or that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim.

In particular, we do not maintain business interruption insurance and therefore if any or all our manufacturing facilities are damaged resulting in our operations being interrupted or we otherwise suffer an interruption to our business, we would suffer loss of revenues and our results of operations would be adversely affected.

21. Some of our contracts contain termination clause whereby either party may terminate our contracts after giving notice period, in the event that a contracts / arrangements are terminated for convenience, our business operations may be adversely affected

One of the standard conditions in our contracts / tieup arrangements entered into by us for manufacturing of IMFL products or O&M contract entered into by us is that the other party has the right to terminate the contract / arrangement for convenience, without any reason, at any time after providing us with notice. In the event that a contract / arrangement are so terminated for convenience, our business operations may be adversely affected. For details please refer to page no. 127 of this Prospectus in the section titled "History and Certain Corporate Matters" of this Prospectus.

22. Our loan agreements have several restrictive covenants which could influence our ability to expand, in turn affecting our business and results of operations.

We have entered into agreements for term loans and financial facilities with Andhra Bank, Allahabad Bank, Indian Overseas Bank and the IREDA. The covenants in borrowings from banks, among other things require us to obtain bank's permission in writing in respect of effecting any change in the Company's capital structure; formulating any scheme of amalgamation; implementation of any scheme of expansion or acquisition of fixed assets; making investments/advances or deposit amounts with any bank /Financial Institution/Company; undertaking guarantee obligations on behalf of any other Company; declaring dividends for any year except out of profits relating to that year; changing the composition of Company's Board of Directors; changes in the management/ constitution, take over, merger etc.; implementation of any expansion / new projects/ Investments/ acquiring assets under lease; incurring any capital expenditure other than the purpose for which term loan has been sanctioned; raising term loan from other banks; transfer of shares of promoters/ directors. These restrictive covenants influence our ability to expand, in turn, affecting our business and results of operations.

23. We currently have outstanding secured loan and further our debt component may increase after the implementation of the project. Any increase in the interest rates will increase the debt servicing which could materially impact our results of operations.

We are currently having outstanding secured loan of Rs. 5026.27 lakhs as on June 30, 2007 including working capital for our existing business operations from Andhra Bank, Allahabad Bank, Indian Overseas Bank and IREDA. This debt component will increase after implementation of proposed expansion-cum-diversification plan. Although we may decide to engage in interest rate hedging transactions or exercise the right available to the Company to prepay high cost debt or enter into new financing arrangements at lower cost, there can be no assurance that we will be able to do so on commercially reasonable terms and will protect it fully against interest rate risk.

24. *Non-compliance of Section 383A of the Companies Act, 1956 in respect of non appointment of Company Secretary by us at different intervals for about 5015 days and non-compliance of Section 211 of the Companies Act, 1956 by us in respect of audited accounts in the past. Any penalty in future by any regulatory authorities could affect our financial position to that extent.*

We have not complied with the provisions of Section 383A of the Companies Act, 1956 during different periods for about 5015 days as we had not appointed any Company Secretary, the details of which are disclosed on page no. 206 of this Prospectus. Further, there was non-compliance of Section 211 of the Companies Act, 1956 by us in respect of audited accounts in the past. Our management is taking steps to regularize the above past irregularities and apply for compounding of these offences. We may be held liable to pay penalty / fees to the extent as provided under Section 383(1A) and Section 211(7) of the Companies Act, 1956 respectively. Any penalty in future by any regulatory authorities could affect our financials to that extent.

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- 25. We have entered into certain related party transactions and may continue to do so in the future. These transactions are carried at the arms length basis but there can be no assurance that these transactions were/ will be achieved in the most favorable terms. Further there could be no assurance that in future such transactions will not have any adverse effect on our financial condition and results of operation.**

We have entered into related party transactions aggregating to Rs. 3212.04 lakhs for the period ended June 30, 2007 with our subsidiary company, Promoter Directors and Promoter group companies. While we believe that all such transactions have been conducted on the arms length basis, there can be no assurance that we could not have been achieved more favorable terms had such transactions not been entered into with related parties. Furthermore, it is likely that we will enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operation. For details, please refer to section titled "Related Party Transactions" at page no. 162 of this Prospectus

- 26. Empee Sugars and Chemicals Limited, one of the Promoter Group Company and now subsidiary of our Company, incurred losses in the past and its networth was also substantially eroded.**

During the year ended September 30, 1994, the accumulated losses of Empee Sugars and Chemicals Limited (ESCL) had eroded more than 50% of networth as on that date majorily on account of cyclone hitting the factory and due to agro base nature of company which is subject to vagaries of nature. The matter was thereore, reported to the Board for Industrial and Financial Reconstruction (BIFR), Department of Economic Affairs, Ministry of Finance. However, BIFR informed that as the company had not completed a minimum period of 5 years of commercial production, the company did not come under the purview of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). For the period ended September 30, 1995, the networth of the company was negative. The company therefore, made a reference to BIFR under section 15(1) of SICA but the same was also rejected as the company had not completed the minimum statutory period of 5 years. For the same reason, the company was not a sick company in the year ended September 30, 1996.

During the period ended March 31, 1998 the accumulated losses were Rs. 1657 lakhs against shareholders funds of Rs. 1697 lakhs resulting in erosion of more than 50% of the networth of the company. As statutorily required under Section 23 of SICA, the company reported once again the matter to BIFR. The company also approached lending institutions with One Time Settlement (OTS) of the terms loans, who have approved the OTS proposal. In the meantime, the performance of the company improved and had not sought any assistance from BIFR.

- 27. Empee Sugars and Chemicals Limited, one of the promoter group company, had made a public issue of Equity Shares in 1991. There were deviations in the performance vis-à-vis projections made by them. There can be no assurance that our current expansion/ diversification projects will be implemented as per the implementation schedule given on page no 60 of this Prospectus.**

Empee Sugars and Chemicals Limited had made a public issue of 55,00,000 Equity Shares of Rs. 10/- each for cash at par, out of which 6,50,000 Equity Shares of Rs. 10/- each reserved for preferential allotment to the employees in the year 1991. The actual performances achieved by the company against the projections made in the prospectus are as under:

Prospectus

	As per Prospectus	Actual Implementation
Project Cost	Rs. 3050 lakhs (Rs 1300 lakhs Equity and Rs 1750 lakhs Term Loan)	Rs 3680 lakhs (Rs 1495 lakhs Equity, Rs 2100 lakhs Term Loan and Rs 125 lakhs unsecured loans from the promoters)
Project implementation	Execution work to be completed by first quarter of 1992	Sugar plant commissioned and crushing operations commencement on April 14, 1992 after a delay of four months

	1991- 1992 I Operating Year		1992- 1993 II Year		1993-1994 III Year	
	Projected	Actual	Projected	Actual	Projected	Actual
Capacity Utilization (%)	--	--	90	63	100	85.5
Cane Crushed (Lakh Tonnes)	--	--	3.0	2.10	4.0	3.42
Average Recovery (%)	--	--	9.2	6.05	9.5	7.90
Total Income (Rs in lakhs)	--	--	2219	756.04	2618	3376.74 (18 Months)
Operating Profit/ Loss (Rs in Lakhs)	--	--	26	(996.89)	146	324.85 (18 Months)
Cash Profit/ Loss (Rs in lakhs)	--	--	316	(1265.22)	436	73.59 (18 Months)

28. Our Subsidiary Company viz. Empee Sugars & Chemicals Limited have received notice from SEBI alleging violations of Takeover Regulations and non-compliance under regulations 6(2) and 6(4) for 1997 and 8(3) for 1998 to 2002 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. Any penalty imposed by SEBI could adversely affect financial operations of our subsidiary company to that extent.

SEBI vide their letter dated November 29, 2004 alleged violations to the reporting requirements under regulations 8(3) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("Takeover Regulations") for the years 1998 to 2002. This letter of the SEBI also referred to the appointment of an adjudicating officer under provisions of the SEBI Act to adjudicate and enquire into such alleged violations. In the said letter, SEBI also stated that it has decided to consider request for a consent order under provisions of section 15 T (2) (b) of the SEBI Act if the company was willing to pay an amount of Rs. 1,75,000/- as penalty for the alleged violations. The company has in its response vide its letter dated December 30, 2004 cited an Order of SEBI dated August 31, 2004 in favour of our Company recording the acquisition of equity shares of Empee Sugars & Chemicals Limited by Empee Distilleries Limited.

Empee Sugars & Chemicals Limited have submitted for consent order to SEBI vide their application dated July 19, 2007 and after personal hearing with SEBI consented for payment of penalty of Rs. 2 lakhs vide company's letter dated August 17, 2007. The final consent order from SEBI is still awaited.

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29. Our Promoter Company and Subsidiary Company have incurred losses during the last three financial years

(Rs. in lakhs)

Name of Company / (Period April to March)	2006-07	2005-06	2004-05
Promoter Company			
Empee Holding Limited	16.07	3.7	(4.99)
Subsidiary Company			
Empee Sugars and Chemicals Limited	87.57*	1031.08	(459.34)

* For 15 months period ending June 30, 2007

Another Promoter Company viz. Empee Power Company (India) Limited is not operational since incorporation in December, 1996.

30. Our Promoter Company and Subsidiary Company have negative networth during the last three financial years

(Rs. in lakhs)

Name of Company / (Period April to March)	2006-07	2005-06	2004-05
Promoter Company			
Empee Holdings Limited	(167.02)	(247.79)	(251.48)
Subsidiary Company			
Empee Power Company (India) Limited	(25.80)*	(26.41)	(26.27)

* For 15 months period ending June 30, 2007

31. Some of our promoter group companies/ ventures/ firms have incurred losses during the last three financial years and some of the promoter group companies are having negative networth

(a) Companies having losses during last three years:

(Rs. in lakhs)

Name of Company / (Period April to March)	2006-07	2005-06	2004-05
Empee International Hotels and Resorts Limited	–	(26.24)	(17.13)
Aruna Exports Private Limited	(0.02)	(4.27)	(14.01)
Empee Agro Farm Products Private Limited	(5.47)	4.08	(2.1)
Empee Marine Products Limited	(0.04)	(12.13)	(14.6)
Empee Packaging	–	7.41	(2.69)
N. S. Travels	–	(1.21)	0.11

(b) Companies having negative networth:

(Rs. in lakhs)

Name of Company / (Period April to March)	2006-07	2005-06	2004-05
Empee International Hotels and Resorts Limited	–	(137.91)	(111.68)
South (India) Hotels Private Limited	(103.67)	(149.63)	(147.69)
Aruna Exports Private Limited	(23.51)	(23.31)	(20.04)
Aruna Constructions (India) Limited	(18.46)	(4.73)	(4.71)
Empee Marine Products Limited	(81.27)	(81.24)	(69.10)

- 32. Mr. M.P. Purushothaman, the main Promoter of Empee Group entered into non-compete agreement in the individual capacity representing Empee Group for dealing in the beer products of McDowell Alcobev in the territory of Tamil Nadu and Kerala which restricts any diversification plan of our Company**

In the year 2001-2002 with a view to concentrate mainly on IMFL products, we hived off our Brewery Division to Empee Breweries Limited and entered into a non-compete agreement with McDowell Alcobev Limited, which acquired Empee Breweries Limited under which Mr. M.P. Purushothaman agreed in the individual capacity representing Empee Group, not to compete with the business and product of Empee Breweries Limited and McDowell Alcobev Limited in the territory of Tamil Nadu and Kerala for a period of seven years effective from the date of March 30, 2002. For details, please refer to page no. 124 of this Prospectus. This agreement restricts our entry into manufacture, sale and distribution of beer products in the State of Tamil Nadu and Kerala upto March 30, 2009. In future, if any opportunity arises during this period to deal in these products in any manner, we would be restrained to take that benefit.

- 33. The name of one of our Promoter Group Company viz. Empee Infotech Private Limited was got struck off from the Registrar of Companies, Tamil Nadu. We have also applied for striking off the name of another promoter group company viz. Empee Heritage Inn Private Limited.**

Empee Infotech Private Limited was incorporated on September 17, 2001 with the object of carrying on the business of software development. The company was inoperative since incorporation and therefore, we had applied to Registrar of Companies, Tamil Nadu on December 31, 2003 for striking off its name u/s 560 of the Companies Act, 1956. As per the information available on the website of Ministry of Company Affairs (www.mca.gov.in), the name of Empee Infotech Private Limited struck off. Further, we have applied for striking off the name of one of other promoter group company viz. Empee Heritage Inn Private Limited as this company was also inoperative since its incorporation.

Risks arising from Objects of the Issue

- 34. We have significant planned capital expenditure of more than 84% of total project expenditure and this capital expenditure plans may not yield the intended benefits.**

The funds being raised through the Issue are proposed to be utilized towards capital expenditure described under the section titled "Objects of the Issue" beginning from page no. 26 of this Prospectus. We have planned total capital expenditure of Rs. 15439.32 lakhs out of total project expenditure of Rs. 18216.04 lakhs (excluding expenditure on general corporate purpose and issue expenses). Our Company operates in a highly competitive business environment and these capital expenditure plans of our Company may not yield the intended results and benefits.

- 35. The success of bio-mass project depends on bio-mass, the unavailability and/ or high prices of which adversely impact the financials of our Company.**

The main raw material for the bio-mass project is bio-mass which is nature's gift. The availability of the same is subject to vagaries of monsoon. The price of bio-mass is variable. At present the wood is sold at Rs.800 per ton in Pudukottai District, where the project is to be commissioned, whereas the cost of the same is around Rs.1100 per ton in Coimbatore District. Any adverse moment in the price of bio-mass could adversely impact the profitability and financials of our Company.

- 36. We are also diversifying our operations into real estate for which we do not have any past experience and our competencies to successfully execute real estate business is yet to be demonstrated. Any inability on our part to successfully market and sell the entire space could adversely impact our financials.**

Out of total approximate project cost of Rs. 18216.04 lakhs (excluding issue expenses and expenses for general corporate purposes), we propose to utilize Rs. 3107.18 lakhs constituting 17.06% into real estate

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business for development of residential space in Mevalorkuppam, Sriperumbudur Taluk, Kancheepuram District, Tamil Nadu. We do not have any experience in real estate and our competencies to successfully execute real estate business is yet to be demonstrated. Further, our inability to successfully sell the entire space could adversely impact our financials. An equity investor is therefore faced with an uncertainty of performance by the management in the real estate business.

- 37. Our appraising agency has not participated in the debt and / or equity of the project. Their appraisal is based on management estimates and various quotations provided by our Company which are subject to changes in external circumstances and any change could adversely impact implementation of project including cost overrun.**

Allbank Finance Limited has appraised our expansion and diversification project without participation in the debt and / or equity also the total project cost disclosed in this Prospectus is based on appraisal report of Allbank Finance Limited. Their appraisal is based on management estimates which are in turn based on current conditions/ quotations provided by the Company and are subject to changes in external circumstances or costs, or in other financial condition, business or strategy which may have an adverse impact on our business, financial condition and results of operations.

- 38. Our project will be substantially funded from the proceeds of this IPO. In case of delay in raising funds from the IPO, it is likely that we may have to renegotiate with some of the suppliers and in some cases even settle for alternate suppliers for key equipment, which could adversely impact the implementation schedule**

Our expansion & diversification project is proposed to be substantially funded from the proceeds of this IPO. There has already been a delay in the implementation schedule as envisaged by us earlier. Any further delay or failure of the same, may adversely impact the implementation of the project. If this happens, it is likely that we may have to renegotiate with some of the suppliers and in some cases even settle for alternate suppliers for key equipment. For our real estate project, we are dependent on adequate and timely availability of steel, cement, and other construction material. The prices of these materials are also subject to volatility. Such processes can delay or increase the project cost, thereby affecting the future performance of our Company. We have planned the expansion based on timely implementation of the project and hence any delay in raising funds through IPO can affect our future performance.

- 39. Our Company has not tied-up part of the additional working capital requirements needed for the Objects of the Issue and any of our inability to arrange for additional working capital requirement on terms favourable to us, could adversely affect our operations and profitability.**

Our additional working capital requirement from banks for our expansion programme is Rs. 1091.54 lakhs, which is not tied up. Any non-availability or delays in the sanction or procurement of these funds on terms favourable to us, could affect the business and profitability.

- 40. We have yet to place orders for Rs. 6137.88 lakh i.e. 63.57% of our plant & machinery and equipment requirements for our proposed project; as specified in the Objects of the Issue. Any delay in procurement of plant & machinery, equipment, etc. may delay the implementation schedule which may also lead to increase in prices of these equipments, future affecting our costs, revenue and profitability.**

We have placed orders for plant & machinery of Rs. 3517.42 lakhs out of total cost of plant & machinery of Rs. 9655.30 lakhs i.e. 36.43 %. For the balance plant & machinery of Rs. 6137.88 lakhs i.e. 63.57%, orders have yet to be placed by us. We may be subject to risks on account of inflation in the price of plant & machinery and other equipments that we require for the project. Our project could face time and cost over-run which could have an adverse effect on the operations of our Company.

41. Our Company may face risks of delays / non-receipt of the requisite regulatory / statutory approvals or licenses for any of our Objects arising out of the Issue

We have yet to apply for statutory approval / clearances including factory licenses, labour licenses including provident fund and employee state insurance registration, licenses from the applicable pollution control boards, power, electricity, water and telephone connections, state and central tax registrations, legal metrology etc for our expansion programmes. If any of such permissions, licenses or utility connections, are not received in time or received on unfavourable terms, it could affect the implementation of the objects of the Issue. For details of the said licenses and approvals, please refer to section titled "Government Approvals" beginning on page no. 227 of the Prospectus.

42. There are Weaknesses and Threats as disclosed in the Appraisal Report of Allbank Finance Limited

a) Relating to Distillery Division: Weaknesses:

- The industry is prone to frequent changes in Government policy. However, due to huge income generated by this industry, so far no major policy changes have been made. Even the production and Sales quantity is guided by Government direction. Permit is required for purchase of Industrial Alcohol also.
- Although there is scope for expansion through introduction of new range of products, they cannot enter into other States due to inter-State restrictions, except through tie-up, which always may not yield desired results.
- The raw material required is prone to price fluctuations and this year there has been a steep increase in the price of Industrial Alcohol.

Threats:

- Any delay in implementation schedule of the project could lead to time and cost overrun.
- Any reduction in customs duty of IMFL will affect the alcohol industry.
- The Company faces competition from cheap imports from abroad.
- Any other unfavourable Government policies.

b) Relating to Power Division:

Weaknesses:

- The main raw material for the project is bio mass which is nature's gift. However, the availability of the same is subject to vagaries of monsoon.
- The viability of the project depends on the price of bio-mass. At present the wood is sold at Rs.800 per ton in Pudukottai District, where the project is to be commissioned, whereas the cost of the same is around Rs.1100 per ton in Coimbatore District.
- Alongwith the present power project, permission has been accorded to another company to start a similar unit in the same area. This would lead to unhealthy competition for procurement of raw materials. However as per the study conducted it is informed that there is a surplus quantity of bio mass and hence the company feels that this might not be a problem.

c) Relating to Real Estate Division

Weaknesses:

- Any delay in implementation schedule of the project could lead to time and cost overrun.
- Any increase in raw material prices for construction will affect the industry.
- The Company faces competition from cheap quality residential space.
- Any other unfavourable Government policies.

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Threats:

- Project completion risk represents inability to complete. The Project envisages development of about 15.44 lac Sq.ft. of built up space comprising three phases. The capability of EDL to handle such a major project is a potential risk.
- Demand Risk represents inability to sell the entire space proposed to be developed in the Project.
- Price risk represents inability to sell the space as assumed in the business plan.

43. The deployment of fund is not subject to monitoring by any independent agency.

The deployment of funds as stated in the "Objects of the Issue" on page no 28 of this Prospectus is entirely at our discretion and is not subject to monitoring by any independent agency. We have not entered into any definitive agreement to utilize a portion of the issue.

Risks Arising out of Shareholding / Equity Shares

44. We do not have a track record for payment of dividend on equity shares and there is no assurance that we will be able to pay dividends in future.

Our Company has not declared or paid any cash dividends on the Equity Shares in the past. The future payment of dividends, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. There can be no assurance that we will be able to pay dividends.

45. We may continue to be controlled by our Promoters together with the Promoter group following this Issue and our other shareholders may not be able to affect the outcome of shareholder voting.

After the completion of this Issue, our Promoters together with the promoter group will collectively hold more than 73.46% of the fully diluted post-Issue equity capital. Consequently, our Promoters/ promoter group may exercise substantial control over us and have the power to elect and remove a majority of our Directors and / or determine the outcome of proposals for corporate action requiring approval of our Board of Directors or shareholders, such as lending and investment policies, revenue budgets, capital expenditure, dividend policy and strategic acquisitions. Our Promoters/ promoter group will be able to influence our major policy decisions and any wrong decision on their part could materially adversely affect your investment in the Equity Shares.

46. There is no existing market for the Equity Shares, and we do not know if one will develop. Our stock price may be highly volatile after the Issue, and as a result, you could lose a significant portion or all of your investment.

Prior to the Issue, there has not been a public market for the Equity Shares. We cannot predict the extent to which investor interest will lead to the development of an active trading market on the Stock Exchanges or how liquid that market will become. If an active market does not develop, you may experience difficulty in selling the Equity Shares that you purchased. The IPO price is not indicative of prices that will prevail in the open market following the Issue. Consequently, you may not be able to sell your Equity Shares at prices equal to or greater than the price you paid in the Issue.

47. The market price of the Equity Shares may be adversely affected by any additional issuances of equity or sales of a large number of the Equity Shares by our Promoters.

There is a risk that we may be required to finance our growth or strengthen our balance sheet through additional equity offerings. Any future issuance of Equity Shares, whether through the exercise of options or otherwise, will dilute the position of existing shareholders and could adversely affect the market price of the Equity Shares.

EXTERNAL TO OUR COMPANY

48. The IMFL Industry is heavily regulated by the Government. Any changes in regulations or applicable government policies would materially adversely affect our operations and growth prospects.

The business of our Company is subject to the State Government policies on the IMFL industry. Changes in the fiscal policies of the State Government(s) could have an adverse effect on the profitability of our Company. Moreover any material and significant change in the Government liberalization and deregulation policies could effect business and economic conditions in India and in turn the business of our Company in particular. Further adverse changes in other regulations pertaining to distribution norms may also affect the operations of our Company.

49. Instability of economic policies and the political situation in India could adversely affect the fortunes of the industry

There is no assurance that the liberalization policies of the government will continue in the future. Protests against privatization could slow down the pace of liberalization and deregulation. The Government of India plays an important role by regulating the policies and regulations governing the private sector. The current economic policies of the government may change at a later date. The pace of economic liberalization could change and specific laws and policies affecting the industry and other policies affecting investment in our Company's business 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 Company's business.

Unstable internal and international political environment could impact the economic performance in both the short term and the long term. The Government of India has pursued the economic liberalization policies including relaxing restrictions on the private sector over the past several years. The present Government has also announced policies and taken initiatives that support continued economic liberalization. The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. Our Company's business, and the market price and liquidity of the Equity Shares, may be affected by changes in interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

50. Force majeure events, terrorist attacks or natural disaster or any other acts of violence or war involving India, or other countries could adversely affect the financial markets, result in a loss of customer confidence and adversely affect the Company's business, results of operations, financial conditions and cash flows.

Certain force majeure events, being beyond our Company's control, including natural disasters, terrorist attacks and other acts of violence or war which may involve India, or other countries, may adversely affect worldwide financial markets, and could lead to economic recession. These acts may also result in a loss of business confidence and have other consequences that could adversely affect business, results of operations and financial condition of the Company. More generally, any of these events could lower confidence in India. Any such event could adversely affect the financial performance or the market price of the Equity Shares of our Company.

51. Non-compliance with, and changes in, safety, health and environmental laws and regulations may adversely affect our business, financial condition and results of operations.

Our projects are subject to government and 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 the operations of our businesses. These laws and regulations include the Environmental Protection Act 1986, the Air (Prevention and Control of Pollution) Act 1981, the Water (Prevention and Control of Pollution) Act 1974 and other regulations promulgated by the Ministry of Environment and the Pollution Control Boards of

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the relevant states. In addition, some of our operations are subject to risks involving personal injury, loss of life, environmental damage and severe damage to property.

The measures we implement in order to comply with these new laws and regulations may not be deemed sufficient by government entities and our compliance costs may significantly exceed our estimates. If we fail to meet environmental requirements, we may also be subject to administrative, civil and criminal proceedings by government entities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against us as well as revocation of approvals and permits and orders that could limit or halt our operations.

Notes to Risk Factors:

1. The Net worth of our Company was Rs. 5325.03 Lakhs as on June 30, 2007 as per our restated unconsolidated financial statements included in this Prospectus.
2. The average cost of acquisition of Equity Shares of the Promoters is as follows:-

S. No	Name of Promoter	No of Shares	Average Cost of Acquisition (Rs. per Equity Share)
1	Mr. M.P. Purushothaman	49,37,788	0.75
2	Empee Holdings Limited	59,35,412	6.74

3. The Book value per Equity Share of Rs. 10/- each was Rs 40.44 as on June 30, 2007 as per our restated unconsolidated financial statements included in this Prospectus.
4. Issue of 48, 00,000 Equity Shares of Rs. 10/- each at a price of Rs. 400 per Equity Share for cash at a premium of Rs. 390 per Equity Share aggregating to Rs. 19200 Lakhs. The Issue would constitute 25.26% of the fully diluted post issue paid up capital of our Company.
5. Other than as disclosed in the "Related Party Information", the promoters / directors / key management personnel of our Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits.
6. No loans and advances have been made to any person(s) / Companies in which the Director(s) of our Company are interested.
7. The Investors are advised to refer to the Para on "Basis for Issue Price" on page no. 66 of this Prospectus before making any investment in this Issue.
8. Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
9. The Investors may contact the Book Running Lead Manager to the Issue or the Compliance Officer for any complaint / clarification / information pertaining to the Issue, who will be obliged to attend to the same and no selective or additional information would be available for a section of investor for any manner whatsoever.
10. No part of the Issue proceeds will be paid as consideration to promoters, directors, key managerial personnel, associates or Group Companies.

SECTION III- INTRODUCTION

SUMMARY

INDUSTRY OVERVIEW

India is the third largest market for alcoholic beverages in the world. The demand for spirits and beer is estimated to be around 373 million cases. There are around 12 Joint Venture Companies having a licensed capacity of 33919 Kilo-litres per annum for production of grain based alcoholic beverages. 56 units are manufacturing beer under license from the Government of India. (Source: Annual Report 2006- 2007, Government of India, Ministry of Food Processing Industries).

The Alcohol Industry in India can be divided into the following five categories:

1. Industrial Alcohol
2. Potable Alcohol
3. Mixed Distilleries (Industrial and Potable Alcohol)
4. Bottling Plants (purchasing alcohol and bottling alcoholic beverages)
5. Distilleries producing alcohol from substrates other than molasses.

However, the majority of distilleries are producing alcohol from Sugar Cane Molasses.

The distillery industry based on molasses consists of potable liquor and industrial alcohol. The potable distillery producing Indian Made Foreign Liquor (IMFL) and Country Liquor has a steady but limited demand. The industrial alcohol, on the other hand, is showing a declining trend because of high price of molasses, which is invariably used for the production of fuel alcohol. The Potable Alcohol segment comprises of categories such as Beer, Country Liquor, Indian Made Foreign Liquor (IMFL) and wine. IMFL primarily comprises of wine, vodka, gin, whisky, rum and brandy. The Indian beer market reached about 94 million cases or 7.3 lakh kilolitre (one case is 12 bottles each of 650 ml) in the financial year, 2004-05. Flavored low alcohol beverages with new variants like the 330 ml beer pack have driven sales growth across the country. Strong beer, which has 5 percent of alcohol content, outsells mild beer in India and accounts for more than 68% of total sales. The country liquor is produced by a number of small and medium sized players, but a few organized players like Radico Khaitan, GM Breweries are also present in this low price high volume segment. The Country Liquor Market is estimated to be 175 million cases. The Indian wine market, estimated at 5 lakh cases annually, has witnessed robust 30% growth over the past few years. (Source: FICCI-Food & Beverages Survey, February 2006).

India consumes spirits / CL (hard liquor) at par with the world but consumes very little Beer / Wine despite having large potential in tapping comparative advantage of agro-climatic conditions and a huge growing market.

The following are the key drives pushing demand for liquor in India:

- Changing perception of alcohol from taboo to a socially acceptable beverage.
- Availability of a wide range of products.
- A large untapped segment for low priced brands in unorganized markets.
- Changes in taxation structure and opening of new distribution channels
- Keen competition in production and distribution attributable to growth in consumption habits and the entry of international brands / manufacturers which in turn leads to further expansion of market.

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The Alcoholic beverages industry is a State controlled subject. As per the All India Distillers' Association, it is the second largest source of revenue of the State Exchequer and is the only industry where inputs are de-controlled (free market price) and output is controlled (selling price is determined by State Excise in most states).

Real Estate

The main features of the Indian real estate sector are:

- Highly fragmented sector with few organized players of scale
 - Most real estate developers have only a local or regional presence
 - Modest participation of large corporations in the sector
 - Margins are higher in India (>20%) as compared to the developed markets (5-6%)
- Participation of institutional finance in real estate is just beginning
 - Prominent Indian corporates like ICICI Bank, SBI and HDFC have promote real estate venture funds
 - Entry of various foreign Real Estate and Finance companies in the Indian market

(Source: Investment Commission of India website - www.investmentcommission.in)

Growth Drivers

The size of the real estate industry in India is estimated by FICCI, to be around US\$ 12 billion and is growing at a pace of 30% for the last few years. Almost 80 % of real estate developed in India, is residential space and the rest comprise office, shopping malls, hotels and hospitals. (Source: www.ficci.com). The double-digit growth is mainly attributed to the following factors:

- Rapid expansion of the Information Technology industry/ Hospitality sectors
- Simultaneous growth of middle class
- Reducing financing cost of housing loans
- Boom in organized retail segment in India
- Rising disposable incomes
- Increased urbanisation
- Nuclearisation

(Source: Investment Commission of India website - www.investmentcommission.in)

Demand Outlook in Tamil Nadu

- Ranks 2nd in the rank of ratio of urban population in 2001 next to Maharastra among the bigger states as against 5th rank in 1991.
- Tamil Nadu has registered an urban population growth rate of 42.79% in the last decade. Considering the growth of population every year, Tamil Nadu needs an additional 2.50 lakh houses to bridge the gap.

The State Government commitment under Housing Sector will be Rs. 1,000 crore, of the total outlay of Rs.4,002.69 crore during the 10th Five year Plan period. For free housing for BPL families, the outlay is reflected in the budgets of Rural Development / Adi-Dravidar Department. HBA to Government Servants will be repayable by them at nominal interest rate. (Source: Tamil Government Website- www.tn.gov.in)

BUSINESS OVERVIEW

Our Company is part of Empee Group promoted by Mr. M P Purushothaman and his family members engaged in the manufacture of Indian Made Foreign Liquor (IMFL) which is our core business. We, Empee Distilleries Limited entered into the Beverages and Distillery Industry in the year 1984 by starting manufacture of IMFL products by means of setting up of our first distillery unit at Mevalooruppam, Tamil Nadu with an installed capacity of 2000 cases/day with initial production running off on 2 semi auto lines. We are one of the major suppliers of IMFL products to the Tamil Nadu State Marketing Corporation Limited (TASMAC) and one of the top ten selling brands of IMFL 180 ML Pack. (Source: <http://tasmac.tn.gov.in>).

We are presently engaged into manufacturing of Indian Made Foreign Liquor (IMFL) products under our own brand portfolio as well as under tie-up arrangements with other companies. The brands under our portfolio are Old Secret XXX Rum, Power XXX Rum, Power Brandy, Mc Lene Ordinary Brandy, Mclene XXX Ordinary Rum, Power Whisky, Empee Napoleon Premium Brandy, Empee Fine Brandy, Commando XXX Rum, Club Polo Dry Gin, Club Royal Whisky, Elcanso Dark XXX Rum and Old Secret Brandy. The brands under tie up arrangement are Brihans Napoleon Premium Brandy, Brihans Premium Whisky.

Presently we have facilities to manufacture various IMFL products in our Distillery Units set up at Mevalooruppam, Kanchipuram District, Tamil Nadu and at NIDA, Kanjikode, Palakkad District, Kerala. We also have a Wind Mill energy plant at Nall Road, Pariakumarapalayam, Gudimangalam, Udumalpet, Coimbatore District, Tamil Nadu for export of surplus power to the Tamil Nadu State Electricity Board with 2 MW licensed and installed capacity.

Key Strengths

Entry barrier for new entrants

It had been the policy of the Tamil Nadu State Government of not permitting any new entrants other than the existing licensees and manufacturers for manufacturing and marketing of IMFL products to the extent that even the national operators have to route their bottling operations through existing operators only. Thus the market is presently protected in respect of our Company's existing business operations.

Established Manufacturing facilities

Our existing manufacturing facilities are spread across the States of Tamil Nadu and Kerala and we further propose to expand our distillery and blending & bottling operations to the State of Andhra Pradesh and Karnataka by setting up a new distillery unit and a blending & bottling unit in the State of Andhra Pradesh and relocating plant & machinery to the Kolar in the State of Karnataka purchased from one of our Promoter Group Companies namely Appollo Alchobev Limited vide Asset Purchase Agreement dated March 22, 2007 and further expanding its capacity from 0.50 Lakh to 1.00 Lakh cases per month.

Brand presence

We have been in the IMFL market since 1984 and have established several brands successfully across segments and flavors thereby enjoying brand recall from customers. Indian Made Foreign Liquor (IMFL) products under our own brand portfolio as well as under various tie-up arrangements with other Companies include Old Secret XXX Rum, Power XXX Rum, Power Brandy, Brihans Napoleon Premium Brandy, Mc Lene Ordinary Brandy, Mclene XXX Ordinary Rum, Power Whisky, Empee Napoleon Premium Brandy, Empee Fine Brandy, Commando XXX Rum, Brihans Premium Whisky, Club Polo Dry Gin, Club Royal Whisky, Elcanso Dark XXX Rum and Old Secret Brandy.

Low Marketing Cost

Presently, we market our IMFL products through various State Government Agencies located in the States of Tamil Nadu and Kerala thus achieving economies of scale in terms of lower marketing cost. In Tamilnadu, Tamil Nadu State Marketing Corporation Limited (TASMAC), a State Government undertaking is the sole wholesale and retail distributing agency for all the IMFL / Beer products. These products are sold only to TASMAC which

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places order with the existing operators on the basis of market demand. In Kerala, Kerala State Beverages (Manufacturing & Marketing) Corporation Limited is the wholesale and retail distributing agency for all our IMFL products. Further, we will be marketing our IMFL products manufactured / blended & bottled in our proposed distillery unit and blending & bottling unit set up in the State of Andhra Pradesh through Andhra Pradesh Beverages Corporation Limited and in the State of Karnataka through Karnataka State Beverages Corporation Limited.

Experienced management team

Our Company is managed by a team of experienced and professional managers with experience in different aspects of Distillery industry including production, sales, marketing and finance. Our promoters and management are well qualified and have an experience of around 20 years in Distillery industry.

Our Business Strategy

Expansion and Backward Integration of our existing operations

We presently have business operations in two states of Southern India namely Tamil Nadu and Kerala and now in the process of expanding operations in Andhra Pradesh by setting up 60 KLPD Grain Based Distillery Unit and Blending & Bottling IMFL Unit of 20 KLPD capacity and in Karnataka by relocating Plant & Machinery purchased from Appollo Alchobev Limited to Village Arabikothanur, Panchayat-Vokkaleri Hobli, District Kolar, Karnataka along with expanding the existing capacity from 0.50 Lakh cases per month to 1.00 Lakh cases per month. (For details of the terms and conditions of the Asset Purchase Agreement entered by us with Appollo Alchobev Limited dated March 22, 2007, refer page no. 125 of this Prospectus)

Horizontal Expansion

We are increasing the capacity of our existing Extra Neutral Alcohol Plant situated in the State of Tamil Nadu from 20KLPD to 70KLPD and further increasing the capacity of this distillery to handle 5.00 Lakh cases per month from the present 3.20 Lakh cases per month which would bring horizontal expansion and thereby helping us to lower our input costs.

Diversification

We also propose to diversify into non-core business activities by setting up of 7.5 MW Bio-mass based Power Plant in Tamil Nadu along with implementing real estate project by developing 2.00 Lakhs sq.ft. of residential space in Mevalorkuppam, Sriperumbudur Taluk, Kancheepuram, District Tamil Nadu.

Enhancement in market share

At present we have two medium and one premium brand viz. "Old Secret Rum", "Elcanso XXX Rum" and "Empee Napoleon Brandy". We propose to improve our market share in the medium and premium segment by introducing more brands in this segment.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our restated consolidated financial statements as of and for the years ended September 30, 2006, 2005, 2004 and 2003 and the nine month period ended June 30, 2007. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act, 1956 and the SEBI Guidelines and are presented in the section titled "Financial Statements" beginning on page no. 166 of this Prospectus. The summary financial information presented below should be read in conjunction with our restated unconsolidated and consolidated financial statements, the notes thereto and the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Existing Business" appearing on page nos. 199 and 80 of this Prospectus. The summary financial information presented below as of and for the years ended September 30, 2003, 2004, 2005 and 2006 and the nine month period ended June 30, 2007 were derived from audited restated unconsolidated and consolidated financial statements of our Company, audited by Mr. N.C. Ananthakumar, Chartered Accountant, in accordance with Indian GAAP. The summary consolidated financial information presented below does not purport to project our results of operations or financial condition.

SUMMARY CONSOLIDATED STATEMENT ASSETS AND LIABILITIES AS RESTATED*

(In Rs Lakhs)

PARTICULARS	As at June 30, 2007	As at September 30,			
		2006	2005	2004	2003
SOURCES OF FUNDS					
Share Capital	1420.40	1420.40	710.20	710.20	710.20
Minority Interest	690.69	629.29	328.54	218.03	214.35
Reserve & Surplus	5152.36	3602.90	2871.73	2306.74	2007.69
Secured Loans	8665.35	6315.79	3788.31	3700.15	3150.41
Unsecured Loans	2102.57	212.90	244.03	36.58	114.00
Deferred Tax Liabilities	723.39	660.25	546.02	276.89	61.11
TOTAL	18754.76	12841.53	8488.85	7248.59	6257.75
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	8482.06	7952.91	7664.01	7240.45	7000.90
Less: Accumulated Depreciation	3649.73	3423.85	3070.14	2700.42	2343.37
Net Block	4832.33	4529.06	4593.87	4540.02	4657.53
Add: Capital WIP	5449.24	1429.04	79.46	3.94	42.02
	10281.57	5958.10	4673.33	4543.97	4699.56

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(In Rs Lakhs)

PARTICULARS	As at June 30, 2007	As at September 30,			
		2006	2005	2004	2003
Investments	638.56	654.81	653.86	202.61	202.96
Current Assets, Loans & Advances					
Inventories	3248.06	2175.22	2118.92	1561.52	1464.23
Sundry Debtors	2963.38	1373.86	1086.23	840.31	1239.50
Cash & Bank Balances	276.26	324.08	449.53	397.31	213.28
Loans & Advances	6852.04	5637.30	2921.05	2249.52	1397.96
	13339.74	9510.46	6575.72	5048.66	4314.97
Less:					
Current Liabilities & Provisions	5556.79	3325.50	3497.19	2671.34	3125.97
Net Current Assets	7782.95	6184.96	3078.53	2377.32	1188.99
Miscellaneous Expenses	51.68	43.65	83.12	124.68	166.24
(To the extent not written off or adjusted)					
TOTAL	18754.76	12841.53	8488.85	7248.59	6257.75

* The Consolidated financials for the year 2001- 2002 have not been disclosed as Empee Sugars & Chemicals Limited became our subsidiary in the financial year ending 2003.

SUMMARY CONSOLIDATED PROFIT & LOSS AS RESTATED*

(In Rs. Lakhs)

PARTICULARS	Nine Months Period ended June 30, 2007	Year Ended September 30,			
		2006	2005	2004	2003
INCOME					
Sales Income	52,530.46	55,447.72	44,104.83	25,969.88	19,809.94
Other Income	1,116.87	723.95	523.22	229.18	1,419.35
Stock Movement	986.62	(205.35)	167.07	13.36	224.66
	54,633.95	55,966.32	44,795.12	26,212.42	21,453.95
EXPENDITURE:					
Manufacturing & Other Expenses	13,496.71	12,846.04	15,420.08	7,797.71	6,693.06
Rents, Rates & Taxes	34,903.83	35,803.19	23,991.54	14,576.44	10,748.95
Employee Cost	841.47	817.92	637.13	564.34	506.36
Administrative Expenses	813.15	1,016.20	728.13	660.69	820.97
Selling & Distribution Expenses	937.73	1,829.71	1,115.98	1,053.44	912.48
Powers & Fuels	535.38	483.99	521.48	227.14	128.53
Loss on Sales of Investment	14.75	-	-	-	-
	51,361.02	52,797.05	42,414.34	24,879.76	19,810.31
Profit Before interest, depreciation and Tax	3,272.93	3,169.27	2,380.78	1,332.66	1643.64
Financial Cost	700.84	780.66	1,086.54	412.69	411.22
Depreciation	362.91	355.88	369.72	359.89	315.40
Deferred Revenue Expenses	31.17	41.56	41.56	41.56	41.56
Profit before Taxation & Extra Ordinary Items	2,178.01	1,991.17	882.96	518.51	875.46
Provision for Taxation - Current	535.97	143.20	-	-	-
- Deferred Tax	63.15	114.22	269.14	215.77	(158.13)
Profit after Taxation	1,641.66	1,733.75	613.82	302.74	1,033.59
Less: Minority Interest	(59.14)	(300.75)	(110.51)	(3.69)	(157.04)
Less: Cost of Control Account	-	14.98	67.67	-	(355.01)
Retained earnings	1,582.52	1,447.98	570.98	299.05	521.54

* The Consolidated financials for the year 2001- 2002 have not been disclosed as Empee Sugars & Chemicals Limited became our subsidiary in the financial year ending 2003.

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THE ISSUE

S. No	PARTICULARS	NO. OF SHARES
	Fresh Issue of Equity Shares	48,00,000 Equity Shares
	Of which	
A	QIB PORTION*	Not more than 24,00,000 Equity Shares (Allocation on proportionate basis)
	Of which:	
	Reservation for Mutual Funds	1,20,000 Equity Shares (Allocation on proportionate basis)
	Balance for all QIBs including Mutual Funds	22,80,000 Equity Shares (Allocation on proportionate basis)
B	Non Institutional Portion	Not Less than 7,20,000 Equity Shares (Allocation on proportionate basis)
C	Retail Portion	Not Less than 16,80,000 Equity Shares (Allocation on proportionate basis)
	Equity Shares outstanding prior to the Issue	1,42,04,000 Equity Shares
	Equity Shares outstanding after the Issue	1,90,04,000 Equity Shares
	Objects to the Issue	Please see the section entitled "Objects of the issue" on page No. 26 of this Prospectus.

Under subscription, if any, in any of the categories, would be allowed to be met with spill over from any of the other categories including from over subscription at our sole discretion in consultation with the BRLM.

* As per the amendments to the SEBI Guidelines, allocation to QIB's is proportionate as per the terms of this Prospectus, 5% of the QIB portion shall be available for allocation to mutual funds. Mutual Funds participating in the 5% reservation in the QIB portion will also be eligible for allocation in the remaining QIB portion.

GENERAL INFORMATION

Our Company was originally incorporated as Empee Distilleries Private Limited on September 15, 1983 under the Companies Act, 1956. We subsequently changed the name of our Company to Empee Distilleries Limited with effect from December 01, 1983 under the provisions of Section 44 of the Companies Act, 1956.

Registered Office of our Company

Empee Distilleries Limited

693, Mount Road, Chennai,
Tamil Nadu- 600006
CIN Number: U15511TN1983PLC010313
Tel: + 91 44 28297111
Fax: +91 44 27156231
E-mail: info@empeegroup.co.in
Website: www.empeegroup.co.in

Corporate Office of our Company

Empee Distilleries Limited

Empee Tower, 59, Harris Road,
Pudupet, Chennai,
Tamil Nadu - 600002
Tel: + 91 44 28522510
Fax: +91 44 28555163
E-mail: info@empeegroup.co.in
Website: www.empeegroup.co.in

Address of the Registrar of Companies

Block No. 6, B WING,
2nd Floor, Shastri Bhawan,
26, Haddows Road,
Chennai, Tamil Nadu -600034

Our Board of Directors

Sr. No.	Name	Designation
1	Mr. M P Purushothaman	Chairman & Managing Director
2	Ms. Nisha Purushothaman	Joint Managing Director
3	Mr. Shaji Purushothaman	Non-Executive Director
4	Lt Gen Ranjit Singh Nagra	Non-Executive Independent Director
5	Mr. M.K. Mohan	Non-Executive Independent Director
6	Mr. T. S. Raghavan	Non-Executive Independent Director

Brief Profile of Our Board of Directors

Mr. M.P. Purushothaman, aged 70 years, is our Chairman and Managing Director. He holds a higher secondary certificate from Kerala and has been a Promoter-Director of our Company since inception. He started his carrier in 1960's as an hotelier and opened a chain of restaurants/ hotels with the name Gauri Shankar, Vasant Bhavan, New Victoria, Grand Orient and subsequently ventured into distillery business by promoting our Company in

EMPEE DISTILLERIES LIMITED

1983. He has promoted companies in the field of sugar, hotels, transport and power including alternative sources and generation of power. Currently, he is the President of South India Hotels and Restaurants Association and Vice President of Federation of Hotel and Restaurants Associations of India.

Ms. Nisha Purushothaman, aged 33 years is our Joint Managing Director. She is daughter of Mr. M.P. Purushothaman. She holds a degree in Masters in Business Administration from London Business School and was appointed as a Director of the Company on December 2, 1994 and thereafter appointed as Joint Managing Director on January 1, 1997. She started her professional carrier with our Company and she has been looking after administration and human resource management in our Company.

For further details in respect of our Non-Executive Directors, see Section titled "Our Management" on page no. 128 of this Prospectus.

Compliance Officer & Company Secretary

N.S.Suryanarayanan

Empee Towers, 59, Harris Road, Pudupet,
Chennai, Tamil Nadu - 600002
Tel: +91 44 28522510,
Fax: +91 44 28555163
Email: ipo@empeegroup.co.in

Investors can contact the Compliance Officer in case of any Pre-Issue related problems. In case of Post-Issue related problems such as non-receipt of letters of allotment / share certificates / credit of securities in depositories beneficiary account / refund orders, etc., Investors may contact Compliance Officer or Registrar to the Issue.

BOOK RUNNING LEAD MANAGER

Almondz Global Securities Limited

(formerly Allianz Securities Limited)
3, Scindia House, 2nd Floor, Janpath,
Connaught Place, New Delhi- 110001
Tel: +91 11 41514666
Fax: +91 11 41514665
E-mail: empee.ipo@almondzglobal.com
Investor Grievances Email Id: complaints@almondz.com
Website: www.almondzglobal.com
Contact Person: Mr. Sunit Shangle
SEBI Registration No: MB/INM 000000834

SYNDICATE MEMBERS

Almondz Global Securities Limited

(formerly Allianz Securities Limited)
3, Scindia House, 2nd Floor, Janpath,
Connaught Place, New Delhi- 110001
Tel: +91 11 41514666
Fax: +91 11 41514665
E-mail: empee.ipo@almondzglobal.com
Website: www.almondzglobal.com
Contact Person: Mr. S.N. Tare
SEBI Registration No: MB/INM 000000834

REGISTRARS TO THE ISSUE

Cameo Corporate Services Limited

Subramanian Building, No.1, Club House Road

Chennai, Tamil Nadu- 600 002

Ph: +91 44 28460390

Fax: +91 44 28460129

E-mail: cameo@cameoindia.com

Website: www.cameoindia.com

Contact Person: Mr. R D Ramaswamy

SEBI Registration No: INR 000003753

LEGAL ADVISORS

Dua Associates

Palani Center (Gr. & III Floor)

32, Venkatanarayana Road

T Nagar,

Chennai, Tamil Nadu- 600 017

Ph : +91 44 24314304-07

Fax : +91 44 24314308

E-mail : duachennai@duaassociates.com

Website : www.duaassociates.com

AUDITORS TO THE COMPANY

Mr. N C Ananthakumar

Chartered Accountant

No 10, Trustpakkam South,

Raja Annamalaipuram, Chennai- 600028

Ph : +91 44 24614791

Fax : +91 44 42108612

E-mail: manioommen@yahoo.co.uk

BANKERS TO THE COMPANY

Andhra Bank

No. 83, Pantheon Road,

Sri Kalyan Square,

Egmore, Chennai, Tamil Nadu-600008

Tel: +91 44 28514319

Fax: +91 44 28602642

Allahabad Bank

700, Mount Road

Thousand Lights

Chennai, Tamil Nadu -600006

Tel: +91 44 28513081

Fax: +91 44 28513081

EMPEE DISTILLERIES LIMITED

Indian Overseas Bank

Cathedral Branch
762, Anna Salai
Chennai, Tamil Nadu -600002
Tel: +91 44 28524813, 28523833
Fax: +91 44 28514695

ESCROW COLLECTION BANKS AND BANKERS TO THE ISSUE

ICICI Bank Ltd

Capital Markets Division, 30, Mumbai Samachar Marg,
Mumbai - 400 001
Phone: +91 22 22627600, Fax: +91 22 2261 1138
Email: sidharth.routray@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Sidhartha Sankar Routray

Standard Chartered Bank

270, D.N. Road, Fort, Mumbai
Tel: +91 22 22683965; Fax: +91 22 22092213
Email: Rajesh.Malwade@in.standardchartered.com
Website: www.standardchartered.co.in
Contact Person: Mr. Rajesh Malwade

Axis Bank Limited

Business Banking Group
E- Wing, 3rd Floor, Maker Tower, Cuffe Parade
Mumbai- 400005
Tel: +91 22 67071657; Fax: +91 22 22155157
Email: prashant.fernandes@axisbank.com
Contact Person: Mr. Prashant Fernandes

ABN Amro Bank N. V

Brandy House, 14 Veer Nariman Road
Homimon Circle, Fort, Mumbai
Tel: +91 22 6658 5939; Fax: +91 22 2204 2673
Email: akhouri.malay@in.abnamro.com
Contact Person: Mr. Akhouri Malay

IPO Grading

The Issue has been graded by CARE. CARE has assigned vide their letter dated July 3, 2007 "IPO Grade 3" (Grade Three indicates Average fundamentals) to the Initial Public Offering of the Company. The "IPO Grade 3" (Grade Three indicates Average fundamentals), was revalidated by CARE vide their letter dated October 3, 2007.

Rationale for IPO Grading by Grading Agency

CARE has assigned a 'CARE IPO Grade 3' to the proposed Initial Public Offer of Empee Distilleries Limited (EDL). 'CARE IPO Grade 3' indicates average fundamentals. CARE assigns IPO grades on a scale Grade 5 to Grade 1, with grade 5 indicating strong fundamentals and Grade 1 indicating, poor fundamentals. CARE IPO Grading is an opinion on the fundamentals of the issuer. The grade assigned to any individual issue represents a relative assessment of the fundamentals of the Issuer.

The grading factors in the promoters's proven track record in the business for over 2 decades, EDL's presence in the states of Tamil Nadu (TN), Kerala and Karnataka, EDL's established brand presence and improving market share in the large and growing market of TN and the Company's impressive sales growth and return ratios in the recent past. The grading also takes cognizance of restricted environment for existing players in the industry created by restrictive licensing and ban on advertising resulting in high entry barriers.

The grading is however constrained by EDL's regional presence, its small size, unproven project implementation capabilities and the ensuing risk stemming from several projects being taken up simultaneously and promoters's significant interest in several group companies, most of which are in poor financial health. The grading is also limited by EDL's moderate governance structure and practices and the regulatory risk inherent in the industry.

Disclaimer of CARE for IPO Grading

CARE's IPO grading is a one time assessment and the analysis draws heavily from the information provided by the issuer as well as the information obtained from the sources believed by CARE to be accurate and reliable. However, CARE, does not guarantee the accuracy, adequacy and completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. CARE's IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares/ securities. It is also not a comment on the offer price or the listed price of the script. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earning prospects of the issuer, also it does not indicate compliance/ violations of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.

Credit Rating

As the Issue is of Equity Shares, there is no credit rating for this issue.

Trustees

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

Appraising Entity

Allbank Finance Limited

Allahabad Bank Building,
37, Mumbai Samachar Marg,
Fort, Mumbai-400023
Tel: +91 22 22677552
Fax: +91 22 22677552 / 22626283
E-mail: shivshankar@mum.allahabadbank.co.in
Website: www.allahabadbank.com

Scope and purpose of appraisal note

Allbank Finance Limited has appraised the expansion and diversification project of our Company without any participation in the project in the form of debt and / or equity.

Book Building Process

Book building refers to the process of collection of Bids, on the basis of this Prospectus within the Price Band. The Issue Price is fixed after the Bid Closing Date / Issue Closing Date.

EMPEE DISTILLERIES LIMITED

The principal parties involved in the Book Building Process are:

- The Company;
- Book Running Lead Manager;
- Syndicate Members who are intermediaries registered with SEBI or registered as brokers with NSE / BSE and eligible to act as Underwriters. Syndicate Members are appointed by the BRLM;
- Escrow Collection Bank(s); and
- Registrar to the Issue.

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net Issue shall be available for allocation to QIBs. Out of QIB portion, 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

The Company will comply with the SEBI Guidelines for this Issue. In this regard, the Company has appointed the BRLM to manage the Issue and to procure subscriptions to the Issue.

Pursuant to amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid(s) after the Bid Closing Date / Issue Closing Date and are now required to pay 10% Margin Amount upon submission of their Bid. For details, please refer the section titled "Terms of the Issue" on page no. 246 of this Prospectus.

Illustration of Book Building and Price Discovery Process

(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)

Bidders can bid at any price within the price band. For instance, assume 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 centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the Company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1000	23	1500	50.00%
1500	22	3000	100.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number 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 book running lead manager, will finalize 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 the respective categories.

Steps to be taken for bidding:

- Check eligibility for bidding, see the section titled "Issue Procedure-Who Can Bid?" on page no. 251 of the Red Herring Prospectus;
- Ensure that the Bidder has a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in the Prospectus and in the Bid cum Application Form.

Underwriters to the Issue

After the determination of the Issue Price and allocation of Equity Shares of the Company but prior to filing of the Prospectus with the RoC, the Company will enter into an Underwriting Agreement with the Underwriter for the Equity Shares proposed to be issued through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Member do not fulfill its underwriting obligation.

The Underwriters have underwritten the following number of Equity Shares:

Name and Address of the Underwriters	Number of Equity Shares Underwritten	Amount Underwritten (Rs. Lakhs)
Almondz Global Securities Limited (formerly Allianz Securities Limited) 3, Scindia House, 2nd Floor, Janpath, Connaught Place, New Delhi- 110001 Tel: +91 11 41514666 Fax: +91 11 41514665	48,00,000	19200

The above Underwriting Agreement is dated November 7, 2007.

In the opinion of Board of Directors of the Company & the BRLM (based on a certificate given by the Underwriter), the resources of the above mentioned Underwriter is sufficient to enable it to discharge its underwriting obligation in full. The above-mentioned Underwriter is registered with SEBI under Section 12(1) of the Securities and Exchange Board of India Act, 1992. The above Underwriting Agreement has been accepted by the Board of Directors at the meeting held on November 7, 2007 and the Company has issued letters of acceptance to the Underwriter.

Notwithstanding the above table, the Underwriter shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by it. In the event of any default in payment, the Underwriter in addition to other obligations to be defined in the Underwriting Agreement will also be required to procure / subscribe to the extent of the defaulted amount.

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CAPITAL STRUCTURE OF THE COMPANY

The share capital of our Company as on the date of filing of this Prospectus with SEBI is set forth below:
(Rs. In lakhs)

Particulars		Aggregate Nominal Value	Aggregate value at Issue Price
A. AUTHORIZED CAPITAL			
3,00,00,000	Equity Shares of Rs. 10/- each	3,000.00	
B. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
1,42,04,000	Equity Shares of Rs. 10/- each	1420.40	
C. PRESENT ISSUE TO THE PUBLIC IN TERMS OF THIS PROSPECTUS			
48,00,000	Equity Shares of Rs. 10/- each fully paid up	480.00	19200.00
D. PAID UP CAPITAL AFTER THE ISSUE			
1,90,04,000	Equity Shares of Rs. 10/- each	1900.40	
E. SHARE PREMIUM ACCOUNT			
	Before the issue	Nil	
	After the issue	18720.00	

Details of increase of the Authorised Capital of our company

S. No.	Date	Increased from (Rs.)	Decreased to (Rs.)	Remarks
1.	September 15, 1983	-	20,00,000	On Incorporation
2.	December 01, 1983	20,00,000	1,00,00,000	Increased from Rs. 20 lakhs divided into 20,000 Equity Shares of Rs. 100 each to Rs. 100 lakhs divided into 1,00,000 Equity Shares of Rs. 100 each.
3.	November 5, 1990	1,00,00,000	2,00,00,000	Increased from Rs. 100 lakhs divided into 1,00,000 Equity Shares of Rs. 100 each to Rs. 200 lakhs divided into 2,00,000 Equity Shares of Rs. 100 each.
4.	January 30, 1991	2,00,00,000	4,00,00,000	Increased from Rs. 200 lakhs divided into 2,00,000 Equity Shares of Rs. 100 each to Rs. 400 lakhs divided into 4,00,000 Equity Shares of Rs. 100 each.
5.	October 5, 1994	Sub- Division	---	Existing nominal value of Rs.100/- per share divided into Rs.10/- per share resulting in 40,00,000 Equity Shares of Rs. 10 each

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S. No.	Date	Increased from (Rs.)	Decreased to (Rs.)	Remarks
6.	October 5, 1994	4,00,00,000	10,00,00,000	Increased from Rs. 400 lakhs divided into 40,00,000 Equity Shares of Rs. 10 each to Rs. 1,000 lakhs divided into 1,00,00,000 Equity Shares of Rs. 10 each.
7.	September 1, 2005	10,00,00,000	30,00,00,000	Increased from Rs. 1,000 lakhs divided into 1,00,00,000 Equity Shares of Rs. 10 each to Rs. 3,000 lakhs divided into 3,00,00,000 Equity Shares of Rs. 10 each.

NOTES TO CAPITAL STRUCTURE

1. Capital Build up (Equity Share capital history of our Company):

(In Rs. lakhs)

Date of Allotment/ Fully Paid up	No. of Equity Shares	Face Value	Issue Price	Conside- ration	Reasons for Allotment/ Reduction	Cumulative Securities Premium Account	Cumulative No. of Equity Shares	Cumulative Paid-up Capital
September 5, 1983	6,000	100	100	Cash	Subscribers to the Memorandum namely M.P. Purushothaman, A.K. Aruna & M. Ravindran	Nil	6,000	6,00,000
November 10, 1983	1,200	100	100	Cash	Further issue of Equity Shares to C.K. Govindan, M. Lakshmanan, P.V. Premarajan, P.V. Prasanan, A.K. Sajavean, A.K. Pradeep M.K. Ammujakshi, M. P. Radha, M.P. Purushothaman	Nil	7,200	7,20,000
May 5, 1984	13,625	100	100	Cash	Further issue of Equity Shares to Vazhpalli Properties Development Financial Company Pvt. Ltd., K.G. Madhavan Pillai, Dr. M Sashidharan, M. Suresh	Nil	20,825	20,82,500

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Date of Allotment/ Fully Paid up	No. of Equity Shares	Face Value	Issue Price	Consideration	Reasons for Allotment/ Reduction	Cumulative Securities Premium Account	Cumulative No. of Equity Shares	Cumulative Paid-up Capital
September 29, 1984	28,700	100	100	Cash	Further issue of Equity Shares to M.K. Ammujakshi, M.P. Purushothaman, M. Mukundan, G.R. Apparaj, Padmashree Hotel Enterprise Private Limited, Kunnikannan, Shyamala, Anita, Sunanna, Padmanabhan, Sethuraman, Harija, Vasudevan, Chadramathi, K. Sasidharan, Vishala, Shailaja, Rajeetha, Geetha, Bhavani, Chandran, Prabakaran, Rajan	Nil	49,525	49,52,500
December 15 1984	23,200	100	100	Cash	Further issue of Equity Shares to A.K. Sajavean, M.P. Purushothaman, A.K. Aruna, M.Ravindran, G.R.Apparaj, Sheena Purushothaman, Shaji Purushothaman, Sheeju Purushothaman, Nisha Purushothaman	Nil	72,725	72,72,500
February 10, 1985	1,900	100	100	Cash	Further issue of Equity Shares to M.P. Purushothaman, Indira Mukundan	Nil	74,625	74,62,500
April 22, 1985	375	100	100	Cash	Further issue of Equity Shares to Vazhpalli Properties Development Financial Company Private Limited	Nil	75,000	75,00,000
November 28, 1985	50	100	100	Cash	Further issue of Equity Shares to A.K. Sajavean, Vazhpalli Properties Development Financial Company Private Limited, Dr. M. Sashidharan, M. Mukundan, G.R. Aparaj	Nil	75,050	75,05,000

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Date of Allotment/ Fully Paid up	No. of Equity Shares	Face Value	Issue Price	Consideration	Reasons for Allotment/ Reduction	Cumulative Securities Premium Account	Cumulative No. of Equity Shares	Cumulative Paid-up Capital
December 30, 1985	50	100	100	Cash	Further issue of Equity Shares to A.K. Aruna	Nil	75,100	75,10,000
May 22, 1992	25,000	100	100	Cash	Further issue of Equity Shares to M.P. Purushothaman	Nil	1,00,100	1,00,10,000
August 31, 1992	1,55,000	100	100	Cash	Further issue of Equity Shares to M.P. Purushothaman, Lucy Ittiachen, Xavier Ittiachen, Sebastian Ittiachen, Joseph Ittiachen, Leon Ittiachen	Nil	2,55,100	2,55,10,000
October 05, 1994*	Shares Split				Existing nominal value of Rs.100/- per share divided into Rs.10/- per share	Nil	25,51,000	2,55,10,000
December 05, 1994	10,00,000	10	10	Cash	Further issue of Equity Shares to A.K. Aruna	Nil	35,51,000	3,55,10,000
January 04, 1995	35,51,000	10	Nil	Bonus	1:1 Bonus issue	Nil	71,02,000	7,10,20,000
May 3, 2006	71,02,000	10	Nil	Bonus	1:1 Bonus issue	Nil	1,42,04,000	14,20,40,000

* Our Company, vide resolution passed by the shareholders of our Company at the EGM held on October 5, 1994 subdivided Equity Shares of face value of Rs. 100/- each to Equity Shares of face value of Rs 10/- per Equity Share.

2. Details of promoters contribution and lock in

(a) Build up of Promoters

Name	Date of Allotment/ Transfer/ Acquisition	Date when made fully paid-up	Consideration (Cash/ bonus/ kind etc.	No. of Equity Shares	Face Value (Rs.)	Issue/ Acquisition Price	% of Post Issue Paid up Capital	Lock-in Period (Years)
Mr. M.P. Purushothaman	September 5, 1983	September 5, 1983	Subscription to MOA	2,500	100	100		
	November 10, 1983	November 10, 1983	Allotment	400	100	100		
	September 29, 1984	September 29, 1984	Allotment	17,850	100	100		
	December 15, 1984	December 15, 1984	Allotment	8,650	100	100		
	February 10, 1985	February 10, 1985	Allotment	400	100	100		

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Name	Date of Allotment/ Transfer/ Acquisition	Date when made fully paid-up	Consideration (Cash/ bonus/ kind etc.	No. of Equity Shares	Face Value (Rs.)	Issue/ Acquisition Price	% of Post Issue Paid up Capital	Lock-in Period (Years)
	May 22, 1992	May 22, 1992	Allotment	25,000	100	100		
	August 31, 1992	August 31, 1992	Allotment	1,50,000	100	100		
	Sub Total			2,04,800*				
	October 5, 1994*	Sub Division of from Rs. 100 to	Face value Rs. 10	20,44,000 4,000	10	10		1 Year -
	October 5, 1994	October 5, 1994	Transfer (Purchase)	50,000	10	10	-	
	January 4, 1995	January 4, 1995	Bonus	16,96,000	10	Nil	-	
	January 4, 1995	January 4, 1995	Bonus	2,47,706	10	Nil	-	
	January 4, 1995	January 4, 1995	Bonus	1,54,294	10	Nil		1 Year
	January 29, 1999	January 29, 1999	Transfer (Sold)	- 16,96,000	10	10		
	March 25, 2000	March 25, 2000	Transfer (Purchase)	90,200	10	10		1 Year
	April 3, 2003	April 3, 2003	Transfer (Purchase)	1,20,000	10	10	-	
	April 3, 2003	April 3, 2003	Transfer (Purchase)	60,200	10	10		1 Year
	June 30, 2003	June 30, 2003	Transfer (Gifted)	-4,21,706	10	0	-	
	April 3, 2006	April 3, 2006	Transfer (Purchase)	1,20,200	10	10		1 Year
	May 3, 2006	May 3, 2006	Bonus	15,81,894	10	Nil		1 Year
	May 3, 2006	May 3, 2006	Bonus	8,87,000	10	Nil		3 Year
		TOTAL		49,37,788			25.98%	
Empee Holdings Limited	August 1, 2003	August 1, 2003	Transfer (Purchase)	29,67,706	10	13.50		1 Year
	May 3, 2006	May 3, 2006	Bonus	29,67,706	10	Nil		3 Years
		TOTAL		59,35,412			31.23%	

" Our Company, vide resolution passed by the shareholders of our Company at the EGM held on October 5, 1994 subdivided the face value of Equity Shares from Rs. 100/- per Equity Share to Rs 10/- per Equity Shares.

(b) Lock-in of Minimum Promoter's Contribution

Pursuant to the SEBI Guidelines, an aggregate of 20% of the shareholding of the Company's Promoters shall be locked in for a period of three years from the date of allotment in the Issue. The lock-in details are as under:

S. No.	Name of Promoter	No. of Shares	Face Value (Rs.)	% of post issue paid up capital	Lock-in Period
1	Mr. M.P.Purushothaman	8,87,000	10	4.67%	3 years
2.	Empee Holdings Limited	29,67,706	10	15.62%	3 years
	Total	38,54,706		20.29%*	3 years

- i. The Equity Shares to be locked-in for a period of three years have been computed as 20% of Equity Share Capital after the Issue.
 - ii. The Promoters have vide their letter dated May 18, 2007 given their consent for lock in of shares as stated above. Equity Shares issued last shall be locked in first. The lock-in shall start from the date of allotment in the public issue and the last date of the lock-in shall be reckoned as three years from the date of commencement of commercial production or the date of allotment in the issue, whichever is later.
 - iii. In addition to above promoters contribution which is locked in for a period of three years, the entire remaining pre-Issue Equity Capital of the Company i.e. 1,03,49,294 Equity Shares will be locked in for a period of one year from the date of allotment of Equity Shares in this Issue constituting 54.46% of the post issue Equity Share capital of the Company.
 - iv. In terms of clause 4.15.1 of the SEBI (DIP) Guidelines, locked in Equity Shares held by the Promoters may be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of such loan..
 - v. In terms of clause 4.16.1 (b) of the SEBI Guidelines, Equity Shares held by the Promoter may be transferred to and amongst the Promoters / Promoter Group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeover Regulations), 1997 as applicable. Further, in terms of clause 4.16.1 (a) of the SEBI (DIP) Guidelines, locked in Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
 - vi. The Equity Shares forming part of promoter's contribution do not consist of any private placement made by solicitation of subscription from unrelated persons, either directly or through any intermediary.
3. There is no "buyback" or "standby" arrangement for purchase of Equity Shares by the Company, its Directors, its Promoters, or the BRLMs for the Equity Shares offered through this Prospectus.
 4. Our Company has not issued any Equity Shares for consideration other than cash except for bonus issue as set out in "Capital Structure".
 5. An over-subscription to the extent of 10% of Net Issue to the Public can be retained for the purpose of rounding off to the nearer multiple of 1, while finalizing the Basis of Allotment. Consequently, the actual

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allotment may go up by a maximum of 10% of the Net Offer to Public, as a result of which, the post Issue paid up capital after the Issue would also increase by the excess amount of allotment so made. In such an event, the Equity Shares held by our Promoters and subject to lock- in shall be suitably increased, so as to ensure that 20% of the post Issue paid-up capital is locked in.

6. As on date of filing of the Red Herring Prospectus with SEBI, the entire issued share capital of our Company is fully paid-up.
7. The Equity Shares offered through this public issue shall be made fully paid up and the unpaid Equity Shares, if any, may be forfeited within 12 months from the date of allotment of shares in the manner specified as per clause 8.6.2 of the SEBI (Disclosure and Investor Protection) Guidelines.
8. Investors may note that in case of over-subscription, allotment will be on proportionate basis as detailed in para on "Basis of Allocation" on page no. 272 of this Prospectus.
9. (a) Details of top ten shareholders of the Company on the date of filing the Red Herring Prospectus with SEBI are as follows:

S. No.	Name of the Shareholder	No. of Equity Shares	% of Shareholding
1	M/s. Empee Holdings Limited	59,35,412	41.79%
2	Mr. M.P.Purushothaman	49,37,788	34.76%
3	Ms. A.K.Aruna	18,00,000	12.67%
4	Ms. Sheena Purushothaman	3,02,000	2.13%
5	Mr. Shaji Purushothaman	3,02,000	2.13%
6	Mr. Sheeju Purushothaman	3,02,000	2.13%
7	Ms. Nisha Purushothaman	3,02,000	2.13%
8	Mr. M.Ravindran	80,000	0.56%
9	Mr. Xavier Ittiachen	50,000	0.35%
10	Mr. Sebastian Ittiachen	50,000	0.35%
	Total		99.09%

- (b) Details of top ten shareholders as on ten days prior to filing the Red Herring Prospectus with SEBI are as follows:

S. No.	Name of the Shareholder	No. of Equity Shares	% of Shareholding
1	M/s. Empee Holdings Limited	59,35,412	41.79%
2	Mr. M.P.Purushothaman	49,37,788	34.76%
3	Ms. A.K.Aruna	18,00,000	12.67 %
4	Ms. Sheena Purushothaman	3,02,000	2.13%
5	Mr. Shaji Purushothaman	3,02,000	2.13%
6	Mr. Sheeju Purushothaman	3,02,000	2.13%
7	Ms. Nisha Purushothaman	3,02,000	2.13%
8	Mr. M.Ravindran	80,000	0.56%
9	Mr. Xavier Ittiachen	50,000	0.35%
10	Mr. Sebastian Ittiachen	50,000	0.35%
	Total		99.09%

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- (c) Details of top ten shareholders as of two years prior to filing the Red Herring Prospectus with SEBI were as follows:

S. No.	Name of the Shareholder	No. of Equity Shares	% of Shareholding
1.	M/s. Empee Holdings Limited	29,67,706	41.79%
2.	Mr. M.P. Purushothaman	23,48,694	33.07%
3.	Ms. A.K.Aruna	15,00,000	21.12%
4.	Mr. G.R. Apparaj	1,20,200	1.69%
5.	Mr. M.Ravindran	40,000	0.56%
6.	Mr. Xavier Ittiachen	25,000	0.35%
7.	Mr. Sebastian Ittiachen	25,000	0.35%
8.	Mr. Joseph Ittiachen	25,000	0.35%
9.	Mr. Leon Ittiachen	25,000	0.35%
10.	Ms. Lucy Ittiachen	20,000	0.28%
	Total		99.91%

The above shareholders do not hold any shares, which they would be entitled to upon exercise of warrant, option, rights to convert a debenture, loan or other instrument.

10. Details of Pre-Issue shareholding of the Promoter / Promoter Group as on date are as follows:

S. No.	Name	Number of Shares	% of Shareholding
(A)	Promoters - Core Promoters		
1.	Mr. M.P.Purushothaman	49,37,788	34.76%
2.	M/s. Empee Holdings Limited	59,35,412	41.79%
	Sub-Total (A)	1,08,73,200	76.55%
(B)	Promoter Group		
1	Ms. A.K.Aruna	18,00,000	12.67%
2	Ms. Sheena Purushothaman	3,02,000	2.13%
3	Mr. Shaji Purushothaman	3,02,000	2.13%
4	Mr. Sheeju Purushothaman	3,02,000	2.13%
5	Ms. Nisha Purushothaman	3,02,000	2.13%
6	Mr. M.Ravindran	80,000	0.56%
7	Mr. A K Sajeevan	2,400	0.02%
	Sub-Total (B)	30,90,400	21.76%
	Total (A) + (B)	1,39,63,600	98.31%

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11. Pre-Issue and Post-Issue Shareholding of our Company

Particulars	Pre-Issue		Post-Issue	
	No. of Equity Shares	% to the present share capital	No. of Equity Shares	% to the post issue share capital
Promoter / Core Promoter	1,08,73,200	76.55%	1,08,73,200	57.22%
Promoter Group	30,90,400	21.76%	30,90,400	16.26%
Total Promoter and Promoter Group	1,39,63,600	98.31%	1,39,63,600	73.47%
Others - Persons Acting in Concert (PACs)	2,40,400	1.69%	2,40,400	1.26%
Public	Nil	Nil	48,00,000	25.26%
Total	1,42,04,000	100.00%	1,90,04,000	100.00%

12. The aggregate shareholding of the promoter group and the directors of our promoter company viz Empee Holdings Limited in our Company is as given below:

Name of the Promoter/ Director	Shareholding in Empee Distilleries Limited
Mr. M.P. Purushothaman	49,37,788
Ms. Nisha Purushothaman	3,02,000
Ms. A.K. Aruna	18,00,000
Mr. Shaji Purushothaman	3,02,000
Ms. Sheena Purushothaman	3,02,000
Ms. Sheeju Purushothaman	3,02,000
Total	79,45,788

13. As on the date of this Prospectus, there are no outstanding warrants, options or rights to convert debenture, loans or other financial instruments into Equity Shares of the Company. The Shares locked in by Promoters are not pledged to any one.
14. Our Promoters/ Promoter Group/Directors have not purchased / sold / financed / acquired any shares of the Company during the past 6 months.
15. The Company has not raised any bridge loan against the proceeds of the present issue.
16. There would be no further issue of capital in any manner whether by way of issue of bonus shares, preferential allotment, rights issue, public issue or otherwise during the period commencing from submission of the Draft Red Herring Prospectus with SEBI till the Equity Shares offered through the Red Herring Prospectus have been listed.
17. At present, our Company does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into Equity Shares) whether preferential or otherwise except that the Company may issue options to its employees pursuant to any employee Stock Option plan, or if the Company go for acquisitions and joint ventures, the Company may consider raising additional capital to fund such activity or use shares as currency for acquisition and / or participation in such joint venture.

18. Our Company does not have any ESOS/ESPS scheme for our employees and we do not intend to allot any shares to our employees under ESOS/ESPS scheme from the proposed issue. As and when, options are granted to our employees under the ESOP scheme, our Company shall comply with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Plan) Guidelines 1999.
19. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
20. 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.
21. The Company has 15 shareholders as on the date of filing of the Red Herring Prospectus with SEBI.
22. Not more than 50% of the Issue to the public shall be allocated to QIBs on a proportionate basis out of which 5% shall be available for allocation on proportionate basis to Mutual Funds only and the remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining 35% of the Issue will be available for allocation to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price. Under-subscription, if any, in any category would be met with spill over from other categories at our sole discretion, in consultation with the BRLM.
23. Our Company has twice revalued assets in 1994 and 2003, brief details of the same are as under:

(Rs. In lakhs)

	Cost on the date of Revaluation (i.e. on July 14, 1994)	Revaluation as on July 14, 1994	Amount After revaluation as on July 14, 1994	Additions during period July 14, 1994 & March 3, 2003	Reductions during period July 14, 1994 & March 3, 2003 *	Depreciation during period July 14, 1994 & March 3, 2003 *	Cost as on the date of Revaluation (i.e. on March 3, 2003)	Revaluation as on March 3, 2003	Amount after revaluation as on March 3, 2003
Land	46.14	253.58	299.72	50.16	-	-	349.88	1,123.37	1,473.25
Building	313.75	531.96	845.71	170.57	-	62.87	953.41	93.19	1,046.60
Plant & Machinery	477.34	2535.91	3013.25	3251.15	1244.69	2570.67	2449.04	1224.91	3673.95
Total	837.23	3321.45	4158.68	3471.88	1244.69	2633.54	3752. 33	2441.47	6193.80

* The reason for decrease in cost of Plant & Machinery is on account of the Beer division sold to McDowell Alcobev Limited.

24. Investors may note that in case of over-subscription, allotment will be on proportionate basis as detailed in Para on "Basis of Allocation" on page no. 272 of this Prospectus.

25. Restrictive Covenants of Lenders

The covenants in borrowings from banks, among other things require us to obtain bank's permission in writing in respect of effecting any change in the Company's capital structure; formulating any scheme of amalgamation; implementation of any scheme of expansion or acquisition of fixed assets; making investments/advances or deposit amounts with any bank /Financial Institution/Company; undertaking guarantee obligations on behalf of any other Company; declaring dividends for any year except out of profits relating to that year; changing the composition of Company's Board of Directors; changes in the management/ constitution, take over, merger etc.; implementation of any expansion / new projects/ Investments/ acquiring assets under lease; incurring any capital expenditure other than the purpose for which term loan has been sanctioned; raising term loan from other banks; transfer of shares of promoters/ directors.

OBJECTS OF THE ISSUE

Rationale for the Issue

We are presently engaged into manufacturing of Indian Made Foreign Liquor (IMFL) products such as Old Secret XXX Rum, Power XXX Rum, Power Brandy, Brihans Napoleon Premium Brandy, Mc Lene Ordinary Brandy, McLene XXX Ordinary Rum, Power Whisky, Empee Napoleon Premium Brandy, Empee Fine Brandy, Commando XXX Rum, Brihans Premium Whisky, Club Polo Dry Gin, Club Royal Whisky, Elcanso Dark XXX Rum and Old Secret Brandy under our own brand portfolio as well as under various tie-up arrangements with other Companies.

Currently we have facilities to manufacture various IMFL products in our Distillery Units set up at Mevalookuppam, Kanchipuram District, Tamil Nadu with an installed capacity of 30.24 Lakh cases per annum and at NIDA, Kanjikode, Palakkad District, Kerala with an installed capacity of 30.00 Lakh cases per annum. Our Company also has a wind mill energy plant of 2MW installed capacity at Nall Road, Pariakumarapalayam, Gudimangalam, Udumalpet, Coimbatore District, Tamil Nadu-642201 for export power to the Tamil Nadu Electricity Board.

In order to diversify and expand our business activities by means of both backward and horizontal integration and to achieve economies of scale in our existing business activities, we have decided to expand our operations by implementing the following:

1. Setting up of 60 KLPD Grain Based Distillery Unit at Nellore District, Naidupet Sub-District, Pellakuru Mandal, Pellakuru Village, Andhra Pradesh.
2. Setting up of Blending & Bottling IMFL Plant at Nellore District, Naidupet Sub-District, Pellakuru Mandal, Pellakuru Village, Andhra Pradesh with a capacity of 0.70 Lakh cases per month.
3. Setting up of 7.5 MW Bio-mass based Power Plant at Aranthangi Taluk, Pudukottai District, Tamil Nadu.
4. Development of 2.00 Lakhs sq.ft. of residential space in Mevalorkuppam, Sriperumbudur Taluk, Kancheepuram, District Tamil Nadu.
5. Expansion of our Existing Distillery Unit situated at Mevalookuppam, Sriperumbudur Taluk, Kanchipuram District, Tamil Nadu by augmenting the capacity of our Extra Neutral Alcohol Plant from 20KLPD to 70KLPD.
6. Expansion of our Existing Distillery Unit situated at Mevalookuppam, Sriperumbudur Taluk, Kanchipuram District, Tamil Nadu by augmenting the capacity of the said distillery to handle 5.00 Lakh cases per month from the present 3.20 Lakh cases per month.
7. Relocation of Plant & Machinery purchased from Appollo Alchobev Limited to Village Arabikothanur, Panchayat-Vokkaleri Hobli, District Kolar, Karnataka along with expanding the existing capacity from 0.50 Lakh cases per month to 1.00 Lakh cases per month.
8. To meet General Corporate Purposes and
9. To meet the Expenses of this Issue.

The main object clause and the objects incidental or ancillary to the main objects clause along with the other objects clause of our Memorandum & Articles of Association enable us to undertake our existing activities as well as the activities for which the funds are being raised by our Company through this Issue.

The fund requirements and the intended use of the Net Proceeds as described herein are based on management estimates and our current business plan. The fund requirements and intended use of Net Proceeds have been appraised by Allbank Finance Limited. However, their appraisal is also based on management estimates and various quotations received by us from different suppliers. In view of the competitive and dynamic nature of the distillery and real estate industry, we may have to revise our expenditure and fund requirements as a result of variations in the cost structure, changes in estimates and external factors, which may not be within the control

of our management. This may entail rescheduling, revising or cancelling the planned expenditure and fund requirements and increasing or decreasing the expenditure for a particular purpose from its planned expenditure at the discretion of our management. In addition, the estimated dates of completion of various projects as described herein are based on management's current expectations and are subject to change due to various factors, some of which may not be in our control.

APPRAISAL

Allbank Finance Limited as per report dated May 11, 2007, has carried out appraisal for the proposed expansion and diversification scheme.

The total Cost of Project for the above diversification and expansion plan is as under:

(Rs. In Lakhs)

Sr. No.	Particulars	Amount
1	Setting up of 60 KLPD Grain Based Distillery Unit at Nellore District, Naidupet Sub-District, Pellakuru Mandal, Pellakuru Village, Andhra Pradesh	6114.43
2	Setting up of Blending & Bottling IMFL Plant at Nellore District, Naidupet Sub-District, Pellakuru Mandal, Pellakuru Village, Andhra Pradesh with a capacity of 0.70 Lakh cases per month	2187.57
3	Setting up of 7.5 MW Bio-mass based Power Plant at Aranthangi Taluk, Pudukottai District, Tamil Nadu	3476.43
4	Development of 2.00 Lakhs sq.ft. of residential space in Mevalorkuppam, Sriperumbudur Taluk, Kancheepuram, District Tamil Nadu	3107.18
5	Expansion of our existing distillery unit at Tamil Nadu by augmenting the capacity of our Extra Neutral Alcohol Plant from 20KLPD to 70KLPD	1793.35
6	Expansion of our Existing Distillery Unit by augmenting the capacity of the said distillery to handle 5.00 Lakh cases per month from the present 3.20 Lakh cases per month	509.32
7	Relocation of Plant & Machinery purchased from Appollo Alchobev Limited to Village Arabikothanur, Panchayat-Vokkaleri Hobli, District Kolar, Karnataka along with expanding the existing capacity from 0.50 Lakh cases per month to 1.00 Lakh cases per month	1020.89
8	General Corporate Purposes	2711.85
9	Issue Expenses	1417.00
	TOTAL COST	22338.02

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MEANS OF FINANCE

S. No	Particulars	Amount (Rs. In Lakhs)
1	Term Loan Andhra Bank#	2204.00
2	Internal Accruals*	934.02
3	Initial Public Offering	19200.00
	Total	22338.02

* As on June 30, 2007 our company has Cash & Bank Balance of Rs. 196.00 lakhs and total reserves and surplus of Rs. 3956.31 lakhs which will form part of internal accruals.

The Andhra Bank has sanctioned a Term loan of Rs 2204.00 Lakhs vide their Letter No. 848 /1 / 1045 dated March 18, 2005 for proposed 7.5 MW Biomass Power Project of our Company and the basic terms and conditions of the said Term Loan are as under:

1.	Facility	Term Loan (Fresh)
	Limit	Rs. 2204.00 Lakhs (Rupees Twenty Two Hundred and Four Lakhs only)
	Purpose	To finance the proposed 7.5 MW Biomass Power Project
	Security	1st Charge on Fixed Assets / movable assets of the proposed power unit.
	Tenor	28 Quarterly Installments commencing from January 2007
	Interest	Finer Rate-BMPLR + term Premia + 0.75 % i.e. , 11.50% p.a.
	Collateral Securities	Extension of First Charge on the existing fixed block of the Distillery Division situated at Mevalooruppam Village, Sriperumpudur Taluk, Tamil Nadu consisting of land and building with plant and machinery of WDV of Rs. 1186.82 Lakhs as on September 30, 2003 (excluding Wind Mill assets and Palakad unit assets) together with assets to be procured worth Rs. 532.00 Lakh with the Term Loan sanctioned amounting to Rs. 400.00 Lakh
	Guarantors	Mr. M.P. Purushothaman and Mrs. A.K. Aruna
	Special Conditions (Pre-Disbursement)	<ol style="list-style-type: none"> 1. The term loan will be released in proportion of equity infused by the company subject to the company shall infuse a minimum 25% of the projected equity i.e. Rs 288.00 lakhs before seeking release of the term loan and thereafter loan will be released in proportion to the contribution brought in by the company as 40% margin towards civil works and 25% towards plant & machinery. 2. Company to execute the Power Purchase Agreement with TNEB. 3. Company has procured all permissions and approvals viz. from TNEB, TNERC, TNPCB etc for setting up of 7.5 MW bio mass power plant.

The said Sanction Letter has been duly accepted at the meeting of Board of Directors of our Company held on March 23, 2005.

Firm arrangements of finance through verifiable means towards 100% of the stated means of finance excluding the amount to be raised through public Issue have been made. Proceeds from the Initial Public Offer would be crystallized on finalization of the Issue Price on conclusion of the book building process. Any shortfall in the cost of the project, on account of finalization of Issue Price, would be met from internal accruals and/or additional debt. Further, the amount that is in excess of the funds required for the proposed project and issue expenses will be utilized for general corporate purposes, which would be in accordance with the policies of our Board made from time to time. In case the IPO does not go as planned, our Company will make alternative arrangements like availing of fresh loans from bank(s)/ financial institutions and/or utilizing internal accruals.

DETAILS OF PROJECTS

1. Setting up of 60 KLPD Grain Based Distillery Unit at Village Pellakuru Mitta, Panchayat Pellakuru, Mandal-Pellakuru, District Nellore, Andhra Pradesh

Rationale of the Project

We propose to set up a 60 KLPD Grain Based Distillery Unit at Nellore District, Naidupet Sub-District, Pellakuru Mandal, Pellakuru Village, Andhra Pradesh in order to bring about horizontal expansion of our business activities. Further, by setting up 60 KLPD Grain Based Distillery Unit at Andhra Pradesh, we would be able to meet current demand of the State and thereby nullifying dependence on other States for its requirement of Rectified Spirit (RS).

Cost of the Project

(Rs. In Lakhs)

S. No.	Particulars	Amount
a)	Land & Site Development	200.00
b)	Buildings & Civil Structure	1029.25
c)	Plant & Machinery	4338.00
d)	Miscellaneous Fixed Assets	25.00
e)	Contingency	279.61
f)	Pre-operative Expenses	131.00
g)	Working Capital Margin	111.57
	Total	6114.43

(Source: Appraisal Report)

Detailed Break-up of Cost of Project

(a) Land & Site Development

The cost of land and site development is Rs. 200 Lakhs. We have acquired 43.21 acres of land for a consideration of Rs. 146.81 lakhs at Nellore District, Naidupet Sub-District, Pellakuru Mandal, Pellakeru Village vide Agreement for Sale dated March 29, 2007. Out of total acquisition of land of 43.21 acres, 35.36 acres will be used for setting up of 60KLPD Grain Based Distillery and the balance 7.85 acres will be used for setting up of blending & bottling IMFL plant in the same premises. The details of land purchased are given here under:

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S No.	Sale Deed Dated	Executed by	In favour of	Details of Property (Survey numbers & Extent of land in Acres)	Total Consideration (in Rs. lakhs)
1	March 29, 2007	Nutalapati Sarojanamma, Nutalapati Lakshminayudu and Nutalapati Ramesh Babu	Empee Distilleries Limited	4-A19 (2 acres), 4-A52 (0.4 acres), 4-A18 (3.45 acres)	19.02
2	March 29, 2007	Peram Ramesh Babu, Peram Ramadevi, Peram Gajalakshmi, Peram Chandhrababu, Peram Vijayalakshmi, Peram Madhu Sudhanarao, Peram Lavanya, Peram Rajyalakshmi, Peram Sandeep Teja, Peram Chitrakleha and Peram VenkataTeja	Empee Distilleries Limited	4-A41 (7.50 acres), 4-A42 (1.00 acres), 4-A41/A (6.00 acres), 4-A43 (8.00 acres), 4-A44 (1.00 acres), 4-A43/ A (6.00 acres), 4-A57 (7.50 acres) and 13-7P, 13-8P, 13-9 (0.36 acres)	127.79

The site development cost is Rs. 53.19 Lakhs including conversion, leveling and development. The major criteria for the selection of the aforesaid site for setting up 60KLPD Grain Based Distillery Unit is its proximity to grain and water availability since the project would be generating its own electricity.

(b) Building & Civil Structure

The cost of civil works and construction of building is estimated at Rs. 1029.25 Lakhs which includes costs for laying approach roads, internal roads, factory buildings, platforms for Plant & Machinery, administrative blocks, guest house etc.

(c) Plant & Machinery

It includes plant & machinery for liquefaction section, fermentation section, distillation section and the thin slops concentration units including design, engineering fabrication, supply and commissioning of plant and machinery. The plant & machinery which we propose to purchase are indigenous and we propose to purchase them from M/s Praj Industries Limited, who have vide their quotation dated January 21, 2007 estimated total cost to be Rs 4338.00 lakhs. The details of the machinery are as follows:

S.No.	Particulars	Amount (Rs. Lakhs)
1	Liquefaction Section	240.00
	Fermentation Section	410.00
	Distillation Section	840.00
	Thin Slops Concentration Unit (Evaporation)	400.00
	Sub-Total (A)	1890.00
2	Estimated List for OBE Items	
a)	Grain Silos 30 days with 30MT/hr Cleaning Section & Flour silo	150.00
b)	10MT/Hr Grain Handling & Milling section (Hammer mill make- Buhler)	163.00
c)	Decantation section with thin slop storage tank of 130 m3 and pump, piping etc.	100.00
d)	Utilities like cooling tower, pump, air compressor, water treatment plant & valves etc.	155.00
e)	Receiving & Storage section for RS and IS	130.00
f)	MCC panel, PCC panel & Electrical's 4 Pole Structure, Transformer, Illumination, DG Set	180.00
g)	Weighed Bridge 40MT Capacity	20.00
h)	Boiler, Turbine etc.	535.00
i)	Laboratory Instruments & Fire fighting system for plant	35.00
j)	Structural work for plant & machinery	430.00
k)	Packing & Forwarding, transit insurance, taxes and duties	550.00
	Sub-Total (B)	2448.00
	TOTAL (A+B)	4338.00

The equipment list for 60 KLPD Grain Based Distillery Unit is as under:

(i) Liquefaction Section

The major plant & machinery in Liquefaction Section includes premasher, slurry tank, slurry tank agitator with motor, initial liquefaction tank, sparger, jet cooker, flash tank, vent condenser, condensate tank, etc. The total cost of plant & machinery is estimated at Rs. 240 lakhs.

(ii) Fermentation

The major plant & machinery in fermentation section includes prefermentor, prefermentor cooler, agitators for fermentors, lechler cleaning nozzles, fermentor coolers, agitators for beer well, beer well transformer with pump, etc. The total cost of plant & machinery is estimated at Rs. 410 lakhs and is available indigenously.

(iii) Distillation

Distillation includes columns, reboilers, condensers, coolers, pre-heaters, tanks & pumps and piping MOC, etc. The total cost estimated to be Rs. 840 lakhs.

(iv) Thin Shop Concentration (Evaporation)

Evaporation includes Heat Exchanger, vent condenser and evaporator, vapour liquid separator process condensate tank, steam condensate tank feed tank etc. The total cost is estimated to be Rs 400.00 lakhs.

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(v) List for OBE (Other brought equipments) items

OBE (Other brought equipments) includes Grain Silos, Grain Handling and Millins Section, Decantation section, utilities, receiving and storage section, MCC and PCC panels, boiler turbine etc. The total cost is estimated to be Rs 2448.00 lakhs.

(d) Miscellaneous Fixed Assets

Miscellaneous Fixed Assets would inter-alia include computers, office equipments, furniture & fixtures and vehicles etc. for which a provision aggregating to Rs. 25.00 lakhs has been kept.

(e) Contingency

Contingencies have been estimated keeping in view any cost escalation or unexpected expenditure including price escalation, transportation cost etc. A provision of Rs. 279.61 for contingency has been considered by Allbank Finance Limited in their appraisal report for this project.

(f) Pre-Operative Expenses

An amount of Rs. 131.00 Lakhs is proposed to be incurred on preliminary and pre-operative expenses. The details are as mentioned below:

Particulars	Amount (Rs. in Lakhs)
Construction Period Expenses	
Managerial and Other staff	50.00
Consultancy - Project / Technical / Environmental	20.00
Traveling / Accommodation	20.00
Office Communication	8.00
Security	10.00
Marine / Transit Insurance	3.00
Manpower Training	10.00
Sub-Total (A)	121.00
Securitization Expenses	10.00
Sub-Total (B)	10.00
Total Pre-operative Expenses (A+B)	131.00

(g) Working Capital Margin

The Working Capital Margin requirement as per the appraisal report is estimated at Rs. 111.57 Lakhs for the said project. The details of which are as follows:

(Amount in Rs lakhs)

Working capital assumptions	September 30, 2008
Current assets	
Raw Material	30 days
Conversion cost	30 days
Receivables	30 days
Current liability	
Sundry creditors	15 days
Working for Working Capital Requirement	
Current assets	
Raw Material	174.31
Conversion cost	45.27
Receivables	336.47
Total	556.06
Current liability	
Sundry creditors	109.79
Net Working capital	446.27
Margin (%)	25%
Margin	111.57
Bank Borrowing	334.70
Incremental Bank borrowing	334.70

Raw Materials

The basic raw material required for the distillery unit is grain and its total requirement will be approximately 160-165 MT/day. The various types of grain, which include maize, rice, jowar, wheat etc are proposed to be procured through dealers/stockists and are available in sufficient quantities in the local market. However, the crop to be used as a raw material for production of grain based alcohol must satisfy the following criteria:

- Possession of High Starch Content;
- Availability in abundance;
- Not in need as a main staple food for human consumption and
- Capable of Procurement at Competitive Prices.

Based on the above, maize and jowar have been identified as feed grains for the manufacture of alcohol. However, the exact quantity and the nature of the crop required, as a feed grain for manufacture of alcohol can only be determined once the grain based distillery unit is established.

Process Description

a) Grain Handling & Milling

Pre-cleaned Grains will be stored in the silos and from there they will be conveyed through Screw Conveyor to a Bucket elevator which shall lift the grain to a particular height and then shall pass the grain through the vibrating screen, destoner and magnetic separator to remove dust and stones. The cleaned grain will be

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then conveyed to the Hammer Mill. In the Hammer Mill the particle will be reduced to a fine powder called a meal.

b) Liquefaction

The meal will then be mixed with water and alpha-amylase, and will pass through cookers in which the starch is liquefied. Heat will be applied at this stage to enable liquefaction. Cookers with a high temperature (120-150 degrees Celsius) and a lower temperature holding period (95 degrees Celsius) will be used. These high temperatures reduce bacteria levels in the mash.

c) Saccharification

The mash from the cookers will then be cooled and the secondary enzyme (gluco-amylase) will be added to convert the liquefied starch to fermentable sugars (dextrose), a process called Saccharification.

d) Fermentation

Yeast will then be added to the mash to ferment the sugars to alcohol and carbon dioxide. Using a continuous process, the fermenting mash will be allowed to flow, or cascade, through several fermenters until the mash is fully fermented and then leaves the final tank. In a batch fermentation process, the mash stays in one fermenter for about 48 hours before the distillation process is started.

e) Distillation

The fermented mash, now called "beer," will contain about 10% alcohol, as well as all the non-fermentable solids from the corn and the yeast cells. The mash will then be pumped to the continuous flow, multi-column distillation system where the alcohol will be removed from the solids and the water. The alcohol will leave the top of the final column at about 96% strength, and the residue mash, called Stillage, will be transferred from the base of the column to the co-product processing area.

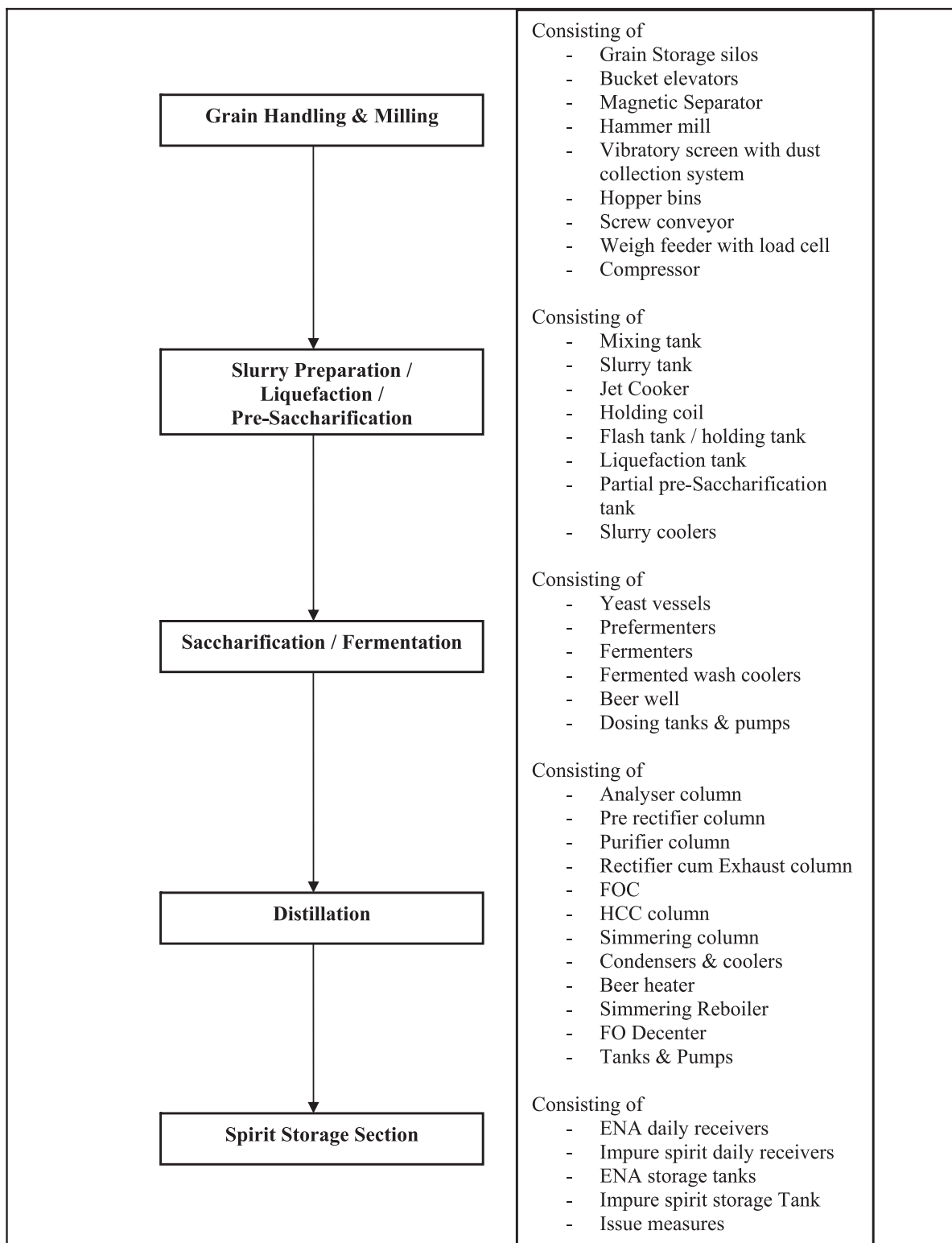
f) Co-Product

There are two main co-products which will be created in the course of production of alcohol:

- Carbon Dioxide and
- Distillers Grain.

Carbon dioxide produced during fermentation will be cleaned of any residual alcohol, will be then compressed and sold for use in carbonate beverages and in the flash freezing of meat. Distillers' grains both wet and dried are high in protein and other nutrients and constitute an important livestock feed ingredient. Thus, Distillers Dried Grains with Solubles (DDGS) recovered in the distillery will be sold to be included in rations for beef and dairy cattle, poultry, aquaculture and pet foods.

Process Flowchart-Grain Based Alcohol Production



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Infrastructure Facilities

a) Water

The 60 KLPD Grain Based Distillery Unit would require water primarily for boiler and other equipments. The total water requirement of 15.00 Lakhs litres per day would be met by borewells and water from the Swarnamukhi river. About 12 borewells with capacity to produce about 1.00 Lakh litres per day would be dug and the balance would be met by river water and necessary permissions will be taken from the Irrigation Department, Andhra Pradesh in this regard.

b) Power

The total requirement of power is estimated to be 18 MWH per day at 90% capacity, which would be internally generated by the Boiler of the 60 KLPD Grain Based Distillery Unit. Thus, accordingly we are not applying to the State Electricity Board for power connection.

c) Fuel

The 60 KLPD Grain Based Distillery Unit would require wood as fuel for boiler approx at 107.61 MT/day at 90% capacity for generating steam. Therefore, the total wood requirement per annum (300 days) would be 32283 MT which would be met from nearby areas.

d) Steam

The requirement of 3.20 kg steam/ litre would be met from the steam generated from the boiler.

e) Chemicals

The various types of chemicals which are required in manufacturing of grain based alcohol include Enzyme - Alpha amylase, Enzyme - Amyloglucosidase, Calcium, Hydroxide, Sodium Hydroxide, Urea, DAP, Antifoam which are available indigenously in abundance.

f) Manpower

The details of additional manpower requirement in different units are as under:

S.No.	Category	Total
1	General Manager	1
2	Managers	3
3	Factory Staff	40
	TOTAL	44

The manpower for the proposed 60 KLPD Grain Based Distillery Unit will be sourced locally, which is easily available at various project sites. The management does not envisage any difficulty in sourcing the additional manpower required for this project.

Effluent Treatment

The proposed 60 KLPD Grain Based Distillery Unit will have an in built effluent treatment plant to ensure zero effluent by treating the effluent internally by converting the solids in the effluent to value added products like the DDGS (Distiller's Dried Grain Solubles), which will be sold in the market both in wet and dry form as an additive to the cattle feed, poultry feed, pet foods manufacturers etc. The quantity of effluent produced will be approximately 5-6 KL per KL of grain-based alcohol.

Marketing

The grain based plant will be producing three products viz. Extra Neutral Alcohol, Dried Distillers Grain and Carbon di-oxide. Dried Distillers grain and carbon di-oxide are the by-products from the production of Extra

Neutral Alcohol. Andhra Pradesh is one of the largest alcohol markets in India and the national level players like United Spirits and Radico Khaitan have a presence in the AP liquor market. Alcohol in India is primarily produced from sugar molasses. Presently, there are not many grain based spirit plants in India. Grain spirit is positioned as a superior variety of alcohol as compared to molasses and we will be able to command a premium over molasses based alcohol. Our plant will be located at Naidupet in close proximity to the existing plant of Empee Sugars & Chemicals Limited and the proposed IMFL plant of our Company. We will have a range of options to market our productions viz. (a) sell it to third parties in Andhra Pradesh; (b) sell to third parties in Tamil Nadu or use the alcohol in Tamil Nadu plant (captive consumption); (iii) use the alcohol in the proposed IMFL plant in Andhra Pradesh of our Company (captive consumption). DDGS will be sold in a dried cake form. DDGS can be used as a supplement to cattle feed. We will sell the produce through cooperative's / directly to farmers. Carbon di-oxide will be sold to bottling plants in Andhra Pradesh / Tamil Nadu depending on the demand supply.

2. Setting up of Blending & Bottling IMFL Plant at Village Pellakuru Mitta, Panchayat Pellakuru, Mandal-Pellakuru, District Nellore, Andhra Pradesh with a capacity of 0.70 Lakh cases per month.

Rationale of the Project

We propose to set up 0.70 Lakh cases per month IMFL Plant at Naidupet in Andhra Pradesh. We presently have IMFL operations in the southern states of Tamil Nadu and Kerala. Andhra Pradesh being one of the largest IMFL markets in India, we propose to expand our operations to the State of Andhra Pradesh also by setting up of the aforesaid Blending & Bottling IMFL Plant. Moreover setting up of the said IMFL Plant would enable us to have a choice of producing IMFL based on grain spirit/molasses depending on the market conditions & target more turnover in the premium segment.

Cost of the Project

(Rs. In Lakhs)

S. No.	Particulars	Amount
a)	Land	80.00
b)	Civil Works	217.60
c)	Plant & Machinery	550.08
d)	Miscellaneous Fixed Assets	15.00
g)	Pre- Operative Expenses	86.27
h)	Contingencies (5%)	43.13
i)	License Fee	1000.00
j)	Margin for Working Capital	195.49
	Total	2187.57

(Source: Appraisal Report of Allbank Finance Limited)

Detailed Break-up of Cost of Project

(a) Land

We have already acquired total land of 43.21 acres at Village Pellakuru Mitta, Panchayat Pellakuru, Mandal-Pellakuru, District Nellore, Andhra Pradesh, out of which 7.85 acres will be utilized for this project. The cost of land and site development is Rs. 80 lakhs.

(b) Civil Works

The cost of Civil Works is estimated at Rs. 217.60 Lakhs. We have received quotation from Hyfield Engineering Company vide Letter Ref: HEC/EMPEE/16/06-07 dated April 20, 2007 for carrying on the civil work at Village Pellakuru Mitta, Panchayat Pellakuru, Mandal-Pellakuru, District Nellore, Andhra Pradesh, the details of which are as follows:

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S.No.	Description	Area	Rate/Unit	Total (Rs. In Lakh)
1	Compound Wall	750 RM	4000 / RM	30.00
2	Machine Foundation	-	-	5.00
3	Bottle Shed	2000 sq.mt.	5490 / sqm	109.80
4	Admin Block	2000 sq.ft.	1150 / sq. ft.	23.00
5	Store & Workshop	2500 sq.ft.	550 / sq.ft.	13.75
6	Security	400 sq.ft.	700 / sq.ft.	2.80
7	Water Sump	50000 lt	8.00 / lt	4.00
8	Overhead Tank	25000 lt	25.00 / lt	6.25
9	Toilet	10 Nos	20000 / EA	2.00
10	Cycle Shed	200 sq. ft.	500 / sq.ft.	1.00
11	Road	2500 sq.m	800 / sq.m.	20.00
	Total			217.60

(c) Plant & Machinery

The cost of plant and machinery is estimated at Rs.550.08 Lakhs. The proposed supplier is Spike Engineering Private Limited for supply of plant and machinery in respect of setting up of Blending & Bottling IMFL Plant at Andhra Pradesh with a capacity of 0.70 Lakh cases per month vide quotation dated March 9, 2007. We have received quotations but orders have yet to be placed. All the plant and machinery enlisted hereunder are indigenous:

S. No.	Particulars	Quantity	Amount (Rs. In Lakhs)
1	Fully Automatic Bottling Line	3	190.54
2	Fully Automatic Washing Machine	3	64.71
3	Semi Automatic Bottling Line	1	12.00
4	Filter Press 18"	3	6.15
5	Transfer Pump	3	3.44
6	SS Service Tanks 2KL	3	4.70
7	Domino Printing Machine	3	7.77
8	Carton Sealing Machine	3	2.92
9	Carton Stitching Machine	3	1.06
10	Hydraulic Trolley	4	0.91
11	Carton Roller Conveyor	2	1.84
12	Automatic Fire Hydrant	1	30.00
13	Blending Tanks - 75 KL	2	44.70
	Blending Tanks - 25 KL	6	46.80
14	Storage Tanks- 75KL	2	44.70
	Storage Tanks-25KL	2	15.60
15	Air Compressor	1	6.24
16	Generator 120KVA	1	6.00
17	Electrification	-	50.00
18	Pipe & Pipe Fittings	-	10.00
	Total		550.08

(d) Miscellaneous Fixed Assets

The Miscellaneous Fixed Assets would inter-alia include computers, motor vehicles and furniture & fixtures for which a provision aggregating to Rs. 15.00 Lakhs (approx) has been considered by Allbank Finance Limited in their appraisal report.

(e) Pre-Operative Expenses

Preoperative expenses at a cost of Rs. 86.27 Lakhs would include expenses on account of salaries, consultancy, insurance cost etc.

(f) Contingencies

Contingencies have been estimated keeping in view any cost escalation or unexpected expenditure and accordingly, a provision of Rs. 43.13 Lakhs has been considered by Allbank Finance Limited in their appraisal report for this project.

(g) License Fee

As per the Andhra Pradesh Excise Act, 1968 read with the Andhra Pradesh Distillery (Manufacture of Indian Made Foreign Liquor other than Beer and Wine) Rules, 2006, a non-refundable and a non adjustable fee along with a special fee is payable at the time of making an application for setting up of Blending and Bottling IMFL Plant and accordingly for up to 50.00 Lakhs Proof Litres of annual production capacity of the proposed manufactory, a non -refundable and a non adjustable fees of Rs. 700.00 Lakhs is payable by us along with a special fee of Rs. 300.00 Lakhs for making an application for setting up of Blending and Bottling IMFL Plant which we propose to meet out of the issue proceeds.

(h) Margin for Working Capital

The Working Capital Margin requirement as per the Allbank Finance Limited appraisal report is estimated at Rs. 195.49 lakhs. The details of which are as follows:

(Amount Rs in lakhs)

Working capital assumptions	September 30, 2008
Current assets	
Inventory	15 days
Raw Material & Packaging Material	7 days
Debtors	30 days
Current liability	
Creditors for Raw Material & Packaging Material	15 days
Working for Working capital Requirement	
Current assets	
Inventory	266.45
Raw Material & Packaging Material	15.23
Debtors	532.90
Total	814.58
Current liability	
Creditors for Raw Material & Packaging Material	32.64
Net Working capital	781.95
Margin (%)	25%
Margin	195.49
Bank Borrowing	586.46
Incremental Bank borrowing	586.46

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Raw Materials

The raw material will be the ENA produced from the ENA plant, special spirits and flavours. We propose to source Special spirits and flavours from grape and malt distilleries situated in other States and the procurement of which will not be a problem.

Process Description

The details of process description for IMFL plant are disclosed on page no. 90 of this Prospectus.

Infrastructure Facilities

(a) Water

We will require about 50 KL/day of water for the operations of this plant, which will be sourced from bore wells/ private suppliers of water.

(b) Power

We will require about 75 KWH of power for the operations of this plant, which will be sourced from the grid. However for meeting power backup requirements we propose to make provisions for generators.

Manpower

The details of manpower requirement for the proposed Blending & Bottling IMFL Plant are given as under:

S.No.	Category	Total
1	General Manager	1
2	Manager	2
3	Executives	1
4	Supervisors	7
5	Workmen	150
	Total	161

The manpower for the proposed project will be sourced locally, which is easily available at various project sites. The management does not envisage any difficulty in sourcing the additional manpower required for the projects.

Effluent Treatment

The effluents generated in the plant will be in the liquid form which will be treated using the effluent treatment plant. For more details about effluent plant please refer to the section titled "Our Business" appearing on page no 80 of this Prospectus.

3. Setting up of 7.5 MW Bio-mass based Power Plant at Aranthangi Taluk, Pudukottai District, Tamil Nadu

Rationale of the project

Keeping in view our increased requirement of power, we propose to set up a 7.5 MW Bio-mass based Power Plant for generation of power by utilization of woody biomass viz. Juliflora, Eucalyptus and Casuarina as fuel and exporting the power generated to Tamil Nadu State Electricity Board (TNEB) grid after providing for 2% of the gross generation for internal consumption of power plant auxiliaries through 33 KV TNEB substation of Aliyanilai which is close to the project site.

Location of the Project

We have entered into a Power Purchase Agreement (PPA) dated May 7, 2005 with TNEB (Tamil Nadu Electricity Board) to set up a 7.5 MW Bio-mass based Power Plant at SF no. 263/1, Mukudi Village, Aranthangi Taluk,

Pudukottai District, Tamil Nadu. We have also received approval from Tamil Nadu Electricity Board for enhancing the plant capacity from 7.5MW to 10 MW. Further, on July 9, 2007 we have entered into another Power Purchase Agreement with TNEB for setting up 10 MW Bio-mass based power plant. However as decided by our Company, we are setting up power plant with 7.5 MW capacity. For details of Power Purchase Agreements, please refer to page number 122 & 123 of this Prospectus.

Cost of the Project

(Rs. in lakhs)

S. No.	Particulars	Amount
a)	Land & Site Development	40.00
b)	Civil Works	325.00
c)	Plant & Machinery	2571.27
d)	Miscellaneous Fixed Assets	47.50
e)	Capex Contingency	126.22
f)	Pre-Operative Expenses	165.80
g)	Interest During Construction	134.02
h)	Working Capital Margin	66.62
	Total	3476.43

(Source: Appraisal Report of Allbank Finance Limited)

Andhra Bank has sanctioned a term loan of Rs. 2204.00 lakhs for setting up bio-mass based power plant.

Detailed Break-up of Cost of Project

(a) Land & Site Development

The cost of land and site development is Rs. 40 Lakhs. We have acquired approximately 14.11 acres of land for a consideration of Rs. 15.00 Lakhs at Mukkudi Group, Kuthadiviayal Village, Aranthangi Taluk, Pudukottai District, Tamil Nadu vide Sale Deed dated October 15, 2004 for setting up of 7.5 MW Bio-mass based Power Plant. The site development cost will be Rs. 25.00 Lakhs. The Site development includes clearing and leveling of land, boring of wells etc.

(b) Civil Works

The cost of civil works as estimated by Company's Management is Rs. 325.00 Lakhs which inter alia includes approach roads for factory and internal roads, factory building, equipment foundations & platforms, workshop, reservoir, chimney and administrative buildings.

(c) Plant & Machinery

The cost of plant and machinery is estimated at Rs.2571.27 Lakhs. The complete plant implementation and control will be based on Distributed Control System (DCS), covering the total functioning requirements of measuring, monitoring, alarms and controlling, logging, sequence interlocks and equipment protection etc. The details of the machinery where orders have been placed are as follows:

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S. No.	Particulars	Imported/ Indigenous	Name of the Supplier	Date of Order Placement	No. of Units	Amount (in Rs. Lakhs) as per PO
1	Boiler	Imported	Cethar Vessels (P) Limited	August 16, 2006	1	772.00
2	Steam Turbo Generator	Indigenous	M/S Associated Power Team (P) Limited	June 19, 2006	1	546.00
3	Electrostatic Precipitator	Indigenous	M/s Himachal Environmental Engineering Company (P) Limited	November 10, 2006	1	100.00
4	Air cooled condenser	Indigenous	M/s Paharpur Cooling Towers	October 25, 2006	1	312.00
5	Switchyard & HT Panels	Indigenous	Siemens Limited	August 11, 2006	1	110.00
6	Transformers	Indigenous	Seven Power Equipment Private Limited	March 17, 2007	2	85.00
7	Water Treatment Plant	Indigenous	M/s Aqua Designs India Limited	February 8, 2007	1	25.00
8	Fuel & Ash handling system	Indigenous	M/s SVE Engineers Private Limited	December 22, 2006	1	107.00
9	HOT Crane	Indigenous	M/s Hark Engineers Private Limited	February 6, 2006	1	11.27
10	DG Set	Indigenous	M/s Dominion Power Systems Private Limited	November 20, 2006	1	11.26
11	Weigh Bridge	Indigenous	M/s Hi-tech Electronics	January 17, 2007	1	4.50
12	Chimney	Indigenous	M/s Steel and Metal agencies	January 31, 2007	1	26.93
13	DCS Package	Indigenous	M/s KEAS Control Systems India Pvt Ltd	June 11, 2007	1	50.00
14	LT Panels Package	Indigenous	M/s Switchgear Protections	June 15, 2007	1	67.14
15	Inter Connection Piping	Indigenous	Samay Projects Services Pte Limited	September 4, 2007	NA	75.00
16	Air Compressor System	Indigenous	M/s Atlas Copco Compressor Sales	May 31, 2007 May 22, 2007	1 NA	15.35 15.00
17	Miscellaneous pumps	Indigenous	Basic Engineers & Traders			
18	Power & Control Cables	Indigenous	Gemscab Industries Limited	June 18, 2007	NA	45.73
19	Electrical Erection Contract	Indigenous	Alagarsamy Electricals	June 6, 2007	NA	48.09
Total						2427.27

Details of Machinery for which quotations have not yet been received are as under:

S. No	Particulars	No. of Units	Amount(in Rs. Lakhs) *
1	Auxi Cooling Tower	2	9.00
1	Ventilation and Air Conditioning	NA	15.00
3	Power Evacuation	1	105.00
2	Water Intake System	1	15.00
Total			144.00

* As per our own Company's estimate

(d) Miscellaneous Fixed Assets

The estimated cost of miscellaneous fixed assets is Rs. 47.50 Lakhs which inter alia includes office equipments, furniture, cars etc.

(e) Capex Contingency

We have provided Rs 126.22 lakhs for capital expenditure contingencies. The cost estimates are based on quotations for the majority of the capital equipment and no major change in the cost of project is expected. Contingencies are mainly for fluctuations of prices of plant & machineries, transportation cost, prices of steel, cement etc.

(f) Pre-operative Expenses

Preoperative expenses would include expenses on account of site & office establishment, consultancy fees, salary, traveling, etc. These have been estimated at a cost of Rs. 165.80 Lakhs

(g) Interest During Construction

Andhra bank vide their sanction letter dated March 18, 2005 sanctioned a term loan of Rs 2204.00 lakhs for the proposed Biomass power plant. We are expecting commencement of production in the month of September 2007. Accordingly we have made a provision of Rs 134.02 lakhs

(h) Margin for Working Capital

The Working Capital Margin requirement as per the Allbank Finance Limited appraisal report is estimated at Rs. 66.62 lakhs. The details of which are as follows:

(Amount in Rs. Lakhs)

Working capital assumptions	November 30, 2007
Current assets	
Fuel Inventory	30 days
Expenses	30 days
Receivables	45 days
Current liability	
Payables	15 days
Working for calculation of working capital requirements	
Current assets	
Fuel Inventory	58.88
Expenses	5.18
Receivables	202.41
Total	266.47
Current liability	
Payables	29.44
Net Working capital	237.0
Margin (%)	25%
Margin	66.62
Bank Borrowing	170.38
Incremental Bank borrowing	170.38

Raw Materials

The primary raw material required for the biomass plant will be Juliflora. The secondary raw materials required are Casuarina Wood, Coconut Residue and Groundnut Stalks. The biomasses are also available in abundance in the adjacent areas, thus meeting the power plant's requirements

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Bio-mass Based Power Generation

Biomass is an organic matter produced by plants, and their derivatives. It includes forest crops grown especially for their energy content on "Energy Farms". Unlike coal, oil and natural gas, which takes millions of years to form, biomass can be considered a renewable energy source because plant life renews and adds to itself every year. Further, biomass can be classified as Woody & Non woody. Woody Biomass is essentially the solid stalk of the main trunk and branches in trees / plants. It is dense and has little ash. Casurina, Julia flora and branches of wood can be treated as woody biomass. The aforesaid are essentially adopted as a non-conventional energy sources as they are renewable and non-polluting. The process flow for Bio-mass power generation is as follows:

1. The raw fuel from the collection points will be transported to the power plant, where fuel will be weighed and stored in fuel storage yard near boiler house. Fuel will be screened/ chopped and then conveyed to fuel bunkers located near the Boiler unit from where it will be fed to the boiler by Screw / Rotary feeders. Quantity of fuel will be controlled by variable frequency drives depending on steam requirements for the power plant.
2. The fuel fed into the boiler will be burnt directly in the combustion chamber / furnace of the boiler through combustion air from the Forced draught fan to generate high pressure and high temperature steam. Steam generated by boiler will be supplied to steam turbine where all the thermal energy available in the high pressure steam will be converted into mechanical energy. Steam gets expanded over a series of specially profiled blades attached to a cylindrical rotor thus creating a rotary motion. Steam turbine is coupled to a Generator for converting mechanical energy into the electrical energy. Power generated at the terminals of the generator will be evacuated and connected to the grid through series of electrical equipment like Transformer, Switch yard, Control gear and protection systems etc.
3. The high pressure & high temperature steam after utilizing the thermal energy in the steam turbine becomes low pressure and low temperature steam with a small amount of remaining thermal energy. In between three uncontrolled extractions will be at 7.8 ata, 2.14 ata and 0.581 ata for HP Heater, Deaerator and LP Heater respectively. The final low pressure steam will be condensed in the turbine condensing system. Condensing system includes an Air Cooled condenser, condensate extraction pumps, steam ejectors etc. The condensate will be collected in the condensate Storage Tank (CST) and from the CST, condensate extraction pump sucks the condensate to send to the Deaerator cum storage tank. Condensate will be re-circulated to the boiler.
4. Condensate will be then deaerated in the Deaerator to remove all dissolved non-condensable gases and oxygen, which affect boiler performance in long run. Temperature of the condensate will also be raised in LP feed water heater and Deaerator for better boiler efficiency using the steam taken from turbine and the same will be stored in Feed water storage tank. Feed water from the storage tank will be pumped to steam drum through economiser, by means of two numbers of boiler feed pumps of which, normally one will be working and the other will be standby. One no. HP feed water heater is employed to improve the cycle efficiency. The feed water gets heated in the boiler to form high pressure and high temperature super heated steam. Thus the thermal cycle gets completed.
5. Combustion gases after maximum heat transfer in the boiler will be led to the exhaust stack through ESP, Induced draught fan. Ash particles remained in the exhaust gases will be removed to the maximum extent in the electrostatic precipitator.
6. Ash generated in the boiler after burning the fuel will be collected in ash hoppers located at the bottom of the furnace, economizer, air preheater & ESP. This ash will be removed by mechanical means and transported outside the plant using trucks. Complete system which includes rotary air lock valves, screw conveyor, submerged belt conveyor constitutes ash handling system.



Infrastructure Requirements

Water

Fuel

The primary fuel required for the biomass plant will be Juliflora. The secondary fuels required are Casuarina Wood, Coconut Residue and Groundnut Stalks. As per the biomass assessment study conducted by Aquatherm Engineering Consultants (India) Private Limited, the surplus biomass quantity available in Pudukottai Taluk is 3,60,000 tons/annum. (Source: Appraisal Report).

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Manpower Requirements

The details of manpower requirements are as follows:

S.No.	Category	Total
1	Managerial	6
2	Workmen	53
3	Contract Labour	68
	Total	127

The manpower for the proposed power project will be sourced locally, which is easily available at various project sites. The management does not envisage any difficulty in sourcing the additional manpower required for the projects.

Effluent Treatment

The type of pollutions, which affect the environment, emanating from the proposed biomass based power plant can be classified as follows:

- Air pollution
- Water pollution
- Thermal pollution
- Noise pollution

The pollutants generated from the biomass based power plant are dust and particulate matter in the fuel gas; fly ash from the hoppers; furnace bottom ash; effluent from water treatment plant; boiler blow down and sewage from the plant

Control Methods for Air Pollution

(a) Dust and particulate matters

The dust concentration level in the chimney will be periodically monitored. All corrective steps will be taken, if the concentration is not within the acceptable limits, stipulated by the Pollution Control Board.

(b) Sulphur dioxide

The main fuel in the proposed power generation plant is Juliflora which has negligible sulphur in it. Hence, sulphur dioxide produced will be very minimal. A chimney of 40 m height will be constructed to exhaust the gases in the atmosphere.

(c) Fly ash and bottom ash

The biomass used in the power plant will have an ash composition of about 3%. The ash collected from the bottom of furnace and the ash collected in the air-heater hoppers and ESP hoppers are taken to ash silo through a series of conveyors. The ash from the silo will be handled for use as manure by the local farmers and also in the road building industry. The total ash collected in the hoppers will be approx. 290 kg/hr.

Control Methods for Water Pollution

1. Effluents from Water treatment Plant

The water drained from the water treatment plant, will be treated so that the water let out is neutral (pH 7.0). To achieve this water drained from the water treatment plant is pumped to a neutralisation pit. The neutralisation pit will have acid resistant brick lining. Depending on the quality of water collected in the pit, either an alkaline medium or acidic medium will be pumped into the pit to neutralise the water.

(b) Boiler Blowdown

In order to maintain the solids concentration in the boiler feed water, two types of blowdown are employed in the boiler. One type is continuous blowdown and the other intermittent blowdown. The blowdown water will be at a temperature of 1000C. The quantity of blowdown will be around 1 tph. This water can be taken to the effluent plant, where it will get treated.

(c) Sewage from the power plant buildings

The sewage from the various power plant buildings will be taken to a common septic tank through trenches. The sewage from the septic tank will be disposed off through concrete dispersion trenches. As the sewage is taken in trenches the soil will not get contaminated.

Control Methods for Thermal Pollution

The water used for bearing cooling, lube oil cooling will be cooled in a FRP cooling tower of either induced or forced draft type. The water let out from the cooling tower will have a temperature very close to the ambient.

Control Methods for Noise Pollution

The major source of noise pollution in the biomass power plant is from rotating equipments like ID, FD and SA fans; feed pumps; boiler and super-heater safety valves; start up vent; steam turbine and DG sets.

As per the OSHA standards, the sound level at 1.0 from the rotating equipments shall be 85 to 90 dBA. The rotating equipments will be designed to achieve this. The start up vent, safety valve outlets and the DG sets will be provided with silencers to reduce the noise level to the acceptable limits. The power house building will be constructed with sound proof walls to keep the noise level within the acceptable limits.

4. Development of 2.00 Lakhs sq.ft. of residential space in Mevalorkuppam, Sriperumbudur Taluk, Kancheepuram District, Tamil Nadu.

Rationale of the Project

We own total of 20.88 acres of land at Mevaloorkuppam Village, Sriperumbudur Taluk, Kanchipuram District, which we have acquired in 1987. Out of total land area of 20.88 acres, 2.38 acres will be used for setting up godown for storage of bottles and about 1.53 acres of land for commercial use. The balance land area of 16.97 acres will be utilized for development of 12.23 lakh sq.ft. of residential space.

The project will be developed over three phases with three residential blocks being built (Stilt + 4 floors). The plan has already been approved by DTCP to the extent of 12.23 lakh sq.ft. on March 29, 2007. Since the project is eligible under section 80-IB of Income Tax Act, profit earned under this project will be exempted from tax for four years from the date of approval. We propose to develop 2 lakh sq.ft. of residential space under Phase I of this project.

Cost of the Project

(Rs. In Lakhs)

S. No.	Particulars	Amount
a)	Development Cost	2745.56
b)	Basic Infrastructure Cost	138.70
c)	Project Management	144.21
d)	Contingencies	75.71
e)	Pre-Operative Expenses	3.00
	Total	3107.18

(Source: Appraisal Report)

EMPEE DISTILLERIES LIMITED

Detailed Break-up of Cost of Project

Development Cost

As per the Appraisal Report the development cost is estimated at Rs. 2745.56 Lakhs. The development cost includes land filling, retaining wall & compound wall, culvert road & access road, pavement works, hard & soft landscape development, street lightening, circulation road network, open parking lots, underground utilities, underground tanks & pump items, sewage treatment plant and utilities like elevators, electricity etc.

Basic infrastructure cost

The basic infrastructure cost includes filling and laying of roads, provision of adequate drainage facilities, land scalping and other development activities for the project site of 18.50 acres. The total cost of setting basic infrastructure is estimated at Rs. 138.70 Lakhs which is Rs.7.49 Lakh per acre

Project Management & Marketing fee

This fee include fee paid to the master planners, architects, project management consultants and other related agencies involved in the development and is estimated Rs. 144.21 Lakhs as per the appraisal Report.

Contingencies

Contingencies of Rs. 75.71 Lakhs have been estimated to provide for unforeseen expenses, price rise etc.

Pre-operative Expenses

Preliminary and preoperative expenses are estimated at Rs. 3.00 Lakhs as per the Appraisal Report which includes lender related expenses and other preliminary establishment costs.

Architects & Developers

Concept master plan has been developed by DP architects of Singapore (leading Singapore based architects). We have appointed Nataraj & Venkat Associates, Chennai to handle / support the architectural design process. We also propose to appoint project development managers for effective Project management.

Marketing Arrangement

We have not yet appointed any marketing agency for selling the residential space. However, we propose to appoint consultants for marketing the project.

5. Expansion of our existing distillery unit at Tamil Nadu by augmenting the capacity of our Extra Neutral Alcohol Plant from 20KLPD to 70KLPD.

Rationale of the Project

We presently have a Distillery Unit situated at Mevaloorupam, Sriperumbudur Taluk, Kanchipuram District, Tamil Nadu for manufacturing of IMFL products with 20 KLPD capacity. In order to achieve reduction in input cost of raw material, we propose to increase the capacity of the aforesaid unit by setting up 70 KLPD Extra Neutral Alcohol Plant at a cost of Rs. 1793.35 Lakhs as per the appraisal report.

Location of the Project

The proposed plant will be set-up in the existing premises which has a total area of 4.18 acres acquired vide Sale Deed Dated June 22, 1984 comprising of Survey No. 259 situated at Mevaloorupam, Sriperumbudur Taluk, Kanchipuram District, Tamil Nadu. No further land is required to be purchased by us for implementing this expansion.

Cost of the Project

(Rs. In Lakhs)

S. No.	Particulars	Amount
a)	Building	304.54
b)	Plant & Machinery	1342.11
c)	Computers	25.00
d)	Motor Vehicles	25.92
e)	Office Equipments	5.00
f)	Furniture & Fixtures	5.00
g)	Contingency (5%)	85.78
	Total	1793.35

(Source: Appraisal Report)

Detailed Break-up of Cost of Project**(a) Building**

The cost of civil works as estimated by the Company's Management is Rs. 304.54 Lakhs which comprises of construction of main structure, machinery foundation and road formations. The details of which are given hereunder:

S.No.	Description	Quantity	Total (Rs. In Lakh)
1	Construction of RD Plant 9MX30M	1	90.00
2	Extension of Storage Shed & Tank Bed Contraction 25MX6.5Mx9M	1	37.00
3	Construction of Receivers & Storage area 10.5Mx9Mx9M	1	21.70
4	Extension of Shed for Bottle Arrival Area	1	3.24
5	Extension of Blending Hall & Tank Bed Contraction 25MX6.5MX9M	1	41.75
6	Extension of Blending Hall in Warehouse & Tank Bed	1	20.00
7	Cooling Tower Base & Sump Construction 9MX10M3M	1	7.85
8	Raw Water Sump 100KI	1	8.00
9	Handling & Erection	1	15.00
10	Miscellaneous Civil work	1	10.00
11	Reverse Osmosis Plant	1	50.00
	Total	304.54	

(b) Plant & Machinery

The cost of plant and machinery is estimated at Rs.1342.11 Lakhs. The plant and machinery inter-alia includes Distillation plant, cooling towers, blending & storage tanks, pumps, bottle washing & bottling lines, generators etc which are all indigenous and the details thereof are as under:

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The details of the machinery where orders have already been placed are as under:

S. No.	Particulars	Imported/ Indigenous	Name of the Supplier	Date of Order Placement	No. of Units	Amount (in Rs. Lakhs) as per PO
1	Distillation Plant	Indigenous	KBK Chem Engineering Private Limited	April 27, 2007	1	470.00
2	Cooling Tower Series 15F	Indigenous	Paharpur Cooling Towers Limited	June 26, 2007	2	13.24
3	Pump & Accessories	Indigenous	Flow Tech	June 15, 2007	4	3.78
4	Sparkle Type filter with Pumps for Blending	Indigenous	PharmaLab Process Equipments Private Limited	May 25, 2007 & June 6, 2007	2	3.36
5	75KL Storage Tank MS	Indigenous	Rajshree Machinery Manufacturers Private Limited	June 1, 2007	2	44.70
6	75KL Storage Tank MS	Indigenous	Rajshree Machinery Manufacturers Private Limited	September 13, 2006	3	13.52
7	Storage Tank 75KL (SS 304)	Indigenous	Sri Padmashree Engineers Saravana Success Fab	June 15, 2007	8	178.82
8	Storage Tank -Spirit 50KL -SS 304	Indigenous	Sri Padmashree Engineers Saravana Success Fab	June 4, 2007 & June 18, 2007	4	19.80
9	Storage Tank 75 KL -MS	Indigenous	Sri Padmashree Engineers	September 3, 2007	2	7.50
10	Boiler 10 TPH	Indigenous	Veesons Energy Systems Private Limited	March 13, 2007	1	141.23
11	240BPM Automatic Bottling Lines (Filler & Sealer)	Indigenous	Optima Machineries	April 27, 2007	2	127.03
12	240BPM Washing Machine	Indigenous	Yes Gee Yes Enterprises & St. Marys Engineering Works	November 18, 2006	2	28.50
13	Label Applicators for Bottling lines	Indigenous	Harikrusna Machinetech Private Limited	June 23, 2007	2	7.18
14	Hydraulic Hand Pallet Truck	Indigenous	Godrej	June 20, 2007	4	0.75
15	Carton Sealing Machine	Indigenous	SV Packaging Agencies	June 12, 2006 & May 29, 2007	2	1.56
16	Bottom Stitching Machine	Indigenous	Apex India	June 7, 2007	2	0.68
17	Plastic crates for 180ml bottle	Indigenous	Prince Multiplast Private Limited	June 18, 2007	6000	10.38
18	Construction of Bottle yards in Chamber area	Indigenous	Hyfield Engineering	June 22, 2007	1	11.46
19	Construction of Stores in 1st floor Admin Block	Indigenous	Sakthi Enterprises	June 25, 2007	1	3.53
20	SS Service tank 2 KL	Indigenous	Spike Engineering Pvt Limited	June 18 2007	2	3.13
	Total					1090.15

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Details of machinery for which quotations have been received, but orders have not yet been placed:

S. No.	Particulars	Name of the Supplier	Date of Quotation	Quantity / Capacity	Amount (Rs. In Lakhs)
1	Thru Bore Model UP-150-38B	Basic Engineers & Traders (Make: Kirloskar)	May 14, 2007	2	4.12
2	Storage Tank -Spirit 25 KL -SS 304	Sri Padmashree Engineers	May 5, 2007	3	23.40
3	Storage Tank 35KL -MS	Sri Padmashree Engineers	May 5, 2007	1	2.18
4	Air Compressor (Make: Chicago Pneumatic)	Hi-Tech Air Power Private Limited	May 14, 2007	1	6.24
5	Carton Roller Conveyor	SV Packaging Agencies	April 30, 2007	2	1.84
6	Concrete Roads inside factory	Hyfield Engineering	May 3, 2007	1	30.05
7	Automatic fire hydrant system	Hydrotec Engineers India Private Limited	May 17, 2007	1	30.00
8	Fabrication of 20 KL Tanks	Shree Radhakrishna Fabricators	May 16, 2007	2	19.84
Total					117.67

Details of Machinery for which quotations have not yet been received are as under:

S. No	Particulars	No. of Units	Amount(in Rs. Lakhs) *
1	Turbine & Electrics	1	75.18
2	Generator 320 KVA	1	19.51
3	25KVA FG Wilson D.G. Set	1	3.52
4	Vehicles	2	16.08
5	Electrical Installation	-	20.00
Total			134.29

* As per our own Company's estimate

(c) Miscellaneous Fixed Assets

The Miscellaneous Fixed Assets would inter-alia include Computers, Motor Vehicles, Office Equipment, and Furniture & Fixtures for which a provision aggregating to Rs. 60.92 Lakhs has been considered by Allbank Finance Limited in their appraisal report.

(d) Contingency

Contingencies have been estimated keeping in view any cost escalation or unexpected expenditure including price escalation due to capital expenditure contingency, transportation cost etc and accordingly, the provision for contingency of Rs. 85.78 Lakhs has been considered as per the appraisal report

Raw Materials

The only raw material input required for the proposed expansion is rectified spirit. We propose to source Rectified Spirit from different primary distilleries located in the State of Tamil Nadu such as Dharani Sugars, Amaravathi Sugars, Salem Sugars, Rajshree Sugars etc from which we are presently sourcing the supplies and accordingly in order to meet our raw material requirements for the augmented capacity we will be scaling up the purchases from the aforesaid suppliers.

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Process Description

For details of process description refer section titled "Our Business" appearing on page no. 80 of this Prospectus

Infrastructure Facilities

(a) Water

The present consumption of water for our 20KLPD plant is about 75LPD which is presently being met by government connection of 5 Borewells purchase from private suppliers. We estimate that we would require about 175LPD of additional water for the proposed expansion and accordingly total water requirement is estimated at about 250LPD. The additional requirement will be met by borewells and from private water suppliers. Presently we are sourcing out our own tankers to the borewell site or requisitioning the same from the suppliers

(b) Power

The present connected load at our Tamil Nadu unit is 300 KVA. Further for power backup we have two generators of 430 KVA (320 KVA + 110 KVA). Additional requirement of 200 KVA of power is estimated for the proposed expansion and accordingly total power requirement will be about 500 KVA. We will be applying for additional power requirement once civil construction work and building is complete.

(c) Fuel

Coal / Furnace Oil (FO) serve as fuel for boiler plant. We presently consume 12 tonnes of coal or 4500 liters of FO per day. We currently source our coal requirement from agencies who import coal primarily from Indonesia and Furnace Oil from the state owned oil companies. After the proposed expansion the additional requirement will be 26 tonnes of Coal / 13,500 liters per day of FO per day, accordingly making the total requirement of 38 tonnes of coal or 18,000 liters FO per day. The choice of fuel will be decided by us based on the prevailing price / availability. We will be sourcing the additional fuel requirement from the same agencies/ companies.

Manpower

The details of additional manpower required in expanding the capacity are as under:

Existing Manpower		Additional Manpower for Proposed Expansion	
Managers	NIL	Managers	1
Executives	1	Executives	3
Supervisors	4	Supervisors	8
Workers	29	Workers	41
Total	34	Total	53

The manpower for the proposed expansion project will be sourced locally, which is easily available at various project sites. The management does not envisage any difficulty in sourcing the additional manpower required for the projects.

Effluent Treatment

The only effluent generated is contaminated water, which is treated using the effluent treatment plant. For more details refer to Section titled "Our Business" appearing on page no. 88 of this Prospectus

6. Expansion of our Existing Distillery Unit by increasing the bottling capacity

Rationale of the Project

We presently have a Distillery Unit situated at Mevalooruppam, Sriperumbudur Taluk, Kanchipuram District, Tamil Nadu with current licensed and installed capacity of 3.2 Lakhs cases of IMFL per month. We propose to increase the present installed capacity from 3.2 Lakhs cases per month by expanding bottling line, addition of storage tanks etc. to 5.00 Lakhs cases per month at an estimated cost of Rs. 509.32 Lakhs as per the appraisal report.

Location of the Project

The proposed plant will be set-up in the existing premises which has a total area of 4.18 acres acquired vide Sale Deed Dated June 22, 1984 comprising of Survey No. 259 situated at Mevalooruppam, Sriperumbudur Taluk, Kanchipuram District, Tamil Nadu. No further land is required to be purchased by us.

Cost of the Project

(Rs. In Lakhs)

S. No.	Particulars	Amount
a)	Civil Work	50.00
b)	Plant & Machinery	303.76
c)	Motor Expenses	110.00
d)	Pre Operative Expenses	30.38
e)	Contingences	15.18
	Total	509.32

Detailed Break-up of Cost of Project

(a) Civil Work

The cost of construction as estimated by the Company's Management is Rs. 50.00 Lakhs which comprises of construction of sheds for accommodating 2 fully automatic bottling lines and machinery foundations.

(b) Plant & Machinery

The cost of plant and machinery is estimated at Rs.303.76 Lakhs. The proposed supplier is Spike Engineering Private Limited for supply of Plant and Machinery in respect of expansion from 3.20 Lakh cases per month to 5.00 Lakh cases per month vide quotation dated March 10, 2007. We have received all the quotations for the plant & machinery but the orders are yet to be placed. All the plant and machinery enlisted hereunder are indigenous the details of which are as follows:

EMPEE DISTILLERIES LIMITED

Sr. No.	Particulars	Quantity	Amount (Rs. in Lakhs)
1	Fully Automatic Bottling Line	2	127.03
2	Fully Automatic Washing Machine	2	43.14
3	Filter Press 18"	2	4.10
4	Transfer Pump	2	2.29
5	SS Service Tanks 2KL	2	3.13
6	Domino Printing Machine	2	5.18
7	Carton Sealing Machine	2	1.94
8	Carton Stitching Machine	2	0.71
9	Carton Roller Conveyor	2	1.84
10	Blending Tanks 75KL	2	44.70
11	Storage Tanks 75KL	2	44.70
12	Electrification		20.00
13	Pipe & Pipe Fittings		5.00
	Total		303.76

(c) Motor Expenses

We would require sprit tankers, lorries for transportation of the Rectified Spirit / finished products at an estimated cost of Rs. 110.00 Lakhs.

(d) Pre-operative Expenses

Preoperative expenses would include expenses on account of salaries, consultancy, insurance cost etc. These have been estimated at Rs. 30.38 lakhs.

(e) Contingency

Contingencies have been estimated keeping in view any cost escalation or unexpected expenditure including price escalation due to capex contingency, transportation cost etc. The cost estimate is based on the quotation received for plant and machinery and no major change in the cost is expected. Considering these factors, provision for contingency has been considered in the appraisal report at Rs. 15.18 Lakhs.

Raw Materials

The raw materials required will be the ENA produced from the ENA plant, special spirits, flavors and concentrates. Special spirits and flavours & concentrates will be sourced from grape and malt distilleries situated in other States / Countries. We are presently sourcing the aforesaid in respect of our existing capacity from domestic suppliers namely The Flavors India Private Limited, Lux Flavours, Internationsla Flavours, Fragrances India Limited and in order to meet the aforesaid raw material requirement we would be only scaling up the purchases from the aforesaid suppliers.

Process Description

For details of process description refer section titled "Our Business" appearing on page no. 80 of this Prospectus.

Infrastructure Facilities

(a) Water

The present consumption of water plant is approximately 75LPD which is presently being met by government connection of 5 Borewells and the private suppliers. We estimate that we would require about 85 LPD of additional water for the proposed expansion and accordingly total water requirement is estimated at about 160 LPD. The additional requirement will be met by borewells and from private water suppliers.

(b) Power

The present connected load at our Tamil Nadu unit is 300 KVA. Further for power backup we have two generators of 430 KVA (320 KVA + 110 KVA). Additional requirement of 200 KVA of power is estimated for the proposed expansion and accordingly total power requirement will be about 500 KVA. We will be applying for additional power requirement once civil construction work and building is complete.

(c) Manpower

We would be requiring 4 Supervisors and 200 workmen in order to meet the additional manpower requirement for the proposed expansion mainly for washing of bottles. The manpower for the proposed expansion project will be sourced locally, which is available in the vicinity of the project site. The management does not envisage any difficulty in sourcing the additional manpower required for the projects.

Effluent Treatment

The only effluent generated is contaminated water, which is treated using the effluent treatment plant. For more details refer to Section titled "Our Business" appearing on page no. 80 of this Prospectus

7. Relocation of Plant & Machinery purchased from Appollo Alchobev Limited to Village Arabikothanur, Panchayat-Vokkaleri Hobli, District Kolar, Karnataka along with expanding the existing capacity from 0.50 Lakh cases per month to 1.00 Lakh cases per month.

Rationale of the Project

We have acquired from Appollo Alchobev Limited, one of our Promoter Group Companies engaged in the business of manufacture and sale of IMFL at White field, Bangalore and having an operating IMFL manufacturing Unit, Operating Assets together with the benefits and obligations of all current and valid licenses, permits and sanctions pertaining to the said assets and the manufacture of IMFL and sale thereof and the benefits of all pending contracts related thereto for the purchase of any materials and sales of IMFL for a consideration of Rs. 800.00 Lakhs vide Asset Purchase Agreement dated March 22, 2007. The details of Asset Purchase Agreement are disclosed on page no 125 of this sProspectus.

As per the Certificate dated February 28, 2007 from R. Rajagopalan, Chartered Accountant, the basis of valuation of Rs. 800 lakhs is as under:

Particulars	Amount (Rs. In lakhs) (As on March 31, 2006)
Fixed Assets	
Building	39.98
Furniture	6.92
Plant & Machinery	123.07
Sub- Total	169.98
Net Current Asets	
Loans & Advances	250.65
Stock in Trade	449.12
Sundry Debtors	366.70
Deposits	41.34
Cash & Bank Balsnces	120.21
Less: Current Liabilities & Provisions	(1228.02)
Sub- Total	681.83
Total	851.80

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Note:

- Fixed Assets: All except land is considered. Written down value of assets has been taken into consideration after providing depreciation as per the provisions of the income tax act 1961.
- The value of the net current assets is based as per the books of the accounts.

The aforesaid acquisition would enable us to achieve economies of scale in sourcing of raw materials and expansion of our operations in the State of Karnataka. Further, keeping in view the present location of Appollo Alchobev Limited in a residential and commercial area, we propose to relocate the Plant & Machinery purchased from Appollo Alchobev Limited to Village Arabikothanur, Panchayat-Vokkaleri Hobli, District Kolar, Karnataka along with expanding the existing capacity of the said unit from 0.50 Lakh cases per month to 1.00 Lakh cases per month.

Cost of the Project

(Rs. In Lakhs)

S. No.	Particulars	Amount
a)	Land & Site Development	141.70
b)	Civil Work	204.00
c)	Plant & Machinery	550.08
d)	Pre Operative Expenses	75.41
e)	Contingences	37.70
f)	Miscellaneous Fixed Assets	12.00
	Total	1020.89

Detailed Break-Up of the Cost of Project

- **Land & Site Development**

The cost of land and site development for the purpose of relocating plant and machines from Whitefield, Bangalore alongwith expansion to 1.00 Lakh cases per month is Rs. 141.70 Lakhs. We have acquired approximately 3.71 acres of land for a consideration of Rs. 50 Lakhs at Village - Arabikothanur, Panchayat - Vokkaleri Hobli, District - Kolar, Karnataka vide Sale Deeds dated December 29, 2006 and January 4, 2007, the details of which are given here under:

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S. No.	Sale Deed Dated	Executed by	In favour of	Details of Property (Survey numbers & Extent of land)	Cost (Rs. in lakhs)
1	December 29, 2006	M. Ramachandra Gowda R/O No. 2761 17th cross 6th Main Road BSK II stage Banglore	Empee Distilery Limited	Survey no 51/2, 1.50 acres	24.50
2	January 4, 2007	M. Ramachandra Gowda R/O No. 2761 17th cross 6th Main Road BSK II stage Banglore	Empee Distilery Limited	Survey no 51/2, 2.21 Acres	25.50
Total				3.71 Acres	50.00

The site development cost on the above is estimated at Rs. 91.70 lakhs.

- Civil Work**

The cost of Civil Works is estimated at Rs. 204.00 Lakhs. We have received quotation dated April 20, 2007 from Hyfield Engineering Company for carrying on the Civil Work at Village Arabikothanur, Panchayat-Vokkaleri Hobli, District Kolar, Karnataka, the details of which are as follows:

S.No.	Description	Area	Rate/Unit	Total (Rs. In Lakh)
1	Compound Wall	535 RM	4000 / RM	21.40
2	Bottle Shed	2000 sq.mt	5490 / sqm	109.80
3	Admin Block	2000 sq.ft	1150 / sq. ft	23.00
4	Store & Workshop	2500 sq.ft	550 / sq.ft	13.75
5	Security	400 sq.ft	700 / sq.ft	2.80
6	Water Sump	50000 lt	8.00 / lt	4.00
7	Overhead Tank	25000 lt	25.00 / lt	6.25
8	Toilet	10 Nos	20000 / EA	2.00
9	Cycle Shed	200 sq. ft	500 / sq.ft	1.00
10	Road Formation	2500 sq.m	800 / sq.m	20.00
Total				204.00

- Plant & Machinery**

The cost of plant and machinery is estimated at Rs. 550.08 Lakhs. The proposed supplier is Spike Engineering Private Limited for supply of Plant and Machinery vide quotation dated March 7, 2007. We have received quotations for the plant & machinery but the orders are yet to be placed.

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Sl. No.	Particulars	Quantity	Amount (Rs. In Lakhs)
1	Fully Automatic Bottling Line	3	190.54
2	Fully Automatic Washing Machine	3	64.71
3	Semi Automatic Bottling Line	1	12.00
4	Filter Press 18"	3	6.15
5	Transfer Pump	3	3.44
6	SS Service Tanks 2KL	3	4.70
7	Domino Printing Machine	3	7.77
8	Carton Sealing Machine	3	2.92
9	Carton Stitching Machine	3	1.06
10	Hydraulic Trolley	4	0.91
11	Carton Roller Conveyor	2	1.84
12	Automatic Fire Hydrant	1	30.00
13	Blending Tanks - 75 KL	2	44.70
	Blending Tanks - 25 KL	6	46.80
14	Storage Tanks- 75KL	2	44.70
	Storage Tanks-25KL	2	15.60
15	Air Compressor	1	6.24
16	Generator 120KVA	1	6.00
17	Electrification	-	50.00
18	Pipe & Pipe Fittings	-	10.00
	Total		550.08

- **Pre-Operative Expenses**

Preoperative expenses would include expenses on account of site & office establishment, consultancy fees, salary, traveling, etc. These have been estimated at a cost of Rs. 75.41 Lakhs.

- **Contingencies**

Contingencies have been estimated keeping in view any cost escalation or unexpected expenditure and accordingly, a provision of Rs. 37.70 lakhs has been considered as per the appraisal report.

- **Miscellaneous Fixed Assets**

The Miscellaneous Fixed Assets would inter-alia include computers, office equipment, and furniture & fixtures for which a provision aggregating to Rs. 12.00 Lakhs has been considered by Allbank Finance Limited in their appraisal report.

Raw Materials

The raw materials required will be ENA, special spirits, flavors and concentrates. Special spirits and flavours & concentrates which will be sourced from grape and malt distilleries situated in other States. For our existing capacity we source aforesaid raw materials from domestic suppliers namely The Flavors India Private Limited, Lux Flavours, Internationsla Flavours & Fragrances India Limited etc. After the relocation and expansion the quantity of raw materials required will increase and in order to meet the increased requirement we would be scaling up the purchases from the aforesaid suppliers.

Process Description

For details of process description refer section titled "Our Business" appearing on page no. 80 of this Prospectus

Infrastructure Utilities

(a) Water

For our present operations we require approximately 35 KLPD of water which is sourced from the bore wells. After the relocation & expansion our water requirement will be approximately 70 KLPD, which will be sourced from bore wells/ private suppliers of water.

(b) Power

We will require about 107 KWH of power for the operations of this plant, which will be sourced from the grid. However for meeting power backup requirements we propose to make provisions for DG set and Transformer of 100 KVA capacity.

Effluent Treatment

The only effluent generated will be contaminated water, which will be treated using the effluent treatment plant relocated from IMFL Manufacturing Unit of Appollo Alchobev Limited located at Whitefield, Bangalore to Village Arabikothanur, Panchayat-Vokkaleri Hobli, District Kolar, Karnataka. For more details in respect of effluent treatment process refer to Section titled "Our Business" appearing on page no. 80 of this Prospectus

Manpower

We would be requiring 1 Supervisor and 75 labours in order to meet the additional manpower requirement for the proposed expansion. The manpower for the proposed expansion project will be sourced locally, which is available at project site. The management does not envisage any difficulty in sourcing the additional manpower required for the projects.

General Corporate Purposes

We, in accordance with the policies set up by the Board will have flexibility in applying the Net Proceeds of the Issue for general corporate purposes including but not restricted to offsetting secured loan borrowings, strengthening and building new brands, strategic initiatives, expanding into new geographies and meeting any additional working capital borrowings.

Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently our funding requirement and deployment of funds may also change. This may also include rescheduling the proposed utilization of Net Proceeds and increasing or decreasing expenditure for a particular object vis-à-vis the utilization of Net Proceeds. In case of a shortfall in the Net Proceeds of the Issue, our management may explore a range of options including utilizing our internal accruals or seeking debt from future lenders. Our management expects that such alternate arrangements would be available to fund any such shortfall. Our management, in accordance with the policies of our Board, will have flexibility in utilizing the proceeds earmarked for general corporate purposes.

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Issue Expenses

The expenses for this issue includes issue management fees, selling commission, printing and distribution of issue stationery, advertisement and marketing expenses, legal fees and listing fees payable to the Stock Exchanges, among others. The total expenses for this issue are estimated to be Rs. 1417.00 Lakhs.

Activity	Amount (Rs. In Lakhs)	% of Total Issue Size	% of Issue Expenses
Issue Management Fee	336.00	1.75	23.71
Registrars fees	10.00	0.05	0.71
Fee for Legal Counsel	7.00	0.04	0.50
Fee for IPO Grading	8.00	0.04	0.57
Printing and Distribution of Issue Stationery	96.00	0.50	6.77
Advertising and Marketing expenses	864.00	4.50	60.97
Other expenses (stamp duty, initial listing fees, depository fees, charges for using the book building software of the exchanges and other related expenses)	96.00	0.50	6.77
Total	1417.00	7.38	100.00

Implementation Schedule

S. No.	Particulars	Start	Finish
1	Setting up of 60 KLPD Grain Based Distillery Unit at Nellore District, Naidupet Sub-District, Pellakuru Mandal, Pellakuru Village, Andhra Pradesh.		
a)	Acquisition of Land & Site Development	February 2007	December 2007
b)	Construction of Buildings & Civil Structure	December 2007	June 2008
c)	Installation of Plant & Machinery	June 2008	December 2008
d)	Trial Runs	December 2008	
e)	Commencement of production	January 2009	
2	Setting up of Blending & Bottling IMFL Plant at Vi Pellakuru Mitta, Panchayat Pellakuru, Mandal-Pellakuru, District Nellore, Andhra Pradesh with a capacity of 0.70 Lakh cases per month.		
a)	Acquisition of Land & Site Development	March 2007	December 2007
b)	Construction of Buildings & Civil Structure	December 2007	March 2008
c)	Installation of Plant & Machinery	March 2008	June 2008
d)	Trial Runs	June 2008	
e)	Commencement of production	July 2008	
3	Setting up of 7.5 MW Bio-mass based Power Plant at Aranthangi Taluk, Pudukottai District, Tamil Nadu		
a)	Acquisition of Land & Site Development	July 2006	September 2006
b)	Construction of Buildings & Civil Structure	October 2006	September 2007
c)	Installation of Plant & Machinery	September 2006	October 2007
d)	Trial Runs	November 2007	
e)	Commencement of production	November 2007	

Prospectus

S. No.	Particulars	Start	Finish
4	Development of 2.00 Lakhs sq.ft of residential space in Mevalorkuppam, Sriperumbudur Taluk, Kancheepuram District ,Tamil Nadu.		
a)	Design Development	January 2007	June 2007
b)	Project Approval	March 2007	July 2007
c)	Project Tendering	November 2007	November 2007
d)	Project Award	December 2007	December 2007
e)	Commencement of construction	January 2008	March 2009
5	Expansion of our existing distillery unit at Tamil Nadu by augmenting the capacity of our Extra Neutral Alcohol Plant from 20KLPD to 70KLPD		
a)	Construction of Buildings & Civil Structure	April 2007	December 2007
b)	Installation of Plant & Machinery	May 2007	January 2008
c)	Trial Runs	January 2008	
d)	Commencement of production	January 2008	
6	Expansion of our Existing Distillery Unit situated at Mevaloorkuppam, Sriperumbudur Taluk, Kanchipuram District, Tamil Nadu by augmenting the capacity of the said distillery to handle 5.00 Lakh cases per month from the present 3.20 Lakh cases per month.		
a)	Construction of Buildings & Civil Structure	November 2007	December 2007
b)	Installation of Plant & Machinery	January 2008	March 2008
c)	Trial Runs	March 2008	
d)	Commencement of production	April 2008	
7	Relocation of Plant & Machinery purchased from Appollo Alchobev Limited to Village Arabikothanur, Panchayat-Vokkaleri Hobli, District Kolar, Karnataka along with expanding the existing capacity from 0.50 Lakh cases per month to 1.00 Lakh cases per month.		
a)	Acquisition of Land & Site Development	January 2007	November 2007
b)	Construction of Buildings & Civil Structure	November 2007	December 2007
c)	Installation of Plant & Machinery	January 2008	March 2008
d)	Trial Runs	March 2008	
e)	Commencement of production	April 2008	

Proposed Quarter-wise Deployment of Funds

(Rs. in lakhs)

S. No.		Till Date Sept. 24 2007	Quarter Ended						Total
			Dec 07	Mar 08	Jun 08	Sep 08	Dec 08	Mar 08	
1	Setting up of 60 KLPD grain based distillery unit in Andhra Pradesh								
a)	Land & Site Development	170.80	29.20	-	-	-	-	-	200.00
b)	Buildings & Civil Structure	-	-	411.70	617.55	-	-	-	1029.25
c)	Plant & Machinery	-	-	1080.30	1955.00	652.00	650.70	-	4338.00
d)	Misc. Fixed Assets	-	-	6.00	11.00	4.00	4.00	-	25.00
e)	Contingency	-	-	-	-	139.80	-	139.81	279.61
f)	Pre-operative Expenses	-	-	-	-	65.50	65.50	-	131.00
g)	Working Capital Margin	-	-	-	-	-	111.57	-	111.57

EMPEE DISTILLERIES LIMITED

S. No.		Till Date Sept. 24 2007	Quarter Ended						
			Dec 07	Mar 08	Jun 08	Sep 08	Dec 08	Mar 08	Total
2	Setting up of Blending & Bottling IMFL Plant at Andhra Pradesh with a capacity of 0.70 Lakh cases per month								
a)	Land	-	80.00	-	-	-	-	-	80.00
b)	Civil Works	-	-	217.60	-	-	-	-	217.60
c)	Plant & Machinery	-	-	-	550.08	-	550.08		
d)	Miscellaneous								
	Fixed Assets	-	-	-	5.00	10.00	-	-	15.00
e)	Pre- Operative Expenses	-	-	28.27	29.00	29.00	-	-	86.27
f)	Contingencies	-	-	13.00	28.00	2.13	-	-	43.13
g)	License Fees	-	-	1000.00	-	-	-	-	1000.0
h)	Margin								
	Working Capital	-	-	-	-	195.49	-	-	195.49
3	Setting up of 7.5 MW Bio-mass based Power Plant at Tamil Nadu								
a)	Land & Site								
	Development	26.71	13.29	-	-	-	-	-	40.00
b)	Civil Works	325.00	-	-	-	-	-	-	325.00
c)	Plant & Machinery	1861.21	710.06	-	-	-	-	-	2571.27
d)	Miscellaneous								
	Fixed Assets	-	47.50	-	-	-	-	-	47.50
e)	Capex Contingency	117.57	8.55	-	-	-	-	-	126.22
f)	Pre-Operative Expenses	93.24	72.56	-	-	-	-	-	165.80
g)	Interest During Construction	119.83	14.19	-	-	-	-	-	134.02
h)	Working Capital Margin	-	66.62	-	-	-	-	-	66.62
4	Development of 2.00 Lakhs sq.ft of residential space in Kancheepuram District, Tamil Nadu								
a)	Development Cost	101.72	151.64	852.15	1038.94	601.11	-	-	2745.56
b)	Basic Infrastructure Cost	-	138.70	-	-	-	-	-	138.70
c)	Project Management	-	19.60	42.61	51.95	30.05	-	-	144.21
d)	Contingencies	-	-	10.29	22.37	-	27.27	15.78	75.71
e)	Pre-Operative Expenses	3.00	-	-	-	-	-	-	3.00
5	Expansion of our existing distillery unit at Tamil Nadu from 20KLPD to 70KLPD								

Prospectus

S. No.		Till Date Sept. 24 2007	Quarter Ended						
			Dec 07	Mar 08	Jun 08	Sep 08	Dec 08	Mar 08	Total
a)	Building	35.75	268.79	-	-	-	-	-	304.54
b)	Plant & Machinery	219.53	-	1122.58	-	-	-	-	1342.11
c)	Computers	-	-	25.00	-	-	-	-	25.00
d)	Motor Vehicles	-	-	25.92	-	-	-	-	25.92
e)	Office Equipments	-	-	5.00	-	-	-	-	5.00
f)	Furniture & Fixtures	-	-	5.00	-	-	-	-	5.00
g)	Contingency	-	69.23	16.55	-	-	-	-	85.78
6	Expansion of our Existing Distillery Unit by augmenting the capacity of the said distillery to handle 5.00 Lakh cases per month from the present 3.20 Lakh cases per month								
a)	Civil Work	29.29	20.71	-	-	-	-	-	50.00
b)	Plant & Machinery	249.97	-	53.79	-	-	-	-	303.76
c)	Motor Expenses	-	-	110.00	-	-	-	-	110.00
d)	Pre Operative Expenses	-	-	30.38	-	-	-	-	30.38
e)	Contingences	-	-	3.03	12.15	-	-	-	15.18
7	Relocation of Plant & Machinery purchased from Appollo Alchobev Limited to Karnataka along with expanding the existing capacity from 0.50 Lakh cases per month to 1.00 Lakh cases per month								
a)	Land & Site Development	54.76	86.94	-	-	-	-	-	141.70
b)	Civil Work	-	204.00	-	-	-	-	-	204.00
c)	Plant & Machinery	57.04	-	493.04	-	-	-	-	550.08
d)	Pre Operative Expenses	-	-	75.41	-	-	-	-	75.41
e)	Contingences	-	-	10.20	27.50	-	-	-	37.70
f)	Miscellaneous Fixed Assets	-	-	-	12.00	-	-	-	12.00
8	Issue Expenses	120.49	1296.51	-	-	-	-	-	1417.00
9	General Corporate Purposes	-	903.95	903.95	903.95	-	-	-	2711.85

EMPEE DISTILLERIES LIMITED

Details of Funds Deployed till Date & Sources of the Funds Deployed

The funds deployed upto September 24, 2007 pursuant to the object of this issue on the project as certified by the Statutory Auditors of our Company, viz. N.C. Ananthakumar, Chartered Accountant pursuant to their certificate dated September 24, 2007 is given below:

S. No.	Particulars	Amount (In Rs. Lakhs)
1.	Expansion of our existing distillery unit at Tamil Nadu by augmenting the capacity of our Extra Neutral Alcohol Plant from 20KLPD to 70KLPD.	
a)	Building	35.75
b)	Plant & Machinery	219.53
2	Expansion of our Existing Distillery Unit situated at Mevaloorkuppam, Sriperumbudur Taluk, Kanchipuram District, Tamil Nadu by augmenting the capacity of the said distillery to handle 5.00 Lakh cases per month from the present 3.20 Lakh cases per month.	
a)	Civil Work	29.29
b)	Plant & Machinery	249.97
3.	Setting up of 7.5 MW Bio-mass based Power Plant at Aranthangi Taluk, Pudukottai District, Tamil Nadu	
a)	Land & Site Development	26.71
b)	Civil Works	325.00
c)	Plant & Machinery	1861.21
d)	Capex Contingency	117.57
e)	Pre-Operative Expenses	93.24
f)	Interest During Construction	119.83
4.	Setting up of 60 KLPD Grain Based Distillery Unit at Nellore District, Naidupet Sub-District, Pellakuru Mandal, Pellakuru Village, Andhra Pradesh.	
a)	Land & Site Development	170.80
5.	Relocation of Plant & Machinery purchased from Appollo Alchobev Limited to Village Arabikothanur, Panchayat-Vokkaleri Hobli, District Kolar, Karnataka along with expanding the existing capacity from 0.50 Lakh cases per month to 1.00 Lakh cases per month.	
a)	Land & Site Development	54.76
b)	Plant & Machinery	57.04
6.	Development of 2.00 Lakhs sq.ft of residential space in Kancheepuram District, Tamil Nadu	
a)	Development Cost	101.72
b)	Pre Opeative Expenses	3.00
7	Issue Expenses	120.49
	Total	3585.91
Sources of funds deployed till date		
	Term Loan	1816.72
	Internal Accruals	1769.19*
	Total	3585.91

- * We have deployed through Internal Accruals Rs. 1769.19 lakhs instead of Rs. 934.02 lakhs as disclosed in the means of finance appearing on page no 27 of this offer document. The excess amount deployed through the internal accruals will be ploughed into the Company from the issue proceeds, after the issue proceeds are disbursed to the Company.

Interim Use of Proceeds

The Company's management, in accordance with the policies established by the Board, will have flexibility in deploying the net proceeds of this issue. Pending any use as described above, the Company intends to invest the proceeds of this Issue in high quality, interest / dividend bearing short term / long term liquid instruments including deposits with banks for the necessary duration. Such investments would be in accordance with the investment policies approved by the Board from time to time.

Monitoring of Utilization of Funds

The appointment of monitoring agency was not required in accordance with Clause 8.17 of SEBI (DIP) Guidelines, 2000. We have therefore not appointed any Monitoring Agency for the purpose of monitoring the utilization of issue proceeds. We will disclose the utilization of proceeds under a separate head in our Company's balance sheet for fiscal 2007, 2008 and 2009 clearly specifying the purpose for which such proceeds have been utilized. We, in our balance sheet for fiscal 2007, 2008 and 2009, provide details, if any, in relation to all such proceeds of the issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the issue.

No part of the issue proceeds, will be paid by the Company, as consideration to Promoters, Directors, Promoter Group Companies, key managerial personnel except in the usual course of business.

EMPEE DISTILLERIES LIMITED

BASIS FOR ISSUE PRICE

Investors should read the following summary with the risk factors beginning from page no. iii and the details about the Company and its financial statements included in the Red Herring Prospectus. The trading price of the Equity Shares of the Company could decline due to these risk factors and you may lose all or part of your investments

The issue price will be determined by us in consultation with BRLM on the basis of assessment of market demand for the equity shares issued by way of Book-Building.

Qualitative Factors

- The Company has experience and track record in the existing business
- The Company has been carrying on business of manufacturing of Indian Made Foreign Liquor since 1983.
- The Company is one of the only six licensed manufacturers of IMFL (Indian Made Foreign Liquor) in the State of Tamil Nadu (Source: <http://tasmac.tn.gov.in>)
- One of the main suppliers of IMFL Products to the Tamil Nadu State Marketing Corporation Limited (TASMAC) and one of the top ten selling brands of IMFL 180 ML Pack (Source: <http://tasmac.gov.in>)
- Profit making Company for the past five years
- Accredited with ISO 9001-2000 quality management system.
- Long-term relationship with clients

Quantitative Factors

1. Adjusted Earning Per Equity Share

Period ended September 30	On Stand-alone basis		On Consolidated basis	
	Earning per Equity Share (Rs.)	Weight	Earning per Equity Share (Rs.)	Weight
2003-04	2.01	1	2.11	1
2004-05	3.98	2	4.02	2
2005-06	6.26	3	10.19	3
October 1, 2006 - June 30, 2007 (Not-Annualised)	10.30	-	11.14	-
Weighted Average	4.79		6.79	

2. Price / Earning (P/E) ratio in relation to the Issue Price of Rs. 400/-

	On Stand-alone basis	On Consolidated basis
	At Issue Price of Rs. 400 per Equity Share	At Issue Price of Rs. 400 per Equity Share
Based on the Adjusted EPS for the year ended September 30, 2006	63.89	39.25
Based on the weighted average EPS	83.50	58.91
Based on Adjusted EPS for the period ended June 30, 2007	38.83	35.90

Industry P/E - Beverage & Distillery*

I)	Highest	118.9
II)	Lowest	7.3
III)	Average	52.2

* (Source: Capital Market October 8, 2007 - October 21, 2007)

3. Return on Net Worth (RoNW)

Year (Period ended September 30)	On Stand-alone basis		On Consolidated basis	
	RoNW %	Weight	RoNW %	Weight
2003-04	12.45	1	10.34	1
2004-05	19.23	2	16.32	2
2005-06	22.98	3	29.08	3
October 1, 2006 - June 30, 2007	27.46	-	24.27	-
Weighted Average	19.98		21.70	

4. Minimum Return on Increased Net Worth required to maintain Pre-Issue EPS of Rs. 10. 30/-

	On Stand-alone basis	On Consolidated basis
	At Rs. 400 per Equity Share	At Rs. 400 per Equity Share
Pre-Issue EPS (Not Annualised)	10.30	11.14
Minimum Required RoNW for maintaining above EPS	7.98	5.58

5. Net Asset Value per share (NAV)

Particulars	On Stand-alone basis Adjusted NAV	On Consolidated basis Adjusted NAV
As at June 30, 2007	37.49	45.91
As at September 30, 2006	27.25	35.06
After Issue	129.05	199.72

EMPEE DISTILLERIES LIMITED

6. Comparison with Industry Peers * (Beverages & Distillery)

The financial information of our Company disclosed hereunder for the purpose of comparing with the accounting ratios of the peer group/ industry average is based on our restated unconsolidated financial statements.

Name of the Company	Face Value (Rs.)	Total Income (Rs. in lakhs)	EPS (Rs.) (TTM)	P/E (times)	NAV (Rs.)	RoNW (%)
Balaji Distillery	10	99310.00	-	-	(72.1)	-
Jagatjit Industries	10	45420.00	3.5	27.1	42.6	7.7
Radico Khaitan	2	57770.00	3.0	62.1	17.0	18.7
Industry Average	N.A	40561.00	N.A	52.2	N.A	N.A
Empee Distilleries Ltd (On Stand-alone basis- for the period ended September 30, 2006)	10	48298.97	6.26	63.90	27.25	22.98
Empee Distilleries Ltd. (On consolidated basis - for the period ended September 30, 2006)	10	55966.32	10.19	39.25	35.06	29.08

* Competitors have been selected on basis of same business line and their income level to the extent possible.

* (Source: Capital Market October 8, 2007 - October 21, 2007)

Note: All the financial parameters / accounting ratio of our Company disclosed throughout the Prospectus are based on the Unconsolidated Restated Financial Statements. Moreover the restated financial information of the Industry Peers is not ascertainable, the ratios disclosed in the Prospectus for the purpose of comparison with the accounting ratios of our Company is not based on restated financial statements of the Industry Peers.

It is further confirmed that financial information disclosed under the Section "Basis for Issue Price" is based on stand-alone financial statements of the Company.

The face value of Equity Shares of Empee Distilleries Limited is Rs. 10 and the Issue Price is Rs. 400/- i.e. 40 times of the face value.

The BRLM believes that the issue price of Rs. 400/- is justified in view of the above qualitative and quantitative factors. See the section titled "Risk Factors" and "Financial Statements" beginning on page no. iii and 166 of this Prospectus, including important profitability and return ratios, as set out in the Auditors Report beginning on page no. 166 for further information.

STATEMENT OF TAX BENEFITS

Our Auditors, Mr. N.C. Ananthakumar., Chartered Accountant have, vide their letter dated September 24, 2007 certified that under the current provisions of the Income Tax Act, 1961 and other existing laws for the time being in force, the following benefits, inter alia, will be available to us and the members. The said letter is reproduced hereunder:

The Board of Directors

Empee Distilleries Limited,

No. 59, Harris Road,

Pudupet, Chennai - 600 002

Sub.: Initial Public Offering of Empee Distilleries Limited, - Possible tax benefits available to the Company and its shareholders

Sir,

In connection with the proposed Initial Public Offering of the Equity Shares of your Company, at your request we have prepared a note entailing the various benefits under the provisions of the Direct Taxes (Income Tax & Wealth Tax) which are currently available to the Company as also to the shareholders of the Company.

We may mention that several of the benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive tax benefits is dependent upon fulfilling such conditions, which based on imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. Our statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for individual professional tax advice. In view of individual nature of tax consequences, the changing tax laws we advise that each investor be advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation on the issue. We do not express any opinion or provide any assurance as to whether:

- i. The Company or its shareholders will continue to obtain these benefits in future; or
- ii. The conditions prescribed for availing the benefits have been / would be met with.

The contents of the statement 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.

N.C. Ananthakumar

Chartered Accountant

Membership number 23687

Dated: May 2, 2007

EMPEE DISTILLERIES LIMITED

Tax Benefits to the Company and its Shareholders

Special Tax Benefits

A. Under the Income Tax Act, 1961

1. The Company is (subject to fulfillment of conditions mentioned therein) entitled to a deduction of 100% of the profit deductible for 10 years commencing from the initial assessment year from profit from generation / distribution of power u/s 80 (IA) of the Act. Initial assessment year means the assessment year specified by the Company at its option to be the initial year not falling beyond the fifteenth assessment year starting from the previous year in which the undertaking generates power or commences transmission or distribution of power.
2. The Company at its option is eligible for the power generation / distribution unit to claim depreciation on straight-line basis in the case of tangible assets at the percentage specified in Appendix IA to the Income Tax rules on the actual cost of individual asset. The aggregate depreciation cannot exceed the "actual cost".
3. The Company is (subject to fulfillment of conditions mentioned therein) entitled to a deduction of 100% of the profit derived in any previous year relevant to any assessment year from housing project u/s80 (IB) of the Act.

General Tax Benefits

These benefits are available to all the companies or to the shareholders of any company, after fulfilling certain conditions as required in the respective act.

A. Under the Income Tax Act, 1961

4. In accordance with and subject to the provisions of Section 112(1) (b) of the Income Tax Act, 1961, long term capital gain accruing to the Company will be subject to tax at the rate of 20% (plus applicable surcharge and education cess) applicable to the Company.
 - If long term capital gain is computed with indexation @ 20%(plus applicable surcharge and education cess)
 - If long term capital gain is computed without indexation @ 10%(plus applicable surcharge and education cess)

The Company is eligible to claim exemption in respect of tax on long-term capital gains u/s. 54EC and 54ED if the amount of capital gains is invested in certain specified bonds/ securities subject to the fulfilment of the conditions specified in those sections.

5. The Company is not liable to pay long term capital gains tax in respect of transfer of an 'eligible Equity Share' in a Company purchased on or after the 1st day of March, 2003 and before the 1st day of March, 2004 (both days inclusive) and held for a period of 12 months or more under Section 10(36) of the Act.
6. The Company is not liable to pay long term capital gains tax in respect of shares of the Company held by them for a period of more than twelve months by virtue of Section 10(38) of the Act, subject to the fulfilment of the following conditions:
 - (a) The transaction of sale of such Equity Share is entered into on or after 1 October 2004.
 - (b) The transaction is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004.
7. Short term capital gains arising on transfer of Equity Shares of a Company would be liable to tax at the rate of 10% (plus applicable surcharge and education cess) by virtue of Section 111 A if the following conditions are satisfied:

- (a) the transaction of sale of such Equity Share is entered into on or after 1 October, 2004.
 - (b) the transaction is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004
8. Benefits of unabsorbed business/ long term capital losses and allowances Company has unabsorbed losses/ allowances under the Act, which can be carried forward for set off against the income under the Act of future years as under:
- (i) As per Section 72 of the Act, Company can carry forward the unabsorbed business losses for a period of eight assessment years immediately succeeding the assessment year in which the loss was first computed.
 - (ii) As per Section 32 of the Act, Company can carry forward the unabsorbed depreciation allowance of earlier years for an indefinite period to be set off against business income under the Act of future years.
 - (iii) As per Section 74 of the Act, Company can carry forward the unabsorbed long term capital losses for a period of eight assessment years immediately succeeding the assessment year in which the loss was first computed to be set off against long term capital gains under the Act of future years.
9. Dividend Income received from Domestic Companies is exempt under section 10(34) of the Income-tax Act, 1961.
10. In accordance with and subject to the provisions of Section 10(35) of the Act, the following income shall be exempt in the hands of the Company:
- (i) Income received in respect of the units of a Mutual Fund specified under Clause (23D) of Section 10 of the Act; or
 - (ii) Income received in respect of units from the Administrator of the specified undertaking; or
 - (iii) Income received in respect of units from the specified Company.

Under Wealth Tax Act, 1957

The Company is liable to pay wealth tax as per the provisions of Wealth Tax Act, 1957 at the rate of 1% in respect of certain assets owned by the Company, subject to the basic exemption of Rs.15 Lakhs.

To the Resident Members of the Company

B. Under the Income Tax Act, 1961

- 1. Dividend Income received from Domestic Companies is exempt under section 10(34) of the Income-tax Act, 1961.
- 2. The shareholders are not liable to pay long term capital gains tax in respect of shares of the Company held by them for a period of more than twelve months by virtue of Section 10(38) of the Act, subject to the fulfillment of the following conditions
 - (a) The transaction of sale of such Equity Share is entered into on or after 1 October 2004.
 - (b) The transaction is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004.

Proviso to the section specifies that in case of individual and HUF, where the total income as reduced by such short term capital gains is below the maximum amount not chargeable to tax, then such short term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to tax and the tax on the balance of such short term capital gains shall be computed at the rate of ten percent.

EMPEE DISTILLERIES LIMITED

3. Short term capital gains arising on transfer of the Company's shares would be liable to tax at the rate of 10% (plus applicable surcharge and education cess) by virtue of Section 111 A if the following conditions are satisfied:

- (a) the transaction of sale of such Equity Share is entered into on or after 1 October, 2004
- (b) the transaction is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004.

Further, the public issue of shares of the Company would also qualify as an eligible issue of capital and long term capital gains would qualify for the benefit of Section 54ED of the Act if the capital gains are invested in shares of the Company.

4. In accordance with and stated provisions of Section 88E, where the business income of an assessee includes profit and gains from sale of taxable securities, a rebate should be allowed from the amount of income tax equal to Securities transaction tax paid on such transactions. However the amount of rebate should be shall be limited to the amount arrived at by applying the average rate of income tax on such business income as provided in the said section.

Under Wealth Tax Act, 1957

Shares held in Domestic Company are not "asset" under the Wealth-Tax Act 1957, hence not liable to wealth tax in the hands of the holder of the said shares

To The Non-Resident Members Of The Company

C. Under the Income Tax Act, 1961

1. Under Section 115E of the Act, where shares in the Company (not covered under sections 10(36) and 10(38)), are acquired or subscribed for in convertible foreign exchange by a Non Resident Indian, capital gains arising to the non-resident Indian on transfer of shares held for a period exceeding 12 months, shall, of the Act, be concessionally taxed at the rate of 10% (plus applicable surcharge and education cess). (Reference may also be made to the provisions of Section 115D of the Act).
2. Under section 115F of the Income Tax Act, 1961 the Long Term Capital gain as referred to in 1 above shall be exempted from income tax entirely / proportionately if he/she invest all or a portion of the net consideration in specified assets as defined in section 115C (f) of the Income Tax Act, 1961 within 6 months of the date of transfer. The amount so exempted shall, however, be chargeable to tax under the provisions of section 115F(2) if the specified assets are transferred or converted in to money within three years from the date of acquisition thereof as specified in the said section.
3. 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 only source of income is 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.
4. As per Section 115-I of the Act, a non-resident Indian (i.e. an individual being a citizen of India or person of India origin who is not a "resident") elects not to be governed by the provision of Chapter XII-A of the Income Tax Act, 1961, than his/her total income shall be computed and charged in accordance with other provisions of the Act.
5. By virtue of Section 10(34) of the Act, income earned by way of dividend income from domestic Company referred to in Section 115-O of the Act, are exempt from tax in the hands of the shareholders.
6. In accordance with and stated provisions of Section 88E ,where the business income of an assessee includes profit and gains from sale of taxable securities, a rebate should be allowed from the amount of income tax equal to Securities transaction tax paid on such transactions. However the amount of rebate

should be shall be limited to the amount arrived at by applying the average rate of income tax on such business income as provided in the said section.

7. Where any Double Taxation Avoidance Agreement [DTA] entered into by India with any other country provides for a concessional tax rate or exemption in respect of income from the investment in the Company's shares, those beneficial provisions shall prevail over the provisions of the Income Tax Act, 1961 in that regard.

Under Wealth Tax Act, 1957

Share held in Domestic Company are not "asset" under the Wealth-Tax Act 1957, hence not liable to wealth tax in the hands of the holder of the said shares

To The Foreign Institutional Investors (FIIs)

D. Under the Income Tax Act, 1961

1. Under Section 115AD (1)(b)(ii) of the Act, Income by way of Short Term Capital Gain arising from the transfer of shares held in the Company for a period of less than twelve months will be taxable @ 30% (plus applicable surcharge and education cess).
2. Under Section 115AD (1)(b)(iii) of the Act, Income by way of Long Term Capital Gain arising from the transfer of shares held in the Company will be taxable @ 10% (plus applicable surcharge and education cess).
3. Income by way of dividend received on shares of the Company is exempt u/s. 10(34) of the Income Tax Act, 1961."
4. In accordance with and stated provisions of Section 88E, where the business income of an assessee includes profit and gains from sale of taxable securities, a rebate should be allowed from the amount of income tax equal to Securities transaction tax paid on such transactions. However the amount of rebate should be shall be limited to the amount arrived at by applying the average rate of income tax on such business income as provided in the said section.
5. Where any Double Taxation Avoidance Agreement [DTA] entered into by India with any other country provides for a concessional tax rate or exemption in respect of income from the investment in the Company's shares, those beneficial provisions shall prevail over the provisions of the Income Tax Act, 1961 in that regard.

Notes:

- a) All the above benefits are as per the current tax laws as amended by the Finance Act, 2006.
- b) The current position of tax benefits available to the Company and to its shareholders is provided for general information purposes only. 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 issue.
- c) The tax benefits listed above are not exhaustive and 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. While all reasonable care has been taken in the preparation of this opinion, N.C. Ananthakumar., Chartered Accountant accepts no responsibility for any errors or omissions therein or for any loss sustained by any person who relies on it.
- d) Unless otherwise specified, sections referred to are sections of the Income Tax Act, 1961 (the Act).

SECTION IV: ABOUT THE COMPANY

INDUSTRY OVERVIEW

India is the third largest market for alcoholic beverages in the world. The demand for spirits and beer is estimated to be around 373 million cases. There are around 12 Joint Venture Companies having a licensed capacity of 33919 Kilo-litres per annum for production of grain based alcoholic beverages. 56 units are manufacturing beer under license from the Government of India. (Source: Annual Report 2006- 2007, Government of India, Ministry of Food Processing Industries).

The Alcohol Industry in India can be divided into the following five categories:

1. Industrial Alcohol
2. Potable Alcohol
3. Mixed Distilleries (Industrial and Potable Alcohol)
4. Bottling Plants (purchasing alcohol and bottling alcoholic beverages)
5. Distilleries producing alcohol from substrates other than molasses.

However, the majority of distilleries are producing alcohol from Sugar Cane Molasses.

The distillery industry based on molasses consists of potable liquor and industrial alcohol. The potable distillery producing distillery producing Indian Made Foreign Liquor (IMFL) and Country Liquor has a steady but limited demand. The industrial alcohol, on the other hand, is showing a declining trend because of high price of molasses, which is invariably used for the production of fuel alcohol. The Potable Alcohol segment comprises of categories such as Beer, Country Liquor, Indian Made Foreign Liquor (IMFL) and wine. IFML primarily comprises of wine, vodka, gin, whisky, rum and brandy. The Indian beer market reached about 94 million cases or 7.3 lakh kilolitre (one case is 12 bottles each of 650 ml) in the financial year, 2004-05. Flavored low alcohol beverages with new variants like the 330 ml beer pack have driven sales growth across the country. Strong beer, which has 5 percent of alcohol content, outsells mild beer in India and accounts for more than 68% of total sales. The country liquor is produced by a number of small and medium sized players, but a few organized players like Radico Khaitan, GM Breweries are also present in this low price high volume segment. The Country Liquor Market is estimated to be 175 million cases. The Indian wine market, estimated at 5 lakh cases annually, has witnessed robust 30% growth over the past few years. (Source: FICCI-Food & Beverages Survey, February 2006).

India consumes spirits / CL (hard liquor) at par with the world but consumes very little Beer / Wine despite having large potential in tapping comparative advantage of agro-climatic conditions and a huge growing market.

The following are the key drives pushing demand for liquor in India:

- Changing perception of alcohol from taboo to a socially acceptable beverage.
- Availability of a wide range of products.
- A large untapped segment for low priced brands in unorganized markets.
- Changes in taxation structure and opening of new distribution channels
- Keen competition in production and distribution attributable to growth in consumption habits and the entry of international brands / manufacturers which in turn leads to further expansion of market.

The Alcoholic beverages industry is a State controlled subject. As per the All India Distillers' Association, it is the second largest source of revenue of the State Exchequer and is the only industry where inputs are de-controlled (free market price) and output is controlled (selling price is determined by State Excise in most states).

Within this regulated environment, the distribution of liquor in the Indian liquor market follows three models (i.e. open, auction and Government) as follows:

(i) Open model (UP, Maharashtra, Goa, J & K, Assam, West Bengal etc.):

- Government often does not limit the number of wholesale and retail vendors (except for locational restrictions). Licences are granted for a pre-defined fee and time period.
- Manufacturers sometimes can appoint distributors, who in turn can appoint retailers.
- Pricing is market determined.

This system permits competition, transparency and more choice for the consumers.

(ii) Auction model (Punjab, HP, Haryana etc.)

- Private distributors participate in an auction wherein the reserve price is set.
- Distributors in turn establish their own retail network and are responsible for sourcing products directly from liquor companies
- Pricing is generally determined by the bidding syndicates

This model is often associated with a high degree of cartelization. Further, there can be significant changes in distributors and consequently retailers every year, which often create bottlenecks in recoveries for manufacturers.

(Source: Model Draft Excise Policy, February 2006- www.mofpi.nic.in)

(iii) Government Corporation (Rajasthan, TN, AP, Kerala, Delhi, Karnataka, Orissa, Chandigarh, CSD etc):

- The State Government, through its agencies, controls the wholesale segment. In certain states, the retail segment is also controlled by the Government.
- State agencies purchase directly from liquor companies based on a predetermined secondary sales formula
- The consumer price is determined and fixed by the state

(Source: Model Draft Excise Policy, February 2006- www.mofpi.nic.in)

The following are the features of liquor distribution through a State Agency.

(i) Benefits:

- There is only one customer to handle
- This will ensure a uniform sale policy across the states.
- It facilitates Systematic release of purchase orders based on secondary sales.
- Curbs evasion of Excise Duty & Sales Tax since all sales will be through the State Corporation.
- The model ensures availability of authentic sales and stock information: brand / pack / townwise.
- There is elimination of substantial invisible/illegal overhead costs (pay-offs to officials, anti-social elements) and associated difficulties in conducting business.
- Trade margins generally collected by the private trade could be recovered by Govt. as taxes or distribution profit.

(ii) Constraints:

The State Corporations do not confine their role to that of a channelising agency and sometimes could influence commercial functions, leading to practices like:

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- Rigidity in price control. The Corporation could decide the price to be approved for the manufacturers often without giving any weightage even to the inflationary effect on raw materials, packaging materials and other input costs. AP for example has not given price increase for the past many years.
- Avoidable control on sales activities
- Arbitrarily levying of breakages, damages, detention, demurrage charges, etc.
- Rigidity in implementation of rules and regulations.
- No motivation for the Depot Managers to work efficiently.

This model leads to increase in Govt. revenue (TN), eliminates illegal pay-offs & harassments to trade channel, etc. But it also restricts entry of new brands and competition. Further, manufacturers do not have any control on consumer prices.

(Source: Model Draft Excise Policy, February 2006- www.mofpi.nic.in)

The basic issues pertaining to domestic alcoholic beverages industry relate to distribution, mobility, labeling laws and duty structure, which are as follows:

- Distribution schemes vary between states. A Free market system is practiced in Mumbai whereas Government operated system is followed in Delhi. The auction system is operational in Haryana and Madhya Pradesh.
- The Lack of uniformity in sales tax rates and other charges by different state governments is an important deterrent to the orderly development of the industry. Each state has a different tax structure and levies and other regulations regarding licensing fees and sales of new brands.
- Different states have a different labeling law that leads to wastage, delay and higher cost of production.
- Besides heavy financial implications on products of the industry, the producers also face restrictions on the movement of their products from a market that has excess capacity to one where there is a short supply.
- Levying on beer the same level of taxation as on hard liquor is unjustified since the alcohol content in beer is very low. Beer should be delinked from IMFL.
- The liquor output should be brought under the purview of the value added tax (VAT) in all States. However, the VAT should comply with the principle of revenue neutrality rather than a revenue enhancing measures.
- According to the All India Distillers' Association, there is the need for a review of the ban imposed in the year 1975 on the expansion of capacity for production of alcoholic beverages. As the quantitative restrictions on the import of alcoholic beverages has been removed from 1st April 2001, there is no justification for the ban on expansion of domestic capacity by the domestic industry.
- The Indian Liquor market is expected to grow at about 10 per cent annually in volume terms. The premium segment is expected to grow by 20 % and the cheap segment is expected to grow by 7-8 percent.
- Increase in the price of molasses and essential raw materials for production of alcoholic beverages due to shortage and inadequate availability, has affected production adversely.

(Source: FICCI-Food & Beverages Survey, February 2006).

Molasses availability in the country is generally 4% of sugar production and one tonne of molasses produces on the average 225 litres of R.S. with 94% alcohol content (the norm is 52.5 A.L of RS per MT of fermentable sugar). The sugar cane production is dependent on monsoons and is cyclical in nature with molasses availability ranging between 56 (04-05) to 88 (02-03) lakh MT a year. The distilleries are, therefore, barely able to utilize 50% of their installed capacity. As per the All India Distillers Association, Molasses is not surplus in India vis-à-vis the installed capacity of distilleries.

Number of Distilleries, Molasses, Production and Licensed and installed Capacities of Alcohol

S. No.	Name of State	No. of Distilleries	Molasses Production (000 Tonnes)			Capacity Kilo Litres	
			02-03	03-04	04-05	Licensed	Installed
1	ANDHRA PRADESH	30	551	376	405	190327	187612
2	BIHAR	12	213	126	118	86792	92190
3	DAMAN	4	-	-	-	22360	22360
4	GUJARAT	14	561	445	326	177550	175750
5	GOA	5	-	-	-	5044	5206
6	HARYANA	7	293	255	178	86550	70175
7	HIMACHAL PRADESH	2	-	-	-	12485	13600
8	JAMMU & KASHMIR	5	26650	29450			
9	KARNATAKA	38	735	466	430	270525	303844
10	KERALA	9	8	5	4	24728	21430
11	MADHYA PRADESH	21	38	57	39	373608	412318
12	MAHARASHTRA	71	2104	1158	731	782742	750797
13	NAGALAND	1	-	-	-	1350	1350
14	ORISSA	9	24	24	26	21585	21405
15	PONDICHERRY	4	-	-	-	4400	11700
16	PUNJAB	10	265	178	138	221909	182477
17	RAJASTHAN	7	1	5	2	53715	45265
18	SIKKIM	2	-	-	-	4600	6580
19	TAMILNADU	22	795	431	470	302600	312705
20	UTTAR PRADESH	44	3032	2196	2381	803076	789384
21	UTTRANCHAL	3	253	183	182	99190	99190
21	WEST BENGAL	5	-	-	-	16800	30300
	ALL INDIA	325	8873	5905	5430	3588586	3585088

(Source: Model Draft Excise Policy, February 2006- www.mofpi.nic.in)

Real Estate

The importance of real estate sector to the Indian economy can be gauged from the fact that it is the second largest employer next only to agriculture and about 250 ancillary industries such as cement, brick, steel, building material etc are dependent on it. After agriculture, the real estate sector is the second largest employment generator in India (Source: www.ficci.com).

The main features of the Indian real estate sector are:

- Highly fragmented sector with few organized players of scale
 - Most real estate developers have only a local or regional presence
 - Modest participation of large corporations in the sector
 - Margins are higher in India (>20%) as compared to the developed markets (5-6%)
- Participation of institutional finance in real estate is just beginning
 - Prominent Indian corporates like ICICI Bank, SBI and HDFC have promoted real estate venture funds
 - Entry of various foreign Real Estate and Finance companies in the Indian market

(Source: Investment Commission of India website - www.investmentcommission.in)

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Housing

Shelter is the basic human requirement that needs to be met on priority basis. Investments in shelter not only improve and expand the available stock of housing units, but also generate employment. It also improves both working and living environment. The housing stock coupled with education, health and water supply adds to the productivity of labour force. The demand for housing increases due to growth of population, rapid pace of industrialization and urbanization.

(Source: Tamil Nadu Government website - www.tn.gov.in)

Growth Drivers

The size of the real estate industry in India is estimated by FICCI, to be around US\$ 12 billion and is growing at a pace of 30% for the last few years. Almost 80 % of real estate developed in India, is residential space and the rest comprise office, shopping malls, hotels and hospitals. (Source: www.ficci.com). The double-digit growth is mainly attributed to the following factors:

- Rapid expansion of the Information Technology industry/ Hospitality sectors
- Simultaneous growth of middle class
- Reducing financing cost of housing loans
- Boom in organized retail segment in India
- Rising disposable incomes
- Increased urbanisation
- Nuclearisation

(Source: Investment Commission of India website - www.investmentcommission.in)

Demand Supply Scenario

The Real Estate market is projected to grow to \$50 billion by 2010 and the CAGR of over 30% p.a. is expected over the next five years. Investment opportunities exist in almost every segment of the business

- Housing: About 20 million new units expected to be built in five years
- Office space for IT/ITeS: Five-fold increase in office space requirement over the next 3 years
- Commercial space for organised retailing: 200 million sq. ft. by 2010
- Hotels & Hospitality: Over 50,000 new rooms in the next 5 years
- Investment opportunity of over \$50 billion in the next five years
- Major foreign institutional investors have shown interest in investing in Indian real estate

(Source: Investment Commission of India website - www.investmentcommission.in)

Demand Outlook in Tamil Nadu

- Ranks 2nd in the rank of ratio of urban population in 2001 next to Maharashtra among the bigger states as against 5th rank in 1991.
- Tamil Nadu has registered an urban population growth rate of 42.79% in the last decade. Considering the growth of population every year, Tamil Nadu needs an additional 2.50 lakh houses to bridge the gap.

The State Government commitment under Housing Sector will be Rs. 1,000 crore, of the total outlay of Rs. 4,002.69 crore during the 10th Five year Plan period. For free housing for BPL families, the outlay is reflected in the budgets of Rural Development / Adi-Dravidar Department. HBA to Government Servants will be repayable by them at nominal interest rate.

(Source: Tamil Government Website- www.tn.gov.in)

Outlook

- In the year 2006 the Government of India has allowed 100 percent FDI under the "automatic route" in construction and development sector in order to spur investments. Also the recent announcement by Securities and Exchange Board of India (SEBI) to permit Real Estate Mutual Funds (REMF) will provide increased liquidity and help in increased transparency and legitimised funding for the industry.
- The Tenth Five-Year Plan estimates a shortage of 22.4 million dwelling units. Thus, over the next 10 to 15 years, 80 to 90 million housing dwelling units will have to be constructed with a majority of them catering to middle and lower income groups.
- A number of knowledge and technology intensive sectors have emerged as the sunrise segments in India, causing an increasing demand for commercial space. Sectors like IT/ITES account for 75-80% of the total office space demand in India.

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OUR BUSINESS

Our Company is part of Empee Group promoted by Mr. M P Purushothaman and his family members engaged in the manufacture of Indian Made Foreign Liquor (IMFL) which is our core business. We, Empee Distilleries Limited entered into the Beverages and Distillery Industry in the year 1984 by starting manufacture of IMFL products by means of setting up of our first distillery unit at Mevalooruppam, Tamil Nadu with an installed capacity of 2000 cases/day with initial production running off on 2 semi auto lines. We are one of the major suppliers of IMFL products to the Tamil Nadu State Marketing Corporation Limited (TASMAC) and one of the top ten selling brands of IMFL 180 ML Pack.

(Source: <http://tasmac.tn.gov.in>).

We are presently engaged into manufacturing of Indian Made Foreign Liquor (IMFL) products under our own brand portfolio as well as under tie-up arrangements with other companies. The brands under our portfolio are Old Secret XXX Rum, Power XXX Rum, Power Brandy, Mc Lene Ordinary Brandy, Mclene XXX Ordinary Rum, Power Whisky, Empee Napoleon Premium Brandy, Empee Fine Brandy, Commando XXX Rum, Club Polo Dry Gin, Club Royal Whisky, Elcanso Dark XXX Rum and Old Secret Brandy. The brands under tie up arrangement are Brihans Napoleon Premium Brandy, Brihans Premium Whisky.

Presently we have facilities to manufacture various IMFL products in our Distillery Units set up at Mevalooruppam, Kanchipuram District, Tamil Nadu and at NIDA, Kanjikode, Palakkad District, Kerala. The details of the licensed and installed capacity of the aforesaid units are as under:

Location of Existing Units	Nature of Activity	Licensed Capacity	Installed Capacity
Distillery Unit at Mevalooruppam, Kanchipuram District, Tamil Nadu	Re-distillation, Blending & Bottling Indian Made Foreign Liquor (IMFL) products	38,32,800 cases per annum	38,32,800 cases per annum
Distillery Unit at NIDA, Kanjikode, Palakkad District, Kerala	Blending & Bottling of Indian Made Foreign Liquor (IMFL) products	21,60,000 cases per annum	21,60,000 cases per annum

We also have a Wind Mill energy plant at Nall Road, Pariakumarapalayam, Gudimangalam, Udumalpet, Coimbatore District, Tamil Nadu for export of surplus power to the Tamil Nadu State Electricity Board with 2 MW licensed and installed capacity:

OUR KEY BUSINESS STRENGTHS

Entry barrier for new entrants

It had been the policy of the Tamil Nadu State Government of not permitting any new entrants other than the existing licensees and manufacturers for manufacturing and marketing of IMFL products to the extent that even the national operators have to route their bottling operations through existing operators only. Thus the market is presently fully protected in respect of our Company's existing business operations.

Established Manufacturing facilities

Our existing manufacturing facilities are spread across the States of Tamil Nadu and Kerala and we further propose to expand our distillery and blending & bottling operations to the State of Andhra Pradesh and Karantaka by setting up a new distillery unit and a blending & bottling unit in the State of Andhra Pradesh and relocating plant & machinery to the Kolar in the State of Karnataka purchased from one of our Promoter Group Companies namely Appollo Alchobev Limited vide Asset Purchase Agreement dated March 22, 2007 and further expanding its capacity from 0.50 Lakh to 1.00 Lakh cases per month.

Brand presence

We have been in the IMFL market since 1984 and have established several brands successfully across segments and flavors thereby enjoying brand recall from customers. Indian Made Foreign Liquor (IMFL) products under our own brand portfolio as well as under various tie-up arrangements with other Companies include Old Secret XXX Rum, Power XXX Rum, Power Brandy, Brihans Napoleon Premium Brandy, Mc Lene Ordinary Brandy, Mclene XXX Ordinary Rum, Power Whisky, Empee Napoleon Premium Brandy, Empee Fine Brandy, Commando XXX Rum, Brihans Premium Whisky, Club Polo Dry Gin, Club Royal Whisky, Elcanso Dark XXX Rum and Old Secret Brandy.

Low Marketing Cost

Presently, we market our IMFL products through various State Government Agencies located in the States of Tamil Nadu and Kerala thus achieving economies of scale in terms of lower marketing cost. In Tamilnadu, Tamil Nadu State Marketing Corporation Limited (TASMAC), a State Government undertaking is the sole wholesale and retail distributing agency for all the IMFL / Beer products. These products are sold only to TASMAC which places order with the existing operators on the basis of market demand. In Kerala, Kerala State Beverages (Manufacturing & Marketing) Corporation Limited is the wholesale and retail distributing agency for all our IMFL products. Further, we propose to market our IMFL products manufactured / blended & bottled in our proposed distillery unit and blending & bottling unit set up in the State of Andhra Pradesh through Andhra Pradesh Beverages Corporation Limited and in the State of Karnataka through Karnataka State Beverages Corporation Limited.

Experienced management team

Our Company is managed by a team of experienced and professional managers with experience in different aspects of Distillery industry including production, sales, marketing and finance. Our promoters and management are well qualified and have an experience of around 25 years in Distillery industry.

OUR BUSINESS STRATEGY

Expansion and Backward Integration of our existing operations

We presently have business operations in two states of Southern India namely Tamil Nadu and Kerala and now in the process of expanding operations in Andhra Pradesh by setting up 60 KLPD Grain Based Distillery Unit and Blending & Bottling IMFL Unit of 20 KLPD capacity and in Karnataka by relocating Plant & Machinery purchased from Appollo Alchobev Limited to Village Arabikothanur, Panchayat-Vokkaleri Hobli, District Kolar, Karnataka along with expanding the existing capacity from 0.50 Lakh cases per month to 1.00 Lakh cases per month. (For details of the terms and conditions of the Asset Purchase Agreement entered by us with Appollo Alchobev Limited dated March 22, 2007, refer page no. 125 of this Prospectus)

Horizontal Expansion

We are increasing the capacity of our existing Extra Neutral Alcohol Plant situated in the State of Tamil Nadu from 20KLPD to 70KLPD and further increasing the capacity of this distillery to handle 5.00 Lakh cases per month from the present 3.20 Lakh cases per month which would bring horizontal expansion and thereby helping us to lower our input costs.

Diversification

We also propose to diversify into non-core business activities by setting up of 7.5 MW Bio-mass based Power Plant in Tamil Nadu along with implementing real estate project by developing 2.00 Lakhs sq.ft of residential space in Mevalorkuppam, Sriperumbudur Taluk, Kancheepuram, District Tamil Nadu.

Enhancement in market share

At present we have two medium and one premium brand viz. "Old Secret Rum", "Elcanso XXX Rum" and

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"Empee Napoleon Brandy". We propose to improve our market share in the medium and premium segment by introducing more brands in this segment.

EXISTING INSTALLED CAPACITY

Products	Particulars	For Period ended September 30,		
		2003- 04	2004-05	2005-06
Distillery unit at Tamil Nadu	Licensed Capacity (c/s pa)	3024000	3024000	3024000
	Installed Capacity (c/s pa)	3024000	3024000	3024000
	Capacity Utilisation (c/s pa)	1132565	1869976	2758468
	Capacity utilization (%) *	37.45	61.83	91.21
Distillery unit at Kerala	Licensed Capacity (c/s pa)	2160000	2160000	2160000
	Installed Capacity (c/s pa)	2160000	2160000	2160000
	Capacity Utilisation (c/s pa)**	967957	665059	417703
	Capacity utilization (%)	44.81	30.79	19.34
Wind Mill	Licensed Capacity (MW)	2 MW	2MW	2MW
	Installed Capacity (per year) (MW)	2MW	2MW	2MW
	Capacity Utilisation (MW)	1MW	1MW	1MW
	Capacity utilization (%)***	50	50	50

- Installed capacity is based on single shift.
- Number of Working days in a year is 330.

* The capacity utilization of Tamil Nadu unit has increased because of the increase in overall sales in the state of Tamil Nadu after TASMAL took over retail outlets. Also we have re-launched some of the brands, which were readily accepted.

** The main reason for decline in sales in Kerala Unit during last 3 years is increase in price of basic raw material viz. Extra Neutral Alcohol (ENA) which almost grown up by 70%. Since KSBC has freezed the prices and have not increased them for the last three years especially in the cheaper segment, the sales were curtailed wherever it was not economical. However in line with our business strategy, we plan to increase our market share by entering into medium and the premium segment by introduction of new/ more brands, and therefore capacity utilization will increase.

*** The wind in the region enables us to operate the Wind Mill at 250 KW during the season April to October (6 months) and at 45 KW during the off-season from October-March (6 months).

PROPOSED CAPACITY (AS PER COMPANY'S ESTIMATE)

Products	Particulars	2006-07	2007-08	2008-09
Distillery Unit at Tamil Nadu	Licensed Capacity (c/s pa)	3832800	6000000	6000000
	Installed Capacity (c/s pa)	3832800	4911024	6000000
	Capacity Utilisation (c/s pa)	3832800	4911024	6000000
	Capacity utilization (%)	100	100	100
Distillery Unit at Kerala	Licensed Capacity (c/s pa)	2160000	2160000	2160000
	Installed Capacity (c/s pa)	2160000	2160000	2160000
	Capacity Utilisation (c/s pa)	1080000	1080000	1080000
	Capacity utilization (%)	50	50	50
Wind Mill	Licensed Capacity (MW)	2MW	2MW	2MW
	Installed Capacity (per year) (MW)	2MW	2MW	2MW
	Capacity Utilisation (MW)	1MW	1MW	1MW
	Capacity utilization (%)	50	50	50

The production and sales during last three years in our Tamilnadu and Kerala Units are as under:

	2005-06 (in cases)			2004-05 (in cases)			2003-04 (in cases)		
	Tamilnadu	Kerala	Total	Tamilnadu	Kerala	Total	Tamilnadu	Kerala	Total
Production	2758468	417703	3176171	1869976	665059	2535097	1132565	967957	2100522
Sales	2792785	415650	3208435	1856756	649284	2506040	1126142	971051	2097193

The main reason for decline in sales in Kerala Unit during last 3 years is increase in price of basic raw material viz. Extra Neutral Alcohol (ENA) which almost grown up by 70%. Since KSBC has freezed the prices and have not increased them for the last three years especially in the cheaper segment, the sales were curtailed wherever it was not economical.

Details of Existing Manufacturing Facilities

Distillery Unit at Tamil Nadu

Our first Distillery unit was established in the year 1984 at Mevalooruppam, Kanchipuram district, Tamil Nadu for the purpose of blending, bottling and marketing Indian Made Foreign Liquor (IMFL) products such as brandy, whisky, rum and gin. The Distillery unit has processing plant and secondary distillation unit for conversion of rectified spirit to Extra Neutral alcohol along with bottling plant as approved by the State Excise Department. The present licensed capacity is 38,32,800 cases per annum.

We are presently manufacturing and selling brands available in the market under our own brand portfolio as well as under tie-up arrangements with other companies. The brands under our portfolio are Old Secret XXX Rum, Power XXX Rum, Power Brandy, Mc Lene Ordinary Brandy, Mclene XXX Ordinary Rum, Power Whisky, Empee Napoleon Premium Brandy, Empee Fine Brandy, Commando XXX Rum, Club Polo Dry Gin, Club Royal Whisky, Elcanso Dark XXX Rum and Old Secret Brandy. The brands under tie up arrangement are Brihans Napoleon Premium Brandy, Brihans Premium Whisky.

Liquor industry is influenced by the State Government policies in India. Each State Government has its own policy and State government policy influence the industry to a greater extent. Tamilnadu State Government earns revenue through excise duty, sales tax, excise label, retail margin, etc. The Tamilnadu State Government had followed the policy decision of not to allow any new operator other than the existing licensees and manufacturers. Even the national operators have to get their bottling done through these six operators only. At present, there are only 6 licensees and manufacturers in the State.

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In Tamilnadu, Tamilnadu State Marketing Corporation Limited (TASMAC), which is wholly owned by the Government of Tamil Nadu, is the sole wholesale and retail distributing agency. As such all the IMFL / Beer products are sold only to TASMAC which places monthly order and delivery schedule with those 6 operators on the basis of market demand.

Distillery Unit at Kerala

We have established our Distillery unit at Kerala during the year 1999 at NIDA Kanjikode, Palakkad District, Kerala for blending & bottling of IMFL with present licensed and installed capacity of 21,60,000 cases per annum. In Kerala, we are selling our products through Kerala State Beverages (Manufacturing & Marketing) Corporation Limited (KSBC). The Distillery unit at Kerala also manufactures brands of companies such as M/s. Jagatjit Industries Limited, Punjab and M/s. Appollo Alchobev Limited, Bangalore, one of the Promoter Group Company, under contract bottling agreements.

Wind Mill at Tamilnadu

We have established a wind mill in the year 1997 with a capacity of 2 MW per hour [(8 nos X 250 KW) BHEL Nordex. The unit is located at 3/195-B, Nall Road, Pariakumarapalayam, Gudimangalam, Udumalpet, Coimbatore District, Tamil Nadu. We have entered into Power Purchase Agreement (PPA) dated March 29, 1997 with the Tamil Nadu State Electricity Board for export of surplus power to the grid. The wind in the region enables us to operate the Wind Mill at 250 KW during the season April to October (6 months) and at 45 KW during the off-season from October-March (6 months).

The plant was installed with the Term Loan availability of Rs. 633.00 Lakhs from Indian Renewable Energy Development Agency Limited (IREDA).

The Operation and Maintenance of the Wind Mill [(8 nos X 250 KW) BHEL Nordex] is entrusted to M/s. Sastha Green Energy Services, Chennai, vide the agreement dated December 25, 2002 for a period of one year commencing from January 01, 2003 and renewed every year and presently valid till March 31, 2008.

The main terms and conditions of the Operations and Management Contract are as follows:

Scope of Work	<p>The following is the scope of work to be provided by M/s. Sastha Green Services, Chennai to Empee Distilleries Limited:</p> <ol style="list-style-type: none">1. Annual / periodical preventive /operation and break down maintenance2. Sub-station internal line and transformer maintenance3. Transformer oil testing and filtration4. Supply of consumables5. Arrangement of necessary tools & tackles6. Repairing of equipments at the cost of Empee Distilleries Limited7. Documentation of all the maintenance activities8. Reporting of all operations & maintenance activities9. Liasoning with the TNEB / CEIG / Insurance agencies
Cost of Contract	M/s. Sastha Green Services will be paid 8.5 paise for every unit of electricity exported to TNEB for BHEL Machines and 9.5 paise for every unit of electricity exported to TNEB for ATML Machines
Security Charges	Rs. 10,000.00 per month

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Guarantee	A minimum guarantee of 95% machine availability per machine is assured by M/s. Sastha Green Services and for every 1% reduction in the minimum guaranteed machine availability, 5% of the Operations & Maintenance charges payable of any machine shall be deducted by Empee Distilleries Limited.
Validity	March 31, 2008
Termination Clause	Either party can terminate by giving one month written notice to the other party.
Cost of Contract	M/s. Sastha Green Services will be paid 8.5 paise for every unit of electricity exported to TNEB for BHEL Machines and 9.5 paise for every unit of electricity exported to TNEB for ATML Machines
Security Charges	Rs. 10,000.00 per month
Guarantee	A minimum guarantee of 95% machine availability per machine is assured by M/s. Sastha Green Services and for every 1% reduction in the minimum guaranteed machine availability, 5% of the Operations & Maintenance charges payable of any machine shall be deducted by Empee Distilleries Limited.
Validity	March 31, 2008
Termination Clause	Either party can terminate by giving one month written notice to the other party.

RAW MATERIALS

The major raw materials consumed by our Company for distillery operations include Spirits, Bottles and Pilfer Proof (PP) Caps. These constitute approximately 75% of the total raw material cost. Other raw materials are flavors, chemicals, special spirits, labels cartons and adhesives.

The aforesaid raw materials items are procured from time to time as per production schedule and are easily available in India in abundance.

The details of the major raw material suppliers are as under:

S. No.	Name of Raw Material	Name of the Supplier	Imported/Indigenous
1	Sprit	Kothari Sugars Limited Rajashri Sugars and Chemicals Limited Thiruarooran Sugars Limited The Brihan Maha Sugars Syndicate Limited Dharani Sugars & Chemicals Limited Thiru Arooran Sugars Limited	Indigenous Indigenous Indigenous Indigenous Indigenous Indigenous
2	Bottles	Balaji Bottles Abi Traders Annamalaiair Traders Bottles Point Khoday Glass Company	Indigenous Indigenous Indigenous Indigenous Indigenous
3	Caps	Indus Metal Packaging MM Caps Pramukh Caps Tria Pakaging	Indigenous Indigenous Indigenous Indigenous

EMPEE DISTILLERIES LIMITED

S. No.	Name of Raw Material	Name of the Supplier	Imported/Indigenous
4	Flavors	Lux Flavors International Flavors & Chemicals	Indigenous Indigenous
5	Chemicals	M. V. Krishna Rao Lab Chemicals Saravana Chemicals	Indigenous Indigenous
6	Special Spirits	Brihans Maharashtra Sugars Syndicate S.P. R Sprits	Indigenous Indigenous
7	Labels	G. V. Printing Press Sheela Impex	Indigenous Indigenous
8	Cartons	Jaishree Distributors Shakumbhari Straw Products Limited	Indigenous Indigenous
9	Adhesives	Saruvapuri Adhesives	Indigenous

We maintain long term relationship with suppliers of raw materials thus there is no bottleneck in respect of supply of raw materials. However, no long-term contract has been entered into with any of the suppliers to enable better price negotiation.

PRODUCTS

The IMFL products blended and bottled by us are given as under:

Name of the Unit	Product Name	Markets
Distillery Unit at Tamil Nadu	Old Secret XXX Rum	Domestic (Tamil Nadu)
	Power XXX Rum	Domestic (Tamil Nadu)
	Power Brandy	Domestic (Tamil Nadu)
	Mc Lene Ordinary Brandy	Domestic (Tamil Nadu)
	Mclene XXX Ordinary Rum	Domestic (Tamil Nadu)
	Power Whisky	Domestic (Tamil Nadu)
	Empee Napoleon Premium Brandy	Domestic (Tamil Nadu)
	Empee Fine Brandy	Domestic (Tamil Nadu)
	Commando XXX Rum	Domestic (Tamil Nadu)
	Club Polo Dry Gin	Domestic (Tamil Nadu)
	Club Royal Whisky	Domestic (Tamil Nadu)
	Elcanso Dark XXX Rum	Domestic (Tamil Nadu)
	Old Secret Brandy	Domestic (Tamil Nadu)
	Victoria Fine Brandy	Domestic (Kerala)
	Empee Napoleon Brandy	Domestic (Kerala)
Distillery Unit at Kerala	Empee's Sixer Brandy	Domestic (Kerala)
	All Gold VSOP Brandy	Domestic (Kerala)
	Victoria XXX Rum	Domestic (Kerala)
	Empee's Sixer Rum	Domestic (Kerala)
	All Gold Premium White Rum	Domestic (Kerala)
	Citizen VSOP Brandy	Domestic (Kerala)
	Citizen XXX Rum	Domestic (Kerala)

The IMFL products blended & bottled by us under Manufacturing License Agreement entered into by us with other Companies are given as under:

Name of the Unit	Product Name	Tie-up Arrangement With
Distillery Unit at Tamil Nadu	Brihans Napoleon Premium Brandy Brihans Premium Whisky	Radico Khaitan Limited

For details of the aforesaid agreement please refer to section titled "History and Certain Corporate Matters" on page no. 111 of this Prospectus.

UTILITIES**Power:****Tamil Nadu Unit**

The total requirement of this manufacturing facility is 350 KVA. We have a sanctioned load of 250 KVA from Tamil Nadu State Electricity Board and the total connected load is 578.93HP. We have 2DG sets of 320 KVA and 110KVA as a standby for power failure.

Kerala Unit

The total requirement of this manufacturing facility is 350 KVA. We have a low tension power supply of 116KW from Kerala State Electricity Board. We have 2DG sets of 125 KVA and 110KVA as a standby for power failure.

Water**Tamil Nadu Unit**

Our current water requirement is 90.00 KL/ day for manufacturing and other utilities, which is sourced from five bore wells @ 2 HP each. Alternatively it is also purchased from the external sources. During the last financial year 61.685 KL of water was purchased at Rs. 8.00/ KL.

Kerala Unit

Our current water requirement is 44371 litres/day for manufacturing and other utilities, which is sourced from Malampuzha river. During the last financial year 17.01 KL of water was purchased at Rs. 10.60/ KL.

Existing Machinery**Tamil Nadu Unit**

We have 3 Auto Line Packing Machines, 4 Semi Auto Line Packing Machines, 1 Label Batch Numbering Machine, 1 Cooling Tower and various Filters, Bottle Washer, Columns, Condensers, Pumps.

Kerala Unit

We have 1 Auto Line Packing Machine, 1 Carton Sealing Machine, 2 Semi Auto Line Packing Machine, 2 Carton Sealing Machines, 1 Carton Stapling Machines and Various Pumps.

Windmill

We have 8 Wind Energy Generators (WEGs) of Nodax make installed by (Bharat Heavy Electricals Limited) BHEL.

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Manpower

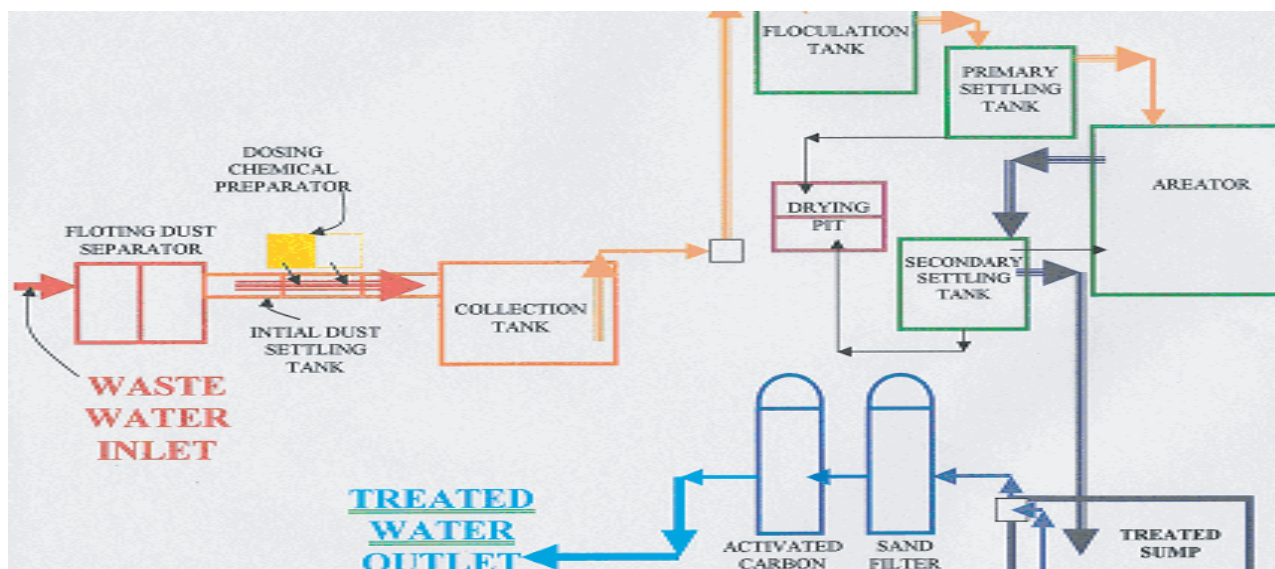
As on the date of filing of Prospectus manpower employed at our Head Office, Tamil Nadu Unit, Kerala Unit and at Wind Mill is as given below:

S.No	Category	Managerial				Executive				Skilled				Unskilled			
		Head Office	Tamil Nadu	Kerala Unit	Wind Mill	Head Office	Tamil Nadu	Kerala Unit	Wind Mill	Head Office	Tamil Nadu	Kerala Unit	Wind Mill	Head Office	Tamil Nadu	Kerala Unit	Wind Mill
1	Production / Dispatch	9	3	1	-	1	-	1	1	1	19	3	-	-	90	-	-
2	Administrative / Accounts	8	-	3	-	7	1	1	0	1	-	4	-	-	-	1	-
3	Marketing / Sales	2	13	1	-	2	1	2	-	-	1	47	4	-	-	10	-
4	Stores / Purchase	-	4	-	1	-	-	-	-	6	2	-	-	2	-	-	-
5	Transport	-	-	-	-	-	-	-	1	27	-	-	-	-	1	-	-
6	Maintenance	-	4	-	1	2	1	-	-	14	3	-	-	9	1	-	-
7	Civil	3	-	-	2	-	-	-	3	1	-	-	-	-	-	-	-
8	Dispatch / Blending Process	-	1	-	-	1	-	-	-	17	1	-	-	17	16	-	-
9	Contract	-	-	-	-	-	-	-	-	-	-	-	-	103	142	-	-
	Grand Total (453)	17	25	5	0	14	2	5	1	7	169	17	-	-	221	171	-

Effluents

The only effluent generated from our distillery units is contaminated water. The water is treated using the effluent treatment plant. The effluent treatment process is given below:

Effluent Treatment Plant (Tamil Nadu & Kerala Unit)



The effluent (contaminated water) shall be collected in the Collection Cum Equalization Tank with existing Floating Aerator being used for homogenous mixing. The equalized effluent from the Collection tank is then pumped into the Flocculation Tank wherein dosing chemicals are added for neutralizing the effluent and removal of suspended particles etc. From the Flocculation tank the effluent flows by gravity into the Primary Settlement Tank wherein all the suspended particles settle at the bottom of the tank. The sludge so settled is then conveyed to the drying pit for dewatering of the effluent. The dewatered effluent is then re-collected in the Collection Tank for further treatment. Outlet of the Primary Settling Tank flows into the Aeration Tank by gravity for oxidation purpose. From the Aeration Tank, the effluent flows by gravity into the Secondary Settling Tank. The settled sludge is then recirculated to the Aeration Tank for maintaining the MLSS in the Aeration Tank. The excess

sludge is then sent to the drying beds for dewatering of the effluent. The dewatered effluent is then recollected in the Collection Tank for further treatment. The clear treated effluent collected in the treated effluent sump. The effluent from the treated sump is then pumped through the Pressure Sand Filter for removal of fine Suspended Particles and Activated Carbon Filter for removal of Colour and Organic matters. The final Outlet from the Activated Carbon Filter meets the required Standards prescribed by the Tamil Nadu Pollution Control Board and is used for gardening and other purposes etc.

As far as air pollution is concerned the air pollution generated by both of our units is within the limits as prescribed by the concerned Pollution Control Boards. Further we have received consents from the respective State Pollution Control Boards in respect of both of our distillery units. For details please refer to the section titled "Government Approvals" appearing on page no. 227 of this Prospectus.

Windmill

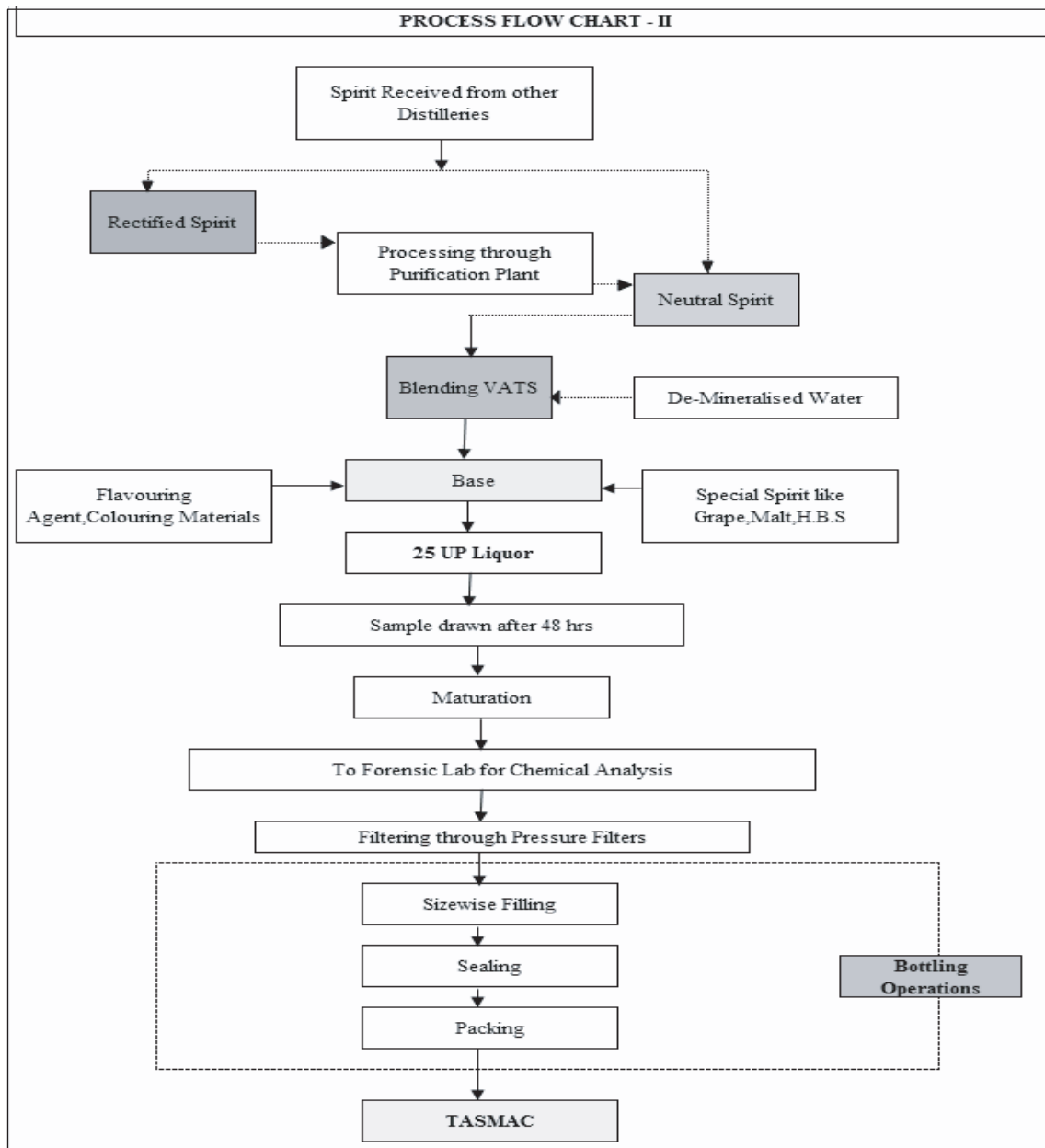
No effluent is generated from our wind mill. Moreover, the Tamil Nadu Pollution Control Board has tested and verified the generation process and has granted consent under section 21 of the Air (Prevention & Control of Pollution) Act, 1981. For details please refer to the section titled "Government approvals" appearing on no. 183 of this Prospectus.

MANUFACTURING PROCESS- DISTILLERY UNITS

- Step 1: The Company procures rectified Spirit (R.S.) from processors of R.S out of molasses. The same is converted into neutral Spirit (N.S.) & Industrial Spirit (I.S.) by Re-distillation process which uses steam to induce heat for conversion process.
- Step 2: The water drawn from open wells/bore wells with in the factory premises is processed using DM plant (Demineralization plant).
- Step 3: The N.S. of the required strength is mixed with demineralised water and the 'base' is created in the ratio of 4.05:4.95 (volume required for 9 liters of liquor to be produced per case).
- Step 4: The Company procures /imports grape spirit /malt spirit etc. and stores them in the CASKS (DRUM made up of OAK wood) for longer durations in order to enable spirit to gain quality in taste for manufacture of premium brands.
- Step 5: To the base produced in step 3 above, grape spirit /malt spirit along with essence for flavor and edible dyes (for giving the colors) are added and stirred at a regular interval to form a uniform blend as per ISI standard and is then further reduced to 25U.P ie., 42.08% v/v alcohol to produce brand /whisky/rum/gin.
- Step 6: The blended formulations are then allowed to mature in large steel tanks for a minimum period 72 days.
- Step 7: The samples are drawn from the tanks and sent to government forensic sciences lab for analysis and test report is obtained before commencement for bottling.
- Step 8: The new/recycled bottles are cleaned/sterilized using bottled washing & conveyer system and will be screened for defects /cracks.
- Step 9: The blended formulation after obtaining the required Certificate from forensic science lab confirming to ISI standard would then be passed through hose pipes by using transfer pumps and then conveyed to filter press for filtration and then passed on to the filling machine and bottled and inspected for the presence of impurities breakage/improper capping.
- Step 10: The field bottles would then be pasted with brand label using automatic labeling machine. Thereafter, the labeled bottled are affixed with excise stickers and packed in corrugated cartons and numbered for excise control. Each carton contains bottles with a total volume of "9 liters".
- Step 11: The packed cartons are then stacked in the bonded stores. The entire operation right from receipt of R.S/blending/filing /packaging is supervised by Government excise officials.

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Flow Chart-Blending & Bottling



ELECTRICITY GENERATION-WINDMILL

Wind Electric generators (WEG) are installed in Periyakumarapalayam where the wind speed averages around 5-6 m/s and above. The prime source of wind mill power generation is wind.

This wind while passing through the windmill, converts its kinetic energy with the help of wind mill blades into mechanical energy and that mechanical energy is converted into electrical energy by means of generator. Being induction type, the generator works with the help of the grid. The power generated by the WEGs cannot be directly connected to the end use of load like that of a diesel generator set since the prime input to the WEG is also continuously varying. Therefore a stable utility grid is required for exporting the power and also for providing reactive power (KVAR) in the case of WEG, which use asynchronous generators. Thus, the windmills are connected to the Electricity Board grid and the power generated is fed into the grid.

The quantum of energy supplied by the WEG to the grid is recorded on a meter and the State Electricity Board (SEB) obtains the reading. Based on the fixed tariff, the units are sold to TNEB.

MARKETING AND SELLING ARRANGEMENTS

Liquor Industry is quite sensitive industry and is influenced by the State Government Policies which is different for different States.

Tamil Nadu

In Tamil Nadu, Tamil Nadu State Marketing Corporation Limited (TASMAC) is vested by the Tamil Nadu State Government with the exclusive right of wholesale supply of IMFL for the whole State of Tamil Nadu. TASMAC is the monopoly wholesale and retail distributing agency, which controls the retail outlets spread across the State. As such all the IMFL / Beer products are sold only to TASMAC, which places monthly orders with the distilleries. The wholesale and retail distribution is carried out by TASMAC through its 41 depots covering the entire state of Tamil Nadu (Source: <http://tasmac.gov.in>).

Our marketing team in Tamil Nadu consists of 82 marketing officers directly reporting to 12 Area Marketing Managers who remain in constant touch with the retail outlets spread across the State and market our products. In addition, marketing team also market our products in different hotels, bars and clubs.

Kerala

In Kerala, Kerala State Beverages (Manufacturing & Marketing) Corporation Limited (KSBC) is the monopoly wholesale and retail distributing agency, which controls the retail outlets and bars. As such all the IMFL / Beer products are sold only to KSBC, which places monthly orders and delivery schedules with the manufacturers. The retail distribution is carried out by KSBC through its retail outlets.

COMPETITION

The IMFL markets of Tamil Nadu and Kerala are characterized by regulatory restrictions on selling by respective State Government on IMFL products. Distilleries/Breweries/Bottling plants are not allowed to sell their production directly to wholesalers/market. The State Governments directly purchase IMFL products from the respective distilleries and breweries largely mitigating the effect of competition with all the players who are able to sell their production. If there is a change in the aforesaid regulatory scenario the marketing strategy is likely to get affected. The IMFL market is broadly segmented along the following lines (i) Premium Liquor (ii) Medium Liquor (iii) Cheap Liquor. We have our brand presence in all the three segments.

Major Competition in the IMFL markets is from established national players such as Untied Spirits, Radico Khaitan, Jagatjit Industries etc. These players are primarily present in the Medium and Premium segments of the market. Apart from the national level players there are regional players who compete with us across all the segments. Among the States where we have a presence (namely Tamil Nadu and Kerala), Tamil Nadu State has prohibited manufacture and supply of Country Liquor in totality. In Kerala State also Country Liquor is banned except for Toddy sales.

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EXPORT OBLIGATION

At present we do not export any of our products; neither any pending export obligation.

QUALITY CERTIFICATION

We have obtained Quality Management Certificate ISO 9001:2000 (AI-QMS-0772-00) from AQSR India Private Limited, New Delhi with respect to formulation, distillation, blending and bottling of Indian Made Foreign Liquor for our Tamil Nadu Unit on February 23, 2007 and is valid till February 22, 2010.

DETAILS OF EXISTING PROPERTY

The brief details of Company's properties are as under:

S.No.	Location of Property	Nature of Title/ Interest	Details	Total Area
Corporate & Registered Office				
A.	6th Floor, Empee Tower, No. 59, Harris Road, Pudupet, Chennai, Tamil Nadu (Corporate Office)	Lease	Date of Lease - April 1, 2004 Period of Lease - Valid for 11 months from April 1, 2005 and renewable for a further period of 11 months each up to a total period of 7 years and 4 months. Lessor - M/s Aruna Constructions Lease Rental: Rs. 1.31 Lakhs per month	4386 sq. ft
B	693, Mount Road, Chennai, Tamil Nadu (Registered Office)	Lease	Date of Lease - April 27, 2005 Period of Lease - Valid for 11 months and automatic renewal for further three periods of 11 months each without payment of any consideration. Lessor - Mr. M.P. Purushothaman Lease Rental : Nil	200 sq.ft.
Distillery Units (Existing)				
A.	Mevaloorkuppam Village, Sriperumbudur Taluk, Kanchipuram District, Tamil Nadu	Freehold	Date of Sale Deed: June 22, 1984	4.18 Acres
B.	NIDA, Kanjikode, Pudussery Taluk, Palakkad District, Kerala	Hire Purchase	Date of Deed of Hire Purchase: September 19, 1998 Entered into with Government of Kerala under the Hire Purchase Scheme for a total consideration of Rs. 3.55 Lakhs out of which 20% was payable at the time of entering into the Hire Purchase Agreement and the balance payable in equal monthly instalments for a period of 10 years with interest @ 6 ½ % p.a with penal interest of 2% p.a for in case of default in payment.	3.88 Acres
Distillery Units (Proposed)				
A.	60 KLPD Grain Based Distillery Unit at Nellore District, Naidupet Sub-District, Pellakuru Mandal, Pellakuru Village Andhra Pradesh	Freehold Freehold	Four Agreements for Sale dated: March 29, 2007. The details of the area is as follows: 4-A19 , 4-A52, 4-A18 Four Agreements for Sale dated: March 29, 2007. The details of the area is as follows: 4-A41, 4-A42, 4- A41/A, 4-A43, 4-A44, 4-A43/ A, 4-A57 and 13-7P, 13-8P, 13-9	42.85 Acres

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S.No.	Location of Property	Nature of Title/ Interest	Details	Total Area
B.	Arabikothanur Village, Arabikothanur Mandal Panchayat, Vokkaleri Hobli, Kolar Taluk, Kolar District, Karnataka	Freehold	Date of Sale Deed: December 29, 2006 and January 4, 2007	3.71 Acres
Windmill				
A.	3/195-B, Nall Road, Periakumarapalayam, Gudimangalam, Udumalpet - 642201, Coimbatore District, Tamil Nadu.	Freehold	Date of Sale Deeds: September 16, 1994, September 21, 1994 and November 7, 1994	48.68 Acres
7.5 MW Proposed Bio Mass Power Project				
A.	Mukkudi Group, Kuthadiviayal Village, Aranthangi Taluk, Pudukottai District, Tamil Nadu	Freehold	Date of Deed of Sale: October 15, 2004	14.41 Acres
Real Estate Project				
A	Mevalooruppam Village, Sriperumbudur Taluk, Kanchipuram District, Tamil Nadu	Freehold	Date of Deeds of Sale: February 26, 1987, March 18, 2007, March 19, 1987, March 22, 1987, March 25, 1987, March 22, 1987, March 26, 1987, March 27, 1987 and May 7, 1987.	20.88 Acres

In addition to the above, we also own following land in our Company's name:

Location of Land	Area	Ownership
12, Kuthambakkam Village, Poonamallee Taluk, Tiruvallur District	13 acres 10 cents	We have acquired the land in 1988 through Deed of Sale
60, Thurapallam Village, Gummidipundi Taluk, Tiruvallur District	13 acres 3 cents	Acquired the land in 2002 through Deed of Sale
Singaravelar Main Road, 47, Neelangarai Village, Tambaram Taluk, Kancheepuram District, Chennai*	4 grounds 660 sq.fts (10,260 sq.ft.)*	Acquired the land in 1983 through Deed of Sale

* We had originally purchased 2.70 acres of land and had subsequently sold a large portion of land in 1995 to Ms. Sheeju Purushothaman, Ms. Sheena Purushothaman, Nisha Purushothaman and Shaji Purushothaman, all were then Directors in our Company.

The above land acquired by us has clear title and is free from all encumbrances except for the equitable mortgage created in favour of bank who have extended loan facility in the normal course of business.

PURCHASE OF PROPERTY

Except as stated in section titled "Objects of the Issue" in this Prospectus, on page no. 26 of this Prospectus, there is no property which the Company has purchased or acquired or propose to purchase or acquire which is

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to be paid wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed as on the date of filing of the Red Herring Prospectus with SEBI, other than property:

- the contract for the purchase or acquisition whereof was entered into in the ordinary course of the business, the contract not being made in contemplation of this Issue, nor this Issue in contemplation of the contract; or
- in respect of which the purchase money is not material.

Except as stated in the section titled "Related Party Transactions" on page no. 162 of this Prospectus, the Company has not purchased any property in which any Directors, have any direct or indirect interest in any payment made thereof.

INSURANCE

We have taken different insurance policies covering the following:

- Standard Fire and Special Perils Policies;
- Cash and Money Policies;
- Burglary Policies and
- Machinery Breakdown Policies

The details of insurance policies are as follows:

Standard Fire and Special Peril Policies

Total sum Insured	Total Premium	Insurer	Risk Description
Rs. 3137.36 lakhs	Rs. 4.75 lakhs	United India Insurance (4 policies); National Insurance Company Limited (2 policies)	Distilleries, Property situated at- Ayyaparaddipalam, Naidupet, Nellore District; Non-kutcha building and Stock - occupied as distilleries and godown at Mevalooruppam - Terrorist cover excluded; All buildings including office room, administrative block, store room, power house, boiler house, process block & compound walls; Plants/Machineries with Accessories. Also all machineries with accessories, boilers, laboratory equipments/machineries, bottling plants, generators, transformers and any other machine whilst installed in the distillery premises. Property Situated at: Mevalooruppam village, Sriperumpudur taluk, Kancheepuram; Office furniture at Head Office, Chennai; plant & machinery and other installations at Menionpara Road, Kanjikode, Palakkad.

Cash and Money Policies

Estimated amount of money in transit per annum - Rs 1300.00 Lakhs	Rs. 0.14 lakhs	Oriental Insurance (1 policy) and United India Insurance (2 policies)	Transit Cash
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Total sum Insured	Total Premium	Insurer	Risk Description
Group Personal Accident Policy			
Rs. 357 Lakhs	Rs. 0.36 Lakhs	Oriental Insurance Company Limited (2 policies)	Personal accident
Burglary Policy			
Rs. 608 lakhs	Rs. 0.06 lakhs	United India Insurance (2 policies)	Risk covered- 8 windmills & 8 transformers Location- Periyakumar Palayam, Tharapuram Taluk, Coimbatore District. On stock of raw materials, packaging materials, work in progress. and finished goods.
Machinery Breakdown Policies			
Rs. 308 lakhs	Rs. 1.47 lakhs	Oriental Insurance (1 policy) and United India Insurance (1 policy)	Diesel generator set and 8 Windmills location at Periyar Kumarayapalayan, Tarapuram Takuk, Periyar District

In addition to the above we have different insurance policies like Motor Vehicle Policies and Marine Cargo Policies.

INTELLECTUAL PROPERTY RIGHTS

We have made applications to the Trademarks Registry for registration of Trademarks under the Trade Mark Act, 1999. These applications are in various stages and our Company has received the Certificate of Registration for five trademarks.

In relation to several applications, we are not marketing or manufacturing products under the said mark. In the event that we are not using a mark, the Registry is entitled to refuse registration of the said mark or in the case of a mark already registered; the Registry is entitled to strike off the said mark from the Register in accordance with the provisions of the Trademarks Act, 1996. The details of different applications are as under:

S. NO	TRADEMARK	APPLI.NO	STATUS
1	Elcanso	494657	Registered and Renewed for a period of seven years from July 20th, 2002
2	Mclene Brandy	528772	Registered and Renewed for a period of 10 years from April 30th 2004
3	Victoria	593667	Opposition stage.TM 6 filed
4	Empee XXX Rum	758998	Registered and Renewed for a Period of 10 years from 4th July 2007
5	Royal Club Whisky	758999	Application to be advertised before acceptance
6	Empee's Fine Brandy	759000	Application to be advertised before acceptance
7	Empee's Fine Whisky	759001	Application to be advertised before acceptance
8	Empee's Premium Whisky	759002	Application to be advertised before acceptance
9	Mclene Brandy	528772	Registration renewed for a period of 10 years from April 30, 2004
10	Mclene XXX Rum	759007	Registered and Renewed for a Period of 10 years from July 04, 2007
11	Empee's Napoleon Brandy	765950	Application to be advertised before acceptance.
12	Empees Leger Beer	789254	Application to be advertised before acceptance.

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S. NO	TRADEMARK	APPLI.NO	STATUS
13	Koolberg	991728	Awaiting Hearing.
14	Honey Dew Brandy	1079337	Awaiting Hearing
15	Power Whisky	1079338	Awaiting Hearing
16	Power Brandy	1079339	Awaiting Hearing
17	Power Whisky (with pictorial representation)	1089897	Awaiting Hearing
18	Power Brandy (with pictorial representation)	1089898	Awaiting Hearing
19	Power xx Rum	1089899	Awaiting Hearing
20	Polar Ice	1089905	Awaiting Hearing
21	Empee's Old Secret	1089906	Awaiting Hearing
22	Rostov	1089907	Registered but registration certificate awaited
23	Empee's Sixer	1089908	Awaiting Hearing
24	Ginlux	1089909	Awaiting Hearing
25	Club Polo Dry Gin	1117943	Registered but registration certificate awaited
26	Victoria Fine Whisky	1117944	Awaiting Hearing
27	Empee Fine Brandy	1117945	Application pending at examination report stage; objections raised by Trademarks Registry on relative and absolute grounds
28	Sixer xx Rum	1117946	Awaiting Hearing.
29	Honey Dew Brandy	1117947	Awaiting Hearing
30	Victoria XXX rum	1117948	Awaiting Hearing
31	Commando xxx rum	1117949	Awaiting Hearing
32	Mclene XXX Rum	1117950	Application to be advertise
33	Empee XXX Rum	1117951	Awaiting Hearing
34	Mclene	1117952	Awaiting Hearing
35	Victoria Fine Brandy	1117953	Application pending at examination report stage; objections raised by Trademarks Registry on relative and absolute grounds
36	Commodo xxx rum	1117954	Awaiting Hearing
37	Empee;s John Peter	1117955	Awaiting Hearing
38	Club Polo	1117956	Awaiting Hearing
39	India's Old Secret	1117957	Awaiting Hearing
40	Club Royal Whisky	1117958	Awaiting Hearing
41	Empee	1144522	Registered but registration certificate awaited
42	Empee	1144526	Application to be advertised before acceptance.
43	Empee	1144528	Registered but registration certificate awaited
44	Empee	1144530	Awaiting Hearing
45	Horsepower	1144535	Awaiting Hearing
46	O Leila	1144536	Awaiting Hearing
47	Empee	1144537	Registered and valid up to October 20th, 2010.
48	O Leila	1144538	Awaiting Hearing
49	Empee	1144539	Registered but registration certificate awaited
50	Old Secret	1201652	Application to be advertised before acceptance

S. NO	TRADEMARK	APPLI.NO	STATUS
51	All Gold	1243477	Application to be advertised before acceptance
52	All Gold	1243476	Application advertised
53	Club Polo	1247559	Application advertised
54	Empee's Club Royal Whisky	1247560	TM 57 Filed (application for review of Registrar's decision)
55	Empee's Club Royal Whisky	1247561	TM 57 Filed (application for review of Registrar's decision)
56	Club Royal	1248028	TM 57 Filed (application for review of Registrar's decision)
57	Shetland	1255183	TM 57 Filed (application for review of Registrar's decision)
58	Shetland	1255187	Application advertised
59	Club Reserve	1255184	Registration Certificate Issued
60	Club Reserve	1255185	Application advertised
61	Officier's Club	1255186	Application advertised
62	Elcanso	1255188	Awaiting Hearing
63	Power	1258043	Filing of TM 16 on September 13th , 2004
64	Speed	1279740	Application to be advertised before acceptance
65	Speed	1279741	Application to be advertised before acceptance.
66	Empee Hotels Speed 42	1328926	Awaiting Hearing
67	Real Choice	1504988	Awaiting Examination Report
68	Max Kool	991729	Registered but registration certificate awaited
69	Old Secret	1201653	Awaiting Hearing
70	Empee	1144532	The Application to be advertised before acceptance
71	Horse Power	991727	Application to be advertised before acceptance
72	Comando	991724	Application to be advertised before acceptance
73	Honey Dew Brandy	991725	Application to be advertised before acceptance
74	Empee's Commando XXX	991726	Application to be advertised before acceptance
75	Diet.com	991731	Application to be advertised before acceptance
76	Empee	1144524	Application to be advertised before acceptance

Most of the above applications are filed prior to 2002 and there has been a long delay in the process of registration as provided for under the Act. The examination reports have been received from the Registry and that replies in the form of Written Submissions have already been filed with respect to the objections raised in the said examination report. Subsequently the Registry has not reverted in relation to the written submissions, called for any personal hearing or passed any order allowing or refusing the mark.

Foreign Trademark Applications / Trademarks

We have made applications for the following Trademark in the Island of Zanzibar in Africa and have obtained Registration Certificates for the following Trademarks:

1. Registration certificate for the Trademark "Old Secret XXX Rum" (the name and logo as seen on the bottle label) in Class 33 on 12.06.2003 which shall continue to remain in force for 14 years from the said date; and
2. Registration certificate for the Trademark "Power Whisky" (the name and logo as seen on the bottle label) in Class 33 on 12.06.2003 and the same will continue to remain in force for 14 years from the said date.

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OUR INDEBTNESS

We are presently enjoying following fund based limits of Rs. 6737 lakhs.

Name of the Bank	Type of the facility	Amount (in Rs. Lakhs)	Rate of Interest	Repayment	Security
Andhra Bank Tamil Nadu Unit (Mevalooruppam)	For Mevalooruppam, Sriperumpudur Unit: 1) Open Cash Credit ("OCC") for the purpose of augmenting working capital.	1100.00	Upto Rs. 800.00 lakhs Finer rate of interest at BMPLR + 1% p.a. currently 14.00 % on monthly rests Above Rs 800.00 lakhs Finer rate of interest at BMPLR + 3% p.a. currently 16.00% on monthly rests 3% above		For OCC (Tamil Nadu Unit): Hypothecation of present and future goods produced and merchandised, existing vehicles and vehicles to be purchased out of the Bank's finance, all tangible movable machinery and plant both installed and lying loose & Book debts and outstanding monies receivables including receivables by way of cash. Margin: 25% for Raw Material, WIP, Finished Goods, stores & Consumables; 25% on receivables of TASMAR; 50% on other receivable not older than 90 days. For OCC (Palakkad Unit): Primary Security: Hypothecation of Raw Materials, Stores and consumables, work-in-process, finished goods, and receivables excluding receivables for which bills have been discounted.
	2) Term Loan	400.00	PLTR currently 15.25% on monthly rests	20 quarterly installments with 6 months initial holiday period	Collateral Security: Extension of first charge on fixed assets at Palakkad Units Palakkad Unit: Rs 488.58 lacs WDV as on 30.09.2006 sales receivables not older than 90 days. A margin of 25% of Stock and 50% of Sale Receivables to be maintained. A margin of 25% of Stock and 25 % of Sale Receivables to be maintained. For Term Loan: first charge on fixed assets Tamil Nadu and Palakkad Units
Andhra Bank For Kerala Unit: (Palakkad)	1) Term Loan (Fresh) (For modernization and for purchase of new machinery and equipment at Palakkad Unit. (Sanctioned vide letter 1172/01/136 dated 4.2.2006)	500.00	Finer rate of interest at BMPLR + 0.25% + 2.00 % p.a. currently 15.25% on monthly rests	24 equal quarterly installments starting from October - December 2006 quarter	Tamil Nadu: Rs 1704.28 lacs WDV as on 30.09.2006 Palakkad Unit: Rs 488.58 lacs WDV as on 30.09.2006 Gurantors: Personal Gurantee of the following Directors of the Company Mr MP Purushothaman, Networth 1885.07 as on 31.3.2007 Mrs. AK Aruna, Networth 1007.00 as on 31.3.2007
	2) Open Cash Credit ("OCC") for the purpose of augmenting working capital	500.00	Finer rate of interest at BMPLR + 2% p.a. currently 15.00% on monthly rests		

Prospectus

Name of the Bank	Type of the facility	Amount (in Rs. Lakhs)	Rate of Interest	Repayment	Security
Andhra Bank	Term Loan (Fresh) For Proposed 7.5 MW Biomass Power Project (Sanctioned vide Letter 848/1/1045 dated 18.3.2005)	2204.00	Finer Rate - BMPLR + term Premium + 0.75 % i.e 14.00% p.a	28 quarterly installments commencing from January 2007	<ul style="list-style-type: none"> 1st charge over fixed assets/movable assets of the proposed power unit. The Company has to give margin of 40% to Land and Civil works and 25% for Machinery. Collateral Securities by way of extension of first charge on the existing fixed block of the Distillery Division situated at Mevalooruppam Village, Sriperumbudur Taluk, Tamil Nadu consisting of land and building with plant and machinery of WDV of Rs.1186.82 lakhs (excluding Wind Mill assets and Palakad unit assets) together with assets to be procured worth Rs.532 lakhs with Term Loan sanctioned amounting to Rs.400 lakhs. Personal Guarantee of Mr. M.P. Purushothaman, Chairman & Managing Director (Net worth as on March 31, 2003: Rs.1706.03 Lakhs) and Ms. A.K. Aruna, Non-Executive Director (Net worth as on March 31, 2003: Rs.851.96 Lakhs).
Allahabad Bank	Corporate Loan for Seed Money for power project (Sanction Letter dated April 13, 2006)	700.00	PLR + 1, p.a. with monthly rest, Presently 14.25%	35 installments - Rs.19.5 Lakhs per month and last installment shall be Rs. 17.5 Lakhs	Equitable mortgage over vacant land situated in Survey Numbers 782/2A, 786/2, 787, 781/1 F, 781/1 D, 778/2, 779/1, & 778/1 in Kuthambakkam village, Sriperumpudur Taluk, owned by the EDL.
Indian Renewable Energy Development Agency Limited (IREDA)	Loan facility to finance expenditure on setting up of 2.00 MW (8x250) Wind Farm Project at Periya Kumrapalayam, Periar Dist., T.N. (Project No.518) (Sanctioned vide letter No. 221/783/WE/95/ IREDA/ 2059 dated 19.8.1995)	633.00	12.5% p.a. net without rebate,	28 equal quarterly installments with 12 months moratorium from the date of execution loan agreement	<ul style="list-style-type: none"> The loan is secured by a first exclusive mortgage of all movable properties pertaining to Wind Farm Project at Peria Kumarapalayam, both present and future The loan is further secured by first exclusive charge by way of hypothecation in favour of IREDA of all the immovable properties pertaining to Wind Farm Project (save and except book debts) including movable plant and machinery, machinery spares, tools and accessories, furniture, cars, trucks, vehicles, tractors, typewriters, calculating machines, computers, etc. both present and future subject to prior charges created or to be created in favour of the Company's Banks such of the movables as may be agreed to by IREDA for securing the borrowings for working capital requirements in the ordinary course of business and Personal guarantee of the directors.

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Name of the Bank	Type of the facility	Amount (in Rs. Lakhs)	Rate of Interest	Repayment	Security
Indian Overseas Bank	Corporate Term Loan to augment long term resources for business related purposes (sanctioned as per the Credit Sanction Advice dated 22.12.2005)	1000.00	BPLR Plus/ Minus 1.00% Presently 14.25%	36 monthly installments	<ul style="list-style-type: none"> • Collateral security by creation of: • Equitable Mortgage followed by registered Memorandum of Land and Building of the 3 star "Grand Orient Hotel" at Anna Salai, Chennai situated over the land measuring 5840 sq. ft. belonging to Empee International Hotels Limited reported to be worth Rs.2121 lakhs. • Corporate Guarantee of the owner of the property Empee International Hotels Limited and resolution from the Company to guarantee the credit limits to EDL • Personal guarantees of M.P.Purushothaman. and A.K.Aruna

RESTRICTIVE COVENANTS IN LOAN AGREEMENTS

The covenants in borrowings from banks, among other things require us to obtain bank's permission in writing in respect of effecting any change in the Company's capital structure; formulating any scheme of amalgamation; implementation of any scheme of expansion or acquisition of fixed assets; making investments/advances or deposit amounts with any bank /Financial Institution/Company; undertaking guarantee obligations on behalf of any other Company; declaring dividends for any year except out of profits relating to that year; changing the composition of Company's Board of Directors; changes in the management/ constitution, take over, merger etc.; implementation of any expansion / new projects/ Investments/ acquiring assets under lease; incurring any capital expenditure other than the purpose for which term loan has been sanctioned; raising term loan from other banks; transfer of shares of promoters/ directors.

Pursuant to the aforesaid we have received no objection certificate from the following banks:

S. No.	Name of Lender	Letter Ref. No. and Date
1	Andhra Bank	1172/01/24 dated May 21, 2007
2	Allahabad Bank	TAL/Adv/Empee dated May 17, 2007
3	Indian Overseas Bank	May 16, 2007

REGULATIONS AND POLICIES

Currently we have facilities to manufacture various IMFL products in our Distillery Units set up at Mevalooruppam, Kanchipuram District, Tamil Nadu and at NIDA, Kanjikode, Palakkad District, Kerala. Our Company also has a Wind Mill energy plant at Nall Road, Pariakumarapalayam, Gudimangalam, Udumalpet, Coimbatore District, Tamil Nadu-642201 for supply of power to the Tamil Nadu Electricity Board.

Apart from the distillery business which are governed by the State laws on Excise and Prohibition; the business of generation of power from windmills and bio-mass, which are governed by the Electricity Act, 2003, there are no industry specific regulations governing our business.

The prohibition laws (Tamil Nadu Prohibition Act, 1937 in Tamil Nadu and the Prohibition Act, 1950 in Kerala) have the stated objective of bringing about total prohibition. Towards this end these laws restrict the production, possession and use of liquor for all purposes other than medicinal, scientific, industrial or similar purposes. These laws prescribe the kinds of potable alcohol which are exempted from such prohibition and prescribes standards for the manufacture or processing of different forms of potable alcohol. The laws also prescribe licensing requirements for such manufacture.

The Electricity Act, 2003 has been recently introduced with a view to rationalise electricity tariff, and to bring about transparent policies in the sector. The Act provides for private sector participation in generation, transmission and distribution of electricity, and provides for the corporatisation of the state electricity boards. The related Electricity Regulatory Commissions Act, 1998 has been enacted with a view to confer on these statutory Commissions the responsibility of regulating this sector.

Taxation statutes, both direct and indirect; labour regulations; environmental regulations and other miscellaneous regulations apply to our Company as they do to other business establishments. Sector specific regulations on non-resident investment govern some of the above business, which are detailed hereafter.

A list of the above laws under which our Company is required to register under and / or comply with is provided below:

i) Indian Boilers Act, 1923

The Indian Boilers Act was enacted with the objective of ensuring the safety of public life and property by administering and enforcing the provisions of the Act with respect to steam boilers. As per the provisions of the Act, the Chief Inspector of Boilers or an Inspector appointed under the Act periodically reviews the administration of the regulations by (a) Approval of manufacturers, (b) Inspection of designs relating to boilers and inspection of boilers / boiler components manufacture, (c) approval of boiler repairers and boiler erectors, (d) authorization and inspection of boiler repairs and (e) certification of boiler operating engineers, boiler operators and welders.

ii) Explosives Act, 1884

This is a comprehensive law which regulates the manufacture, possession, sale, transportation, exportation and importation of explosives. As per the definition under the Act, an explosive includes any substance, whether a single chemical compound or a mixture of substances, whether solid or liquid or gaseous, used or manufactured with a view to produce a practical effect by explosion or pyrotechnic. The Government may also by notification declare that any substance, which appears to be specifically dangerous to life or property, by reason either of its explosive properties or of any process in the manufacture thereof being liable to explosion, as an explosive within the meaning of the Act. The Act requires that licenses are to be obtained for the manufacture, possession, use, sale, transport and importation of explosives.

iii) Standards of Weights and Measures Enforcement Act, 1985

The Standards of Weights and Measures Enforcement Act, 1985 regulates the classes of weights and

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measures manufactured, sold, distributed, marketed, transferred, repaired or used and the classes of users of weights and measures. The Act was passed with a view to regulating and modernizing the standards used in India based on the metric system. The units of weight which are sought to be used in day to day trade are required to be periodically inspected and certified by the designated authorities under this act for their accuracy

iv) Consent for operation of the plant under the Air (Prevention and Control of Pollution) Act 1981 ("Air Act").

The Air (Prevention and Control of Pollution) Act 1981 has been enacted to provide for the prevention, control and abatement of air pollution. The statute was enacted with a view to protect the environment and surroundings from any adverse effects of the pollutants that may emanate from any factory or manufacturing operation or activity. It lays down the limits with regard to emissions and pollutants that are a direct result of any operation or activity. Periodic check on the factories are mandated in the form of yearly approvals and consents from the corresponding Pollution Control Boards in the state.

v) Consent for operation of the plant under the Water (Prevention and Control of Pollution) Act, 1974 ("Water Act")

The Water Act was enacted in 1974 in order to provide for the prevention and control of water pollution by factories and manufacturing industries and for maintaining or restoring the wholesomeness of water. In respect to an Industrial Undertaking it applies to the (i) Occupier (the owner and management of the undertaking) (ii) Outlet (iii) Pollution and (iv) Trade effluents. The Act requires that approvals be obtained from the corresponding Pollution Control Boards in the state.

vi) Water (Prevention and Control of Pollution) Cess Act, 1977

The Water Cess Act is a legislation providing for the levy and collection of a cess on local authorities and industries based on the consumption of water by such local authorities and industries so as to enable implementation of the Water Act by the regulatory agencies concerned.

vii) Environment (Protection) Act, 1986

The Environment (Protection) Act, 1986 was enacted as a general legislation to safeguard the environment from all sources of pollution by enabling coordination of the activities of the various regulatory agencies concerned, to enable creation of an authority with powers for environmental protection, regulation of discharge of environmental pollutants etc.

viii) State laws on Excise and Prohibition and Rules governing Indian Made Foreign Liquor.

The alcoholic beverages sector under the Constitution is a State subject and accordingly States and Union Territories frame their own policies/taxation regime. With a view to raising resources to meet the growing developmental needs, excise revenue is generated through duties and fees such as excise duty, licence fee, sales tax, brand/label registration fee, import/export fee, vend fee, gallonage fee, turnover tax etc. Rates of such duties/fees vary widely from State to State.

ix) Electricity Act, 2003

The Electricity Act, 2003 has been recently introduced with a view to rationalise electricity tariff, and to bring about transparent policies in the sector. The Act provides for private sector participation in generation, transmission and distribution of electricity, and provides for the corporatisation of the state electricity boards. The related Electricity Regulatory Commissions Act, 1998 has been enacted with a view to confer on these statutory Commissions the responsibility of regulating this sector.

x) State laws governing general sales tax.

As a consequence of the enactment of the Value Added Tax Act, in most of the states in India, the

General Sales Tax Act, 1959 has been rendered redundant, since only one of the legislations can operate in the State. The Tamil Nadu Value Added Tax Act, 2006 has been in force in the state of Tamil Nadu from the 1st January 2007.

xi) Central Sales Tax Act, 1956

The Central Sales Tax basically governs the inter state trade of goods and the taxes leviable on the same. Registered dealers are given a concessional rate of tax on the goods dealt with and traded by them. This is a central legislation which is applicable all over India and mandates the maintenance of certain records and the submission of returns to the concerned authorities.

xii) Income Tax Act, 1961

The Income Tax Act, 1961 deals with the taxation of individuals, corporates, partnership firms and others. As per the provisions of this Act the rates at which they are required to pay tax is calculated on the income declared by them or assessed by the authorities, after availing the deductions and concessions accorded under the Act. The maintenance of Books of Accounts and relevant supporting documents and registers are mandatory under the Act. Filing of returns of Income is compulsory for all assesseees.

xiii) Approvals from Local Authorities

Setting up of a factory or manufacturing/Housing unit entails the requisite Planning approvals to be obtained from the relevant Local Panchayat(s) outside the city limits and appropriate Metropolitan Development Authority within the city limits. Consents from the state Pollution Control Board(s), the relevant state Electricity Board(s), the State Excise Authorities, Sales Tax, are required to be obtained before commencing the building of a factory or the start of manufacturing operations.

xiv) Industrial (Development and Regulation) Act, 1955

The Industrial (Development and Regulation) Act, 1951 has been liberalized under the New Industrial Policy dated July 24, 1991, and all industrial undertakings are exempt from licensing except for certain industries such as distillation and brewing of alcoholic drinks, cigars and cigarettes of tobacco and manufactured tobacco substitutes, all types of electronic aerospace and defense equipment, industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose and matches and hazardous chemicals and those reserved for the small scale sector. An industrial undertaking, which is exempt from licensing, is required to file an Industrial Entrepreneurs Memorandum ("IEM") with the Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, and no further approvals are required.

xv) State laws governing entry tax

Entry Tax provides for the levy and collection of tax on the entry of goods into the local areas of the state for consumption, use or sale therein and matters incidental thereto and connected therewith. It is levied at such rate as may be specified by the State Government and different rates may be specified for different goods. The tax leviable under this Act shall be paid by every dealer in scheduled goods or any other person who brings or causes to be brought into a local area such scheduled goods whether on his own account or on account of his principal or customer or takes delivery or is entitled to take delivery of such goods on such entry.

xvi) The Factories Act, 1948

The Factories Act, 1948 is a social legislation which has been enacted to regulate the occupational safety, health and welfare of workers at work places. This legislation is being enforced by the Government through officers appointed under the Act i.e. Inspectors of Factories, Deputy Chief Inspectors of Factories who work under the control of the Chief Inspector of Factories and overall control of the Labour Commissioner. The ambit of operation of this Act includes the approval of Factory Building Plans before construction/

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extension, investigation of complaints with regard to health ,safety, welfare and working conditions of the workers employed in a factory, the maintenance of registers and the submission of yearly and half-yearly returns.

xvii) State laws governing Labour Welfare Funds

The concept of Labour Welfare Fund has been evolved in order to extend a measure of social assistance to workers in the unorganized sector. Towards this end, separate legislations have been enacted by Parliament to set up five Welfare Fund to be administered by Ministry of Labour. The Government is authorized to constitute the Labour Welfare Fund and all unpaid accumulations owed to the workers shall be paid, at such intervals as may be prescribed, to the State Board, and be credited to the Fund and the Board has to maintain account of the same and settle worker claims.

xviii) Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959 and Employment Exchanges (Compulsory Notification of Vacancies) Rules, 1960

The Employment Exchanges (Compulsory Notification of Vacancies) Act was enacted to provide for compulsory notification of vacancies to the Employment Exchanges and for the rendition of returns relating to Employment situation by the employers. All Establishments in Public Sector and such establishments in private sector excluding Agriculture, where ordinarily 25 or more persons are employed fall within the purview of the Act. These establishments are required to notify all vacancies (other than those exempted) to the appropriate Employment Exchange as notified in the official Gazette by the State Government in the prescribed format.

xix) Payment of Wages Act, 1936 ("Wages Act")

The Payment of Wages Act applies to the persons employed in the factories and to persons employed in industrial or other establishments where the monthly wages payable to such persons is less than Rs. 1600/-. The Act confers on the person(s) responsible for payment of wages certain obligations with respect to the maintenance of registers and the display in such factory/establishment, of the abstracts of this Act and Rules made there under.

xx) The Minimum Wages Act, 1948 ("Minimum Wages Act")

The Minimum Wages Act, 1948 was enacted to provide for minimum wages in certain employments. Under this Act, the Central and the State Governments are the authorities to stipulate the scheduled employment and to fix minimum wages. The Act contains list of Agricultural and Non Agricultural employment where the prescribed minimum rate of wages is to be paid to the workers. The minimum wages are calculated and fixed based on the basic requirement of food, clothing, housing required by an average Indian adult.

xxi) Employees (Provident Fund and Miscellaneous Provisions) Act, 1952

The Act is applicable to factories employing more than 20 employees and may also apply to such establishments and industrial undertakings as notified by the Government from time to time. All the establishments under the Act are required to be registered with the Provident Fund Commissioners of the State. Also, in accordance with the provisions of the Act the employers are required to contribute to the Employees' Provident Fund the prescribed percentage of the basic wages, dearness allowances and remaining allowance (if any) payable to the employees. The employee shall also be required to make the equal contribution to the fund. As per the provision of the Act, employers are to contribute 12% of the basic wages, dearness allowances and remaining allowances (if any) payable for the time being to the employees. A monthly return in Form 12 A is required to be submitted to the commissioner in addition to the maintenance of registers by the employers.

xxii) Payment of Gratuity Act, 1972

A terminal lump sum benefit paid to a worker when he or she leaves employment after having worked for

the employer for a the prescribed minimum number of years is referred to as "gratuity". The provisions of the Act are applicable to all the factories. The Act provides that within 30 days of opening of the establishment, it has to notify the controlling authority in Form A and thereafter whenever there is any change in the name, address or change in the nature of the business of the establishment a notice in Form B has to be filed with the authority. The Employer is also required to display an abstract of the act and the rules made there-under in Form U to be affixed at the or near the main entrance. Further, every employer has to obtain insurance for his liability towards gratuity payment to be made under Payment of Gratuity Act 1972, with Life Insurance Corporation or any other approved insurance fund.

xxiii) Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 is applicable to every establishment employing 20 or more employees. The said Act provides for payment of the minimum bonus to the employees specified under the Act. It further requires the maintenance of certain books and registers such as the register showing computation of the allocable surplus; the register showing the set on & set off of the allocable surplus and register showing the details of the amount of Bonus due to the employees. Further it also require for the submission of Annual Return in the prescribed form (FORM D) to be submitted by the employer within 30 days of payment of the bonus to the Inspector appointed under the Act.

xxiv) Contract Labour (Regulation and Abolition) Act, 1970

The purpose of Contract Labour (Regulation and Abolition) Act 1970, is to regulate the employment and protect the interests of the workers who are hired on the basis of individual contracts in certain establishments. In the event that any activity is outsourced, and is carried out by labourers hired on contractual basis, then compliance with the Contract Labour (Regulation and Abolition) Act, including registration will be necessary and the principal employer will be held liable in the event of default by the contractor to make requisite payments towards provident fund etc.

xxv) Employment (Standing Orders) Act, 1950

The Industrial Employment (standing orders) Act requires employers in industrial establishments to formally define conditions of employment under them. It applies to every industrial establishment wherein 100 (reduced to 50 by the Central Government in respect of the establishments for which it is the Appropriate Government) or more workmen are employed. The Act calls for the submission of such conditions of work to the relevant authorities for their approval.

xxvi) The Equal Remuneration Act, 1976 ("Equal Remuneration Act") and Equal Remuneration Rules, 1976

The Constitution of India provides for equal pay for equal work for both men and women. To give effect to this provision, the Equal Remuneration Act, 1976 was implemented. The Act provides that no discrimination shall be shown on the basis of sex for performing similar works and that equal remuneration shall be paid to both men and women when the same work is being done.

xxvii) Employees State Insurance Act, 1948

All the establishments to which the Employees State Insurance (ESI) Act applies are required to be registered under the Act with the Employees State Insurance Corporation. The Act applies to those establishments where 20 or more persons are employed. The Act requires all the employees of the factories and establishments to which the Act applies to be insured in the manner provided under the Act. Further, employer and employees both are required to make contribution to the fund. The return of the contribution made is required to be filed with the ESI department.

xxviii) The Maternity Benefit Act, 1961("Maternity Act") and Karnataka Maternity Benefit Rules, 1966

The purpose of Maternity Act 1961 is to regulate the employment of pregnant women and to ensure that

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they get paid leave for a specified period during and after their pregnancy. It provides, inter-alia for payment of maternity benefits, medical bonus and enacts prohibition on dismissal, reduction of wages paid to pregnant women etc.

xxix) Registrations under the applicable Shops & Commercial Establishments Acts of the respective States in which the Company has an established place of business/ office ("Shops Act")

The Tamil Nadu Shops and Establishments Act, 1947 has been enacted to give benefits and relief to the vast unorganized sector of employees, employed in shops and establishments. The above Act provides for the regulation of conditions of work in shops, commercial establishments, restaurants, theatres and other establishments. The Act is enforced by the Chief Inspector of Shops (CIS) and various inspectors under the supervision and control of Deputy./ Assistant Labour Commissioners of the concerned district, who in turn functions under the supervision of Labour Commissioner.

xxx) Trademarks Act, 1999

The Trademarks Act was enacted in the year 1940 and re-enacted in 1958. Subsequently the Trademarks Act of 1999 was passed with significant changes and inclusions from the old Acts. The Act of 1999 provides trademark protection to marks used in connection with various classes of goods and services besides categories such as collective marks and certification marks.

For details of regulatory approvals obtained by our Company, please see the Chapter entitled "Government Approvals" appearing on page no. 227 of this Prospectus.

We are entitled for subsidies and incentives from the Government of India in respect of our existing and proposed business activities, the details of which are given hereunder:

A. TAX BENEFITS FOR THE POWER GENERATION UNIT (BIOMASS)

1. Our Company will (subject to fulfilment of conditions mentioned therein) be entitled to a deduction of 100% of the profit deductible for 10 years commencing from the initial assessment year from profit from generation / distribution of power u/s.80 IA of the Income Tax Act, 1961. Initial assessment year means the assessment year specified by the Company at its option to be the initial year not falling beyond the fifteenth assessment year starting from the previous year in which the undertaking generates power or commences transmission or distribution of power.
2. For the Plant and Machinery used for the power generation / distribution, the Company at its option is eligible under section 32 of the Income Tax Act, 1961, in the case of tangible assets to claim depreciation on straight-line basis at the percentage specified in Appendix IA to the Income Tax Rules, 1962 on the actual cost of individual asset. The aggregate depreciation cannot exceed the "actual cost".
3. Our Company will be entitled to a capital subsidy of Rs.20,00,000/- per MW subject to a maximum of 5 MW
4. Under Notification No. 33/2005, our Company will be entitled to exemption (subject to fulfilment of conditions mentioned therein) of the whole of the excise duty leviable for all items of machinery, including prime movers, instruments, apparatus and appliances, control gear, and transmission equipment and auxiliary equipment and components required for initial setting up of a project for the generation of power using non-conventional materials, which includes agricultural, forestry, agro-industrial and bio-waste.
5. Under Notification No. 33/2005, our Company will be entitled to exemption (subject to fulfilment of conditions mentioned therein) of the whole of the excise duty leviable for all items of machinery, including prime movers, instruments, apparatus and appliances, control gear, and transmission equipment and auxiliary equipment and components required for initial setting up of a project for the generation of power using non-conventional materials, which includes agricultural, forestry, agro-industrial and bio-waste.

6. Under Notification No. 81/2005, our Company will be entitled to exemption (subject to fulfilment of conditions mentioned therein) of so much of the customs duty leviable on imports into India as is in excess of 5% ad valorem for all items of machinery, including prime movers, instruments, apparatus and appliances, control gear, and transmission equipment and auxiliary equipment and components required for initial setting up of a project for the generation of power using non-conventional materials, which includes agricultural, forestry, agro-industrial and bio-waste.
7. The Ministry of Non-Conventional Energy Sources, Government of India has sanctioned a programme on Biomass energy and co-generation (non-bagasse) in Industry vide its sanction No. IFD/SAN/106/168/2005-06 dated 25.7.2005. This programme provides for financial assistance for setting up biomass based power plant and biomass gasifier projects for generation of thermal and electrical energy. Subject to fulfilment of the conditions therein, such projects are also entitled to capital subsidy and interest subsidy on term loans.

B. TAX BENEFITS FOR DEVELOPING AND BUILDING HOUSING PROJECTS

We have obtained planning permission for the proposed real estate project from the local authority and from the Deputy Director of the Directorate Town and Country Planning, Chengleput Division, on March 28, 2007 and March 30, 2007 and accordingly we are entitled (subject to fulfilment of conditions mentioned therein) to a deduction of 100% of the profit derived in any previous year relevant to any assessment year from housing project under section 80 (IB) of the Income Tax Act, 1961.

C. WE ALREADY AVAILED THE BENEFITS AND INCENTIVES FOR GENERATION OF ENERGY THROUGH WIND MILLS AS ENLISTED HEREUNDER:

I. INCENTIVES AND FACILITIES OFFERED BY GOVERNMENT OF INDIA

1. Import of Wind Electric Generators under Open General License.
2. Customs duty is only 25% for the import of complete Wind Electric Generator.
3. No customs duty is applicable for select spare components.
4. Up to 100% depreciation on Wind Energy Generator is permissible for Income Tax calculation subject to minimum utilization of six months in the year in which the deduction is claimed.
5. Tax holiday for five years in respect of profits and gains from the private wind electric generators.
6. Loan facility up to 75% of the project cost through Indian Renewable Energy Development Agency (IREDA).

II. INCENTIVES AND FACILITIES OFFERED BY GOVERNMENT OF TAMIL NADU

1. Sales tax exemption on the procurement of Wind Electric Generator.
2. Exemption from Taxation on electricity consumption from Wind Electric Generation.
3. Buying of surplus energy at the rate of Rs.2.45 per unit with effect from December 01, 1997.
4. Concessional wheeling charge of 2% for self use.
5. Banking facilities with 2% commission to help during restriction and control period. Banking period is one year.

Sector Specific Regulations on Non-Resident Investment:

Investments by persons not resident in India, in securities of Companies registered in India, are regulated by the Foreign Exchange Management (Transfer or Issue of Security by Persons Resident Outside India) Regulations, 2000, issued by the Reserve Bank of India, as well as the Industrial Policy and Press Notes issued by the Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, Government of India.

EMPEE DISTILLERIES LIMITED

These regulations specify the extent to which investments may be made by persons not resident in India in the various sectors / industries, and would govern investments by persons who are not resident in India in the proposed issue.

The ceiling limits on investments by non-residents in sectors/ industries in which our Company is engaged in/ proposing to engage in is provided below:

S. No.	Sector / Activity	FDI Cap/ Equity	Approvals	Other Conditions
1.	Alcohol Distillation and Brewing	100%	Yes*	Subject to license by appropriate authority
2.	Construction, development projects, including housing, commercial premises, resorts, educational institutions, recreational facilities, city and regional level infrastructure, townships	100%	No	<p>The investment shall be subject to the following guidelines :</p> <p>(a) Minimum area to be developed under each project shall be as under :</p> <p>i. In case of development of serviced housing plots - 10 hectares.</p> <p>ii. In case of construction - development project - 50,000 sq.mtrs.</p> <p>iii. In case of combination project, any one of the above two conditions.</p> <p>b. The investment shall be subject to the following conditions :</p> <p>(i) Minimum capitalization of US \$ 10 Million for wholly owned subsidiaries and US \$ 5 Million for joint ventures with Indian partners. The funds would have to be brought in within six months of commencement of business of the Company.</p> <p>(ii) Original investment cannot be repatriated before a period of three years from completion of minimum capitalization. However, the investor may be permitted to exit earlier with prior approval of the Government through the FIPB.</p> <p>c. At least 50% of the project must be developed within a period of five years from the date of obtaining all statutory clearances. The investor shall not be permitted to sell undeveloped plots.</p> <p>d. The project shall conform to the norms and standards, as laid down in the applicable building control regulations, bye-laws, rules, and other regulations of the State Government / Municipal / Local Body concerned.</p> <p>e. The investor shall be responsible for obtaining all necessary approvals, including those of the building / layout plans, developing internal and peripheral areas and other infrastructure facilities, payment of</p>

S. No.	Sector / Activity	FDI Cap/ Equity	Approvals	Other Conditions
				<p>development, external development and other charges and complying with all other requirements as prescribed under applicable rules / bye-laws / regulations of the State Government / Municipal / Local Body concerned.</p> <p>f. The State Government / Municipal / Local Body concerned, which approves the building / development plans, shall monitor compliance of the above conditions by the developer.</p> <p>Note: For the purpose of these guidelines, "undeveloped plots" will mean where roads, water supply, street lighting, drainage, sewerage, and other conveniences, as applicable under prescribed regulations, have not been made available. It will be necessary that the investor provides this infrastructure and obtains the completion certificate from the concerned local body / service agency before he would be allowed to dispose of serviced housing plots.</p>
3.	Power including generation (except atomic energy), transmission, distribution and power trading	100%	No	Subject to the provisions of the Electricity Act, 2003

* Under the extant foreign direct investment policy, this sector comes within the automatic route. However, in view of the requirement under the Foreign Exchange Management (Issue or Transfer of Securities to Non-Resident) Regulations, 2000 (FEMA 20/2000), that the prior approval of the Government of India, be obtained in the case of foreign investments in sectors which require industrial licensing, the Company has applied to the Foreign Investment Promotion Board for approval for seeking foreign investment. The Department of Industrial Policy & Promotion, Ministry of Commerce & Industry vide its letter dated June 5, 2007 advised that FDI upto 100% is permitted on automatic route for Alcohol - Distillation & Brewing sector.

The Foreign Exchange Management (Transfer or Issue of Security by Persons Resident Outside India) Regulations, 2000 categorises non-residents investing in companies registered India into the following classes:

1. Registered Foreign Institutional Investor
2. Foreign Venture Capital Investor
3. Non-resident India

Investments may be made directly in the shares of an Indian Company under the Foreign Direct Investment Scheme by persons who are not citizens of Bangladesh or Pakistan and by entities incorporated in places outside India other than Bangladesh or Pakistan. Such investments must be within the sectoral caps detailed in the table above and provided the activity of the issuer Company does not require an industrial license. The price at which the shares are issued to persons' resident outside India will not be less than the price worked out in accordance with SEBI Guidelines where the issuing Company is listed on any recognized stock exchange in India.

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A registered Foreign Institutional Investor (FII) is permitted to purchase shares of an Indian Company. The total holding by each FII or SEBI approved sub-account of FII will not exceed 10% of the total paid up equity capital of the Company and the total holdings of all FIIs / sub-accounts of FII put together will not exceed 24% of the paid up capital of the issuer Company. It is permitted however for an Indian Company to increase the limit of 24% up to the sectoral cap by means of the Company concerned passing a resolution to this effect by its board of directors, and its general body approving the same by a special resolution. The ceiling on the holdings of FIIs will include both investments in primary and secondary market. This ceiling will not include investments made by FIIs through offshore funds, GDRs and Euro Convertible Bonds. The shares issued to a registered FII in a public issue will not be at a price less than the price at which the shares are issued to residents.

A domestic asset management Company or portfolio manager which is registered with SEBI as an FII for managing the fund of a sub-account may make an investment under the PIS on behalf of a person resident outside India who is a citizen of foreign state or a body corporate registered outside India. Such investments will not exceed 5% of the total paid up equity capital of the issuer Company and will also be subject to 24% cap on the total holding by FIIs/sub-accounts of FIIs in the paid up equity capital of the issuer Company.

Non-resident Indians can invest in shares of a Company other than under Portfolio Investment Scheme, on a non-repatriation basis under a public issue. However, such purchase is not permitted in companies engaged in real estate business excluding development of township, construction of residential / commercial premises. Such investments by non-resident Indians may be made without any limit. The amount invested in shares under the scheme and the capital appreciation thereon will not be allowed to be repatriated abroad.

Overseas Corporate Bodies (OCBs) have been de-recognised as an investor class in India with effect from September 16, 2003. OCBs cannot invest under the PIS, and investments by OCBs under the Foreign Direct Investment Scheme is permitted only with the prior approval of the Reserve Bank of India even if the investment is under the automatic route.

A registered Foreign Venture Capital Investor, which has obtained permission from the Reserve Bank of India to do so, can purchase Equity Shares of an Indian Venture Capital Undertaking or of a Venture Capital Fund through an Initial Public Offer. These investments will be subject to the regulations and guidelines issued by the SEBI, including the requirement that not more than 33.33% of its investible funds can be utilised for subscription to shares in an Initial Public Offer.

HISTORY AND CERTAIN CORPORATE MATTERS

History

Our Company is part of Empee Group promoted by Mr. M P Purushothaman and his family members engaged in the manufacture of Indian Made Foreign Liquor (IMFL) which is our core business. We, Empee Distilleries Limited, entered into the Beverages and Distillery Industry in the year 1984 by starting manufacture of IMFL products by means of setting up of our first distillery unit at Mevaloorkuppam, Tamil Nadu with an installed capacity of 2000 cases/day with initial production running off on 2 semi auto lines. We are one of the major suppliers of IMFL products to the Tamil Nadu State Marketing Corporation Limited (TASMAC) and one of the top ten selling brands of IMFL 180 ML Pack (Source: <http://tasmac.tn.gov.in>). We are presently engaged into manufacturing of Indian Made Foreign Liquor (IMFL) products under our own brand portfolio as well as under tie-up arrangements with other companies. The brands under our portfolio are Old Secret XXX Rum, Power XXX Rum, Power Brandy, Mc Lene Ordinary Brandy, McLene XXX Ordinary Rum, Power Whisky, Empee Napoleon Premium Brandy, Empee Fine Brandy, Commando XXX Rum, Club Polo Dry Gin, Club Royal Whisky, Elcanso Dark XXX Rum and Old Secret Brandy. The brands under tie up arrangement are Brihans Napoleon Premium Brandy, Brihans Premium Whisky.

Our Company was originally incorporated on September 15, 1983 as a Private Limited Company and was converted into a Public Limited Company with effect from December 1, 1983. The Registered Office of our Company is situated at 693, Mount Road, Chennai, Tamil Nadu since incorporation.

We, Empee Distilleries Limited entered into the Beverages and Distillery Industry in the year 1984 by starting manufacture of IMFL products by means of setting up of our first distillery unit at Mevaloorkuppam, Tamil Nadu with an installed capacity of 2000 cases/day with initial production running off on 2 semi auto lines.

The first brands launched by us were Marcopolo and Victoria (Marcopolo in 4 flavours of Brandy, Rum, Whisky and Gin & Victoria in 2 flavours of Rum and Brandy). These were immediately followed by Golden Bell Brandy, McLene Brandy, etc. All these products were developed at our in-house facility and with production in the beginning running off on two semi automatic lines.

In the year 1985-86 we entered into a strategic tie up with Brihans Maharashtra Sugar Syndicate Limited, Pune, for bottling their premium brands namely Brihans Napoleon Brandy and Brihans Premium Whisky, besides Golden Bell Brandy, Whisky, Gin and Rum in the other segments.

In the year 1986-87 the production facility at Mevaloorkuppam was augmented by additional four semi automatic lines which resulted in production touching 4,000 cases per day in January 1987 and 6,000 cases in the following year. With a view to enhance the quality of the spirit that goes into production, we decided to set up our own distillation columns and commenced work. These distillation columns were commissioned during March 1988 with a capacity of 9KLPD.

During the year 1991-93 we acquired a brewery unit from the Government of Tamil Nadu at Kutumbakkam Village, near Chennai and began production and sales under the labels Marcopolo Strong and Lager Beer and during the year 1993-94, we further expanded our brand portfolio along with expanding capacity of our distillery unit.

In 1994-95 our Company's brewery capacity was doubled, while on the IMFL front we entered into bottling tie-ups with various Companies in Kerala for marketing our products.

In the year 1995-96 the production capacity of our IMFL Unit was further expanded to 10,080 cases per day / 2,52,000 cases per month. Concurrently the capacity of the secondary distillation was also increased to 20 KLPD by setting up a modern Re-Distillation Unit to meet the in house ENA requirements. We also entered into tie-up arrangements in Pondicherry, Kerala and New Delhi for manufacture and sale of our brands.

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Considering the high energy needs of the brewery and distillery units of our Company we drew up plans for captive generation of power by Wind Energy Generators (WEGs). Eight WEGs with a capacity of 2 MW each were commissioned during the year 1996-97. We entered into a Power Purchase Agreement (PPA) on March 29, 1997 with the Tamil Nadu Electricity Board (TNEB), under which the Board granted permission to install 8 Wind Mills of 250 KW capacity each, for power generation and to export Power to the grid with remaining power being adjusted with our liquor divisions. We also have executed an Operation and Maintenance Agreement on December 25, 2002 with M/s. Sastha Engineers & Consultants, Coimbatore for operation and maintenance of Windmills, which has been renewed from time to time and is presently renewed till March 31, 2008.

In the year 1997-98 we received Licence from the Government of Kerala for our setting up of IMFL Unit at Palakkad with an initial capacity of 50,000 cases per month. In the year 1999-2000, in order to achieve economies of scale and full capacity utilization, in respect of our Brewery Division, we entered into a tie up with Shaw Wallace & Co. Limited for bottling its Haywards 5000 Beer. Further we also entered into a manufacturing agreement with Jagatjit Industries Limited for bottling Aristocrat White Rum at our Palakkad unit in Kerala.

In the year 2001-2002 with a view to concentrate mainly on IMFL, we hived off our Brewery Division to Empee Breweries Limited. We also entered into a non-compete agreement with McDowell Alcobhev Limited, which acquired Empee Breweries Limited under which we agreed not to manufacture and sell beer products in the territory of Tamil Nadu and Kerala for a period of seven years i.e. upto March, 2009.

In the year 2002-03, we entered into tie-ups in the nature of manufacturing, licensing, marketing, technical & marketing, registered user agreements etc to expand our brands and operations, particularly in Andhra Pradesh. We were also accredited as an ISO:9001:2000 in this year.

In the year 2003-04, we launched our brand namely Old Secret Rum in Tamil Nadu. During the year 2005-06 we sold approx. one million Old Secret Rum cases since its launch in Tamil Nadu.

In order to diversify and expand our business activities by means of both backward and horizontal integration and to achieve economies of scale in our existing business activities, we have now decided to expand our existing distillery unit at Tamil Nadu by augmenting the capacity of our Extra Neutral Alcohol Plant from 20KLPD to 70KLPD and augmenting the capacity of the distillery to handle 5.00 Lakh cases per month from the present 3.20 Lakh cases per month, set up a 60 KLPD Grain Based Distillery Unit at Nellore District, Naidupet Sub-District, Pellakuru Mandal, Pellakuru Village, Andhra Pradesh, set up Blending & Bottling IMFL Plant at Village Pellakuru Mitta, Panchayat, Pellakuru, Mandal-Pellakuru, District Nellore with a installed capacity of 0.70 Lakh cases per month, Andhra Pradesh and set up a 7.5 MW Bio-mass based power plant at Aranthangi Taluk, Pudukottai District, Tamil Nadu along with diversifying into the real estate sector by development of 2.00 Lakhs sq.ft. of residential space in Mevalooruppam, Sriperumbudur Taluk, Kancheepuram, District Tamil Nadu.

We have also acquired from Appollo Alchobev Limited, one of our Promoter Group Companies engaged in the business of manufacture and sale of IMFL at White field, Bangalore and having an operating IMFL manufacturing Unit, Operating Assets together with the benefits and obligations of all current and valid licenses, permits and sanctions pertaining to the said assets and the manufacture of IMFL and sale thereof and the benefits of all pending contracts related thereto for the purchase of any materials and sales of IMFL for a consideration of Rs. 800.00 Lakhs vide Asset Purchase Agreement dated March 22, 2007 (For details of the terms and conditions of the Asset Purchase Agreement, refer page no. 125 of this Prospectus). Accordingly we propose to relocate Plant & Machinery as purchased from Appollo Alchobev Limited to Village Arabikothanur, Panchayat-Vokkaleri Hobli, District Kolar, Karnataka along with expanding the existing capacity from 0.50 Lakh cases per month to 1.00 Lakh cases per month.

Major Events in the History of our Company

1983	Conversion to a Public Limited Company with effect from December 1, 1983 under the provisions of Section 44 of the Companies Act, 1956.
1984	<ol style="list-style-type: none"> 1. Setting up of our First Distillery Unit at Mevalooruppam, Sriperumbudur Taluk, Kanchipuram District, Tamil Nadu. 2. Launching of our first brands namely Marcopolo and Victoria.
1985-86	Strategic tie up with Brihans Maharashtra Sugar Syndicate Ltd, Pune, vide Agreement dated May 23, 1987 for bottling their premium brands namely Brihans Napoleon Brandy and Brihans Premium Whisky, besides Golden Bell Brandy, Whisky, Gin and Rum in the other segments.
1986-89	Increasing production capacity of our Distillery Unit at Tamil Nadu by augmentation of 4 Semi Automatic Bottling Lines (4,000 Cases per day) in the year 1987, further to 6 Semi Auto Bottling Lines: 6,000 Cases Per day in the year 1988 and finally to 4 Semi Automatic Bottling Lines and 1 Automatic Bottling Lines: 6,000 Cases Per in the year 1989.
1991-93	<p>Acquisition of Empee Sugars and Chemicals Limited (presently subsidiary of our Company) and listing of Equity Shares of Empee Sugars and Chemicals Limited at the BSE, HSE and MSE.</p> <p>Acquisition of brewery unit from the Government of Tamil Nadu at Kutumbakkam Village, near Chennai.</p>
1995-96	<ol style="list-style-type: none"> 1. Increase in production capacity of our IMFL Unit to 10,080 cases per day / 2,52,000 cases per month. 2. Increase in capacity of the secondary distillation was also increased to 20 KLPD by setting up a modern Re-Distillation Unit to meet the in house ENA requirements.
1996-97	<ol style="list-style-type: none"> 1. Commissioning of Eight WEGs of 2MW capacity each. 2. Execution of Power Purchase Agreement (PPA) on March 29, 1997 with the Tamil Nadu Electricity Board (TNEB) granting permission to install 8 Wind Mills of 250 KW capacity each, for power generation and to export Power to the grid.
1997-98	Grant of Licence from the Government of Kerala for our IMFL Unit at Palakkad with an initial capacity of 50,000 cases per month.
1999-00	<ol style="list-style-type: none"> 1. Tie up with Shaw Wallace & Co. Limited for bottling its Haywards 5000 Beer 2. Manufacturing agreement with Jagatjit Industries Limited for bottling Aristocrat White Rum at our Palakkad unit in Kerala vide agreement dated June 17, 2000, further extended for a period of 3 years up to June 16, 2008.
2001-02	<ol style="list-style-type: none"> 1. Hiving off our Brewery Division to Empee Breweries Ltd 2. Execution of non-compete agreement dated March 30, 2002 with McDowell Limited, which acquired Empee Breweries Limited under which we agreed not to compete with the business and product of Empee Breweries Limited and McDowell Alcobev Limited for a period of 7 years from March 31, 2002 in the territory of Tamil Nadu and Kerala.
2002-03	Accredited as an ISO: 9001:2000 Company
2003-04	Launch of brand namely Old Secret Rum in Tamil Nadu.
2006-07	Manufacturing License Agreement with Radico Khaitan Ltd entered on January 18, 2006 for manufacture of IMFS brands owned by Radico Khaitan Limited for a period of 5 years with effect from December 31, 2005.

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Main Objects of our Company

The main objects of our Company as stated in the Memorandum of Association are as under:

1. To carry on the business of Distilleries, Bottlers, Brewers, Blenders, Manufacturers and producers in all its branches, and to purchase, manufacture, produce, refine, import, export, sell and generally deal in Arrack, Indian and Foreign Liquours and liquors of every description, Alcohol and spirits such as Power Alcohol, Industrial Alcohol, Neutral Alcohol, Absolute Alcohol, Ethyl Alcohol, Amyl and Butyl Alcohols and Spirits like Rectified spirit, Denatured spirit, Methylated spirits and spirits of every description and wines, Prot-wines, Beer, Ale, Porter, Stout, Toddy, whether intoxicating or not, Aerated and other Mineral waters, soft drinks of every kind and description and in connection therewith to acquire, construct, operate factories for the blending of Arrack, manufacture of Alcohol and their products and by-products and to acquire machinery for any of the above purposes.
 - 1(a) To own, purchase, charter, hire or otherwise acquire, sell, exchange, let or otherwise deal with, operate, trade in or with steam and other ships, boats, tugs, vessels, trawlers, drifters, other transports, and conveyances propelled or worked or capable of being propelled or worked by steam, electricity, petrol, oil, gas, or any other motive power or power producing substance, with all equipments and furniture, build steamer and ships, and vessels and to employ the same in the carriage or conveyance by land or sea in or between any place or places or port or ports or any seas, rivers, canals or elsewhere of passengers, mails, troops, munitions of war, live-stock, corn and other produce and of treasure and merchandise and food, articles and goods, and things between such ports and places in any part of the world as may seem expedient, and to establish, maintain and work, lines of steam and other ships and other transports and conveyance between any ports, countries or places which may seem to the Company from time to time expedient, and to acquire any postal and other subsidies.
2. To carry on business as manufacturers of and dealers in casks, jars, flasks, corks, bottles, bottle stoppers and other receptacles for stocking, storing and distributing all products manufactured.
3. To build, promote, remodel, develop, improve buildings (residential and commercial) including but not restricted to houses, apartments, shops, factories, hospitals, schools, hotels, godowns and to sell the same for cash or for deferred payment or for any other valuable consideration or to deal with the same in any manner whatsoever.

Changes in Memorandum of Association of our Company

Date	Particulars of Change
December 1, 1983	Conversion of our Company from a Private Limited to a Public Limited Company
December 1, 1983	Increase in the Authorised Capital of our Company from 20,000 Equity Shares of Rs.100/- each aggregating Rs. 20,00,000 to 1,00,000 Equity Shares of Rs.100/- each aggregating Rs. 1,00,00,000
August 4, 1989	Amendment to the Objects Clause of the Memorandum by adding Clause A(1)(a) to include the following object : To own, purchase, charter, hire or otherwise acquire, sell, exchange, let or otherwise deal with, operate, trade in or with steam and other ships boats, tugs, vessels, trawlers, drifters, other transports and conveyances propelled or worked or capable of being propelled or worked by steam, electricity, petrol, oil, gas, or any other motive power or power producing substance, with all equipments and furniture, built steamer and ships, and vessels and to employ the same in the carriage or conveyance by land or sea in or between any place or places or port or ports or any and other produce and of treasure and merchandise and food, articles and goods, and things between such ports and places in any part of the world as may seem expedient, and to establish, maintain and work, lines of steam and other ships and other transports and conveyance

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	between any ports, countries or places which may seem to the Company from time to time expedient, and to acquire any postal and other subsidies.
November 5, 1990	Increase in the Authorised Capital of our Company from 1,00,000 Equity Shares of Rs.100/- each aggregating Rs. 1,00,00,000 to 2,00,000 Equity Shares of Rs.100/- each aggregating Rs. 2,00,00,000
January 30, 1991	Increase in the Authorised Capital of our Company from 2,00,000 Equity Shares of Rs.100/- each aggregating Rs. 2,00,00,000 to 4,00,000 Equity Shares of Rs.100/- each aggregating Rs. 4,00,00,000
October 5, 1994	Divided the existing nominal value of each Equity Share from Rs.100/- into Rs.10/- per share
October 5, 1994	Increase in the Authorised Capital of our Company from 40,00,000 Equity Shares of Rs.10/- each aggregating Rs. 4,00,00,000 to 1,00,00,000 Equity Shares of Rs.10/- each aggregating Rs. 10,00,00,000/-
September 1, 2005	Increase in the authorised capital of our Company from 1,00,00,000 Equity Shares of Rs.10/- each aggregating Rs. 10,00,00,000/- to 3,00,00,00 Equity Shares of Rs.10/-each aggregating Rs. 30,00,00,000/-
December 27, 2005	Altered the Objects clause by adding Clause 3 to include the following object: To build, promote, remodel, develop, improve buildings (residential and commercial) including but not restricted to houses, apartments, sops, factories, hospitals, schools, hotels, godowns and to sell the same for cash or for deferred payment or for any other valuable consideration or to deal with the same in any manner whatsoever.

SUBSIDIARIES OF OUR COMPANY

a. Empee Sugars and Chemicals Limited

a) Constitution: Listed Public Limited Company

b) Nature of Activity: Engaged in the business of Planting, cultivating, producing and raising or purchasing Sugar-Cane, Sugar-Beet, Maize Palmyra Trees, Palm Trees and other crops or trees whatsoever and to purchase, manufacture, produce, boil, refine, prepare, Import, export, sell and generally to deal in sugar, sugar candy, jaggery, confectionery, molasses, syrups, alcohol, spirits and manures and all other by-products and raw materials of sugar Industry, and products such as boot polish wax, buttons, power alcohol.

c) Date of Incorporation: Originally incorporated as Private Limited Company in the name of Raghava Sugars Private Limited on November 24, 1988. It was subsequently converted to a Public Limited Company on March 26, 1990 and further changed its name to Empee Sugars and Chemicals Limited with effect from May 3, 1990.

d) Board of Directors:

Name of Director	Designation
Mr. M.P. Purushothaman	Chairman and Managing Director
Ms. Nisha Purushothaman	Non Independent Non-Executive Director
Mr. M.K. Mohan	Non-Executive Independent Director
Lt. Gen. R.S. Nagra (Retd.)	Non-Executive Independent Director
Mr. M.P. Mehrotra	Non-Executive Independent Director
Mr. Jeyachandran	Joint Managing Director

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e) Shareholding Pattern as on June 30, 2007

Category Code	Category of Shareholder	Total No. of Equity Shares	Total Shareholding as a % of total capital
(A)	Shareholding of Promoter and Promoter Group		
(a)	Individuals/ Hindu Undivided Family	987560	2.35
(b)	Bodies Corporate (Empee Distilleries Limited)	28122102	67.00
	Sub Total (A)	29109662	69.35
(B)	Public Shareholding		
(a)	Bodies Corporate	1921921	4.58
(b)	Individuals	10941317	26.07
	Total Public Shareholding (B)	12863238	30.65
	TOTAL (A)+(B)	41972900	100.00

f) Financial Performance:

(Rs. In Lakhs)

	As on June 30, 2007	As on June 30, 2006	As on June 30, 2005
Gross Domestic Sales	6570.54	10627.17	9271.80
Net Sales	6078.38	10037.75	8684.13
Other Income	37.14	113.87	29.16
Total Income	6115.54	10151.62	8713.29
Profit before Tax	54.26	830.49	87.16
Net Profit After Tax	87.57	1031.08*	(459.34)
Depreciation	211.34	210.44	259.08
Cash Generation (Profit after Tax + Depreciation - Deferred Tax (in respect of financial performance of Empee Sugars & Chemicals Ltd)	298.91	1241.52	(238.19)
Paid up Capital	4197.01	4197.01	4197.01
Reserves	(610.81)	(653.62)	(1684.71)
Net Worth	2086.20	2043.39	1012.30
EPS-Rs./ Share	0.21	2.48	-
Book Value per Share	4.97	4.87	2.41

* The reasons for jump in PAT in for the period ended June 30, 2006 over period ended June 30, 2005 are as under:

- Sales quantity of sugar increased from 43,802 metric tones (M.T) to 49,318 M.T., increase of 5,516 M.T.i.e. an increase of 12.60% in the year 2005-2006 as compared to 2004-2005

- Average selling price of per metric tones (pmt) of sugar increased from Rs. 15824 pmt to rs 17,344/- pmt i.e. increase of Rs1520/- i.e. price increase of 9.60% in the year 2005-2006 as compared to the year 2004-2005.
- In 2004-05, interest expense of Rs 487.81 lakhs paid to IDBI (Rs. 384.89 Lakhs previous year interest and Rs. 102.93 Lakhs of current period interest) which reduced the profits for the period ended June 30, 2005.
- In 2004-05, Deferred Tax Liability of Rs. 584.43 Lakhs created during the period which reduced the profit for the year ended June 30, 2005.

g) Listing Status: The Equity Shares of Empee Sugars and Chemicals Limited are listed on the Bombay Stock Exchange Limited (BSE), The Hyderabad Stock Exchange Limited (HSE) and the Madras Stock Exchange Limited (MSE). The relevant Scrip code is 500132.

h) Market Data: The current price of each Equity Share of Empee Sugars and Chemicals Limited (as on October 5, 2007) is Rs. 9.18. The highest and lowest market price of the Equity Shares of the aforesaid Company during the preceding six months is as follows:

Month	High (Rs.)	Low (Rs.)	No. of shares
April 2007	9.75	7.45	494026
May 2007	8.70	7.12	375174
June 2007	8.93	6.10	394899
July 2007	8.79	6.90	540702
August 2007	8.00	6.51	544197
September 2007	11.50	7.20	253491

(Source: www.bseindia.com)

i) Promise vs. Performance: Empee Sugars and Chemicals Limited had made a public issue of 55,00,000 Equity Shares of Rs. 10/- each for cash at par, out of which 6,50,000 Equity Shares of Rs. 10/- each reserved for preferential allotment to the employees in the year 1991. Statement on cost and progress of implementation of the project which formed the object of the issue in comparison with the cost and implementation schedule given in the prospectus of the said Company:

Project - Setting up of white crystal sugar factory with an installed capacity of 2500 TCD at Ayyappareddypalem village, Naidupet Mandal, Nellore District, Andhra Pradesh

	As per Prospectus	Actual Implementation
Cost (Rs.)	Rs. 3050 lakhs (Rs 1300 lakhs Equity and Rs 1750 lakhs Term Loan)	Rs 3680 lakhs (Rs 1495 lakhs Equity, Rs 2100 lakhs Term Loan and Rs 125 lakhs unsecured loans from the promoters)
Project implementation	Execution work to be completed by first quarter of 1992	Sugar plant commissioned and crushing operations commencement on April 14, 1992 after a delay of four months

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	1991- 1992		1992- 1993		1993-1994	
	I Operating Year		II Year		III Year	
	Projected	Actual	Projected	Actual	Projected	Actual
Capacity Utilization (%)	–	–	90	63	100	85.5
Cane Crushed (Lakh Tonnes)	–	–	3.0	2.10	4.0	3.42
Average Recovery (%)	–	–	9.2	6.05	9.5	7.90
Total Income (Rs in lakhs)	–	–	2219	756.04	2618	3376.74 (18 Months)
Operating Profit/ Loss (Rs in Lakhs)	–	–	26	(996.89)	146	324.85 (18 Months)
Cash Profit/ Loss (Rs in lakhs)	–	–	316	(1265.22)	436	73.59 (18 Months)

- j) **Empee Sugars and Chemicals Limited is not a sick Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings.**

During the year ended September 30, 1994, the accumulated losses of Empee Sugars and Chemicals Limited (ESCL) had eroded more than 50% of networth as on that date majorily on account of cyclone hitting the factory and due to agro base nature of company which is subject to vagaries of nature. The matter was thereore, reported to the Board for Industrial and Financial Reconstruction (BIFR), Department of Economic Affairs, Ministry of Finance. However, BIFR informed that as the company had not completed a minimum period of 5 years of commercial production, the company did not come under the purview of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). For the period ended September 30, 1995, the networth of the company was negative. The company therefore, made a reference to BIFR under section 15(1) of SICA but the same was also rejected as the company had not completed the minimum statutory period of 5 years. For the same reason, the company was not a sick company in the year ended September 30, 1996.

During the period ended March 31, 1998 the accumulated losses were Rs. 1657 lakhs against shareholders funds of Rs. 1697 lakhs resulting in erosion of more than 50% of the networth of the company. As statutorily required under Section 23 of SICA, the company reported once again the matter to BIFR. The company also approached lending institutions with One Time Settlement (OTS) of the terms loans, who have approved the OTS proposal. In the meantime, the performance of the company improved and had not sought any assistance from BIFR.

- b. **Empee Power Company (India) Limited (As Empee Sugars & Chemicals Limited holds approximately 99.99 % of the equity shares of Empee Power Company (India) Limited, it becomes our indirect subsidiary)**

Name of the Company	Empee Power Company (India) Limited
CIN	U40101TN1996PLC037198
Registered Office	693, Mount Road, Chennai, Tamil Nadu-600006
Nature of Activity	To carry on the business of generation of electric power by using wind, solar, water, coal, oil, naptha, fuel oil, furnace oil, natural gas, liquified natural gas or any other carbohydrate available above the earth, or by from offshore or onshore site in India or outside India.
Date of Incorporation	December 26, 1996

Prospectus

Date of Commencement of Business	February 2, 1999
Name of the Directors	a. Nisha Purushothaman b. Shaji Purushothaman c. Sheeju Purushothaman d. Sheena Purushothaman

Shareholding Pattern as on March 31, 2007	Name of the Shareholder	No of Shares (Rs. 10/- each)
	Empee Sugars & Chemicals Limited (ESCL)	49994
	M.P. Purushothaman & ESCL	1
	A.K. Aruna & ESCL	1
	Nisha Purushothaman & ESCL	1
	Shaji Purushothaman & ESCL	1
	Sheeju Purushothaman & ESCL	1
	Sheena Purushothaman & ESCL	1
	Total	50000

Audited Financial Information	(15 Months Period ending June 30, 2007)	2005- 2006	2004- 2005
(Period April to March)			(Rs. In lakhs)
Sales	—	—	—
Other Income	—	—	—
Profit after Tax	-	—	—
Equity Capital	5.00	5.00	5.00
Face Value of Equity Share (Rs.)	100	100	100
Reserve & Surplus	—	—	—
Earning per Shares (EPS) Rs.	—	—	—
Net Asset Value (NAV) Rs.	(25.80)	(13.76)	(21.68)

The company is not operational since incorporation.

The shares of Empee Power Company (India) Limited are not listed on any of the Stock Exchanges. It is not a sick Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

SHAREHOLDERS AGREEMENT

There are no subsisting Shareholders Agreements among our shareholders in relation to our Company, to which our Company is a party or other wise has notice of the same.

OTHER AGREEMENTS

We have entered into the following agreements pertaining to business activities carried on by us or intended to be carried on by us besides contracts / agreements entered into in the ordinary course of business, the details of which are as follows:

EMPEE DISTILLERIES LIMITED

1. Usership Agreement with M/s. Jagatjit Industries Limited

Our Company (User) has entered into a manufacturing agreement with M/s. Jagatjit Industries Limited (Proprietor) to undertake the manufacture of contract products at the Company's Distillery and to undertake the sale of the contract product so manufactured for Kerala Unit.

The brief contents of the contract are as follows:

1	Date of Agreement	:	June 17, 2000
2	Scope of Agreement	:	Manufacture of Jagatjit's IMFL Products at Empee's Distillery unit situated at New Industrial Area, Menonpara Road, Kanjikode, Palakkad - 678623, Kerala, India for a consideration, for and on behalf of Jagatjit under Jagatjit's technical Supervision and Jagatjit's Brand names
3	Jagatjit's Obligations	:	<ol style="list-style-type: none"> To provide Technical Supervision, Trademarks and Brand names to blend and bottle the Company's following IMFL products: <ol style="list-style-type: none"> Aristocrat Premium Whisky Aristocrat Brandy Aristocrat Gin Aristocrat Vodka Binnies Range of Products JIL 99 Fortune Brandy To arrange for all raw materials including ENA / malt spirit and other required materials. All payments therein shall be borne by Jagatjit. Sales tax and other levies, if any, shall be borne by Jagatjit and the conversion charge is net of any such expenses / levies. The material shall be procured by Jagatjit and delivered at Empee's Distillery. To arrange for the insurance of the Jagatjit's materials ENA, Packing Materials, blending materials, work-in-progress and finished goods. It shall arrange for the duty paid Bond permits and indents and to obtain the Excise Certificates from Kerala State Beverages (M&M) Corporation bonded warehouses within the permissible time. It will appoint technical personal at the cost of Empee's to check and approve all aspects of quality control and maintenance of standards in production and bottling and packing thereof.
4	Empee's Obligations	:	<ol style="list-style-type: none"> At the cost of the Jagatjit, it shall arrange required NOC / permits from Excise authorities for procuring ENA from Jagatjit. It shall provide the entire infrastructure namely bottling line and allied equipments, water & power supply, labour, proper storage facilities for safe strage of all raw materials, packing materials and finished goods. It shall provide demineralized water to be used for the purpose of reducing the strength of the spirit. It shall maintain a laboratory in their plant to facilitate testing of samples of all the raw materials, packaging materials and finished products. It is responsible to get the labels of Jagatjit approved by the Excise Authorities at the cost of Jagatjit.

5	Financial Arrangements	:	Jagatjit will pay conversion charges to Empee for producing Jagatjit's IMFL products at the rate of Rs. 34.00 per case. TDS at the applicable rates will be deducted from the conversion charges.
6	Intellectual Property Rights	:	Empee neither had nor has any right, title or interest therein and shall not at any time claim any right whatsoever to the ownership to the ownership and / or the use of packaging materials, brand name, trademarks and / or get up.
7	Validity and Termination	:	Initially valid for a period of 5 years and later amended to another three years till June 16, 2008 vide Jagatjit Industries Limited letter no.: 6280 dated July 01, 2005

2. Manufacturing Agreement with M/s. Radico Khaitan Limited

Our Company has entered into a manufacturing agreement with M/s. Radico Khaitan Limited to undertake the manufacture, blend, bottle and supply the contract products for its Tamil Nadu Unit.

The brief contents of the contract are as follows:

1	Date of Agreement	:	January 18, 2006
2	Scope of Agreement	:	Empee shall manufacture Indian Made Foreign Spirit (IMFS) under the brand names owned by Radico. Radico will remain the owners of the said brand names and will be permitting Empee to produce, blend and bottle under Radico brand names strictly according to the terms and conditions entered into between them and Empee shall always ensure that it has adequate capacity / facility to manufacture Radico brand names.
3	Radico's Obligations	:	<ol style="list-style-type: none"> 1. Shall inform Empee regarding the blend maturation time for each of the brands. 2. Furnish the specifications, designs and artwork for all packing materials, approved list of suppliers of various packing materials and approved prices of various packing materials. 3. Shall maintain adequate infrastructure for the continued promotion of sales & marketing of the brands in Tamilnadu. 4. Shall in consultation with TASMAL advise the production and dispatch plans. 5. It will appoint technical personal at the cost of Empee's to check and approve all aspects of quality control and maintenance of standards in production and bottling and packing thereof.
4	Empee's Obligations	:	<ol style="list-style-type: none"> 1. Undertakes to use spirit of quality and demineralized water. 2. It shall provide all the infrastructure namely bottling line and allied equipments, water & power supply, labour, proper storage facilities for safe storage of all raw materials, packing materials and finished goods. 3. It shall pay all the duties, levies and taxes payable to the Tamilnadu Government on special spirits and blending ingredients. 4. It shall obtain such licenses as may be necessary for the manufacture, blending, bottling, storage and sale of IMFS products in Tamilnadu. 5. It shall obtain at its cost all raw materials like ENA and DM water including packing materials required for the manufacture, blending and bottling of the IMFS products.

EMPEE DISTILLERIES LIMITED

5	Financial Arrangements	:	Empee will pay the service / royalty charges (inclusive of service tax) to Radico for the various services rendered under this agreement and for the permitted use of the trademarks and brand names shall be as follows:		
			SL. No	Brand	Royalty (Rs. / case)
			01	Brihans Premium Whisky	40.00
			02	Brihans Napoleon Brandy	40.00
6	Intellectual Property Rights	:	Empee neither had nor has any right, title or interest therein and shall not claim any rights whatsoever to the use of the labels, brand names, trade marks and / or get up		
7	Validity and Termination	:	Initially valid for a period of 5 years with effect from December 31, 2005.		

3. Power Purchase Agreement with Tamil Nadu Electricity Board

1	Date of Agreement	:	May 7, 2005		
2	Parties to the Agreement	:	Empee Distilleries Limited (Power Generating Company) and Tamil Nadu Electricity Board (TNEB)		
3	Scope of Agreement	:	Establishing 7.5 MW Biomass based power plant at Mukudi Village, Aranthangi, Taluk, Pudukottai District to generate electricity and to sell entire surplus energy after its consumption.		
4	Terms of Agreement	:	<ol style="list-style-type: none"> 1. The power generating company shall feed the surplus power from their Bio mass Power plant into the Board's grid and the Board shall draw the power and pay thereof. 2. There shall be direct transfer of power from the plant to Grid of Tamil Nadu Electricity Board and for this purpose the generators of the Power Generation Company shall be permitted to be paralalled with the Board's Grid subject to the terms and conditions imposed by the board from time to time. 3. The Power Generating Company shall be bound by all the provisions of Electricity Act, 2003. 4. The power Generating Company shall be responsible for designing the generating set the protection system of the plant for the safe operation with the Board's Grid. 5. The Power Generating Company agrees that the purchase price of biomass based energy generated and exported to the TNEB Grid shall be paid at the specified rates. 6. The Power Generating Company is permitted to wheel the biomass based power to its subsidiary company situated within the radius of 25 Km from the Power Generating Company after deducting at 2 % of the energy exported as wheeling charges. 7. Metering arrangements shall be provided at the Power Generating Company at the company premises at the company's cost for measuring import and export of power with maximum demand. 8. Drawal of power from the Board's Grid as recorded by the import meter shall be charged at Board's tariff rate applicable for industrial consumers. 		

5.	Validity and Termination	:	<p>9. Power Drawn from TNEB Grid for the purpose of biomass based power plant maintenance works, trial run of equipments, water works shall be charged under Board's H.T Tariff III including M.D Charges based on tariff notified by TNERC.</p> <p>10. The power Generating Company is entitled to bank the energy generated as per the orders that are in force issued by the board.</p> <p>11. The Board reserves the right to terminate the agreement if any conditions laid down by TNEB/CEIG/TNERC are not complied with by the power Generating Company or for any other reasons.</p> <p>12. The Power Generating Company agrees that the board shall have the right to vary from time to time the tariff policy on banking and wheeling and terms and conditions of the agreement by special or general proceedings and the conditions relating to generation of electricity through biomass shall be met by the company.</p> <p>The agreement shall remain in force for a period of 15 years or for the useful life period of the plant whichever is less from the date of agreement.</p>
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4. Further vide agreement dated July 9, 2007, we have entered into a new Power Purchase Agreement with Tamil Nadu Electricity Board

1	Date of Agreement	:	July 9, 2007
2	Parties to the Agreement	:	Empee Distilleries Limited (Power Generating Company) and Tamil Nadu Electricity Board (TNEB)
3	Scope of Agreement	:	Establishing 10 MW Biomass based power plant at Mukudi Village, Aranthangi, Taluk, Pudukottai District to generate electricity and to sell entire surplus energy after its consumption.
4	Terms of Agreement	:	<p>1. The power generating company shall feed the surplus power from their Bio mass Power plant into the Board's grid and the Board shall draw the power and pay thereof.</p> <p>2. There shall be direct transfer of power from the plant to Grid of Tamil Nadu Electricity Board and for this purpose the generators of the Power Generation Company shall be permitted to be paralled with the Board's Grid subject to the terms and conditions imposed by the board from time to time.</p> <p>3. The Power Generating Company shall be bound by all the provisions of Electricity Act, 2003.</p> <p>4. The power Generating Company shall be responsible for designing the generating set the protection system of the plant for the safe operation with the Board's Grid.</p> <p>5. The Power Generating Company agrees that the purchase price of biomass based energy generated and exported to the TNEB Grid shall be paid at the specified rates.</p> <p>6. The Power Generating Company is permitted to wheel the biomass based power to its subsidiary company situated within the radius of 25 Km from the Power Generating Company after deducting at 3% of the energy exported as wheeling charges.</p>

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			<p>7. Metering arrangements shall be provided at the Power Generating Company at the company premises at the company's cost for measuring import and export of power with maximum demand.</p> <p>8. Drawal of power from the Board's Grid as recorded by the import meter shall be charged at Board's tariff rate applicable for industrial consumers.</p> <p>9. Power Drawn from TNEB Grid for the purpose of biomass based power plant maintenance works, trial run of equipments, water works shall be charged under Board's H.T Tariff III including M.D Charges based on tariff notified by TNERC.</p> <p>10. The power Generating Company is entitled to bank the energy generated as per the orders that are in force issued by the board.</p> <p>11. The Board reserves the right to terminate the agreement if any conditions laid down by TNEB/CEIG/TNERC are not complied with by the power Generating Company or for any other reasons.</p> <p>12. The Power Generating Company agrees that the board shall have the right to vary from time to time the tariff policy on banking and wheeling and terms and conditions of the agreement by special or general proceedings and the conditions relating to generation of electricity through biomass shall be met by the company.</p>
5.	Validity and Termination	:	The agreement shall remain in force for a period of 20 years and subject to penalty in case of winding of operations before completion of 20 years.

5. Non-Compete Agreement with McDowell Alcobev Limited

1	Date of Agreement	:	March 30, 2002
2	Parties to the Agreement	:	Mr. M.P Purushothaman and McDowell Alcobev Limited (MAL)
3	Scope of Agreement	:	<p>By an asset purchase agreement dated February 28, 2002 made between Empee Distilleries Limited and Empee Breweries Limited, Empee Distilleries Limited has agreed to sell and transfer the operating assets and licences of the brewery unit situated at Kuthambakkam near Chennai to Empee Breweries Limited and Empee Breweries Limited has agreed to purchase the same upon the terms and conditions set out therein.</p> <p>By a Share Purchase agreement dated January 18, 2002, Mr. Purushothaman and his family have agreed to sell and transfer to MAL and MAL has agreed to purchase the Equity shares of Empee Breweries Limited owned and controlled by Mr. Purushothaman's family for the consideration and on terms and conditions mentioned.</p> <p>Mr. Purushothaman by virtue of having over 25 years of experience in setting up, controlling, operating and managing a number of companies engaged in the business of production. With such an experience and knowledge, Mr. Purushothaman, unless prohibited will be in the position to erode the business and goodwill of MAL and its profitability and therefore Mr. Purushothaman has accordingly agreed to refrain from competing with Empee Breweries Limited / MAL.</p>

4	Terms of Agreement	:	<p>For a period of seven years from the date of agreement in the territory Mr. Purushothaman with respect to the products shall not directly or indirectly through its relatives or PACs or either as an individual or employee, partner, officer, owner, director, promoter, collaborator, advisor, consultant or any other capacity render services to or be otherwise employed by or associated with, any person or entity which competes or intends to compete with MAL with respect to products.</p> <p>In consideration of Mr. Purushothaman agreeing to the restrictive covenants MAL agrees to pay to Mr. Purushothaman an aggregate sum of Rs. 1000 lakhs in the manner agreed.</p> <p>Mr. Purushothaman alone and not MAL will be liable for and in respect of and all income taxes that may be attracted on account of this agreement and its implementation and Mr. Purushothaman agrees to keep indemnified and harmless MAL against all liabilities, obligations, payments, claims, outgoings, in respect of such taxes and shall also hold MAL harmless in respect of:</p> <ul style="list-style-type: none"> ● A breach or non performance of any of the covenants and assurances contained. ● Failure to perform any obligations. ● Any willful misconduct or negligent acts by them or any of them.
5	Validity and Termination	:	Period of 7 years from the date of entering into the agreement

6. Asset Purchase Agreement with Appollo Alchobev Limited

1	Date of Asset Purchase Agreement	:	March 22, 2007
2	Parties to the Asset Purchase Agreement	:	<p>APPOLLO ALCHOBEV LIMITED, a Company incorporated under the Companies Act 1956, and having its Registered Office at 'Elcanso', 2-D Halls Road, Egmore, Chennai - 600008 represented by its Director Mr. Sheeju Purushothaman (hereinafter called the "VENDOR" which expression shall unless repugnant to the subject or context be deemed to include its successors and assigns) of the FIRST PART and EMPEE DISTILLERIES LIMITED, a Company incorporated under the Companies Act 1956, and having its Registered Office at 693 Annna Salai, Chennai 600006, and represented by its Chairman & Managing Director Mr. M. P. Purushothaman (hereinafter called the "PURCHASER" which expression shall unless repugnant to the subject or context be deemed to include its successors and assigns) of the OTHER PART.</p>
3	Terms & Conditions of the Asset Purchase Agreement	:	<p>1 The VENDOR agrees to sell and the PURCHASER hereby agrees to purchase the Operating Assets free from all liabilities and charges. "Operating Assets" shall mean the assets and include</p> <ol style="list-style-type: none"> Plant and Machinery Furniture & Fittings Net Current Assets as on 31.03.2007 <p>together with the benefits and obligations of all current and valid licences, permits and sanctions pertaining to the said assets and the manufacture of IMFL and sale thereof and the benefits of all pending contracts related thereto for the purchase of any materials</p>

EMPEE DISTILLERIES LIMITED

		and sales of IMFL as also the rights, obligations and liabilities under the agreements
		2 All liabilities, obligations, commitments or expenses of any nature, known or unknown either in connection with or in relation to the Operating Assets arising prior to or in respect of the period prior to the completion of the transactions herein contemplated shall be borne by and be the responsibility of the VENDOR.
		3 The Purchaser agrees to pay a sum of Rs.800 lakhs# for the purchase of said Operating Assets from the Vendor. The said consideration shall be paid as under: (a) Rs.100 lakhs paid on or before the date of execution hereof (the payment and receipt whereof, the Vendor both hereby admit and acknowledge); (b) Rs.700 lakhs being the balance to be paid on or before 30th September 2007.
		4 The date of vesting of the "Operating Assets" in the PURCHASER shall be the closing hours on 31.03.2007. However the VENDOR shall continue to operate the business in their name under the licence till the date on which the licence is sub-leased in the name of Empee Distilleries Limited, the PURCHASER. On the date on which the licence is sub-leased in the name of Empee Distilleries Limited, Appollo Alchobev Limited, the VENDOR, shall cease to operate the IMFL business in the State of Karnataka and other places, unless otherwise agreed upon by EDL. *#
		5 Net Current Assets difference value between 01.04.2007 and vesting date shall be arrived on the date of sub-lease of licence to EDL and shall be settled within a period of 90 days from the date of sub-lease of the licence.

#As per the Certificate dated February 28, 2007 from R. Rajagopalan, Chartered Accountant, the basis of valuation of Rs. 800 lakhs is as under:

Particulars	Amount (Rs. In lakhs) (As on March 31, 2006)
Fixed Assets	
Building	39.98
Furniture	6.92
Plant & Machinery	123.07
Sub- Total	169.98
Net Current Asets	
Loans & Advances	250.65
Stock in Trade	449.12
Sundry Debtors	366.70
Deposits	41.34
Cash & Bank Balsnces	120.21
Less: Current Liabilities & Provisions	(1228.02)
Sub- Total	681.83
Total	851.80

Note:

- Fixed Assets: All except land is considered. Written down value of assets has been taken into consideration after providing depreciation as per the provisions of the income tax act 1961.
- The value of the net current assets is based as per the books of the accounts.

*# Empee Distilleries Limited has acquired the assets of Appolo Alchobev Limited on the closing hours of March 31, 2007. However as on the date of this Prospectus, our Company is continuing to operate the business of Appolo Alchobev Limited in their name only as the licence has not been sub-leased in the name of our Company.

7. We have entered into non-compete agreements with respect to our existing business activities with Appolo Alchobev Limited, Appolo Beers Private Limited and Universal Sprits Limited. The Details of the Agreement are as follows:

Date of Agreement	May 18, 2007
Term of Agreement	The Agreement shall be for perpetuity
Main Terms	<p>Non-Competition:</p> <p>Appolo Alchobev Limited, Appollo Beers Private Limited and Universal Spirits Limited shall not at any time during the term of the agreement, either directly or indirectly, either by itself or through any firm or company or person as the case may be:</p> <p>a) engage in any business which competes with the Business of the Company or operate or perform any advisory or consulting services for or participate in any partnership, company, joint venture, corporation, trust, unincorporated organization or any other body corporate or legal entity, government or other department or agency thereof which competes with our Business;</p> <p>b) do or attempt to do any act, thing, matter or deed which may impair or harm and/or adversely affect or otherwise injure the goodwill of our Company or the Confidential Information of our Company.</p> <p>Non-Solicitation:</p> <p>Appolo Alchobev Limited, Appollo Beers Private Limited and Universal Spirits Limited shall not, at any time during the term of this agreement directly or indirectly, either by himself or through any firm or company or person, attempt in any manner to solicit from any client/customer, business of the type carried on by us, or persuade any person, firm or entity which is a client/customer, present or future, of our Company to cease doing business or to reduce the amount of business which any such client/customer has customarily done or might propose doing with us whether or not the relationship between the Company and such client/customer was originally established in whole or in part through its efforts</p>

STRATEGIC PARTNERS

Presently, our Company does not have any strategic partners.

FINANCIAL PARTNERS

Presently, our Company does not have any financial partners.

EMPEE DISTILLERIES LIMITED

OUR MANAGEMENT

Under the Article 90 of the Articles of Association of our Company, we cannot have less than three and more than twelve Directors. Our Company is currently managed by a Board of Directors comprising of 6 Directors including technical, special and nominated directors. Mr. M. P. Purushothaman is currently our Company's Chairman & Managing Director. He is in charge of the overall management of our Company subject to the supervision and control of the Board. The Chairperson of the Board of Directors of our Company is an Executive Director and accordingly half the Board of Directors comprises of Independent Directors.

Name, Designation, Directors Identification Number (DIN), Father's Name, Address and Occupation	Age	Nationality	Date of Appointment and Term	Details of Other Directorships
MR. M.P. PURUSHOTHAMAN Chairman & Managing Director DIN 00088631 S/o Late Mr. Kumaran 346-A, Pantheon Road, Egmore Chennai 600 008 Business	70 years	Indian	September 15, 1983 Reappointed as Managing Director for a period of five years from August 1, 2003 Not liable to retire by rotation	1. Empee Sugars & Chemicals Limited 2. Empee International Hotels & Resorts Limited 3. Empee Leasing & Finance Limited 4. South India Hotels Private Limited 5. Aruna Exports Private Limited 6. Aruna Constructions (India) Limited 7. Empee Holdings Limited 8. Universal Spirits Limited 9. Empee Hotels Limited 10. Empee Heritage Inn Private Limited 11. Appollo Alcobev Limited 12. Empee Construction Company Limited 13. Empee Airways Limited 14. Empee Power and Infrastructure Private Limited 15. EDL Properties Private Limited

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Name, Designation, Directors Identification Number (DIN), Father's Name, Address and Occupation	Age	Nationality	Date of Appointment and Term	Details of Other Directorships
Ms. NISHA PURUSHOTHAMAN Joint Managing Director DIN 00044868 D/o Mr. M.P. Purushothaman 346-A, Pantheon Road, Egmore Chennai 600008 Business	33 years	Indian	December 2, 1994 Re-appointed as JMD for a period of 5 years w.e.f. January 01, 2007 Not liable to retire by rotation	<ol style="list-style-type: none"> 1. Empee International Hotels & Resorts Limited 2. Empee Holdings Limited 3. Empee Hotels Limited 4. Empee Heritage Inn Private Limited 5. Aruna Constructions 6. Universal Spirits Limited 7. Empee Power Company (I) Limited 8. Empee Airways Limited 9. Aruna Constructions (India) Limited 10. N.S Travels 11. Empee Agro Farms Products Private Limited 12. Empee Sugars and Chemicals Limited
Mr. SHAJI PURUSHOTHAMAN Non - Executive Director DIN 00044893 S/o Mr. M.P.Purushothaman 346-A, Pantheon Road, Egmore Chennai 600008 Business	33 Years	Indian	July 25,2007	<ol style="list-style-type: none"> 1. Empee International Hotels & Resorts Limited 2. Empee Holdings Limited 3. Appollo Alcobev Limited. 4. Empee Power Company (India) Limited. 5. Empee Hotels Limited. 6. Aruna constructions (India) Limited. 7. Empee Agrofarms Products Private Limited. 8. Empee Marine Products Limited.

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Name, Designation, Directors Identification Number (DIN), Father's Name, Address and Occupation	Age	Nationality	Date of Appointment and Term	Details of Other Directorships
				9. Appollo Wind Energy Private Limited. 10. Appollo Beers Private Limited. 11. Universal Spirits Limited. 12. Empee Construction Company Private Limited.
Mr. M.K.MOHAN Non-Executive Independent Director DIN 01260838 S/o Mr. M. Kothandapani 1202, Z Block, 6th Avenue, Anna Nagar, Chennai-600040 Business	53 years	Indian	January 11, 2007 Re-appointed as Director on March 19, 2007	1. Empee Sugars and Chemicals Limited 2. Five Star Business Credits Limited 3. Kurinji Chit Funds Private Limited 4. Emkay Heritage Inn Private Limited
LT. GEN. R.S. NAGRA (Retd.) Non-Executive, Independent Director DIN 00719763 S/o Mr. Amar Singh Nagra House No. 3967, Sector 23, Gurgaon-122002, Haryana Consultant & Ex- Serviceman	62 years	Indian	January 11,,2007 Re-appointed as Director on March 19, 2007	1. Empee Sugars and Chemicals Limited 2. Ranspectra India Consultants Private Limited. 3. Joji Poji Foods Private Limited. 4. Mukteshwar Agro Technologies Private Limited
Mr. T.S.RAGHAVAN Non-Executive Independent Director DIN 00446651 S/o Mr. T.M. Subramanyam 8/2, Jeevarathinam Nagar, Adyar, Chennai - 600 020 Retired Banker	67 years	Indian	January 11,2007 Re-appointed as Director on March 19, 2007	Vishnu Fabrics Private Limited

Brief Biography of Our Directors

Mr. M.P. Purushothaman, aged 70 years, is our Chairman and Managing Director. He holds a higher secondary certificate from Kerala and has been a Promoter-Director of our Company since inception. He started his carrier in 1960's as an hotelier and opened a chain of restaurants/ hotels with the name Gauri Shankar, Vasant Bhavan, New Victoria, Grand Orient and subsequently ventured into distillery business by promoting our Company in 1983. He has promoted companies in the field of sugar, hotels, transport and power including alternative sources and generation of power. Currently, he is the President of South India Hotels and Restaurants Association and Vice President of Federation of Hotel and Restaurants Associations of India.

Ms. Nisha Purushothaman, aged 33 years is our Joint Managing Director. She is daughter of Mr. M.P. Purushothaman. She holds a degree in Masters in Business Administration from London Business School and was appointed as a Director of the Company on December 2, 1994 and thereafter appointed as Joint Managing Director on January 1, 1997. She started her professional carrier with our Company and she has been looking after administration and human resource management in our Company.

Mr. Shaji Purushothaman, aged 33 years is a Non Executive Director of our Company. He is son of Mr. M.P. Purushothaman. He is an Arts Graduate and has also completed Oxford A level from Oxford University, U.K. He has been actively associated with our Company for the last 12 years. He was the Managing Director of Empee Infotech Limited from 1996 to 2000 and Director Marketing of Empee Distilleries Ltd from 2000 to 2004. He is currently engaged in executing and implementing the diversification plans of the group. He has more than a decade of administrative experience.

Mr. M.K. Mohan, aged 53 years is an Independent Director. He holds a matriculation certificate and was appointed as Director in our Company on January 11, 2007. He started his career by joining his family business of brick manufacturing. Currently also, he is looking after brick manufacturing business in Shri Gajalakshmi Brick Works and lorry transport business. He was formally financial trustee of Pachaappa Trust, Member of Council, Corporation Chennai and Member of the Water Board, Chennai. Currently he is a Trustee of the Vishakapattanam Port Trust and executive member of the Tirupathi Tirumala Devasthanam, Chennai and active member of Tamil Nadu Brick Manufacturers Association.

Lt. Gen. R. S. Nagra (Retd.), aged 62 years is an Independent Director. He holds a degree in M.Sc., M. Phil in Defence Studies from Madras University and was appointed as Director in our Company on January 11, 2007. He has around 42 years of experience in serving the Indian Army. He was the Brigadier General Staff and Senior Instructor in Defence Services Staff College, Wellington from January 1993 to February 1995; General Officer Commanding, Head Quarters for the southern states from March 1995 to December 1997; Additional Director General, Staff Studies, Army Head Quarters, New Delhi from March 1998 to September 2000; Deputy Commandant and Chief Instructor, School of Artillery, Devlali from May 2001 to January 2002; and Director General Artillery, Army Head Quarters, Delhi from February 2001 to date. Also he is the recipient of Param Vishist Sewa Medal and award of the Bar to Vishist Sewa Medal.

Mr. T.S. Raghavan, aged 67 years is an independent Director. He holds a Degree in Master of Arts from Madras University and is a certificate holder from Certified Associate from Indian Institute of Bankers (CAIIB). He joined our Company on January 11, 2007. He started his professional carrier as an officer in Indian Overseas Bank in the year 1964; and was an Executive Director of Vijaya Bank from January 1996 to April 1997; Chairman and Managing Director of Bank of Maharashtra during May 1997 to November 1998 and Chairman and Managing Director of Indian Bank from December 1998 to the year 2000.

DETAILS OF BORROWING POWERS

The borrowing powers of our Directors are regulated by Articles 63 to 66 of the Articles of Association of our Company. For further details, kindly refer section titled "Main Provisions of Articles of Association" beginning on page no. 281 of this Prospectus

The Board of Directors have been authorised by a resolution passed at the Annual General Meeting of the Company held on March 29, 2006 to borrow up to a sum of Rs.50, 000 Lakhs in excess of the aggregate of the paid up capital and free reserves of the Company except for reserves set apart for any specific reason for the conduct of the Company's business.

EMPEE DISTILLERIES LIMITED

Relationship of our directors with the Promoter/ Promoter Group

Name of the Director	Relationship of Directors with the Promoter/ Promoter Group
Mr. M.P. Purushothaman	Promoter
Mr. Shaji Purushothaman	Son of our Promoter Mr. M.P. Purushothaman
Ms. Nisha Purushothaman	Daughter of our Promoter Mr. M.P. Purushothaman
Mr. M.K.Mohan	No relation with the Promoters. Independent Director in our subsidiary Company viz Empee Sugars and Chemicals Limited
Lt. Gen. R.S. Nagra	No relation with the Promoters. Independent Director in our subsidiary Company viz Empee Sugars and Chemicals Limited
Mr. T.S.Raghavan	No relation

Compensation to Managing Director / Whole time Directors

Details of every contract appointing and fixing the remuneration of Managing Director / Whole Time Directors:

Name and Designation	Terms of Appointment and Remuneration
Mr. M .P. Purushothaman Chairman & Managing Director	<p>Re-appointed as Managing Director for a period of five years from August 1, 2003 at the extra-ordinary general meeting of the Company held on August 4, 2003.</p> <p>The Managing Director does not receive any remuneration from the Company for the present in terms of the conditions of his appointment. In the event of his opting to draw remuneration, the Board of Directors is authorised to give remuneration within the limits prescribed by Schedule XIII of the Companies Act, 1956, without reference to the general meeting of the Company. Further, no sitting fees are payable to the Managing Director for attending Board meetings.</p>
Ms. Nisha Purushothaman Joint Managing Director	<p>Reappointed as Joint Managing Director for a period of five years from January 1, 2007 at Board meeting held on December 20, 2006.</p> <p>In charge of the management of the Company and to perform such duties and exercise such powers as entrusted by the Board.</p> <p>Salary Rs. 2,00,000/- per month</p> <p>Perquisites: (The aggregate value whereof shall not exceed in a year the annual salary.</p> <ol style="list-style-type: none"> Rent-free furnished accommodation with service of personnel for maintenance and protection thereof. Reimbursement of medical expenses of the JMD and her spouse and family Leave travel concession for the JMD and her family once in a year in accordance with rules of the Company Private use of car by her. Free use of Telephone at her residence Contribution to Provident Fund Gratuity payable at a rate not exceeding half a month's salary for each completed year of service

	<p>viii. Encashment of earned leave at the end of the tenure.</p> <p>The remuneration will not exceed Rs. 2,50,000/- per month which the Company is entitled to pay in terms of para 1 of Section II of Part II of Schedule XIII in the event of loss or inadequacy of profits during the tenure of her appointment.</p> <p>The Joint Managing Director will not be entitled to sitting fees for attending the Board Meeting or meetings of any Committees.</p>
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Compensation to Non Executive Directors

Article 94 of our Articles of Association contemplates the payment of sitting fees to non-executive independent directors, together with reasonable expenses incurred in attending the Board meeting and in performance of duties as a director. In terms of the resolution appointing the directors, no compensation or remuneration is payable to the non-executive independent directors. However, non-executive directors are entitled to receive a sitting fee not exceeding the limits specified under sections 310 and 640B read with Rule 10B of Companies General Rules and Forms as altered from time to time together with reasonable expenses incurred in attending the Board meetings and in performance of duties as a director.

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance shall be applicable to us immediately upon listing of our Company's Equity Shares on the Stock Exchanges. We have already complied with SEBI guidelines in respect of corporate governance with respect to broad basing of Board, constituting various committees such as Audit Committee, Remuneration Committee and Shareholders'/Investors' Grievance Committee. We undertake to adopt the corporate governance code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges prior to listing. In terms of the Clause 49 of the Listing Agreement, our Company has already appointed Independent Directors and constituted the following committees.

Audit Committee

The Audit Committee was re-constituted at our Board meeting held on January 11, 2007. The Audit Committee comprises of the following members

Name of Director	Status in Committee	Nature of Directorship
Mr. T.S. Raghavan	Chairman	Non-Executive Independent Director
Mr. M.K. Mohan	Member	Non-Executive Independent Director
Mr. Nisha Purushothaman	Member	Joint Managing Director

The powers and role of the Audit Committee include:

1. Discussions with the Auditors periodically about internal Control System and the scope of audit;
2. Review the financial statements before submission to the Board;
3. Ensure compliance of internal control systems.

Remuneration Committee

The Remuneration Committee was constituted on January 11, 2007 and comprises the following directors of the Board.

Name of Director	Status in Committee	Nature of Directorship
Mr. M.K. Mohan	Chairman	Non-Executive Independent Director
Lt. Gen. R.S. Nagra	Member	Non-Executive Independent Director
Ms Nisha Purushothaman	Member	Executive Director

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Subject to supervision and control of the Board of Directors, the Remuneration Committee will approve / recommend to the Board for approval the following:

1. Remuneration / commission payable to Directors
2. Managerial remuneration
3. Framing of policies for personnel
4. Other functions of the Remuneration Committee as required / recommended in the Listing Agreement

Shareholders and Investors Grievances Committee

We have constituted the Shareholders and Investors Grievances Committee on January 11, 2007. The Committee consists of the following Directors.

Name of Director	Status in Committee	Nature of Directorship
Lt.Gen R.S. Nagra (Retd.)	Chairman	Non-Executive Independent Director
Ms. Nisha Purushothaman	Member	Joint Managing Director
Mr. M.K. Mohan	Member	Non-Executive Independent Director

The Shareholders and Investors Grievances Committee is responsible for remedying of all investor and shareholder grievances. This Committee will also oversee the performance of the Registrars, transfer agents and the depository related services. This Committee will also undertake all such acts, deeds and things relating to share transfer, transmission, splitting of share certificates, issuance of duplicate shares certificates and other related matters as may be considered necessary in this behalf. The Committee also oversees the implementation and compliance of the Code of Conduct adopted by our Company for Prevention of Insider Trading for Listed Companies as specified in the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 as amended on February 20, 2002.

Our Company has appointed Mr. N.S. Suryanarayanan as the Compliance Officer for the Issue, at its Board meeting dated October 13, 2007.

Our Company also undertakes to comply with the other requirements of clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

INSIDER TRADING

In view of the Issue, our Company has adopted the model Code of Conduct for Prevention of Insider Trading for Listed Companies as specified in the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 as amended on 20.2.2002, vide resolution of its Board of Directors dated January 11, 2007.

SHAREHOLDINGS OF DIRECTORS INCLUDING DETAILS OF QUALIFICATION SHARES HELD

As per Article 93 of our Articles of Association, Directors are not required to hold Equity Shares as qualification shares in our Company. Save and except as below, our Directors do not hold any Equity Shares in our Company as on the date of the filing of the Prospectus.

S. No.	Name of our Directors	No. of Equity Shares of Rs.10/- each shares held	Shareholding as a % of Total Shareholding
1.	Mr. M.P. Purushothaman	49,37,788	34.76%
2.	Mr. Shaji Purushothaman	3,02,000	2.13%
3.	Ms. Nisha Purushothaman	3,02,000	2.13%
4.	Mr. M.K.Mohan	Nil	Nil
5.	Lt. Gen. R.S. Nagra	Nil	Nil
6.	Mr. T.S.Raghavan	Nil	Nil

INTEREST IN ANY FIRM OR COMPANY

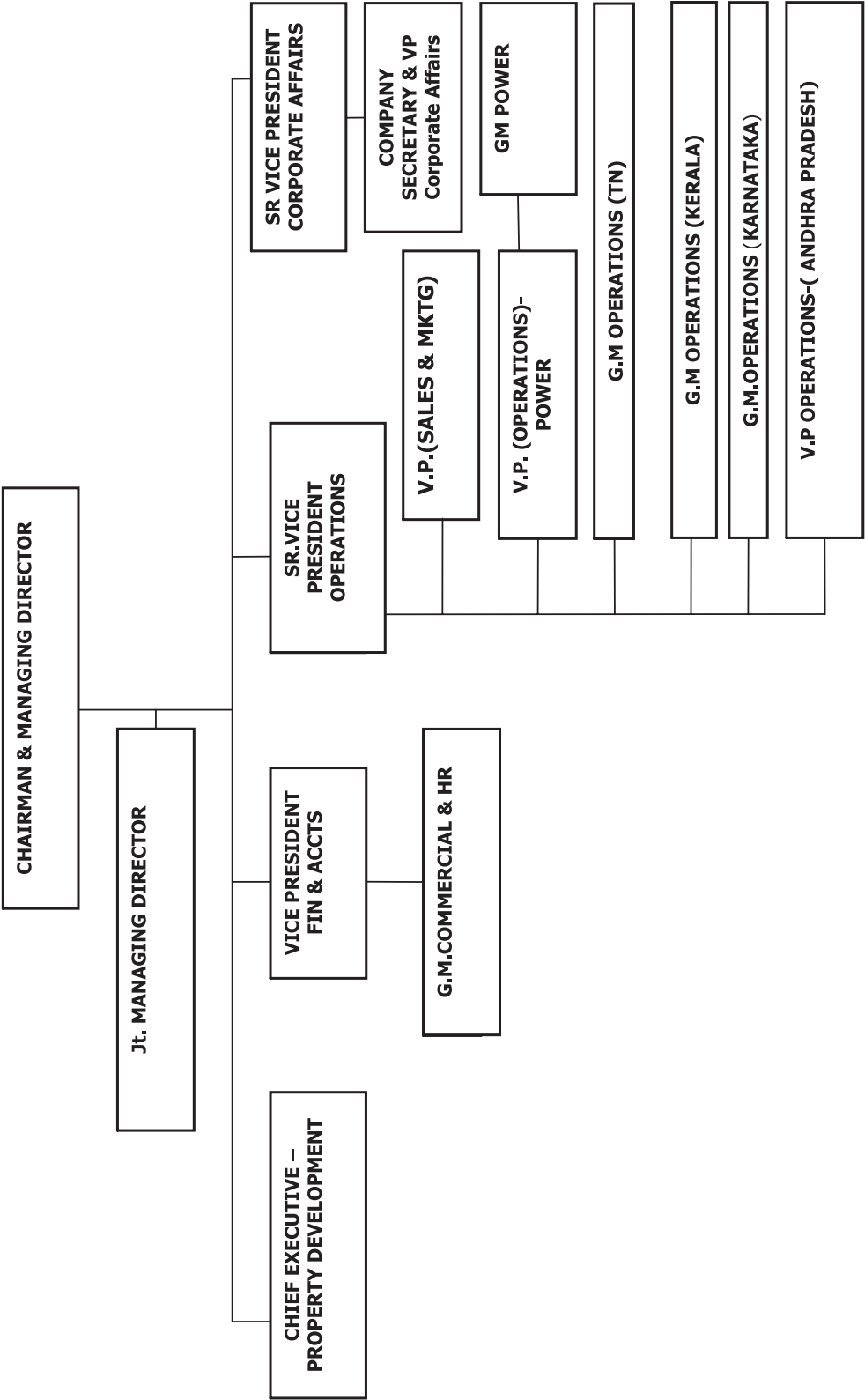
None of the firms or companies in which the Directors are interested as a member or the Directors have been paid or promised either by way of cash or shares or otherwise as an inducement or qualification to become a director of our Company or otherwise for any services rendered by the Director or the above firm or Company in connection with the promotion or formation of our Company.

CHANGES IN THE BOARD OF DIRECTORS IN THE LAST THREE YEARS

The changes in the Board of Directors of our Company in the last three years are as under:

Name of the Director	Date of Appointment	Date of Resignation	Reasons for change
Mr. M.K.Mohan	January 11, 2007	---	Appointment
Lt. Gen. R.S. Nagra	January 11, 2007	---	Appointment
Mr. T.S.Raghavan	January 11, 2007	---	Appointment
Mr. Shaji Purushothaman	---	January 11, 2007	Resignation
Mr. Sheeju Purushothaman	---	January 11, 2007	Resignation
MS. Sheena Purushothaman	---	January 11, 2007	Resignation
Mr. Shaji Purushothaman	July 25, 2007	---	Appointment
Mrs A.K.Aruna	---	July 25, 2007	Resignation

MANAGEMENT ORGANISATION STRUCTURE



OUR KEY MANAGEMENT PERSONNEL

The key management personnel of our Company other than our Directors are as follows:

S. No	Name, Date of Joining	Age	Academic Qualification	Designation	Overall Experience (in years)	Previously employed
1	Mr R Chandra Mohan April 1, 2007	54	MA (Public Administration) from Madras Christian College	Senior Vice President (Corporate Affairs)	33	Empee Sugars & Chemicals Limited
2	Mr John Matthew May 1, 2006	54	B.Sc Engineering from REC Calicut and D LL from the University of Madras	Senior Vice President (Business Development)	31	Empee Sugars & Chemicals Limited
3	Mr. R.S. Bansal April 16, 2007	66	Master of Arts (Economics and Statistics) from the Agra University, Master of Arts (Research Methodology) from the Tata Institute, Bombay	Senior Vice President	42	SAFL-MGM Group
4	Mr. R Natarajan January 1, 2007	40	ACA, Uniform CPA Examination, USA, Project Management Professional Examination, USA, ICWA(Inter) & CS (Inter)	Vice President (Finance & Accounts)	16	Empee Sugars & Chemicals Limited
5	Mr. Jacob Mani January 16, 1999	50	MMS (Master of Management Studies) and Masters of Engineering in Industrial Development from from BITS Pilani.	Vice President (Operations)-Power Division	25	Universal Print Systems Limited
6	Mr. S Balasubramanian September 1, 2006	46	B A Economics from Madras University	Vice President (Sales & Marketing)	25	Appolo Alchobev Limited
7	Mr Shankar Raj June 13, 2005	39	BE(Mechanical) from Govt College of Technology, Coimbatore & Diploma in Automotive Engineering from Nehru College of Engineering and Aeronautics	General Manager, Power Projects	18	Chettinad Cement Corporation Limited

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S. No	Name, Date of Joining	Age	Academic Qualification	Designation	Overall Experience	Previously employed
8	Mr. Vijendran Arthur July 15, 2002	44	BA from Madras University	General Manager (Sales & Marketing)	23	Mc Dowell Co Limited
9	Mr. J Balasubramanian September 11, 2006	59	B. Com, L.L.B from Calcutta University	General Manager (Production)	35	Shaw Wallace Distilleries Limited
11	Mr. N.S. Suryanarayanan	48	B.Sc, FCS, AICWA	Company Secretary & VP Corporate Affairs	23	W.S.Industries (India) Limited
12	Mr. M. P. PadamaKumar	43	B. Com	Assistant General Manager, Property Development	22	Nortels Services Apartments Private Limited
13	Mr. Jamaal M. October 6, 1986	50	Bachelor of Arts, Madras University	General Manager, Operations, Karnataka	23	Associated Bottling Industries
14	Mr.G.Surendran March 1, 2006	67	Bachelor of Science, Madras University and LLB ,Kerala University	General Manager, Operations, Kerala	40	Kerala Police Department

1. All the persons named as our Key Managerial Personnel are the permanent employees' of our Company.
2. There is no understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned personnel have been recruited.
3. None of the above mentioned key managerial personnel are related to each other as per the term "relative" defined under Section 6 of the Companies Act, 1956.
4. All the persons named as Key Managerial Personnel are Key Managerial Personnel as per the definition given in Accounting Standard 18.

Brief Profile of Key Managerial Personnel

Mr. R. Chandra Mohan - Senior Vice President - Corporate Affairs, aged 54 years, is a Master of Arts (Public Administration) from the Madras Christian College, Chennai. He joined the Empee Group in September 1991. Prior to this he has worked with Canara Bank and Union Bank of India. He is primarily responsible for financial budgeting of our Company. He advises our Company on financial and accounting issues and oversees the day to day operations of our Company. Before joining our Company in April, 2007 he was handling financial operations of different group companies.

Mr. John Mathew - Senior Vice President - Business Development aged 54 years, joined our Company on May 5, 1984. He has a degree in B.Sc. Engineering from the Regional Engineering College, Calicut and D.LL (Diploma in Labour Laws) from the University of Madras. He is also a member of All India Management Association. Prior to joining our Company, he was employed with Fertilizers and Chemicals Travancore Limited in Kerala for period of 3 years. He is primarily responsible for the operations of the distillery units of our Company in coordination with the Operational heads. He was paid a remuneration of Rs. 2.19 lakhs during 2005-06.

Mr. R S Bansal - Senior Vice President - Marketing and Business Development aged 66 years, is a Master of Arts (Economics and Statistics) from the Agra University, Master of Arts (Research Methodology) from the Tata Institute, Bombay and has also done a 6 weeks' course in Marketing Management at the administrative

staff college of India, Hyderabad. He joined our Company on April 16, 2007. Prior to this he has worked with Franco -Indian Pharmaceuticals Private Limited, Bombay; Burroughs Wellcome & Co. (I) Private Limited, Bombay; Glaxo (India) Limited, Bombay; Mohan Meakin Limited, Delhi; Mohan Breweries and Distilleries Limited, Chennai and SAFL-MGM Group, starting from the earliest. He is responsible for the entire business activity of Empee Distilleries Limited, Palakkad.

Mr. R. Natarajan - Vice President - Finance and Accounts aged 40 years, joined our Company on January 1, 2007. He is an Associate Member of the Institute of Chartered Accountants of India. Apart from this, he has also passed the Uniform CPA Examination (CPA) and the Project Management Professional Examination (PMP), both in the USA, Cost Accountant Inter Exam of the Institute of Costs and Works Accountants of India and his Company Secretaryship (Inter) of the Institute of Company Secretaries of India. He has worked with A.F. Ferguson and Company, Chartered Accountants, J.F. Trading Inc. at Vietnam, Shriram Bio Seed Genetics India Limited and IBSS Technopark Private Limited, Hyderabad. At our Company he is responsible for handling finance, accounting, cost management, MIS, taxation matters and is involved in all major managerial decisions relating to our Company's policy and new projects.

Mr. Jacob Mani - Vice President - Operations aged 50 years, joined our Company on January 16, 1999. He has a Masters Degree in Management Studies from BITS,Pilani and a Masters in Engineering in Industrial Development from BITS,Pilani. He was previously employed in Indian Oil Corporation, Murugappa Electronics Limited, Traid Audio Technologies and Universal Print Systems Limited. He is primarily responsible for preparing and implementing the business plan for our power project division. He was paid a remuneration of Rs. 4.40 lakhs during 2005-06.

Mr. S. Balasubramanian- Vice President - Sales and Marketing aged 46 years, joined our Company on September 1, 2007. He has a degree in B.A. Economics from the Madras University. His has over 20 years experience in the liquor industry and has worked with Balaji Distilleries Limited, United Breweries Limited and Shaw Wallace and Company Limited - Breweries and Liquor Division. As Vice President, Sales and Marketing (South Zone) he is responsible for sales in the states of Tamil Nadu, Kerala, Andhra Pradesh and Karnataka. He was paid a remuneration of 0.81 lakhs during 2005-06.

Mr. N.S.Suryanarayanan - Company Secretary & Vice President Corporate Affairs aged 48 years, joined our Company on August 18, 2007. He is a Fellow Member of the Institute of Company Secretaries of India and an Associate Member of the Institute of Cost and Works Accountants in India. He has over 23 years of work experience and has earlier worked with M/s. W.S. Industries (India) Limited as Company Secretary & General Manager - Corporate Affairs. He is responsible for all compliance, secretarial and Legal matters.

Mr. Shankar Raj - General Manager - Power aged 39 years, joined our Company on June 13, 2005. He holds Diploma in Automotive Engineering from the Nehru College of Engineering and Aeronautics and a Bachelor of Mechanical Engineering from the Government College of Technology, Coimbatore. Prior to joining our Company he worked with Cethar Vessels Limited, Mitsui Company Japan, JK Corporation Limited, Ballarpur Industries Limited and Chettinad Cement Corporation Limited. At our Company he is responsible for commissioning of wind energy power plants at Perambalur District, Tamil Nadu and is responsible for the proposed Bio Mass Power Plant at Pudukottai District in Tamil Nadu. He is also responsible for coordination with consultants, for working out tender specifications and negotiating with suppliers along with coordinating with government agencies for the statutory compliances of this division. He was paid a remuneration of Rs. 4.90 lakhs during 2005-06.

Mr. Vijendran Arthur - General Manager - Sales and Marketing aged 44 years joined our Company on July 15, 2002. He holds a degree of Bachelor of Arts from Madras University and was previously employed with McDowell Company Limited. He is responsible for annual sales projection and promotion of our Company along with periodical interaction with retailers and also with customers for assessing their requirements. He was paid a remuneration of Rs. 5.04 lakhs during 2005-06.

Mr. J. Balasubramanian - General Manager - Production aged 59 years, joined our Company on September

EMPEE DISTILLERIES LIMITED

11, 2006. He holds B.Com and an LL.B degree from Calcutta University. Prior to joining our Company he has worked as a General Manager with Shaw Wallace Distilleries Limited. He has an experience of over 35 years in the liquor industry and is familiar with general administration and production of IMFL with laws governing this industry. He was paid a remuneration of Rs. 0.13 lakhs during 2005-06 as he joined on September 11, 2006.

Mr. M P Padamakumar - Assistant General Manager Property Development aged 43 years, joined our Company on July 2, 2007. He is a B. Com Graduate from Madras Christian College. He has an overall experience of 22 years and was previously employed in Nortels Service Apartments Private Limited, Entrepreneurship Venture Consultant, Vishranthi Homes, Chaitanya Builders & Leasing Private Limited and ALSA constructions and housing limited. His current responsibilities include planning and managing the growth of Property Development in line with the corporate objectives and maintaining financial and operational control over these units.

Mr. Jamaal M - G M Operations, Karnataka aged 50 years, joined our Company on October 6, 1986 and has a total experience of 23 Years. He is a Bachelor in Arts from Madras University. He was earlier employed with Associated Bottling Industries and is currently he is in charge of the operations at Empee Distilleries Limited, Karnataka. He was paid a remuneration of Rs. 3.52 lakhs during 2005-06.

Mr G Surendran - G M Operations, Kerala aged 67 years, worked in our Company from 1998 to 2002 and rejoined the Company in March 2006. He has a Bachelors degree in Science from Madras University and LLB from Kerala University. He was earlier employed with the Kerala Police Department from 1963 to 1998 and is currently responsible for the general supervision of Production, Marketing, administration and other activities pertaining to the operations in Kerala. He was paid a remuneration of Rs. 1.05 lakhs during 2005-06.

SHAREHOLDING OF THE KEY MANAGEMENT PERSONNEL IN OUR COMPANY

None of the employees hold any Equity Shares in our Company as on the date of this Prospectus.

BONUS OR PROFIT SHARING PLAN AND INTEREST OF KEY MANAGEMENT PERSONNEL

Our Company does not have any bonus or profit sharing plan for key managerial personnel. No amount or benefit has been paid or given within the last two years preceding this Prospectus to the key managerial personnel or is intended to be paid or given to any key managerial personnel except the normal remuneration for services rendered as directors, officers or employees.

CHANGES IN OUR KEY MANAGEMENT PERSONNEL IN THE LAST ONE YEAR

Name of the Key Managerial Person	Designation	Date of Appointment	Date of Resignation	Reason
Ms. Swapna Ravi	Company Secretary	January 11,2007	August 10, 2007	Appointment
Mr. J. Balasubramanian	General Manager (Production)	September 11, 2006	NA	Appointment & Resignation
Mr. Karan Mahajan	Chief Executive (Property Development)	February 9, 2007	NA	Appointment
Mr K M Sadhanandh	Assistant General Manager(Property Development)	December 15, 2006	NA	Appointment
Mr George Mathews	V P(Projects)	March 5, 2007	NA	Appointment
Mr. R. Chanramohan	Senior Vice President (Corporate Affairs)	April 1, 2007	NA	Appointment
Mr. R.S. Bansal	Senior Vice President (Marketing & Business Development)	April 16, 2007	NA	Appointment

Prospectus

Name of the Key Managerial Person	Designation	Date of Appointment	Date of Resignation	Reason
Mr. Karan Mahajan	Chief Executive (Property Development)	NA	May 23, 2007	Resigned
Mr George Mathews	Vice President (Projects)	NA	May 26, 2007	Resigned
Mr. K M Sadhanandh	Assistant General Manager Property Development	NA	August 31, 2007	Resigned
Mr. N.S.Suryanarayanan	Company Secretary & Vice President - Corporate Affairs	August 18, 2007	NA	Appointment
Mr. M. P. Padmakumar	Assistant General Manager- Property Development	July 2, 2007	NA	Appointment

EMPLOYEES STOCK OPTION SCHEME

Till date, the Company has not introduced any Employees Stock Option Scheme / Employees Stock Purchase Scheme, as required by the Guidelines or Regulations of SEBI relating to Employee Stock Option Scheme and Employee Stock Purchase Scheme.

NON-SALARY RELATED PAYMENT OR BENEFIT TO EMPLOYEES / KEY MANAGERIAL PERSONNEL OF OUR COMPANY

There has been no payment or benefit given to our employees / key managerial personnel other than salary or remuneration for services rendered in the last two years.

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OUR PROMOTERS

Our Promoters profile and their backgrounds



Mr. M.P. Purushothaman aged 70 years is presently Chairman and Managing Director of our Company. He has been a Promoter-Director of our Company since inception. He has 30 years of experience with over 20 years of business in the liquor industry. . He has promoted over 20 companies in the Empee Group which pertain to various industry areas such as sugars, hotels, education, property development, transport and power including alternative sources and generation of power. He is the President of South India Hotels and Restaurants Association and Vice President of Federation of Hotel and Restaurants Associations of India.

Pan Number: AGMPP4159R

Election Identity Card Number: TN/02/007/0253220

Passport Number E9174838

Bank Account No. 588 (Andhra Bank)

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the promoter have been submitted to the Bombay Stock Exchange and the National Stock Exchange where the securities of our Company are proposed to be listed at the time of filing of the Draft Red Herring Prospectus.

Empee Holdings Limited

Registered Office	693, Mount Road, Chennai, Tamil Nadu-600006	
Nature of Activity	Engaged in the business of investing in, hold, purchase or by any other means acquire, protect, prolong and renew any trade mark, patent, license, concession and to use it or let it out for royalty or assign or grant any right or privilege in respect of the same or in any other manner turn to account the same.	
Date of Incorporation	Originally incorporated as Empee Holdings Private Limited on April 23, 1996. The name of the Company was changed to Empee Holdings Limited on December 9, 1997	
Name of the Promoters	a) M.P. Purushothaman b) Nisha Purushothaman	
Name of the Directors	a) M.P. Purushothaman b) Nisha Purushothaman c) A.K. Aruna d) Shaji Purushothaman e) Sheena Purushothaman f) Sheeju Purushothaman	
Shareholding Pattern	Name of the Shareholder	No of Shares
	M.P. Purushothaman	1000
	A.K. Aruna	1000
	Nisha Purushothaman	11975
	Shaji Purushothaman	11975

Prospectus

Shareholding Pattern	Name of the Shareholder	No of Shares
	Sheeju Purushothaman	11975
	Sheena Purushothaman	11975
	Anju Shaji	50
	Ravi Krishna	50
	Total	50000

Audited Financial Information (Period April to March)	2006- 2007	2005- 2006	2004- 2005 (Rs. In Lakhs)
Sales	--	--	--
Other Income	59.74	3.75	(4.94)*
Profit after Tax	16.07	3.70	(4.99)
Equity Capital	5.00	5.00	5.00
Share application money (pending allotment)	765.76	960.76	760.76
Face Value of Equity Share (Rs.)	10	10	10
Reserve & Surplus	(172.02)	(252.79)	(256.48)
Earning per Shares (EPS) Rs.	32.14	7.40	--
Net Asset Value (NAV) Rs.	(334.04)	(495.58)	(502.98)

*This includes loss on sale of equity shares amounting to 6.72 lakhs.

**This includes loss on sale of equity shares and Mutual funds aggregating to 283.95 lakhs.

The shares of Empee Holdings Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

We confirm that the Permanent Account Number, Bank Account Number and company's Registration number from the Registrar of the Companies where the company is registered have been submitted to the Bombay Stock Exchange and the National Stock Exchange where the securities of our Company are proposed to be listed at the time of filing of the Draft Red Herring Prospectus.

We also declare that our promoters have not been declared as willful defaulters by the Reserve Bank of India or any other governmental authority and there are no violations of securities laws committed by our promoters in the past nor are any such proceedings pending against our promoters.

Empee Holdings Limited, our Promoter Company has never been referred to BIFR or is under winding up. It has a negative networth during last three years, details of which are as under:

(Rs. in lakhs)

Name of Company / (Period April to March)	2006- 07	2005-06	2004-05
Empee Holdings Limited	(167.02)	(247.79)	(251.48)

Common Pursuits

We have promoter group companies/ firms/ ventures in which our promoters and companies promoted by them control the shareholding, namely Appolo Alchobev Limited, Appolo Beers Private Limited and Universal Sprits Limited, which have main objects similar to that of our Company. To this extent there may be a potential conflict

EMPEE DISTILLERIES LIMITED

of interest in the companies of the group. Except for this there are no common pursuits amongst the entities in the promoters' group. For Details please refer to section titled 'Our Promoter Group Companies/ Firms/ Ventures' on page no 145 of this Prospectus.

Interest of Promoters, Directors and Key Managerial Personnel

Except as stated in the section "Related Party Transactions" beginning on page no. 162 of this Prospectus, and to the extent of compensation and commission, if any, and their shareholding in the Company, the Promoters and promoter group companies does not have any other interest in our business.

All of the Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under the Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of the Company.

The Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms and ventures, in which they are interested as directors, members, partners, and promoters, pursuant to this Issue. All of the Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Other than as disclosed in this Prospectus, none of the Directors are entitled to receive remuneration from the Company. For further details, see the sections "Compensation of Managing Director and Whole Time Director" appearing on page no. 132 of this Prospectus.

Except as stated in the section "Related Party Transactions" and to the extent of their shareholding in the Company, the Directors other than the Promoters do not have any other interest in our business. The Directors have no interest in any property acquired by the Company within two years of the date of filing of this Prospectus.

The key managerial personnel of the Company do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in the Company, if any.

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

Related Party Transactions

There have been no sales or purchases between our Company and companies/ firms/ ventures in the Promoter Group exceeding in value in the aggregate 10% of the total sales or purchases of our Company, further except as stated in the section titled "Related Party Transactions", there have been no sales or purchases between our Company and companies in the Promoter Group. For details on our related party transactions, please refer section titled "Related Party Transactions" beginning on page no. 162 of this Prospectus.

OUR PROMOTER GROUP COMPANIES / FIRMS / VENTURES

1. Empee International Hotels and Resorts Limited

Registered Office	693, Mount Road, Chennai, Tamil Nadu-600006
Nature of Activity	Engaged in the business of providing boarding and lodging houses, hotels, taverns, bars, restaurants.
Date of Incorporation	November 10, 1982
Name of the Directors	Sheeju Purushothaman Sheena Purushothaman M.P. Purushothaman Nisha Purushothaman Shaji Purushothaman

Shareholding Pattern	Name of the Shareholder	No of Shares
	M.P. Purushothaman	3050000
	A.K. Aruna	1000000
	Nisha Purushothaman	787250
	Shaji Purushothaman	787250
	Sheeju Purushothaman	787250
	Sheena Purushothaman	787250
	Empee Holdings Limited	1000
	Total	7200000

Audited Financial Information* (Period April to March)	2005- 2006	2004- 2005	2003- 2004 (Rs. In Lakhs)
Sales	344.55	395.56	350.88
Other Income	44.38	16.55	23.15
Profit after Tax	(26.24)	(17.13)	(53.23)
Equity Capital	720.00	720.00	720.00
Face Value of Equity Share (Rs.)	10.00	10.00	10.00
Reserve & Surplus	(857.91)	(831.68)	(814.55)
Earning per Shares (EPS) Rs.	-	-	-
Net Asset Value (NAV) Rs.	(1.97)	(1.61)	(1.37)

*The Board of the Directors of Empee International Hotels and Resorts Limited in their meeting held on September 10, 2007 has resolved that subject to the provisions of section 210(4) of the companies Act, 1956 and the approval of the Registrar of Companies, Chennai the accounting year of the Company to be extended to six months to end on September 30, 2007. In order to seek ROC approval the company has forwarded the application to ROC, Chennai on October 6, 2007.

Empee International Hotels and Resorts Limited is not listed at any stock exchange neither it has any subsidiary. Empee International Hotels and Resorts Limited has not completed any public or Rights Issue in the proceeding three years. It has not become sick under the SICA and is not under the winding up.

EMPEE DISTILLERIES LIMITED

2. South (India) Hotels Private Limited

Registered Office	3, Kannel Lane, Egmore, Chennai, Tamil Nadu-8
Nature of Activity	Engaged in the business of boarding, lodging, hotels, taverns, bars and Restaurants.
Date of Incorporation	July 15 1978
Name of the Directors	M.P. Purushothaman A.K. Aruna

Shareholding Pattern	Name of the Shareholder	No of Shares
	M.P. Purushothaman	500
	A.K. Aruna	9500
	Total	10000

Audited Financial Information (Period April to March)	2006- 2007	2005- 2006	2004- 2005 (Rs. In Lakhs)
Sales	230.11	189.69	179.77
Other Income	15.35	12.79	15.23
Profit after Tax	45.66	12.96	2.00
Equity Capital	10.00	10.00	10.00
Face Value of Equity Share (Rs.)	100	100	100
Reserve & Surplus	(113.66)	(159.63)	(157.69)
Earning per Shares (EPS) Rs.	456.62	129.69	20.00
Net Asset Value (NAV) Rs.	(1036.66)	(1496.30)	(1476.90)

The shares of South (India) Hotels Private Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

3. Appollo Alcobev Limited

Registered Office	Elcanso, Flat No. 2-D, Halls Road, Egmore, Chennai, Tamil Nadu-600006
Nature of Activity	Business of Distillers, Bottlers, Blenders, Manufactures and producers in all its branches, and to purchase, manufacture, produce, refine, import, export, sell and generally deal in Arrack, Indian Made Foreign Liquors and liquors and alcohol of every description
Date of Incorporation	June 4 2003
Name of the Directors	M.P. Purushothaman Shaji Purushothaman Sheeju Purushothaman Sheena Purushothaman

Shareholding Pattern	Name of the Shareholder	No of Shares
	Nisha Purushothaman	1000000
	Shaji Purushothaman	1003397
	Sheeju Purushothaman	1003300
	Sheena Purushothaman	1003300
	Empee Holdings Limited	1
	Empee Distilleries Limited	1
	Empee Sugars & Chemicals Limited	1
	Total	4010000

Prospectus

Audited Financial Information	2005- 2006 (15 months ended 30.6.06)	2004- 2005	2003- 2004
(Period April to March)			(Rs. In Lakhs)
Sales	1649.30	1684.44	861.51
Other Income	17.66	0.5	185.54
Profit after Tax	6.80	27.66	2.66
Equity Capital	401	400	400
Face Value of Equity Share (Rs.)	10	10	10
Reserve & Surplus	37.12	30.32	2.66
Earning per Shares (EPS) Rs.	0.17	0.69	0.07
EPS Annualized	0.14	0.69	0.07
Net Asset Value (NAV) Rs.	7.89	7.03	7.04

The shares of Appollo Alcobev Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

4. Aruna Exports Private Limited

Registered Office	693, Anna Salai, Chennai
Nature of Activity	Engaged in the business of export and import of any commodity including electronic software and trading thereof.
Date of Incorporation	Incorporated as Aruna Travels Private Limited on March 22, 1979. The name was changed to Aruna Exports Private Limited with effect from September 21, 2000.
Name of the Directors	M.P. Purushothaman A.K. Aruna

Shareholding Pattern	Name of the Shareholder	No of Shares (Rs. 100/- each)
	M.P.Purushothaman	485
	A.K. Aruna	303
	Nisha Purushothaman	303
	Shaji Purushothaman	303
	Sheeju Purushothaman	303
	Sheena Purushothaman	303
	Total	2000

Audited Financial Information (Period April to March)	2006- 2007	2005- 2006	2004- 2005 (Rs. In Lakhs)
Sales	--	--	0.02
Other Income	--	--	--
Profit after Tax	(0.02)	(4.27)	(14.01)
Equity Capital	2.00	2.00	1.00
Face Value of Equity Share (Rs.)	100	100	100
Reserve & Surplus	(25.33)	(25.31)	(21.04)
Earning per Shares (EPS) Rs.	--	--	--
Net Asset Value (NAV) Rs.	(1175.74)	(1174.50)	(2022.00)

EMPEE DISTILLERIES LIMITED

At present the Company is not engaged in any commercial activity. The shares of Aruna Exports Private Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

5. Empee Hotels Limited

Registered Office	No. 59, Harris Road, Pudupet, Chennai, Tamil Nadu-600002
Nature of Activity	To carry on the business of establishing, running, maintaining hotel(s), restaurants, lodging house, permit rooms, refreshment rooms, commercial / residential complexes.
Date of Incorporation	October 21 2004
Name of the Directors	Ms Nisha Purushothaman Mr M P Purushothaman Mrs A K Aruna Mr Shaji Purushothaman Mr Suresh Madhok Mr Shankar T K Menon

Shareholding Pattern	Name of the Shareholder	No of Shares
	M.P. Purushothaman	694604
	A.K. Aruna	1062
	Nisha Purushothaman	1062
	Shaji Purushothaman	1062
	Sheeju Purushothaman	1062
	Sheena Purushothaman	1062
	Empee International Hotels & Resorts Limited	20541786
	Total	21241700

Audited Financial Information (Period April to March)	2006- 2007	2005- 2006 (Rs. In Lakhs)
Sales	--	--
Other Income	--	--
Profit after Tax	--	--
Equity Capital	212.41	200.00
Face Value of Equity Share (Rs.)	10	10
Reserve & Surplus	--	--
Earning per Shares (EPS) Rs.	--	--
Net Asset Value (NAV) Rs.	9.94	9.41

The Company has started any commercial activity till date. The shares of Empee Hotels Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

6. Aruna Constructions (India) Limited

Registered Office	693, Mount Road, Chennai, Tamil Nadu-600006
Nature of Activity	To build, promote, remodel, develop, improve buildings (residential and commercial) including but not restricted to houses, apartments, shops, factories, hospitals, schools, hotels, godowns and to sell the same for cash or for deferred payment or for any other valuable consideration or to deal with the same in any manner whatsoever.
Date of Incorporation	February 26, 1996
Date of Commencement of Business	April 3, 1996
Name of the Directors	M.P. Purushothaman Nisha Purushothaman A.K. Aruna (Managing Shaji Purushothaman Sheeju Purushothaman Sheena Purushothaman

Shareholding Pattern	Name of the Shareholder	No of Shares (Rs. 10/- each)
	M.P. Purushothaman	1000
	A.K. Aruna	1000
	Nisha Purushothaman	11975
	Shaji Purushothaman	11975
	Sheeju Purushothaman	11975
	Sheena Purushothaman	11975
	Empee Holdings Limited	100
	Total	50000

Audited Financial Information (Period April to March)	2006- 2007	2005- 2006	2004- 2005 (Rs. In Lakhs)
Sales	--	--	--
Other Income	--	--	--
Profit after Tax	--	--	--
Equity Capital	5.00	5.00	5.00
Face Value of Equity Share (Rs.)	10	10	10
Reserve & Surplus	--	--	--
Earning per Shares (EPS) Rs.	--	--	--
Net Asset Value (NAV) Rs.	(36.92)	(4.73)	(4.71)

No commercial activity has been started by the Company till date. The shares of Aruna Constructions (India) Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

EMPEE DISTILLERIES LIMITED

7. Empee Agro Farm Products Private Limited

Registered Office	Ayyapareddipalem Village, Naidupet Mandal, Nellore District, Andhra Pradesh
Nature of Activity	Engaged in the business of estate owners, cultivators, planters and growers in teak and all kinds of timber and wood, tea, coffee, rubber, cardamom, pepper, spices, corn, cocoa and mulberry.
Date of Incorporation	April 8 ,1994
Name of the Directors	Nisha Purushothaman Shaji Purushothaman Sheeju Purushothaman Sheena Purushothaman

Shareholding Pattern	Name of the Shareholder	No of Shares (Rs. 10/- each)
	M.P. Purushothaman	100
	A.K. Aruna	100
	Shaji Purushothaman	2450
	Nisha Purushothaman	2450
	Sheena Purushothaman	2450
	Sheeju Purushothaman	2450
	Total	10000

Audited Financial Information (Period April to March)	2006- 2007 (Rs. In Lakhs)	2005- 2006	2004- 2005
Sales	–	5.09	0.01
Other Income	–	–	–
Profit after Tax	(5.47)	4.08	(2.10)
Equity Capital	1.00	1.00	1.00
Face Value of Equity Share (Rs.)	10	10	10
Reserve & Surplus	5.45	5.97	1.88
Earning per Shares (EPS) Rs.	–	40.80	–
Net Asset Value (NAV) Rs.	64.46	69.80	28.70

The shares of Empee Agro Farms Products Private Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

8. Empee Marine Products Limited

Registered Office	693, Mount Road, Chennai, Tamil Nadu-6
Nature of Activity	To carry on the business of aquaculture including fishfarming, prawn farming and rearing, culturing, breeding, cultivating, harvesting, processing and packing all varieties of sea foods, marine organisms and products.
Date of Incorporation	October 11,1993
Name of the Directors	Shaji Purushothaman Sheeju Purushothaman Sheena Purushothaman

Prospectus

Shareholding Pattern	Name of the Shareholder	No of Shares
	A.K. Aruna	500
	Nisha Purushothaman	500
	Shaji Purushothaman	500
	Sheeju Purushothaman	500
	Sheena Purushothaman	500
	Empee Holdings Limited	97500
	Total	100000

Audited Financial Information (Period April to March)	2006- 2007	2005- 2006	2004- 2005 (Rs. In Lakhs)
Sales	--	--	--
Other Income	--	--	--
Profit after Tax	(0.04)	(12.13)	(14.60)
Equity Capital	10.00	10.00	10.00
Face Value of Equity Share (Rs.)	10.00	10.00	10.00
Reserve & Surplus	(91.24)	(91.24)	(79.10)
Earning per Shares (EPS) Rs.	--	--	--
Net Asset Value (NAV) Rs.	((81.27)	(81.24)	(69.10)

At present the Company is not undertaking any commercial activity. The shares of Empee Marine Products Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

9. Appollo Wind Energy Private Limited

Registered Office	Elcanso, 2-D, Halls Road, Egmore, Chennai, Tamil Nadu-600008
Nature of Activity	Engaged in the business of generating electric power by using wind, solar, water, coal, oil, naphtha, fuel oil, furnace oil, natural gas, liquefied natural gas, liquefied natural gas or any other carbo hydrate available above the earth, or by from offshore or onshore site in India or outside India.
Date of Incorporation	December 16, 2004
Name of the Directors	Shaji Purushothaman Sheeju Purushothaman Sheena Purushothaman

Shareholding Pattern	Name of the Shareholder	No of Shares (Rs. 10/- each)
	Shaji Purushothaman	2500
	Sheeju Purushothaman	2500
	Sheena Purushothaman	2500
	Appollo Alchobev Limited	2500
	Total	10000

EMPEE DISTILLERIES LIMITED

Audited Financial Information (Period April to March)	2006-2007	2005- 2006 (Rs. In Lakhs)
Sales	—	—
Other Income	—	—
Profit after Tax	—	—
Equity Capital	1.00	1.00
Face Value of Equity Share (Rs.)	10.00	10.00
Reserve & Surplus	—	—
Earning per Shares (EPS) Rs.	—	—
Net Asset Value (NAV) Rs.	9.15	9.29

The Company has not started any commercial activity till date. The shares of Appollo Wind Energy Private Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

10. Appollo Beers Private Limited

Registered Office	MP 9/1211, Krishna Gardens, Chandranagar PO, Palakkad, Kerala-678007
Nature of Activity	Engaged in the business of Distillers, Bottlers, Brewers, Blenders, Manufactures and Producers in all its branches, and to purchase, manufacture, produce, refine, import, export, sell and generally deal in arrack, Indian made Foreign Liquors and Liquors and alcohol of every description.
Date of Incorporation	September 20, 2004
Name of the Directors	Shaji Purushothaman Sheeju Purushothaman Sheena Purushothaman

Shareholding Pattern	Name of the Shareholder	No of Shares (Rs. 10/- each)
	Shaji Purushothaman	3400
	Sheeju Purushothaman	3300
	Sheena Purushothaman	3300
	Total	10000

Audited Financial Information (Period April to March)	2006- 2007	2005- 2006	2004- 2005 (Rs. In Lakhs)
Sales	—	—	—
Other Income	—	—	—
Profit after Tax	—	—	—
Equity Capital	1.00	1.00	1.00
Face Value of Equity Share (Rs.)	10	10	10
Reserve & Surplus	—	—	—
Earning per Shares (EPS) Rs.	—	—	—
Net Asset Value (NAV) Rs.	9.80	8.70	8.70

Prospectus

The Company has not started any commercial activity till date. The shares of Appollo Beers Private Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

11. Empee Leasing & Finance Limited

Registered Office	693, Mount Road, Chennai, Tamil Nadu-6
Nature of Activity	To carry on and undertake the business of financiers and in particular the business of financing industrial enterprises and acting as industrial consultants in all its branches and undertake the business of hire purchase in all its branches and the business of hirers of and dealers in all kinds of goods, commodities or articles, plant and machinery equipment, ship, aircraft, automobiles and other vehicles and all consumer or commercial items
Date of Incorporation	October 11, 1988
Name of the Directors	M.P. Purushothaman A. K. Aruna M. Ravindran

Shareholding Pattern	Name of the Shareholder	No of Shares
	M.P. Purushothaman	410500
	A.K. Aruna	150500
	Nisha Purushothaman	150000
	M. Ravindran	500
	A.K. Sajeewan	500
	A. Krishna Rao	500
	A.K. Pradeep	500
	M. Lakshmanan	500
	Dr. M. Shasidharan	10000
	Total	723500

Audited Financial Information (Period April to March)	2006- 2007	2005- 2006	2004- 2005 (Rs. In Lakhs)
Sales	—	—	—
Other Income	—	—	—
Profit after Tax	—	—	—
Equity Capital	72.35	72.35	72.35
Face Value of Equity Share (Rs.)	10.00	10.00	10.00
Reserve & Surplus	(61.13)	(61.11)	(61.11)
Earning per Shares (EPS) Rs.	—	—	—
Net Asset Value (NAV) Rs.	1.54	1.55	1.55

EMPEE DISTILLERIES LIMITED

At present the Company is not undertaking any commercial activity. The shares of Empee Leasing & Finance Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

12. Empee Heritage Inn Private Limited

Registered Office	Empee Tower, No. 59, Harris Road, Pudupet, Chennai, Tamil Nadu-600002
Nature of Activity	To carry on the business of providing boarding and lodging houses, hotels, taverns, bars, restaurants, rooms, tea and coffee shops, cafes, snack bars, beer houses.
Date of Incorporation	December 19,2002
Name of the Directors	M.P. Purushothaman Nisha Purushothaman A.K. Aruna Shaji Purushothaman Sheeju Purushothaman Sheena Purushothaman

Shareholding Pattern	Name of the Shareholder	No of Shares
	M. P. Purushothaman	2500
	A. K. Aruna	1500
	Nisha Purushothaman	1500
	Shaji Purushothaman	1500
	Sheeju Purushothaman	1500
	Sheena Purushothaman	1500
	Total	10000

Audited Financial Information (Period April to March)	2006- 2007	2005- 2006	2004- 2005 (Rs. In Lakhs)
Sales	—	—	—
Other Income	—	—	—
Profit after Tax	—	—	—
Equity Capital	1.00	1.00	1.00
Face Value of Equity Share (Rs.)	10.00	10.00	10.00
Reserve & Surplus	—	—	—
Earning per Shares (EPS) Rs.	—	—	—
Net Asset Value (NAV) Rs.	2.00	3.40	7.90

- The Company has not undertaken any commercial activity till date. The shares of Empee Heritage Inn Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years. The company was inoperative since its incorporation and therefore, we had applied to Registrar of Companies, Tamil Nadu on May 19, 2007 for striking off its name u/s 560 of the Companies Act, 1956.

13. Empee Airways Limited

Registered Office	Empee Tower, No. 59, Harris Road, Pudupet, Chennai, Tamil Nadu-600002
Nature of Activity	Business of transport of passengers and/or cargo by air by operating aircrafts or airliners or aeroplanes.
Date of Incorporation	October 14 2005
Name of the Directors	M.P. Purushothaman Nisha Purushothaman A.K. Aruna

Shareholding Pattern	Name of the Shareholder	No of Shares
	M.P. Purushothaman	1000
	A.K. Aruna	1000
	Nisha Purushothaman	1000
	Shaji Purushothaman	1000
	Sheeju Purushothaman	1000
	Sheena Purushothaman	1000
	Empee Holdings Limited	21000
	Empee Distilleries Limited	21000
	Empee Sugars and Chemicals Limited	2000
	Total	50000

Audited Financial Information	2005- 2006 (Period ended December 2006) (Rs. In Lakhs)
Sales	—
Other Income	—
Profit after Tax	—
Equity Capital	5.00
Face Value of Equity Share (Rs.)	—
Reserve & Surplus	—
Earning per Shares (EPS) Rs.	—
Net Asset Value (NAV) Rs.	9.40

The Company has not undertaken any commercial activity till date. The shares of Empee Airways Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

EMPEE DISTILLERIES LIMITED

14. Universal Spirits Limited

Registered Office	No. 59, Harris Road, Pudupet, Chennai, Tamil Nadu-600002
Nature of Activity	Carry on the business of Distillers, Bottlers, Brewers, Blenders, Manufacturers and producers in all its branches, and to purchase, manufacture, produce, refine, import, export, sell and generally deal in arrack, Indian made Foreign Liquors and liquors and alcohol of every description.
Date of Incorporation	June 2 2006
Name of the Directors	M.P. Purushothaman Nisha Purushothaman Shaji Purushothaman

Shareholding Pattern	Name of the Shareholder	No of Shares
	M.P. Purushothaman	3000
	A.K. Aruna	3000
	Nisha Purushothaman	3000
	Shaji Purushothaman	3000
	Sheeju Purushothaman	3000
	Sheena Purushothaman	3000
	Empee Holdings Limited	32000
	Total	50000

Universal Spirits Limited was incorporated on June 2, 2006 and accordingly the financial information is not available.

The shares of Universal Spirits Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

15. Empee Construction Company Private Limited

Registered Office	Empee Tower, No. 59, Harris Road, Pudupet, Chennai, Tamil Nadu-600002
Nature of Activity	To build, promote, remodel, develop, improve buildings (residential and commercial) including but not restricted to houses, apartments, shops, factories, hospitals, schools, hotels, godowns and to sell the same for cash or for deferred payment or for any other valuable consideration or to deal with the same in any manner whatsoever.
Date of Incorporation	July 24 2006
Name of the Directors	M.P. Purushothaman A.K. Aruna Shaji Purushothaman Sheeju Purushothaman

Prospectus

Shareholding Pattern	Name of the Shareholder	No of Shares (Rs. 10/- each)
	M.P. Purushothaman	8340
	A.K. Aruna	8330
	Nisha Purushothaman	8330
	Shaji Purushothaman	8330
	Sheeju Purushothaman	8330
	Sheena Purushothaman	8330
	Ravi Krishna	10
	Total	50000

Empee Construction Company Private Limited was incorporated on July 24, 2006 and accordingly the financial information is not available. The Company has not undertaken any commercial activity till date.

The shares of Empee Construction Company Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

16. Empee Power and Infrastructure Private Limited

Registered Office	Empee Tower, No. 59, Harris Road, Pudupet, Chennai, Tamil Nadu-600002	
Nature of Activity	Engaged in the business of generating electric power by using wind, solar, water, coal, oil, naphtha, fuel oil, furnace oil, natural gas, liquefied natural gas or any other carbohydrate available above the earth or by from offshore or onshore site in India or outside India.	
Date of Incorporation	August 10, 2006	
Name of the Directors	M.P. Purushothaman A.K. Aruna	

Shareholding Pattern	Name of the Shareholder	No of Shares (Rs. 10/- each)
	M.P. Purushothaman	5000
	A.K. Aruna	5000
	Total	10000

Empee Power & Infrastructure Private Limited was incorporated on August 10, 2006 and accordingly the financial information is not available. The Company has not undertaken any commercial activity till date.

The shares of Empee Power & Infrastructure Private Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

EMPEE DISTILLERIES LIMITED

17. EDL Properties Private Limited

Registered Office	346 A, Pantheon Road, Egmore, Chennai, Tamil Nadu- 6000008
Nature of Activity	Engaged in the business to promote, remodel, develop, improve buildings.
Date of Incorporation	June 28, 2007
Name of the Directors	M.P. Purushothaman A.K. Aruna

Shareholding Pattern	Name of the Shareholder	No of Shares (Rs. 10/- each)
	M.P. Purushothaman	5000
	A.K. Aruna	5000
	Total	10000

EDL Properties Private Limited was incorporated on June 28, 2007 and accordingly the financial information is not available. The Company has not undertaken any commercial activity till date.

The shares of EDL Properties Private Limited are not listed on any of the Stock Exchanges. It is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, and is not subject to winding up proceedings. It has not made a public or rights issue of its shares in the preceding years.

18. Empee Packaging

Registered Office	693, Anna Salai, Madras - 600 006
Nature of Activity	It is engaged in business of manufacturing of corrugated boxes of various types and white duplex board boxes and other allied items under a duly executed Deed of Partnership dated April 1, 1999
Date of Partnership deed	April 1, 1999
Name of the Partners	Shaji Purushothaman. Sheeju Purushothaman.

Shareholding Pattern	Name of the Shareholder	% interest
	Shaji Purushothaman.	50.00
	Sheeju Purushothaman	50.00
	Total	100.00

Audited Financial Information (Period April to March)	2005- 2006	2004- 2005	2003- 2004 (Rs. In Lakhs)
Sales	53.33	38.31	42.06
Other Income	0.07	0.88	1.12
Profit after Tax	7.41	(2.69)	(6.09)
Partners Capital	10.00	10.00	10.00

19. Aruna Constructions

Registered Office	59, Harris Road, Pudupet, Chennai
Nature of Activity	It is engaged in the business of Civil Contracts, Real Estate Business, Construction of commercial complex and letting out the same under a duly executed Deed of Partnership dated April 14, 1997
Date of Partnership deed	April 14, 1997
Name of the Partners	Shaji Purushothaman Sheeju Purushothaman Sheena Purushothaman A.K. Aruna Nisha Purushothaman

Shareholding Pattern	Name of the Shareholder	% interest
	Shaji Purushothaman	20.00
	Sheeju Purushothaman	20.00
	Sheena Purushothaman	20.00
	A.K. Aruna	20.00
	Nisha Purushothaman	20.00
	Total	100

Audited Financial Information (Period April to March)	2005- 2006	2004- 2005	2003- 2004 (Rs. In Lakhs)
Sales	–	–	–
Other Income	116.02	96.40	113.25
Profit after Tax	83.11	59.89	66.66
Partners Capital	5.00	5.00	5.00

20. N. S. Travels

Registered Office	59, Harris Road, Pudupet, Chennai
Nature of Activity	It is engaged in carrying on the business of the running a travels with a fleet of vehicles and other allied business under a duly executed Deed of Partnership dated November 7, 1999
Date of Partnership deed	November 7, 1999
Name of the Partners	Sheena Purushothaman Nisha Purushothaman

Shareholding Pattern	Name of the Shareholder	% interest
	Sheena Purushothaman	50.00
	Nisha Purushothaman	50.00
	Total	100

EMPEE DISTILLERIES LIMITED

Audited Financial Information (Period April to March)	2005- 2006	2004- 2005	2003- 2004 (Rs. In Lakhs)
Sales	5.35	12.73	14.97
Other Income	–	0.07	0.15
Profit after Tax	(1.21)	0.11	2.34
Partners Capital	2.00	2.00	2.00

Common Pursuits/Conflict of Interest

Some of our Promoters, either by themselves or through their relatives, have, through equity interest held in companies forming a part of our Promoter Group which are engaged in the manufacture of certain products which may present potential conflict of interests' situations. The entities falling in the Promoter Group of our Company are stated in the chapter titled "Our Promoter Group Companies" on page no. 145 of this Prospectus

However, there are no sales or purchases between our Company and any Company in the Promoter Group exceeding 10% of the sales or purchases of our Company, except as mentioned in the Section titled "Financial Statements" beginning on page no. 166 of this Prospectus

There are no Companies/Firms from which promoters have disassociated during preceding three years.

Details of Group Companies whose names have been struck-off from Registrar of Companies

Except as mentioned below none of the Companies promoted by our Promoters have been struck off from the record of Registrar of Companies.

- Empee Infotech Private Limited was incorporated on September 17, 2001 with the object of carrying on the business of software development. The company was inoperative since incorporation and therefore, we had applied to Registrar of Companies, Tamil Nadu on December 31, 2003 for striking off its name u/s 560 of the Companies Act, 1956. As per the information available on the website of Ministry of Company Affairs (www.mca.gov.in), the name of Empee Infotech Private Limited struck off.
- Empee Heritage Inn Private Limited was incorporated on December 19, 2002 with the object of carrying on the business of providing boarding and lodging houses, hotels, bars, restaurants, rooms, etc. The company was inoperative since its incorporation and therefore, we had applied to Registrar of Companies, Tamil Nadu on May 19, 2007 for striking off its name u/s 560 of the Companies Act, 1956.

Details of Promoter Group Companies referred to BIFR / under winding up/having negative net worth

None of our Promoter Group Companies/ ventures/ firms has been referred to BIFR or are under winding up. The following Promoter Group Companies have negative net worth during last three years:

Name of Company (Period April to March)	2006- 2007	2005-06	2004-05	2003-04
Empee International Hotels and Resorts Limited	(102.59)	(137.91)	(111.68)	(94.55)
South (India) Hotels Private Limited	(103.67)	(149.63)	(147.69)	(149.68)
Aruna Exports Private Limited	(5.47)	(23.31)	(20.04)	(6.02)
Aruna Constructions (India) Limited	(0.04)	(4.73)	(4.71)	(4.71)
Empee Marine Products Limited	–	(81.24)	(69.10)	(55.48)

Except as mentioned above, no other Promoter group Company / firm / venture have negative net worth during last 3 years.

Prospectus

Our Promoter Company and Subsidiary Company have negative network during the last three financial years

(Rs. in lakhs)

Name of Company / (Period April to March)	2006- 07	2005-06	2004-05
Promoter Company			
Empee Holdings Limited	(167.02)	(247.79)	(251.48)
Subsidiary Company			
Empee Power Company (India) Limited	(25.80)	(26.41)	(26.27)

Our Promoter Company and Subsidiary Company have incurred losses during the last three financial years.

(Rs. in lakhs)

Name of Company / (Period April to March)	2006- 07	2005-06	2004-05
Promoter Company			
Empee Holding Limited	16.07	3.7	(4.99)
Subsidiary Company			
Empee Sugars and Chemicals Limited	87.57	1031.08	(459.34)

Another Promoter Company viz. Empee Power Company (India) Limited is not operational since incorporation in December, 1996.

Some of our Promoter group companies/ ventures/ firms have incurred losses during the last three financial years and had negative network

(Rs. in lakhs)

Name of Company / (Period April to March)	2006- 07	2005-06	2004-05
Empee International Hotels and Resorts Limited	–	(26.24)	(17.13)
Aruna Exports Private Limited	(0.02)	(4.27)	(14.01)
Empee Agro Farm Products Private Limited	(5.47)	4.08	(2.1)
Empee Marine Products Limited	(0.04)	(12.13)	(14.6)
Empee Packaging	–	7.41	(2.69)
N. S. Travels	–	(1.21)	0.11

There are no defaults in meeting any statutory/bank/institutional dues/obligations. No proceedings have been initiated for economic offences against our Promoter Group Companies.

Our Promoter Group Companies are neither sick Companies within the meaning of Sick Industrial Companies (Special Provisions) Act, 1995 nor under winding up.

None of our Promoter Group Companies are presently listed on any stock exchange, or have made any public or rights issues in the preceding three years.

EMPEE DISTILLERIES LIMITED

RELATED PARTY TRANSACTIONS

DETAILS OF RELATED PARTY TRANSACTIONS

As per AS 18 issued by The Institute of Chartered Accountants of India

Names of the related parties and their relationship

I. Shareholders having substantial interest.

Sl.No	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
	None	None	None	None	None	None

II. A Subsidiary Company

Sl.No	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
	Empee Sugars & Chemicals Limited	Empee Sugars & Chemicals Limited	Empee Sugars & Chemicals Limited	Empee Sugars & Chemicals Limited	Empee Sugars & Chemicals Limited	-

III. B Fellow Subsidiary Company

Sl.No	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
	Empee Power Company (I) Ltd	-	-	-	-	-

IV. Promoter Group Companies/ Firms

Sl.No	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
1.	M/s Aruna Constructions	M/s Aruna Constructions	M/s Aruna Constructions	M/s Aruna Constructions	M/s Aruna Constructions	M/s Aruna Constructions
2.	M/s Empee Packaging Industries	M/s Empee Packaging Industries	M/s Empee Packaging Industries	M/s Empee Packaging Industries	M/s Empee Packaging Industries	M/s Empee Packaging Industries
3.	-	Empee Power Company (I) Ltd	-	-	-	-

V. Enterprises where significant influence exists

Sl.No	As of Jan 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
	None	None	None	None	None	None

VI. Key Management Personnel & Relatives

SI.No	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
1	Mr. M P Purushothama, Chairman Cum Managing Director	Mr. M P Purushothama, Chairman Cum Managing Director	Mr. M P Purushothama, Chairman Cum Managing Director	Mr. M P Purushothama, Chairman Cum Managing Director	Mr. M P Purushothama, Chairman Cum Managing Director	Mr. M P Purushothama, Chairman Cum Managing Director
2	Mrs Nisha Purushothaman Joint Managing Director	Mrs Nisha Purushothaman Joint Managing Director	Mrs Nisha Purushothaman Joint Managing Director	Mrs Nisha Purushothaman Joint Managing Director	Mrs Nisha Purushothaman Joint Managing Director	Mrs Nisha Purushothaman Joint Managing Director
3	Mrs.Sheena Purushothaman, Relative	-	-	-	-	-

(Rs.in lakhs)

Nature of Transaction	Subsidiary Companies					
	As of June 30, 2007	2005-06	2004-05	2003-04	2002-03	2001-02
Sales of Assets	618.00	-	-	-	-	-
Interest Received	65.47	-	-	-	-	-
Share Equity contributions in cash or kind	168.74	168.74	173.99	197.69	197.69	-
Loans and advances given	610.68	142.47	253.96		107.02	-
Loans and advances received back	-			77.46	-	-
Receivable	1036.67	425.99	283.52	29.56	107.02	-

(Rs.in lakhs)

Nature of Transaction	Fellow Subsidiary Companies					
	As of September 30,					
	As of June 30, 2007	2006	2005	2004	2003	2002
Share Application Money -Empee Power company (I) Limited	50.00	-	-	-	-	-

EMPEE DISTILLERIES LIMITED

(Rs.in lakhs)

Nature of Transaction	Promoter Group Company/Firms					
	As of June 30, 2007	2005-06	2004-05	2003-04	2002-03	2001-02
Rent Paid - Aruna Constructions	11.84	15.79	15.79	29.42	43.05	42.46
Cartons Box - Empee Packaging Industries	47.49	52.63	57.65	22.62	13.19	41.81
Share Application Money- Empee Marine	200.00	200.00	200.00	200.00	200.00	200.00
Share Application Money - Appollo Alchobev Ltd	300.00	300.00	-	-	-	-
Share Application Money - Empee Hotels	50.00	50.00	-	-	-	-
Share Application Money -Empee Power company (I) Ltd	-	50.00	-	-	-	-
Empee Hotels Ltd	35.00	35.00	-	-	-	-

(Rs.in lakhs)

Nature of Transaction	Key Managerial Personnel					
	As of June 30, 2007	2005-06	2004-05	2003-04	2002-03	2001-02
Director's remuneration (Ms. Nisha Purushothaman)	18.00	12.04	3.36	3.36	3.36	14.11
House Rent paid to Mrs. Sheena Purushothaman	0.15	--	--	--	--	--

DIVIDEND POLICY

The declaration and payment of dividend will be recommended by the Board of Directors and approved by the shareholders of the Company at their discretion and will depend on a number of factors, including the results of operations, earnings, capital requirements and surplus, general financial conditions, applicable Indian legal restrictions and other factors considered relevant by the Board. The Board may also from time to time pay interim dividend. All dividend payments are made in cash to the shareholders of the Company.

We have not declared any dividend during the last five years.

SECTION V: FINANCIAL INFORMATION**AUDITORS' REPORT****FINANCIAL STATEMENTS OF THE COMPANY**

Date: 24.09.2007

The Board of Directors,
Empee Distilleries Limited
Chennai

I have examined the following financial information of Empee Distilleries Limited. ("the Company") and consolidated financial information of Empee Distilleries Limited("the Holding Company") and Empee Sugars & Chemicals Limited ('ESCL'); and Empee Power Company (India) Limited ('EPCIL') ("the subsidiary Company") as attached to this report stamped and initialed by me for identification and as approved by the Board of Directors which has been prepared in accordance with Paragraph B-1 of Part II of Schedule II of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ("the Guidelines") issued by the Securities and Exchange Board of India ("SEBI") on January 19, 2000 ,as amended from time to time, in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications and in accordance with the instructions dated 12th December 2006 , issued by the Company in connection with the Offer Document to be issued by the Company in connection with its proposed Equity Shares.

Annexure I	:	Statement of Unconsolidated restated Assets and Liabilities as at 30th June 2007, 30th September 2006, 30th September 2005, 30th September 2004, 30th September 2003 and 30th September 2002.
Annexure II	:	Statement of Unconsolidated restated Profit and Loss Account for the nine months period ended 30th June 2007, and year ended 30th September 2006, 30th September 2005, 30th September 2004, 30th September 2003 and 30th September 2002.
Annexure II-A	:	Significant Accounting Policies and Notes to Accounts as per the audited accounts.
Annexure III	:	Statement of Consolidated restated Assets and Liabilities as at 30th June 2007, 30th September 2006, 30th September 2005, 30th September 2004, 30th September 2003
Annexure IV	:	Statement of Consolidated restated Profit and Loss Account for the nine months period ended 30th June 2007, and year ended 30th September 2006, 30th September 2005, 30th September 2004, 30th September 2003.
Annexure V	:	Statement of Restated Unconsolidated Cash Flows for the nine months period ended 30th June 2007, and year ended 30th September 2006, 30th September 2005, 30th September 2004, 30th September 2003.
Annexure VI	:	Consolidated Restated Statement of Cash Flows for the nine months period ended 30th June 2007, and year ended 30th September 2006, 30th September 2005, 30th September 2004, 30th September 2003.

Annexure A	:	Statement of Accounting Ratios.
Annexure B	:	Capitalization Statement.
Annexure C	:	Details of Other Income.
Annexure D	:	Statement showing Age-wise analysis of Sundry Debtors.
Annexure E	:	Details of investments.
Annexure F	:	Details of Loans and advances.
Annexure G	:	Tax Shelter Statement.
Annexure H	:	Statement of secured loans and unsecured loans taken by the Company.
Annexure I	:	Details of related party transactions.
Annexure J	:	Statement of Dividend Declared.

Based on examination of the above statements with the respective audited financial statements and on the basis of information and explanations given to me, I report as under:

- The Statements referred to as Annexure I to VI and Annexure A to J read with the respective Significant Policies and read together the notes thereon and after making such adjustments, regroupings and disclosures as were, in our opinion, appropriate and require have been prepared out of audited financial statements for the years / periods.
- I confirm the calculations of (a) Accounting ratios in Annexure A; (b) Long-term Debt / Equity ratios mentioned in Annexure B; and (c) Tax Shelter Statement in Annexure G
- This report is intended solely for use for your information and for inclusion in the Red Herring Prospectus / Prospectus in connection with the Proposed Initial Public Offer of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent. This report should not in any way construed as a re issuance or redating of any of the previous audit reports issued by me nor this report should be construed as a new opinion on any of the financial statements referred to herein.

N.C. Ananthakumar
Chartered Accountant
Membership No. 23667

Summary of Unconsolidated Restated Assets and Liabilities
(Rs in Lakhs)

PARTICULARS	As at June 30, 2007	As at September 30,				
		2006	2005	2004	2003	2002
A. Fixed Assets						
Gross Block	3546.61	3152.73	2978.59	2586.95	2440.31	2266.18
Less: Accumulated Depreciation	1104.95	986.33	841.93	706.97	581.42	467.17
Net Block	2441.66	2166.40	2136.66	1879.98	1858.89	1799.01
Add: Capital Work in Progress	2910.37	742.43	52.78	0.00	0.00	0.00
Total	5352.03	2908.83	2189.44	1879.98	1858.89	1799.01
B. Investments	807.12	823.37	827.74	400.19	400.54	227.85
C. Current Assets, Loans and Advances						
Inventories	1803.71	1574.04	1611.88	887.55	697.49	451.37
Sundry Debtors	2575.54	1182.40	950.66	612.40	871.51	770.39
Cash and Bank Balances	196.00	315.33	415.10	362.90	188.24	85.78
Loans & Advances	6583.97	5122.74	2295.70	1772.27	842.03	1007.31
Total	11159.22	8194.51	5273.34	3635.12	2599.27	2314.85
D. Less: Liabilities and Provisions						
Current Liabilities & Provisions	4595.15	3523.06	3457.20	2385.61	2507.21	2174.82
Deferred Tax (Assets)/ Liabilities (net)	418.51	378.56	205.52	(17.75)	(221.50)	0.00
Secured Loans	5026.27	4154.47	1689.19	1253.54	606.24	728.14
Unsecured Loans	1953.39	0.00	0.00	0.00	0.00	0.00
Total	11993.34	8056.09	5351.91	3621.40	2891.95	2902.96
E. Net worth (A+B+C-D)	5325.03	3870.62	2938.61	2293.89	1966.75	1438.75
Net worth represented by:						
F. Share Capital	1420.40	1420.40	710.20	710.20	710.20	710.20
G. Reserves and Surplus						
Capital Reserve	0.00	0.00	700.00	700.00	700.00	700.00
General Reserve	1565.85	1565.85	1573.00	1535.02	1535.02	1143.98
Profit and Loss Account	2390.46	928.02	38.53	(526.65)	(812.23)	(1115.43)
Total	3956.31	2493.87	2311.53	1708.37	1422.79	728.55
H. Miscellaneous Expenditure (To the extent not written off or adjusted)	51.68	43.65	83.12	124.68	166.24	0.00
I. Net Worth (F+G-H)	5325.03	3870.62	2938.61	2293.89	1966.75	1438.75

Summary of Unconsolidated Restated Profit and Loss Account

(Rs in Lakhs)

PARTICULARS	Nine Months Period ended June 30, 2007	Year ended September 30,				
		2006	2005	2004	2003	2002
Income / Revenue						
Sales of Goods Manufactured	46,763.40	47,879.94	32,303.58	20,670.65	15,319.84	17,734.03
Other Income	1,083.16	611.14	499.52	211.32	416.76	2,645.27
Stock Movement	34.29	(192.11)	370.64	132.27	(54.70)	(126.09)
	47,880.85	48,298.97	33,173.74	21,014.24	15,681.90	20,253.21
Expenditure						
Manufacturing & Other Expenses	8,674.71	7,991.50	6,637.02	4,177.24	2,944.90	3,892.61
Rents, Rates & Taxes	34,392.28	35,340.37	23,231.28	14,266.58	10,408.90	11,544.07
Employee Cost	486.41	432.77	304.06	287.28	274.44	432.03
Administrative Expenses	598.71	706.19	460.04	412.39	348.39	527.36
Selling & Distribution Expenses	934.98	1,822.77	1,091.65	1,028.17	906.53	1,420.31
Powers & Fuels	144.02	298.67	159.15	29.14	33.41	244.70
Loss on Sales of Investment	14.75	-	-	-	-	441.44
	45245.86	46592.27	31883.20	20200.80	14916.57	18502.52
Profit Before interest, depreciation, Tax and Extra ordinary items	2,634.99	1,706.70	1,290.54	813.44	765.33	1,750.69
Financial Cost	420.15	312.84	325.57	154.15	136.78	1,012.06
Depreciation	151.57	146.56	134.96	128.40	114.24	119.71
Deferred Revenue Expenses	31.17	41.56	41.56	41.56	41.56	102.88
Profit before Taxation and Extra Ordinary Items	2,032.10	1,205.74	788.45	489.33	472.75	516.04
Provision for Taxation - Current	529.72	143.20	-	-	-	-
Deferred Tax	39.94	173.05	223.27	203.74	169.56	-
Profit after Taxation and before Extra Ordinary items	1,462.44	889.49	565.18	285.59	303.19	516.04
Less: Extra Ordinary items	-	-	-	-	-	-
PAT after Adjustments	1,462.44	889.49	565.18	285.59	303.19	516.04

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS**(i) SIGNIFICANT ACCOUNTING POLICES****1. Basis of Accounting**

The financial statements are prepared and presented in accordance with generally accepted accounting principles in India and the provisions of the Companies Act, 1956. The company follows the accrual method of accounting under historical cost convention.

2. Recognition of Income & Expenditure

All income & expenditure are accounted for on accrual basis as stated herein except in respect of such items as are specifically mentioned hereunder and in the notes. Sales income is accounted inclusive of excise duty and sales tax wherever applicable but net of trade discounts.

3. Fixed Assets and Depreciation/Amortization

Fixed Assets include assets for Financing Lease. These assets are stated at their original cost of acquisition (including expenditure for the acquisition and/or installation) less accumulated depreciation. Depreciation on Fixed assets has been provided on Straight Line Method at the applicable rates prescribed under Schedule XIV to the Companies Act, 1956. Depreciation on addition to fixed assets during the year is reckoned on a pro rata basis with reference to the month in which the fixed assets are put to use or commissioned. Fixed Assets costing less than Rs. 5,000/- are depreciated fully in the year of acquisition

4. Impairment of Fixed Assets

Wherever events of changes in circumstances indicate that the carrying value of fixed assets may be impaired, the Company subjects such assets to a test of recoverability, based on discounted cash flows expected from use or disposal thereof. If the assets are impaired, the Company recognizes as impairment loss as the difference between the carrying value and fair value less costs to sell.

5. Capital Work in Progress

Capital work in progress is stated at cost and includes Capital advances paid to the suppliers.

6. Investments

Investments are classified into "Long Term" Investments. All long-term investments are stated at cost. Provision for diminution in value, other than temporary, is considered wherever necessary on an individual basis. Cost is arrived at on weighted average method for the purpose of valuation of investment.

7. Inventories

Finished Goods are valued at cost or market value whichever is lower. Work-in-Progress is valued at material cost, labour and proportionate direct overheads and Raw Materials and Stores & Spares are valued at Landed Cost on FIFO basis.

8. Foreign Currency Transaction

Foreign exchange transactions are recorded at the exchange rates prevailing at the time of transaction. Assets and liabilities expressed in foreign currencies (to the extent not covered against exchange fluctuations) are translated into Indian Rupees at the exchange rate prevailing at the Balance Sheet date and any loss or gain arising there from has been included in Finance Charges as per the provision of Accounting Standard 16 and 11 issued by The Institute of Chartered Accountants of India.

9. Prior Period and Extra Ordinary Items

Prior Period and Extra Ordinary Items having material impact on the financial affairs of the Company are disclosed, if applicable.

10. Retirement and Other Benefits

The company accounts gratuity liability as and when gratuity is paid to the employees. Contribution to Provident Fund is made as per provisions of Employees Provident fund and Miscellaneous Provisions Act, 1952 and charges to Profit and Loss Account and disclosed separately. The company accounts leave encashment as and when the leave encashment is paid to the employees.

11. Income Tax

The Income Tax liability is provided in accordance with the provisions of the Income tax Act 1961. Deferred tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

12. Miscellaneous Expenditure

Miscellaneous Expenditure includes deferred revenue expenditure which is written off over the period of five years on straight line method and share issue expenses which will be written off over the period of five years on straight line method from the year of the public issue.

13. There have been no changes in the accounting policies during the last five years except change in the method of depreciation from written down value to straight line method as per details given on notes on the restated financial statements.

II NOTES ON THE RESTATED FINANCIAL STATEMENTS:

1. Adjustments / Regroupings arising out of change in accounting policies and prior period items:

Extraordinary Items - Change in method of Depreciation and prior period adjustments.

During the year ended September 30, 2006, the Empee Distilleries Limited has changed the method of depreciation from- written down method to straight line method. Because of the change in the method of depreciation, the company has credited the excess depreciation upto 30th Sept 2005 amounting to Rs. 563.31 Lacs as Depreciation written back.

Prior Period Expenses - Prior Period expenses have been adjusted in the respective years to which they relate for the purpose of the Recasted financials

(Rs.in lakhs)

Particulars	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
Profit after tax as per audited financial statements (A)	1462.44	1538.18	424.28	251.53	584.18	420.44
Adjustments on account of:						
Change in accounting policies	-	(563.31)	55.10	81.50	83.30	142.13
Prior year adjustments	-	-	64.14	0.16	-	(64.30)
Tax adjustments	-	(85.38)	21.66	(47.60)	(364.29)	17.77
Adjusted Profit	1462.44	889.49	565.18	285.59	303.19	516.04

EMPEE DISTILLERIES LIMITED

2. Bonus Shares

During the year 2006, the company has issued bonus shares of one share of each share held on 29.04.2006. The bonus shares are issued out of the general reserve to the tune of Rs. 669.18 Lakhs and balance in profit and loss account to the tune of 41.02 Lakhs of the company. The balance standing in the credit of capital reserve to the tune of Rs. 700 Lakhs has been transferred to general reserve account.

3. Contingent Liabilities

(Rs.in lakhs)

Particulars	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
Corporate Guarantees to the Bank	1475	2267	2267	1304	1304	1304
Claim against the company not acknowledged as debts	87	42	34	22	22	22
Disputed Income tax demand	1572	288	-	-	-	-
Disputed Sales Tax demand	1640	1640	1640	1640	1016	1016

4. Capital Commitments:

(Rs.in lakhs)

Particulars	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
Estimated value of contracts remaining to be executed on capital account, not provided for (net of advances)	1215	1275	-	-	-	-

5. Deferred Tax Liability

(Rs.in lakhs)

Particulars	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
Depreciation	418.51	378.56	383.32	387.58	384.83	-
Carry forward Loss	-	(177.80)	(405.33)	(606.33)	-	-
TOTAL	418.51	378.56	205.52	(17.75)	(221.50)	-

CONSOLIDATED RESTATED ASSETS AND LIABILITIES

(In Rs Lakhs)

PARTICULARS	As at June 30, 2007	As at September 30,			
		2006	2005	2004	2003
<u>SOURCES OF FUNDS</u>					
Share Capital	1420.40	1420.40	710.20	710.20	710.20
Minority Interest	690.69	629.29	328.54	218.03	214.35
Reserve & Surplus	5152.36	3602.90	2871.73	2306.74	2007.69
Secured Loans	8665.35	6315.79	3788.31	3700.15	3150.41
Unsecured Loans	2102.57	212.90	244.03	36.58	114.00
Deferred Tax Liabilities	723.39	660.24	546.02	276.89	61.11
TOTAL	18754.76	12841.52	8488.85	7248.59	6257.76
<u>APPLICATION OF FUNDS</u>					
Fixed Assets					
Gross Block	8482.06	7952.91	7664.01	7240.45	7000.90
Less: Accumulated Depreciation	3649.73	3423.85	3070.14	2700.43	2343.37
Net Block	4832.33	4529.06	4593.87	4540.02	4657.53
Add: Capital WIP	5449.24	1429.03	79.46	3.95	42.03
	10281.57	5958.09	4673.33	4543.97	4699.56
Investments	638.56	654.81	653.86	202.61	202.96
Current Assets, Loans & Advances					
Inventories	3248.06	2175.22	2118.92	1561.52	1464.23
Sundry Debtors	2963.38	1373.86	1086.23	840.31	1239.50
Cash & Bank Balances	276.26	324.08	449.53	397.31	213.28
Loans & Advances	6852.04	5637.30	2921.04	2249.52	1397.96
	13339.74	9510.46	6575.72	5048.66	4314.97
Less:					
Current Liabilities & Provisions	5556.79	3325.50	3497.19	2671.34	3125.98
Net Current Assets	7782.95	6184.96	3078.53	2377.32	1188.99
Miscellaneous Expenses (To the extent not written off or adjusted)	51.68	43.66	83.13	124.69	166.25
TOTAL	18754.76	12841.52	8488.85	7248.59	6257.76

RESTATED CONSOLIDATED PROFIT & LOSS ACCOUNT

(In Rs Lakhs)

PARTICULARS	Nine Months Period ended June 30, 2007	As at September 30,			
		2006	2005	2004	2003
INCOME					
Sales Income	52,530.46	55,447.72	44,104.83	25,969.88	19,809.94
Other Income	1,116.87	723.95	523.22	229.18	1,419.35
Stock Movement	986.62	(205.35)	167.07	13.36	224.66
	54,633.95	55,966.32	44,795.12	26,212.42	21,453.95
EXPENDITURE:					
Manufacturing & Other Expenses	13,538.04	12,846.04	15,420.08	7,797.71	6,693.06
Rents, Rates & Taxes	34,903.83	35,803.19	23,991.54	14,576.44	10,748.95
Employee Cost	841.47	817.92	637.13	564.34	506.36
Administrative Expenses	813.15	1,016.20	728.13	660.69	820.97
Selling & Distribution Expenses	937.73	1,829.71	1,115.99	1,053.44	912.45
Powers & Fuels	353.38	483.99	521.47	227.14	128.52
Loss on Sales of Investment	14.75	-	-	-	-
	51,402.35	52,797.05	42,414.34	24,879.76	19,810.31
Profit Before interest, depreciation and Tax	3,231.60	3,169.27	2,380.78	1,332.66	1643.64
Financial Cost	700.84	780.66	1,086.54	412.69	411.22
Depreciation	258.81	355.88	369.72	359.90	315.40
Deferred Revenue Expenses	31.17	41.56	41.56	41.56	41.56
Profit before Taxation & Extra Ordinary Items	2,240.78	1,991.17	882.96	518.51	875.46
Provision for Taxation					
- Current	535.97	143.20	-	-	-
- Deferred Tax	63.15	114.22	269.14	215.77	(158.13)
Profit after Taxation	1,641.66	1,733.75	613.82	302.74	1,033.59
Less: Minority Interest	(59.14)	(300.75)	(110.51)	(3.69)	(157.04)
Less: Cost of Control Account	-	14.98	67.67	-	(355.01)
Retained earnings	1,582.52	1,447.98	570.98	299.05	521.54

RESTATED UNCONSOLIDATED STATEMENT OF CASH FLOWS

(In Rs lakhs)

PARTICULARS	Nine Months Period ended June 30, 2007	Year ended September 30,				
		2006	2005	2004	2003	2002
A. Cash Flow from Operating Activities:						
Net Profit before tax & extra ordinary items	2,032.10	1,205.74	788.45	489.33	472.75	516.04
Adjustment for:						
Depreciation	151.57	146.56	134.96	128.39	114.24	119.71
Interest Paid	420.15	312.85	325.57	154.16	136.78	1,012.06
Prior Period Adjustments/ Reserves	-	-	37.98	-	-	1,403.31
Misc. Expenditure	(8.03)	39.46	41.56	41.56	(166.24)	102.88
Operating Profit before Working Capital Charges	2595.79	1,704.61	1,328.52	813.44	557.53	3,154.00
(Increase)/Decrease in stock	(229.67)	37.86	(724.33)	(190.06)	(246.12)	182.08
(Increase)/Decrease in current assets	(2,854.35)	(3,058.79)	(861.70)	(671.12)	64.15	1,166.69
Increase/(Decrease) in current liabilities	1,072.17	65.88	1,071.60	(121.61)	332.40	(2,404.89)
Cash generated from operations	583.94	(1,250.44)	814.09	(169.35)	707.96	2,097.88
tax paid	(529.71)	(143.20)	-	-	-	(17.77)
Net Cash used in operating activities	54.23	(1,393.64)	814.09	(169.35)	707.96	2,080.11
B. Cash flow from Investing Activities						
Purchase/Sale of Fixed Assets	(2,594.79)	(862.94)	(444.41)	(149.48)	(174.13)	619.66
Sale/ (purchase) of Investments	16.19	4.37	(427.55)	0.35	(172.69)	1,796.12
Net cash from investing activities	(2,578.60)	(858.57)	(871.96)	(149.13)	(346.82)	2,415.78
C. Cash flow from Financing Activities						
Increase in Secured Loan	871.80	2,465.29	435.64	647.30	(121.90)	(3,040.40)
Increase in Unsecured Loan	1,953.39	-	-	-	-	(403.44)
Interest Paid	(420.15)	(312.85)	(325.57)	(154.16)	(136.78)	(1,012.06)
Net Cash used in Finance Activities	2405.04	2,152.44	110.07	493.14	(258.68)	(4,455.90)
Increase in Cash and Cash equivalents	(119.33)	(99.77)	52.20	174.66	102.46	39.99
Cash and cash equivalents at the beginning of the year	315.33	415.10	362.90	188.24	85.78	45.79
Cash and Cash equivalents at the end of the year	196.00	315.33	415.10	362.90	188.24	85.78

CONSOLIDATED STATEMENT OF CASH FLOWS

(In Rs Lakhs)

DESCRIPTION	Nine Months Period ended June 30, 2007	Year ended September 30,			
		2006	2005	2004	2003
A. Cash Flow from Operating Activities:					
Net Profit before tax & extra ordinary items	2,240.78	1,991.17	882.96	518.51	875.46
Adjustment for:					
Minority Interest/Cost of Control					679.06
Depreciation	258.81	355.88	369.72	359.89	315.40
Interest Paid	700.84	780.66	1,086.54	412.69	411.22
Prior year adjustment	-	-	37.98	-	-
Increase (Decrease) in Misc. Expenditure	(8.03)	39.47	41.56	41.57	(166.24)
Operating Profit before Working Capital Charges	3,192.40	3,167.18	2,418.76	1,332.66	2,114.90
(Increase)/Decrease in stock	(1,072.84)	(56.30)	(557.40)	(97.29)	(1,012.86)
(Increase)/Decrease in current assets	(2,804.24)	(3003.89)	(917.45)	(452.37)	(859.78)
Increase/(Decrease) in current liabilities	2,231.29	(171.69)	825.85	(454.64)	951.15
Cash generated from operations	1,546.61	(64.70)	1,769.76	328.36	1,193.41
tax paid	(535.97)	(143.20)	-	-	-
Net Cash used in operating activities	1010.64	(207.90)	1,769.76	328.36	1,193.41
B. Cash flow from Investing Activities					
Purchase of Fixed Assets	(4,613.09)	(1,637.52)	(499.07)	(204.30)	(3,215.86)
Sale/ (purchase) of Investments (Revaluation adjusted)	16.26	4.29	(427.55)	0.35	24.89
Net cash from investing activities	(4,596.84)	(1,633.23)	(926.62)	(203.95)	(3,190.97)
C. Cash flow from Financing Activities					
Increase in Working Capital Loan	407.44	805.04	424.40	677.32	-
Net of increase/decrease in Term Loan	1,942.13	1,722.43	(336.23)	(127.58)	2,422.27
Increase in Unsecured Loan	1,889.66	(31.13)	207.45	(77.42)	114.00
Interest Paid	(700.84)	(780.66)	(1,086.54)	(412.69)	(411.22)
Net Cash used in Finance Activities	3,538.39	1,715.68	(790.92)	59.63	2,125.05
Increase in Cash and Cash equivalents	(47.81)	(125.45)	52.22	184.04	127.49
Cash and cash equivalents at the beginning of the year	324.08	449.53	397.31	213.27	85.78
Cash and Cash equivalents at the end of the year	276.27	324.08	449.53	397.31	213.27

SUMMARY OF ACCOUNTING RATIOS

Particulars	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
Earnings per shares	10.30	6.26	3.98	2.01	2.13	3.63
Basic - (Rs.)	10.30	6.26	3.98	2.01	2.13	3.63
Diluted - (Rs.)	10.30	6.26	3.98	2.01	2.13	3.63
Net Asset Value per share - (Rs.)	37.49	27.25	20.69	16.15	13.85	10.13
Return on Net Worth (%)	27.46	22.98	19.23	12.45	15.42	35.87
Weighted Average Number of Equity shares outstanding during the year considered for Basic EPS and Net Asset Value per Share	14204000	14204000	14204000	14204000	14204000	14204000
Weighted Average number of Equity shares outstanding during the year considered for Diluted EPS	14204000	14204000	14204000	14204000	14204000	14204000

Formulae:

Earnings Per Share (Rs)	=	Net Profit after Tax and before Extraordinary Items less Preference dividend
		Weighted Average Number of Equity Shares outstanding during the year
Net Asset Value Per Share (Rs.)	=	Net worth excluding Revaluation Reserve
		Weighted Average Number of Equity Shares outstanding during the year
Return on Net Worth (%)	=	Net Profit after Tax and before Extraordinary Items
		Net worth excluding Revaluation Reserve

Note: Net Worth = Equity Share Capital + Reserves & Surplus (Excluding Revaluation reserve) - Miscellaneous Expenditure

Note:

- During the year ended September 30, 2006, the company has issued 7102000 bonus shares to the shareholders in the ratio of one share for every shares held by them. Since the bonus issue is an issue without consideration, it has been treated as if it had occurred from the beginning of the year 2002, the earliest period reported, both for the purpose of computing EPS and Net Asset Value per share.
- The above ratios have been calculated based on restated financial statements.

EMPEE DISTILLERIES LIMITED

Calculation of weighted average number of shares outstanding during the year

Particulars	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
Nominal value of equity shares - (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00
Total number of equity shares outstanding at the beginning of the year - Rs.10 per share paid up	14204000	7102000	7102000	7102000	7102000	7102000
Equity shares issued during the year on	-	-	-	-	-	-
Total equity shares at the end of the year	14204000	14204000	7102000	7102000	7102000	7102000
Bonus Equity Shares issued on May 3, 2006 (Refer Note 1 above.)	-	7102000	-	-	-	-
Weighted Average number of Equity shares outstanding during the year - considered for Basic EPS	14204000	14204000	7102000	7102000	7102000	7102000
Weighted Average number of Equity shares outstanding during the year - considered for Basic EPS	14204000	14204000	14204000	14204000	14204000	14204000

Annexure B

CAPITALISATION STATEMENT

(Rs. in lakhs)

Particulars	Pre-Issue 2007	Post-Issue
Debt		
Short Term Debt	2314.20	2314.20
Long Term Debt	2712.07	2712.07
Total Debt	5026.27	5026.27
Shareholder's Funds		
Share Capital	1420.40	1900.40
Reserves	3956.31	22676.31
Total Shareholder's Fund	5376.71	24576.71
Total Debt/ Shareholder's Funds (Ratio)	0.93	0.20

Note: The capitalization statement has been calculated on the basis of restated financial statements.

DETAILS OF OTHER INCOME

(Rs in Lakhs)

Particulars	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
Recurring Incomes						
Making Charges	35.90	94.80	93.80	79.51	78.77	79.84
Scrap Sales	40.51	64.98	34.11	43.84	34.25	296.33
Wind Mill Generation	22.07	52.93	51.72	39.82	65.85	37.91
Miscellaneous Income	20.35	50.38	35.96	48.15	60.11	31.19
Non Recurring Income						
Dividend Received	0.02	0.04	-	-	0.00	0.00
Interest Received	65.47					
Sales on Trade Mark & Licence	-	-	-	-	-	2200.00
Profit on Sale of Investments	245.68	283.93	-	177.78	0.00	
Debit / Credit Balance Written Off	280.47	102.33	-	-	-	-
Profit on sales of Assets	618.37	-	-	-	-	-
TOTAL	1083.16	611.14	499.52	211.32	416.76	2645.27

Annexure D

STATEMENT SHOWING AGE-WISE ANALYSIS OF SUNDRY DEBTORS

(Rs in Lakhs)

Particulars	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
(Unsecured, Considered good)						
Outstanding for a period exceeding six months	183.59	177.42	170.61	157.08	190.23	120.91
Other Debts	2391.95	1004.98	780.05	455.32	681.28	649.48
TOTAL	2575.54	1182.40	950.66	612.40	871.51	770.39

Note :

There are no amounts recoverable from promoters, promoter group, group companies, directors of the company and associate companies as at June 30,2007.

EMPEE DISTILLERIES LIMITED

Annexure E

DETAILS OF INVESTMENTS

(Rs in Lakhs)

QUOTED INVESTMENTS

Particulars	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
QUOTED INVESTMENTS						
Andhra Bank						
Cost (1000 equity Shares)	0.96	0.96	-	-	-	-
Market Value (30th June 2007)	(0.88)	(0.95)	-	-	-	-
Empee Sugars & Chemicals Limited (Subsidiary Company)						
Cost (1000 equity Shares)	168.66	168.66	173.99	197.69	197.69	-
Market Value (30th June 2007)	(2317.26)	(4471.41)	(7727.73)	(1209.21)	(873.12)	-
UNQUOTED INVESTMENTS						
Share Application Money	600.00	600.00	600.00	200.00	200.00	200.00
250000 preference shares of Rs.10/- each at Ceat Finance Limited	2.50	2.50	2.50	2.50	2.50	2.50
Empee Hotels	35.00	35.00	35.00	-	0.35	-
National Saving Certificate	-	-	-	-	-	0.35
Malayalam Communications Limited, - Equity Shares	-	-	-	-	-	25.00
Ziqitza Healthcare Limited - Equity Shares	-	16.25	16.25	-	-	-
Total	807.12	823.37	827.74	400.19	400.54	227.85

DETAILS OF LOANS AND ADVANCES

(Rs in Lakhs)

Particulars	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
Advance to Suppliers & Other Advance	4521.42	4080.25	1291.26	1168.92	90.73	540.73
Loans and Advances to related Parties:						
Empee Sugars & Chemicals Limited	1036.68	425.99	283.52	29.56	107.02	
Prepaid Expenses	46.65	21.39	27.50	26.66	2.97	0
Deposits						
Fixed Deposit with Banks	0.50	0.50	12.33	0.50	0.50	0.82
Deposit with Government Departments	35.72	118.01	115.57	31.37	31.36	46.90
Income Tax	647.70	328.90	464.39	347.12	444.01	249.73
Other Deposits	295.30	147.70	101.13	168.14	165.44	169.13
Total	6583.97	5122.74	2295.70	1772.27	842.03	1007.31

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Annexure G

STATEMENT OF TAX SHELTERS

(Rs in Lakhs)

Particulars	As at June 30, 2007	As at September, 30,				
		2006	2005	2004	2003	2002
Profit/(Loss) before tax and after Extraordinary items as per books (A)	2032.10	1205.74	788.45	489.33	472.75	516.04
Tax Rate	33.66%	33.66%	36.59%	36.88%	36.75%	35.70%
Tax at notional rate on profits	684.00	405.85	288.49	180.46	173.74	184.23
Adjustments:						
Permanent Differences (B)						
Exempt Income						
Profit/(Loss) on Sale of Investments / Assets exempt u/s. 10 (23G)	598.36	245.68	283.94	0.00	177.79	441.44
Dividend exempt u/s. 10 (33), (34) & (35)	0.02	0.04	0.00	0.00	0.00	0.00
Other Adjustments						
Donations	1.57	6.49	13.29	1.55	1.70	6.75
Wealth Tax Paid	0.12	0.79	19.29	2.44	0.00	0.70
Total Permanent Differences (B)	600.07	253.00	316.52	3.99	179.49	448.89
Timing Differences (C)						
Difference between Tax depreciation and Book Depreciation	118.66	-13.92	42.45	89.03	104.14	181.40
Deferred Revenue and preliminary Expenditure net of claimed in Income Tax	31.17	41.56	41.56	41.56	41.56	102.88
Profit on Sales of Fixed Assets	0.00	-0.49	0.00	0.00	0.00	0.00
Total Timing Difference (C)	149.83	27.15	84.01	130.59	145.70	284.28
Net Adjustments (B+C)	749.90	280.14	400.53	134.58	325.19	733.17
Tax Savings thereon	252.42	94.30	146.55	49.63	119.51	261.74
Profit / (Loss) as per Income Tax Purposes	1,282.20	925.59	387.92	354.75	147.56	(217.13)

STATEMENT OF SECURED LOANS

(Rs in Lakhs)

Particulars	As of June 30, 2007	As of September, 30,				
		2006	2005	2004	2003	2002
Andhra Bank - Working Capital - TN Unit	1694.57	1452.46	1101.72	677.32	-	-
Andhra Bank - working capital - Palakkad Unit	619.63	454.30	-	-	-	-
TOTAL - A	2314.20	1906.76	1101.72	677.32	-	-
Term Loan						
KSIDC	18.32	83.93	234.24	-	-	-
IREDA	57.81	132.16	231.24	342.05	429.37	467.69
Andhra Bank - Term Loan	181.89	222.27	322.34	152.28	-	-
Andhra Bank - Term Loan Power Divil.	1222.08	232.39	-	-	-	-
TOTAL - B	1461.78	586.82	553.58	512.65	513.30	701.93
Corporate Loan						
IOB - Rs. 1000 lakhs	759.31	1006.30	-	-	-	-
Allahabad Bank Rs. 700 lakhs	471.49	648.11	-	-	-	-
TOTAL - C	1230.80	1654.41	-	-	-	-
TOTAL=D= B+C	2692.58	2241.23	553.58	512.65	513.30	701.93
Hire Purchase Loan (Secured by hypothecation of vehicle)	19.49	6.48	33.89	63.57	92.94	26.21
TOTAL-A+D	5026.27	4154.47	1689.19	1253.54	606.24	728.14

- 1) Working Capital Facility (OCC) from Andhra Bank, Egmore Branch, Chennai -8 for Rs.1000 lacs secured by Hypothecation of Raw Materials, Stores and Consumables, Work-in-process, Finished Goods and Sales Receivables (not older than 90 days) and further secured by Collateral Securities of second charge on fixed assets of the company WDV of Rs.1440.10 lacs as of 30.9.2002 together with assets to be procured worth of Rs.532 lacs, also by personal guarantee of the Promoter Directors Mr. M P Purushothaman and Mrs. A K Aruna. Loan is repayable on demand. Rate of interest 12%. Current Rate of Interest 14%
- 2) Working Capital Facility (OCC) from Andhra Bank, Egmore Branch, Chennai -8 for Rs.500 lacs secured by Hypothecation of Raw Materials, Stores and Consumables, Work-in-process, Finished Goods and Sales Receivables (not older than 90 days) and further secured by Collateral Securities of second charge on fixed assets of the company Industrial area, Kanjikode, Pallakad Dist., Kerala, land and building situated in the Industrial Development area, Kanjikode, Pallakad Dist., Kerala, having a total extent of 3.88 acres, and also by personal guarantee of the Promoter Directors Mr.M.P.Purushothaman and Mrs.A.K.Aruna. Loan is repayable on demand. Rate of interest 12.50%. Current Rate of Interest 15%
- 3) Term Loan from Indian Renewable Energy Development Agency Limited (IREDA) for Rs.633.00 lakhs secured by way of charge on the whole of the immovable and movable properties of the company pertaining

EMPEE DISTILLERIES LIMITED

to 2.00 MW Wind Farm project at Periyakumarapalayam, Periyar District in the State of Tamil Nadu acquired out of IREDA loan and company's own funds, and also by personal guarantee of the Promoter Directors Mr. M.P.Purushothaman and Mrs.A.K.Aruna. Repayment will be upto Jan'08, Rate of Interest 12.5%, Repayment in 28 quartely instalments of Rs. 24.51 lakhs.

- 4) Term Loan from Andhra Bank, Egmore, Chennai (AB) for Rs. 500.00 lakhs secured by way of first charge on whole of the immovable properties of the company including machinery spares, tools & accessories whether installed or not at the Company's factory, premises and godowns at Industrial area, Kanjikode, Pallakad Dist., Kerala, land and building situated in the Industrial Development area, Kanjikode, Pallakad Dist., Kerala, having a total extent of 3.88 acres, and also by personal guarantee of the Promoter Directors Mr.M.P.Purushothaman and Mrs.A.K.Aruna. Rate of interest 12.75%. Current Rate of Interest 14.25%, Repayment in 24 quarterly instalments of Rs. 20.83 lacs.
- 5) Term Loan from Andhra Bank, Egmore Branch, Chennai - 8 for Rs.400 lacs towards modernization/addition of Plant & Machinery, Buildings and Construction of bottling storage yard etc.. The Term Loan is secured by First Charge on the existing fixed assets consisting of land, building and Plant & Machineries at Mevalooruppam Village, Sriperumbudur Taluk, Kanchineepuram Dist. WDV of Rs. 1440.10 lacs as on 30.9.02 together with assets to be procured worth of Rs.532 lacs with the proposed TL of Rs.400 lacs, and also the Personal Guarantee of Mr. M P Purushothaman, Chairman & Managing Director and Mrs. A K Aruna, Director. The availed term loan is Rs.322.34 Lacs. Rate of interest 12.75%, Current Rate of Interest 15.25%. Repayment in 20 quarterly instalments of Rs.20 lacs.
- 6) Term Loan - Power Division, from Andhra Bank, Mount Road, Chennai (AB) for Rs.500 lacs secured by way of plant and machinery proposed to be purchased from out of the term loan & First charge on the fixed assets of the Aranthangi division and also by personal guarantee of the Promoter Directors Mr.M.P.Purushothaman and Mrs.A.K.Aruna. Rate of interest 11.50%. Current Rate of Interest 14 %. Repayment in 28 quarterly instalments of Rs. 78.72 lacs.
7. Corporate Loan from Indian Overseas Bank, Cathedral Branch, Chennai, for Rs.1000 lacs collateral security of Land and Building of the 3 Star "Grand Orient Hotel" at Anna Salai, Chennai Situated over a land area of 5840 Sq.ft. belonging to our associates, Empee International Hotels & Resorsts Limited Reported. Rate of Interest 12%. Current Rate of Interest 14.25%. Repayment in 36 monthly instalments of Rs.27.78 lacs.
8. Corporate Loan from Allahabad Bank, Thousand Lights Branch, Chennai, for Rs.700 lacs collateral security of Land situated in S.No.782/2A,786/2,787,781/F, 781/1D, 778/2, 779/1, & 778/1 of Kuthambakkam Village, Sriperumpudur Taluk. Rate of Interest 12.50%. Current Rate of Interest 14.25%. Repayment in 36 monthly instalments of Rs.19.50 lacs.

STATEMENT OF UNSECURED LOANS

(Rs in Lakhs)

Particulars	As of June 30, 2007	As of September, 30,				
		2006	2005	2004	2003	2002
Short Term Loan						
- From Global Trade Finance Limited	1953.39	NIL	NIL	NIL	NIL	NIL

The current rate of interest 12.50% and is repayable on demand. Funds are utilized for working capital purposes.

DETAILS OF RELATED PARTY TRANSACTIONS FOR THE YEARS ENDED

(As per AS 18 issued by The Institute of Chartered Accountants of India)

Names of the related parties and their relationship**I. Shareholders having substantial interest.**

Sl.No	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
	None	None	None	None	None	None

II. A Subsidiary Company

Sl.No	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
	Empee Sugars & Chemicals Limited	Empee Sugars & Chemicals Limited	Empee Sugars & Chemicals Limited	Empee Sugars & Chemicals Limited	Empee Sugars & Chemicals Limited	-

III. B Fellow Subsidiary Company

Sl.No	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
	Empee Power Company (I) Ltd	-	-	-	-	-

IV. Promoter Group Companies/ Firms

Sl.No	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
1.	M/s Aruna Constructions	M/s Aruna Constructions	M/s Aruna Constructions	M/s Aruna Constructions	M/s Aruna Constructions	M/s Aruna Constructions
2.	M/s Empee Packaging Industries	M/s Empee Packaging Industries	M/s Empee Packaging Industries	M/s Empee Packaging Industries	M/s Empee Packaging Industries	M/s Empee Packaging Industries
3.	-	Empee Power Company (I) Ltd	-	-	-	-

V. Enterprises where significant influence exists

Sl.No	As of Jan 31, 2007	As of September 30,				
		2006	2005	2004	2003	2002
	None	None	None	None	None	None

EMPEE DISTILLERIES LIMITED

VI. Key Management Personnel & Relatives

SI.No	As of June 30, 2007	As of September 30,				
		2006	2005	2004	2003	2002
1	Mr. M P Purushothama, Chairman Cum Managing Director	Mr. M P Purushothama, Chairman Cum Managing Director	Mr. M P Purushothama, Chairman Cum Managing Director	Mr. M P Purushothama, Chairman Cum Managing Director	Mr. M P Purushothama, Chairman Cum Managing Director	Mr. M P Purushothama, Chairman Cum Managing Director
2	Mrs Nisha Purushothaman Joint Managing Director	Mrs Nisha Purushothaman Joint Managing Director	Mrs Nisha Purushothaman Joint Managing Director	Mrs Nisha Purushothaman Joint Managing Director	Mrs Nisha Purushothaman Joint Managing Director	Mrs Nisha Purushothaman Joint Managing Director
3	Mrs.Sheena Purushothaman, Relative	-	-	-	-	-

(Rs.in lakhs)

Nature of Transaction	Subsidiary Companies					
	As of June 30, 2007	2005-06	2004-05	2003-04	2002-03	2001-02
Sales of Assets	618.00	-	-	-	-	-
Interest Received	65.47	-	-	-	-	-
Share Equity contributions in cash or kind	168.74	168.74	173.99	197.69	197.69	-
Loans and advances given	610.68	142.47	253.96		107.02	-
Loans and advances received back	-	77.46	-	-		
Receivable	1036.67	425.99	283.52	29.56	107.02	-

(Rs.in lakhs)

Nature of Transaction	Fellow Subsidiary Companies					
	As of September 30,					
	As of June 30, 2007	2006	2005	2004	2003	2002
Share Application Money -Empee Power company (I) Limited	50.00	-	-	-	-	-

Prospectus

(Rs.in lakhs)

Nature of Transaction	Promoter Group Company/Firms					
	As of June 30, 2007	2005-06	2004-05	2003-04	2002-03	2001-02
Rent Paid - Aruna Constructions	11.84	15.79	15.79	29.42	43.05	42.46
Cartons Box - Empee Packaging Industries	47.49	52.63	57.65	22.62	13.19	41.81
Share Application Money- Empee Marine	200.00	200.00	200.00	200.00	200.00	200.00
Share Application Money - Appollo Alchobev Ltd	300.00	300.00	-	-	-	-
Share Application Money - Empee Hotels	50.00	50.00	-	-	-	-
Share Application Money -Empee Power company (I) Ltd	-	50.00	-	-	-	-
Empee Hotels Ltd	35.00	35.00	-	-	-	-

(Rs.in lakhs)

Nature of Transaction	Key Managerial Personnel					
	As of June 30, 2007	2005-06	2004-05	2003-04	2002-03	2001-02
Director's remuneration (Ms. Nisha Purushothaman)	18.00	12.04	3.36	3.36	3.36	14.11
House Rent paid to Mrs. Sheena Purushothaman	0.15	--	--	--	--	--

Annexure J

STATEMENT OF DIVIDENDS DECLARED

The dividends declared by M/s. Empee Distilleries Limited in respect of the five accounting year ended September 30, 2002, September 30, 2003, September 30, 2004, September 30, 2005, September 30, 2006 and for the nine months period ended June 31, 2007.

(Rs .in lakhs)

Particulars	June'07	2005-06	2004-05	2003-04	2002-03	2001-02
Equity Dividend						
Equity Share Capital	1420.40	1420.40	710.20	710.20	710.20	710.20
Rate of Dividend	Nil	Nil	Nil	Nil	Nil	Nil
Amount of Dividend	Nil	Nil	Nil	Nil	Nil	Nil

AUDITORS' REPORT**FINANCIAL STATEMENTS OF THE COMPANY**

Date: 24.09.2007

The Board of Directors,
Empee Sugars & Chemicals Limited
Chennai

I have examined the following financial information of Empee Sugars & Chemicals Limited ("the Company") and consolidated financial information of Empee Sugars & Chemicals Limited ("the Holding Company") and Empee Power Company (India) Limited ('EPCIL') ("the subsidiary Company") as attached to this report stamped and initialed by me for identification and as approved by the Board of Directors which has been prepared in accordance with Paragraph B-1 of Part II of Schedule II of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ("the Guidelines") issued by the Securities and Exchange Board of India ("SEBI") on January 19, 2000 ,as amended from time to time, in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications and in accordance with the instructions dated 12th December 2006 , issued by the Company in connection with the Offer Document to be issued by the Company in connection with its proposed Equity Shares.

Annexure I	:	Statement of Unconsolidated restated Assets and Liabilities as at 30th June 2007, 30th September 2006, 30th September 2005, 30th September 2004 and 30th September 2003.
Annexure II	:	Statement of Unconsolidated restated Profit and Loss Account for the nine months period ended 30th June 2007 and year ended 30th September 2006, 30th September 2005, 30th September 2004 and 30th September 2003.
Annexure II A	:	Significant Accounting Policies
Annexure III	:	Statement of Consolidated restated Assets and Liabilities as at 30th June 2007.
Annexure IV	:	Statement of Consolidated restated Profit and Loss Account for the nine months period ended 30th June 2007.
Annexure V	:	Statement of Restated Unconsolidated Cash Flows for the nine months period ended 30th June 2007.

Based on examination of the above statements with the respective audited financial statements and on the basis of information and explanations given to me, I report as under:

- The Statements referred to as Annexure I to VI read with the respective Significant Policies and read together the notes thereon and after making such adjustments, regroupings and disclosers as were, in our opinion, appropriate and require have been prepared out of audited financial statements for the years / periods.
- This report is intended solely for use for your information and for inclusion in the Red Herring Prospectus / Prospectus in connection with the Proposed Initial Public Offer of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent. This report should not in any way construed as a re issuance or redating of any of the previous audit reports issued by us nor this report should be construed as a new opinion on any of the financial statements referred to herein.

R. Rajagopalan
Chartered Accountant
Membership No. 018422

Summary of Restated Unconsolidated Assets and Liabilities

(Rs in Lakhs)

PARTICULARS	As at June 30, 2007	As at September 30,			
		2006	2005	2004	2003
A. Fixed Assets					
Gross Block	4935.44	4800.18	4685.41	4653.50	4560.59
Less: Accumulated Depreciation	2544.77	2437.53	2228.21	1993.45	1761.95
Net Block	2390.67	2362.65	2457.20	2660.05	2798.64
Add: Capital Work in Progress	2538.87	686.61	26.69	3.94	42.03
Total	4929.54	3049.26	2483.89	2663.99	2840.67
B. Investments	5.11	0.11	0.11	0.11	0.11
C. Current Assets, Loans and Advances					
Inventories	1444.35	601.18	507.04	673.97	766.74
Sundry Debtors	387.83	191.46	135.57	227.91	367.99
Cash and Bank Balances	79.98	8.74	34.43	34.41	25.04
Loans & Advances	1181.44	940.55	908.85	506.81	662.95
Total	3093.60	1741.93	1585.89	1443.10	1822.72
D. Less: Liabilities and Provisions					
Current Liabilities & Provisions	1398.17	228.49	323.59	315.37	725.86
Deferred Tax (Assets)/ Liabilities (net)	304.80	281.60	340.42	294.55	282.53
Secured Loans	3639.08	2161.32	2099.12	2446.61	2544.17
Unsecured Loans	600.00	212.90	244.03	36.58	114.00
Total	5942.05	2884.31	3007.16	3093.11	3666.56
E. Net worth (A+B+C-D)	2086.20	1906.99	1062.73	1014.09	996.94
Net worth represented by:					
F. Share Capital	4197.01	4197.01	4197.01	4197.01	4197.01
G. Reserves and Surplus					
Profit and Loss Account	(610.81)	(790.02)	(1634.28)	(1682.92)	(1700.07)
Total	(610.81)	(790.02)	(1634.28)	(1682.92)	(1700.07)
H. Miscellaneous Expenditure					
(To the extent not written off or adjusted)	1500.00	1500.00	1500.00	1500.00	1500.00
I. Net Worth (F+G-H)	2086.20	1906.99	1062.73	1014.09	996.94

Summary of Unconsolidated restated Profit and Loss Account
(Rs in Lakhs)

PARTICULARS	Nine Months Period ended June 30, 2007	As at September 30,			
		2006	2005	2004	2003
<u>Income / Revenue</u>					
Sales Income	5,767.06	7,567.78	11,801.25	5,299.23	4,490.11
Other Income	33.71	112.81	23.70	17.86	1,002.59
Stock Movement	952.33	(13.24)	(203.58)	(118.91)	279.36
	6,753.10	7,667.35	11,621.37	5,198.18	5,772.06
<u>Expenditure</u>					
Manufacturing & Other Expenses	4,822.00	4,854.54	8,783.06	3,620.47	3,748.16
Rents, Rates & Taxes	511.55	462.82	760.26	309.86	340.04
Employee Cost	355.06	385.15	333.06	277.07	231.92
Administrative Expenses	214.44	310.00	268.09	248.30	472.58
Selling & Distribution Expenses	2.75	6.95	24.34	25.26	5.93
Powers & Fuels	209.36	185.33	362.32	198.00	95.12
	6115.16	6204.79	10531.13	4678.96	4893.75
Profit Before interest, depreciation and Tax	637.94	1,462.56	1,090.24	519.22	878.31
Financial Cost	280.69	467.81	760.97	258.54	274.43
Depreciation	211.34	209.32	234.76	231.50	201.16
Deferred Revenue Expenses	-	-	-	-	-
Profit before Taxation	145.91	785.43	94.51	29.18	402.72
Provision for Taxation - Current	6.25	-	-	-	-
- Deferred Tax	(39.56)	(58.82)	45.87	12.03	(327.68)
Profit after Taxation	179.22	844.25	48.64	17.15	730.40

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

Financial statements are prepared and presented under the historical cost convention and in accordance with the applicable accounting standards to the extent possible.

2. Revenue Recognition

Income from Operations is recognized in the Profit & Loss Account on accrual basis as stated herein except in respect of such items as are specifically mentioned hereunder and in the notes.

- a. Sales income is accounted inclusive of excise duty and sales tax wherever applicable but net of trade discounts.
- b. Insurance claims are accounted as and when the claims are settled.
- c. Interest due from growers for seed supplied is accounted as and when cane is received from growers.
- d. Excise Duty payable on finished goods held in stock at the end of the accounting year (except Molasses stored in pit for which duty is paid as and when molasses are let into the pit) will be accounted for at the time of clearance of these goods. The accounting treatment will have no impact on profit/losses

3. Fixed Assets and Depreciation/Amortization

3.1. Fixed Assets:- These assets are stated at their original cost of acquisition (including expenditure for the acquisition and/or installation) less accumulated depreciation.

3.2. Depreciation on Fixed assets has been provided on straight-line method at rates prescribed under Schedule XIV to the Companies Act, 1956 as amended by notification dated 15.12.93 issued hereunder and is provided in the accounts or shown as a note. Depreciation on addition to fixed assets during the year is reckoned on a pro rata basis with reference to the month in which the fixed assets are put to use or commissioned.

6 Impairment of Fixed Assets

Wherever events of changes in circumstances indicate that the carrying value of fixed assets may be impaired, the Company subjects such assets to a test of recoverability, based on discounted cash flows expected from use or disposal thereof. If the assets are impaired, the Company recognizes as impairment loss as the difference between the carrying value and fair value less costs to sell. None of the Company's fixed assets are considered impaired as on the Balance Sheet date.

7 Capital Work in Progress

Capital work in progress is stated at cost and includes advance on account of Capital Equipment paid to the suppliers.

9. Foreign Currency Transaction

Foreign exchange transactions are recorded at the exchange rates prevailing at the time of transaction.

Assets and liabilities expressed in foreign currencies (to the extent not covered against exchange fluctuations) are translated into Indian Rupees at the exchange rate prevailing at the Balance Sheet date and any loss or gain arising there from has been included in Finance Charges as per the provision of Accounting Standard 16 and 11 issued by The Institute of Chartered Accountants of India.

EMPEE DISTILLERIES LIMITED

7. Prior Period and Extra Ordinary Items

Prior Period and Extra Ordinary Items having material impact on the financial affairs of the Company are disclosed.

8. Retirement and Other Benefits

- 8.1. The company accounts gratuity liability accounted as and when gratuity is paid to the employees.
- 8.2. Contribution to Provident Fund is made as per provisions of Employees Provident fund and Miscellaneous Provisions Act, 1952 and charges to Profit and Loss Account and disclosed separately.
- 8.3. Liability for leave encashment is provided as and when the leave encashment is paid to the employees.

9. Income Tax

The Income Tax liability is provided in accordance with the provisions of the Income tax Act 1961.

Deferred tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

10. Miscellaneous Expenditure

Miscellaneous Expenditure represents discount on issue of shares made during the year 2000-2001.

Summary of Restated Consolidated Assets and Liabilities

(Rs. In Lacs)

PARTICULARS		As at June 30, 2007
A. Fixed Assets		
Gross Block		4935.44
Less: Accumulated Depreciation		2544.77
Net Block		2390.67
Add: Capital Work in Progress		2538.87
Total		4929.54
B. Investments		0.11
C. Current Assets, Loans and Advances		
Inventories		1444.35
Sundry Debtors		387.83
Cash and Bank Balances		80.27
Loans & Advances		1304.66
Total		3217.11
D. Less: Liabilities and Provisions		
Current Liabilities & Provisions		1398.30
Deferred Tax (Assets)/ Liabilities (net)		304.80
Secured Loans		3639.08
Unsecured Loans		749.19
Total		6091.37
E. Net worth (A+B+C-D)		2055.39
Net worth represented by:		
F. Share Capital		4197.00
G. Reserves and Surplus		
Profit and Loss Account		(610.81)
Total		(610.81)
H. Miscellaneous Expenditure		
(To the extent not written off or adjusted)		1500.00
Good will		30.80
I. Net Worth (F+G-H)		2055.39

Summary of Consolidated restated Profit and Loss Account

(Rs. In Lacs)

PARTICULARS	Nine Month period ended June 30, 2006
<u>Income / Revenue</u>	
Sales Income	5,767.06
Other Income	33.71
Stock Movement	952.33
	6,753.10
<u>Expenditure</u>	
Manufacturing & Other Expenses	4,822.00
Rents, Rates & Taxes	511.55
Employee Cost	355.06
Administrative Expenses	214.44
Selling & Distribution Expenses	2.75
Powers & Fuels	209.36
	6115.16
Profit Before interest, depreciation and Tax	637.94
Financial Cost	280.69
Depreciation	211.34
Deferred Revenue Expenses	-
Profit before Taxation	145.91
Provision for Taxation - Current	6.25
- Deferred Tax	(39.56)
Profit after Taxation	179.22

Summary of Unconsolidated Cash Flow

(Rs. in Lakhs)

PARTICULARS	Nine Months Period ended June 30, 2007	As at September 30,		
		2006	2005	2004
A. Cash Flow from Operating Activities:				
Net Profit before tax & extra ordinary items	208.67	785.43	94.51	29.18
Adjustment for:				
Depreciation	107.25	209.32	234.76	231.50
Interest Paid	280.69	467.81	760.97	258.54
Operating Profit before Working Capital Charges	596.61	1,462.56	1,090.24	519.22
(Increase)/Decrease in stock	(843.17)	(94.14)	166.93	92.77
(Increase)/Decrease in current assets	(437.27)	(87.58)	(309.71)	296.22
Increase/(Decrease) in current liabilities	1,169.67	(95.08)	8.22	(410.50)
Cash generated from operations	485.84	1,185.76	955.68	497.71
tax paid	6.25	-	-	-
Net Cash used in operating activities	479.59	1,185.76	955.68	497.71
B. Cash flow from Investing Activities				
Purchase/Sale of Fixed Assets	(1,987.52)	(774.69)	(54.66)	(54.83)
Sale/ (purchase) of Investments	(5.00)	-	-	-
Net cash from investing activities	(1,992.52)	(774.69)	(54.66)	(54.83)
C. Cash flow from Financing Activities				
Increase in Secured Loan	1,477.76	62.19	(347.48)	(97.56)
Increase in Unsecured Loan	387.10	(31.13)	207.45	(77.42)
Interest Paid	(280.69)	(467.81)	(760.96)	(258.54)
Net Cash used in Finance Activities	1,584.17	(436.75)	(900.99)	(433.52)
Increase in Cash and Cash equivalents	71.24	(25.68)	0.03	9.37
Cash and cash equivalents at the beginning of the year	8.74	34.43	34.40	25.04
Cash and cash equivalents at the end of the year	79.98	8.74	34.43	34.40

EMPEE DISTILLERIES LIMITED

AUDITORS' REPORT

FINANCIAL STATEMENTS OF THE COMPANY

Date: 24.09.2007

The Board of Directors,
Empee Power Company (India) Limited
Chennai

I have examined the following financial information of Empee Power Company (India) Limited as attached to this report stamped and initialed by me for identification and as approved by the Board of Directors which has been prepared in accordance with Paragraph B-1 of Part II of Schedule II of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ("the Guidelines") issued by the Securities and Exchange Board of India ("SEBI") on January 19, 2000 ,as amended from time to time, in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications and in accordance with the instructions dated 12th December 2006 , issued by the Company in connection with the Offer Document to be issued by the Company in connection with its proposed Equity Shares.

Annexure I	:	Statement of Unconsolidated restated Assets and Liabilities as at 30th June 2007
Annexure II	:	Significant Accounting Policies

Based on examination of the above statements with the respective audited financial statements and on the basis of information and explanations given to me, I report as under:

- The Statements referred to as Annexure I & II read with the respective Significant Policies and read together the notes thereon and after making such adjustments, regroupings and disclosures as were, in our opinion, appropriate and require have been prepared out of audited financial statements for the period.
- This report is intended solely for use for your information and for inclusion in the Red Herring Prospectus / Prospectus in connection with the Proposed Initial Public Offer of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent. This report should not in any way construed as a re issuance or re dating of any of the previous audit reports issued by us nor this report should be construed as a new opinion on any of the financial statements referred to herein.

R. Rajagopalan
Chartered Accountant
Membership No. 018422

Summary of Unconsolidated restated Assets and Liabilities

PARTICULARS		As at June 30, 2007
A. Fixed Assets		
Gross Block		—
Less: Accumulated Depreciation		—
Net Block		—
Add: Capital Work in Progress		—
Total		—
B. Investments		—
C. Current Assets, Loans and Advances		
Inventories		—
Sundry Debtors		—
Cash and Bank Balances		0.29
Loans & Advances		123.22
Total		123.51
D. Less: Liabilities and Provisions		
Current Liabilities & Provisions		0.13
Deferred Tax (Assets)/ Liabilities (net)		—
Secured Loans		—
Unsecured Loans		149.18
Total		149.31
E. Net worth (A+B+C-D)		(25.80)
Net worth represented by:		
F. Share Capital		5.00
G. Reserves and Surplus		
Profit and Loss Account		—
Total		—
H. Miscellaneous Expenditure		
(To the extent not written off or adjusted)		30.80
I. Net Worth (F+G-H)		(25.80)

SIGNIFICANT ACCOUNTING POLICIES

- A.** The accounts are prepared under historical cost convention and materially complies the mandatory accounting standards issued by the Institute of Chartered Accounts of India.

B. FIXED ASSETS

Expenditure which are of capital nature are capitalized at a cost, which comprises of purchase price, import duties, levies and any directly attributable cost of bringing the assets to its working conditions for the intended use. None of fixed assets have been revalued during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Industry Overview

India is the third largest market for alcoholic beverages in the world. The demand for spirits and beer is estimated to be around 373 million cases. There are around 12 Joint Venture Companies having a licensed capacity of 33919 Kilo-litres per annum for production of grain based alcoholic beverages. 56 units are manufacturing beer under license from the Government of India. **(Source: Annual Report 2006- 2007, Government of India, Ministry of Food Processing Industries).**

The Alcohol Industry in India can be divided into the following five categories:

1. Industrial Alcohol
2. Potable Alcohol
3. Mixed Distilleries (Industrial and Potable Alcohol)
4. Bottling Plants (purchasing alcohol and bottling alcoholic beverages)
5. Distilleries producing alcohol from substrates other than molasses.

However, the majority of distilleries are producing alcohol from Sugar Cane Molasses.

The distillery industry based on molasses consists of potable liquor and industrial alcohol. The potable distillery producing distillery producing Indian Made Foreign Liquor (IMFL) and Country Liquor has a steady but limited demand. The industrial alcohol, on the other hand, is showing a declining trend because of high price of molasses, which is invariably used for the production of fuel alcohol. The Potable Alcohol segment comprises of categories such as Beer, Country Liquor, Indian Made Foreign Liquor (IMFL) and wine. IFML primarily comprises of wine, vodka, gin, whisky, rum and brandy. The Indian beer market reached about 94 million cases or 7.3 lakh kilolitre (one case is 12 bottles each of 650 ml) in the financial year, 2004-05. Flavored low alcohol beverages with new variants like the 330 ml beer pack have driven sales growth across the country. Strong beer, which has 5 percent of alcohol content, outsells mild beer in India and accounts for more than 68% of total sales. The country liquor is produced by a number of small and medium sized players, but a few organized players like Radico Khaitan, GM Breweries are also present in this low price high volume segment. The Country Liquor Market is estimated to be 175 million cases. The Indian wine market, estimated at 5 lakh cases annually, has witnessed robust 30% growth over the past few years. **(Source: FICCI-Food & Beverages Survey, February 2006).**

India consumes spirits / CL (hard liquor) at par with the world but consumes very little Beer / Wine despite having large potential in tapping comparative advantage of agro-climatic conditions and a huge growing market.

The following are the key drives pushing demand for liquor in India:

- Changing perception of alcohol from taboo to a socially acceptable beverage.
- Availability of a wide range of products.
- A large untapped segment for low priced brands in unorganized markets.
- Changes in taxation structure and opening of new distribution channels
- Keen competition in production and distribution attributable to growth in consumption habits and the entry of international brands / manufacturers which in turn leads to further expansion of market.

The Alcoholic beverages industry is a State controlled subject. As per the All India Distillers' Association, it is the second largest source of revenue of the State Exchequer and is the only industry where inputs are de-

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controlled (free market price) and output is controlled (selling price is determined by State Excise in most states).

Real Estate

The main features of the Indian real estate sector are:

- Highly fragmented sector with few organized players of scale
 - Most real estate developers have only a local or regional presence
 - Modest participation of large corporations in the sector
 - Margins are higher in India (>20%) as compared to the developed markets (5-6%)
- Participation of institutional finance in real estate is just beginning
 - Prominent Indian corporates like ICICI Bank, SBI and HDFC have promoted real estate venture funds
 - Entry of various foreign Real Estate and Finance companies in the Indian market

(Source: Investment Commission of India website - www.investmentcommission.in)

Growth Drivers

The size of the real estate industry in India is estimated by FICCI, to be around US\$ 12 billion and is growing at a pace of 30% for the last few years. Almost 80 % of real estate developed in India, is residential space and the rest comprise office, shopping malls, hotels and hospitals. **(Source: www.ficci.com)**. The double-digit growth is mainly attributed to the following factors:

- Rapid expansion of the Information Technology industry/ Hospitality sectors
- Simultaneous growth of middle class
- Reducing financing cost of housing loans
- Boom in organized retail segment in India
- Rising disposable incomes
- Increased urbanisation
- Nuclearisation

(Source: Investment Commission of India website - www.investmentcommission.in)

Demand Outlook in Tamil Nadu

- Ranks 2nd in the rank of ratio of urban population in 2001 next to Maharashtra among the bigger states as against 5th rank in 1991.
- Tamil Nadu has registered an urban population growth rate of 42.79% in the last decade. Considering the growth of population every year, Tamil Nadu needs an additional 2.50 lakh houses to bridge the gap.

The State Government commitment under Housing Sector will be Rs. 1,000 crore, of the total outlay of Rs.4,002.69 crore during the 10th Five year Plan period. For free housing for BPL families, the outlay is reflected in the budgets of Rural Development / Adi-Dravidar Department. HBA to Government Servants will be repayable by them at nominal interest rate. **(Source: Tamil Government Website- www.tn.gov.in)**

Business Overview

Our Company is part of Empee Group promoted by Mr. M P Purushothaman and his family members engaged in the manufacture of Indian Made Foreign Liquor (IMFL) which is our core business. We, Empee Distilleries

Limited entered into the Beverages and Distillery Industry in the year 1984 by starting manufacture of IMFL products by means of setting up of our first distillery unit at Mevalooruppam, Tamil Nadu with an installed capacity of 2000 cases/day with initial production running off on 2 semi auto lines. We are one of the major suppliers of IMFL products to the Tamil Nadu State Marketing Corporation Limited (TASMAC) and one of the top ten selling brands of IMFL 180 ML Pack. **(Source: <http://tasmac.tn.gov.in>).**

We are presently engaged into manufacturing of Indian Made Foreign Liquor (IMFL) products under our own brand portfolio as well as under tie-up arrangements with other companies. The brands under our portfolio are Old Secret XXX Rum, Power XXX Rum, Power Brandy, Mc Lene Ordinary Brandy, Mclene XXX Ordinary Rum, Power Whisky, Empee Napoleon Premium Brandy, Empee Fine Brandy, Commando XXX Rum, Club Polo Dry Gin, Club Royal Whisky, Elcanso Dark XXX Rum and Old Secret Brandy. The brands under tie up arrangement are Brihans Napoleon Premium Brandy, Brihans Premium Whisky.

Presently we have facilities to manufacture various IMFL products in our Distillery Units set up at Mevalooruppam, Kanchipuram District, Tamil Nadu and at NIDA, Kanjikode, Palakkad District, Kerala. We also have a Wind Mill energy plant at Nall Road, Pariakumarapalayam, Gudimangalam, Udumalpet, Coimbatore District, Tamil Nadu for export of surplus power to the Tamil Nadu State Electricity Board with 2 MW licensed and installed capacity.

Factors affecting results of our operations

Our financial condition and results of operations are affected by the following factors:

Frequent changes in Government Policies

Industry is prone to frequent changes in various government policies including taxes, levies, customs and excise duty. Moreover, new manufacturing units and increase in capacity by existing units are required to take license / approval from the State Government. We cannot sell directly to other States due to inter-State restrictions, except through tie-up, which always may not yield desired results. Any change in government policies in respect of production, distribution or marketing of IMFL products could affect our business operations.

Distributor agencies negotiate and fix the prices

Distributor agencies of liquor products in the State are controlled by the State Government who decides the price after negotiation with the manufacturers. The price so finalized generally takes into consideration the desired weightable to the inflationary effect on raw materials, packaging materials and other input costs. However, any negotiation in future in respect of any increase in prices of products, State Government may not consider inflationary effect in the same proportion to the increase in input cost. For example, Andhra Pradesh State Government has not given price increase during past many years. Similarly, KSBC has not increased the prices of IMFL products especially in the cheaper segment on account of increase in prices of our basic raw material viz. Extra Neutral Alcohol (ENA) which had grown up by 70%.

Prohibition

The Industry is politically sensitive and is dependent on ideologies of the party ruling the State. On the one hand, the revenues lost because of prohibition can threaten the solvency of State governments, the very clamping of the dry order can threaten the regime's existence itself. The prohibition not only ban production, but also ban sale outside the State, which in turn adversely impact the industry.

Competition

Major Competition in the IMFL markets is from established national players such as Untied Spirits, Radico Khaitan, Jagatjit Industries etc. These players are primarily present in the Medium and Premium segments of the market. Apart from the national level players there are regional players who compete with us across all the segments.

Distribution and Trading restrictions

As distribution of liquor is completely controlled by each State, the rules and regulations are different. In the government controlled system, the distribution of liquor has to be through State agencies and since these agencies are sole wholesalers, they have the ultimate say in deciding on the entry of a brand into the State. These restrictions limit the free availability and marketability of Company's products.

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Restrictions on advertisements / publicity

The Industry faces the ban on advertising and brand promotion is more of retailer-push rather than consumer-pull. Other advertising has been through sponsorship of sports events, offer of free drinks, and contests. At the lower end of the market, brand promotion has been mainly through retailer discounts. These generally push up the marketing costs. But at the same time, the industry is wary about ad spend as even some serious effort can go waste if the threat of prohibition becomes a reality.

Availability and prices of bio-mass for bio-mass project

The main raw material for the bio-mass project is bio-mass which is nature's gift. The availability of the same is subject to vagaries of monsoon. Further, price of bio-mass is variable. Any adverse moment in the prices and its availability pose a threat to our operations.

Overview of Our Results of Operations

As a result of the various factors discussed above that affect our income and expenditure on specific projects, our results of operations may vary from period to period depending on the nature of projects undertaken by us, their completion schedules, the nature of expenditure involved in a particular project and the specific terms of the contract, including payment terms.

The following table sets forth certain information with respect to our results of operations for the periods indicated:

(Rs in Lakhs)

PARTICULARS	Nine Months Period ended June 30,2007	Year ended September 30, 2006	Year ended September 30, 2005	Year ended September 30, 2004	Year ended September 30, 2003
Income / Revenue					
Income from IMFL products	46,763.40	47,879.94	32,303.58	20,670.65	15,319.84
Other Income:					
Income from Power	22.07	52.93	51.72	39.82	65.85
Other Income	1061.09	558.21	447.8	171.5	350.91
	47,846.56	48,491.08	32,803.10	20,881.97	15,736.60
Expenditure					
Manufacturing Expenses	8640.42	8,183.61	6,266.38	4,044.97	2,999.60
Rents, Rates & Taxes	34,392.28	35,340.37	23,231.28	14,266.58	10,408.90
Administrative & Other Expenses	2178.87	3,260.40	2,014.90	1,756.98	1,562.77
	45,211.57	46,784.38	31,512.56	20,068.53	14,971.27
Profit Before interest, depreciation, Tax and Extra ordinary items	2634.99	1,706.70	1,290.54	813.44	765.33
Financial Cost	420.15	312.85	325.57	154.15	136.78
Depreciation	151.57	146.56	134.96	128.39	114.24
Deferred Revenue Expenses	31.17	41.56	41.56	41.56	41.56
Profit before Taxation and Extra Ordinary Items	2032.10	1,205.74	788.45	489.33	472.75
Profit after Taxation and before Extra Ordinary items	1462.44	889.49	565.18	285.59	303.19

Analysis of our Income & Expenditure

Out of total sales of Rs. 47879.94 lakhs and Rs. 32303.58 lakhs during FY 2005-06 and 2004-05 respectively, our basic sales of products is Rs. 13802.59 and Rs. 10023.56 lakhs i.e. 28.83% and 31.03% of total sales. The excise duty and state sales tax collection amounts to Rs. 34077.34 lakhs and Rs. 22280.01 lakhs respectively constituting 71.17% and 68.97% of total sales.

Out of total expenditure of Rs. 46784.38 lakhs and Rs. 31512.56 lakhs during FY 2005-06 and 2004-05 respectively, we have paid state excise duty and sales tax to the extent of Rs. 35078.03 lakhs and 22898.19 lakhs constituting 74.98% and 72.66% respectively.

Comparison of Performance and Analysis of Income Statement:

Restated financial statements for the nine month period ended, June 30, 2007

Income

Income from sale of IMFL products is Rs. 46,763.40 lakhs for nine months period ended June 30, 2007 in comparison to Rs. 47879.94 lakhs for financial year October, 2005 to September, 2006.

Other Income

Total other Income for nine months period ended June 30, 2007 was Rs. 1,083.16 lakhs including income from sale of power to the extent of Rs. 22.07 lakhs in comparison to total other income of Rs. 611.14 lakhs inclusive of income from sale of power to the extent of Rs. 52.93 lakhs for financial year October, 2005 to September, 2006.

Total Expenditure

Total expenditure including manufacturing, administrative and other expenses was Rs. 45,211.57 lakhs for nine months period ended June 30, 2007 in comparison to Rs. 46784.38 lakhs for financial year October, 2005 to September, 2006.

Profit before Interest, Depreciation and Tax

Profit before interest, depreciation and tax was Rs. 2634.99 lakhs for nine months period ended June 30, 2007 in comparison to Rs. 1706.70 lakhs for financial year October, 2005 to September, 2006.

Finance Cost

Total Finance cost was Rs. 420.15 lakhs for nine months period ended June 30, 2007 in comparison to Rs. 312.85 lakhs for financial year October, 2005 to September, 2006.

Profit before Tax

Profit after tax was Rs. 2032.10 lakhs for nine months period ended June 30, 2007 in comparison to Rs. 1205.74 lakhs for financial year October, 2005 to September, 2006.

Comparison of our restated financial statements for the year ended September 30, 2006 with the year ended September 30, 2005

Total Income

Income from sale of IMFL products is Rs. 47879.94 lakhs for period ended September, 2006 in comparison to Rs. 32303.58 lakhs for financial year ended September, 2005, an increase of 48.22%. The increase in total income is higher primarily on account of increase in sales volume in the state of Tamil Nadu from 18,69,976 cases during the year 2004-05 to 27,58,468 cases during the year 2005-06, an increase of 50.41% over the previous year. Our company has re-launched "Empee Nepelean Brandy" in the premium segment which we have taken the market share of around 27% in that segment. We have introduced "Old Secret brandy" in the medium segment and we have achieved the volume of over 70,000 cases. Further we have introduced "Elcanso

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XXX Rum" in the medium segment during the same period and achieved a volume of over 10,000 cases.

Other income also showed an increase of 22.34% i.e. an increase from Rs. 499.52 lakhs to Rs. 611.14 lakhs during 2004-05 and 2005-06 respectively. The increase was mainly on account of debit / credit balances written off amounting to Rs. 102.34 lakhs during the year 2005-06

Manufacturing Expenses

Manufacturing expenses increased from Rs. 6266.38 lakhs during 2004-05 to Rs. 8183.61 lakhs during 2005-06 i.e. an increase of 30.60%. Manufacturing expenses increased due to increase in sales volume but the increase is not in proportion to the increase in income primarily because the increase in sales volume is due to increase in sales volume in the premium/ medium segments which has higher margins.

Rent, Rates and Taxes

Rent, Rates and Taxes increased from Rs. 23231.28 lakhs during 2004-05 to Rs. 35340.37 lakhs during 2005-06 i.e. an increase of 52.12% primarily due to increase of sales volume which in turn led to increase in the excise and the sales taxes.

Administrative & Other Expenses

Administration and other expenses increased from Rs. 2014.90 lakhs during 2004-05 to Rs. 3260.40 lakhs during 2005-06 i.e. an increase of 61.81% mainly on account of increase in selling expenses, maintenance expenses, traveling expenses, cash discounts etc. Further in order to increase the market share we spent more on the promotional activities and advertising.

Finance Charges

Finance charges decreased from Rs. 325.57 lakhs during 2004-05 to Rs. 312.85 lakhs during 2005-06 i.e. marginal decline of 3.90% primarily due to the repayment of the term loan of approximately 200 lakhs to Andhra Bank and IREDA.

Depreciation

Depreciation charges increased from Rs. 134.96 lakhs during 2004-05 to Rs. 146.56 lakhs during 2005-06 i.e. an increase of 8.59% primarily due to addition of fixed assets (Plant & Machinery, building, boilers, borewells, computers etc) in the Tamil Nadu distillery unit.

Deferred Revenue Expenses

Deferred Revenue Expenses remain same at Rs. 41.56 lakhs being the one fifth of the Launching expenses viz. Advertisement, publicity & promotional expenses of the brand OSR.

Profit before Tax

Profit before tax increased from Rs. 788.45 lakhs during 2004-05 to Rs. 1205.74 lakhs during 2005-06 i.e. an increase of 52.92% on account of increase in sales volume during the year. The increase in profit before tax is in proportion to the increase in the income. The increase in the profit is not in proportion to increase in the expenses because our income mainly increases due to increase in sales of the premium segment liquor which has higher margins.

Comparison of our consolidated financial statements for the year ended September 30, 2005 with the year ended September 30, 2004

Total Income

Income from sale of IMFL products is Rs. 32303.58 lakhs for period ended September, 2005 in comparison to Rs. 20670.65 lakhs for financial year ended September, 2004, an increase of 56.8% on account of increase in sales volume. The increase in the sales volume was a ripple effect of the, took over of the retail outlets by

TASMAC in the previous year. Also the demand for the rum flavor increased in that year and as we had "Old Secret Rum" and "Power Rum" brands in that flavor we could cash on the increased demand resulting in increase of our sales volume.

Other income also showed an increase of 136.38% i.e. an increase from Rs. 211.32 lakhs to Rs. 499.52 lakhs during 2004-05 and 2005-06 respectively. The increase was mainly on account of profit on sale of investment of shares of Empee Sugars & Chemicals Limited of Rs. 283.94 lakhs.

Manufacturing Expenses

Manufacturing expenses increased from Rs. 4044.97 lakhs during 2003-04 to Rs. 6266.38 lakhs during 2004-05 i.e. an increase of 54.92% primarily due to increase in the sales volume. Also the prices of our main raw material viz. spirits increased during the year which resulted in the increase in the manufacturing expenses.

Rent, Rates and Taxes

Rent, Rates and Taxes increased from Rs. 14266.58 lakhs during 2003-04 to Rs. 23231.28 lakhs during 2004-05 i.e. an increase of 62.84% primarily due to increase of sales volume which in turn led to increase in the excise and the sales taxes. Other reason is that sale of Kerala unit (which has been booked at net of taxes) has come down from Rs. 2551 lakhs in 2003-04 to Rs. 2146 lakhs during 2004-05.

Administrative & Other Expenses

Administration and other expenses increased from Rs. 1756.99 lakhs during 2003-04 to Rs. 2014.90 lakhs during 2004-05 i.e. a marginal increase of 14.68% on account of increase in salaries, selling and distribution expense and general expenses.

Finance Charges

Finance charges increased from Rs. 154.15 lakhs during 2003-04 to Rs. 325.57 lakhs during 2004-05 i.e. an increase of 111.20% primarily due to increase in the working capital loan to meet the requirement for increased sales volume. The additional working capital loan availed during the year was approximately Rs 425 lakhs i.e. the working capital loan increased from Rs. 677.32 lakhs to Rs. 1101.72 lakhs.

Depreciation

Depreciation charges increased from Rs. 128.39 lakhs during 2003-04 to Rs. 134.96 lakhs during 2004-05 i.e. increase of 5.12% primarily due addition of fixed assets amounting to Rs. 392.01 lakhs.

Deferred Revenue Expenses

Deferred Revenue Expenses remain same at Rs. 41.56 lakhs being the one fifth of the Launching expenses viz. Advertisement, Publicity & Promotional Expenses of the brand OSR.

Profit before Tax

Profit before tax increased from Rs. 489.33 lakhs during 2003-04 to Rs. 788.45 lakhs during 2004-05 i.e. an increase of 61.12% on account of increase in the sales volume. Further due to marginally lower increase in fixed cost and due to economies of scale our expenses were less compared to the previous year, thus contributing to increase in profit before tax.

Comparison of our consolidated financial statements for the year ended September 30, 2004 with the year ended September 30, 2003

Total Income

Income from sale of IMFL products is Rs. 20670.65 lakhs for period ended September, 2004 in comparison to Rs. 15319.84 lakhs for financial year ended September, 2003, an increase of 34.93% on account of increase in sales quantity from 1,548,603 cases during the year 2002-03 to 2,097,193 cases during the year 2003-04 and

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increase by 35%. This increase in volume was possible because of retail outlets taken over by TASMAL in November, 2003. After the takeover of retail outlets by TASMAL, illicit and non-duty paid liquor sales stopped, thus the sales has increased (as per the Policy note of 2005-06, Government of Tamil Nadu). Also, as the demand from the cheap segment products was high, we focused in the production and promotions of cheap segment products viz. Old Secret Rum.

Other income decreased by 39.53% i.e. decrease to Rs. 39.82 lakhs from Rs. 65.85 lakhs during 2003-04 and 2002-03 respectively. The decrease was mainly on account of reduction of power generation income by approximately Rs. 25 lakhs.

Manufacturing Expenses

Manufacturing expenses increased from Rs. 2999.60 lakhs during 2002-03 to Rs. 4044.97 lakhs during 2003-04 i.e. an increase of 34.85% primarily due to increase in the sales volume. The increases in the manufacturing expenses were in proportion to the increase in the sales volume.

Rent, Rates and Taxes

Rent, Rates and Taxes increased from Rs. 10408.90 lakhs during 2002-03 to Rs. 14266.58 lakhs during 2003-04 i.e. an increase of 37.06% primarily due to increase of sales volume which in turn led to increase in the excise and the sales taxes. Further, Palakkad Unit paid turnover tax of Rs. 209 lakhs relating to the period from January 1, 2004 to September 30, 2004.

Administrative & Other Expenses

Administration and other expenses increased from Rs. 1562.77 lakhs during 2002-03 to Rs. 1756.98 lakhs during 2003-04 i.e. an increase of 12.43% on account of increase in salaries, consultancy charges and other miscellaneous expenses.

Finance Charges

Finance charges increased from Rs. 136.78 lakhs during 2002-03 to Rs. 154.15 lakhs during 2003-04 i.e. an increase of 12.70% primarily due to availing additional working capital loan during the year. The additional working capital loan availed during the year was Rs. 677.32 lakhs.

Depreciation

Depreciation charges increased from Rs. 114.24 lakhs during 2002-03 to Rs. 128.39 lakhs during 2003-04 i.e. increase of 12.39% primarily due to addition of fixed assets amounting to Rs. 151.13 lakhs

Deferred Revenue Expenses

Deferred Revenue Expenses remain same at Rs. 41.56 lakhs being the one fifth of the Launching expenses viz. Advertisement, Publicity & Promotional Expenses of the brand OSR.

Profit before Tax

Profit before tax increased from Rs. 472.75 lakhs during 2002-03 to Rs. 489.33 lakhs during 2003-04 i.e. an increase of 3.51% on account of increase in the sale volume. The increase in the Profit before tax did not correspond to increase in the sales volume due to decrease in other income. Other reason is that we shifted our focus in production of cheap segment brands where the margins are low.

Other Matters

Unusual or infrequent events or transactions

There are no unusual or infrequent events or transactions that have significantly affected our business.

Significant economic changes that materially affected or are likely to affect income from continuing operations

There are no significant economic changes that materially affected Company's operations or are likely to affect income from continuing operations except for changes in government policies relating to liquor industry including changes in tax structure.

Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.

There are no known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations except as described in the section titled "Risk Factors" on page no. iii and in "Management Discussion and Analysis of Financial Condition and Results of Operations" in this Prospectus, to Company's knowledge.

Future changes in relationship between costs and revenues

Other than as described in the section titled "Risk Factors" and "Managements Discussion and Analysis of Financial Conditions and Results of Operation" in this Prospectus, to our knowledge there are no future relationship between cost and income that have or had or expected to have a material adverse impact on our operations and finances.

Increases in net sales or revenue and Introduction of new products or services or increased sales prices

Increases in revenues are by and large linked to increases in volume of IMFL products sold by our Company, however, the total production levels cannot exceed licensed capacity as governed by the State government.

Total turnover of each major industry segment in which the Company operated

The Company operates significantly in only one Industry Segment i.e. IMFL Segment in Liquor Industry. The other segment is Power Sector which constitutes only 0.11% of total income for the financial year 2005-06, which is reflected under Other Income in the financial accounts of our Company.

Status of any publicly announced New Products or Business Segment

We have not announced any new products or business segment except for the real estate, which we propose to enter.

Seasonality of Business

The IMFL business is not seasonal. However, power generation through wind mill is seasonal in nature as the wind in the region enables us to operate the Wind Mill at 250 KW during the season April to October (6 months) and at 45 KW during the off-season from October-March (6 months).

Dependence on a single or few suppliers or customers

We are not dependent on any single or few suppliers or customers except for sale of our products to Government owned entities viz. TASMAL (for Tamilnadu operations) and KSBC (for Kerala operations).

Competitive conditions

We will face competition from few existing players in IMFL segment in each State i.e. Tamil Nadu, Andhra Pradesh, Kerala and Karnataka.

SECTION VI: LEGAL AND REGULATORY INFORMATION

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

LEGAL AND OTHER INFORMATION

1. Outstanding litigation and material developments

Except as stated below, there are no outstanding litigation, suits, criminal proceedings, or tax liabilities against our Company and our Subsidiaries, Directors, Promoters and Promoter Group and there are no defaults, non-payment of statutory dues, over dues to banks and financial institutions, defaults against banks and financial institutions, and there are no outstanding debentures, bonds, fixed deposits or preference shares issued by our Company; no defaults in the creation of full security as per the terms of issue, no proceedings initiated for economic or 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), and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, Promoters or Directors.

Our Company does not owe any small scale undertaking or other creditors a sum exceeding Rs. 1 lakh, which has been outstanding for more than 30 days. Except as disclosed below, there is no pending litigation or defaults in respect of companies, firms, ventures with which the promoters of our Company were associated in the past but are no longer associated, and in which their name continues to be associated.

Except as stated below there are no cases involving our Company, Promoters or the Group for violation of statutory regulations or alleging criminal offences, or for any economic offences. There have not been any cases in the past where penalties were imposed by the authorities on our Company or its directors.

OUTSTANDING LITIGATION INVOLVING OUR COMPANY

1.1.1 LITIGATION BY OUR COMPANY:

Criminal

Calendar Case. No 522 of 2004 before the XIV Metropolitan Magistrate's Court, Egmore, Chennai, filed by Empee Distilleries Limited (Complainant) against 1) M/s Supreme Sales 2) Sanjeev Dutta, 3) Sham Sunder (Accused) is a complaint under Section 138 of Negotiable Instruments Act, 1881. The complaint was filed on 14.11.2003. The accused approached the Company for the marketing and sale of IMFL products manufactured by the Company on credit. While making payments towards royalty to the complainant the accused issued a cheque dated 4/9/03 for Rs. 3.37 lakhs, which was returned by the bank for insufficient funds. Non-bailable warrants have been issued against the accused on 3.1.2005, which were despatched to the Commissioner of Police, New Delhi, on 18.1.2005. The warrants have not yet been executed. The case has been posted for hearing on 28.11.2007.

Statutory

Labour Disputes under the Industrial Disputes Act, 1947

Writ Petition No. 43878/2006 pending before the Madras High Court has been filed by the Management of Empee Distilleries Ltd. against The Presiding Officer, II Additional Labour Court & Mr. L Jayabalan. The Writ Petition was filed on 13.11.2006. The Writ is to quash the order dated 07.03.2006 of the II Additional Labour Court passed in an industrial dispute directing the Company to reinstate the employee with full back wages from 20-07-1994. The Company has questioned the jurisdiction of the Labour Court to

entertain this dispute since the concerned employee was not a 'workman' under the Industrial Disputes Act, 1947. The High Court on 15.11.2006 has granted interim stay of the operation of the order of the Labour Court, with a direction to the Company to pay a sum of Rs.1,450/- per month to the employee, Mr. L.Jayabalan, till the disposal of the writ petition. The case is pending final hearing, and no date has been fixed by the High Court in this regard. As on October 2007, if the case is decided against the Company the total liability would be Rs. 2.30 lakhs.

Excise and Prohibition

The Commissioner of Prohibition and Excise, Chepauk, Chennai has issued a Show Cause Notice No.P&EV(3)/1700/2007 dated 2.2.2007 to the Company asking the Company to show cause why action should not be taken for cancellation of the licence issued to the Company for its Mevalooruppam unit at Sriperumbudur, Tamil Nadu, under Rule 28 of the Tamil Nadu Indian Made Foreign Spirits (Manufacture) Rules, 1981 for violation of licence conditions and standards for manufacture of Indian Made Foreign Liquor in terms of the above rules. The notice has been issued based on a newspaper report alleging that a piece of iron bolt was found inside a Power Rum bottle purchased by a consumer at Tirunelveli District which had been supplied by the Company. The Company has replied to his Show Cause Notice on 14.2.2007 affirming that the standards are complied with in bottling the Indian Made Foreign Liquor, and that any iron bolt falling in the bottle during the bottling process is implausible. An iron bolt being found in the bottle, if true, could only have occurred on account of tampering. The Company has also denied the allegation that an iron bolt was in the bottle of rum, and no credence can be given to such an allegation given the inebriated state of the consumer when such allegation was made. On a further enquiry, the company has submitted detailed explanations in this matter, vide letter dated 6.8.07, highlighting the stringent quality control measures adopted by the Company and reiterating its adherence to stringent quality parameters. The Company has not received a response to the above said letter till date.

Income Tax

- 1) The Company has filed an appeal before the Income Tax Appellate Tribunal, Chennai, against Order No. Income Tax Appeal No. 43/06-07 passed by the Commissioner (Appeals), Income Tax dated 22/12/2006 for disallowance of Rs.740.42 lakhs on non compete fee received and interest claimed on bank borrowings. This order was passed in an appeal filed against the Order dated 28/3/2006 passed by the Assistant Commissioner of Income Tax, Chennai for the assessment year 02-03. The tax on the above sum is Rs. 227.89 lakhs (inclusive of interest) The above appeal was filed on 2.3.07. The appeal has been filed recently and is yet to be numbered or taken up for hearing.
- 2) The Company has filed an appeal before the Income Tax Appellate Tribunal, Chennai, against Order No. Income Tax Appeal No. 42/06-07 passed by the Commissioner (Appeals), Income Tax dated 22/12/2006 for disallowance of Rs.126.17 lakhs on interest claimed on bank loans and under section 40A(3) of the Act. This order was passed in an appeal filed against the Order dated 28/3/2006 passed by the Assistant Commissioner of Income Tax, Chennai for the assessment year 01-02. The above appeal was filed on 2.3.07. The appeal has been filed recently and is yet to be numbered or taken up for hearing. The Company has filed an appeal before the Income Tax Appellate Tribunal, Chennai, against Order No. Income Tax Appeal No. 40/06-07 passed by the Commissioner (Appeals), Income Tax dated 22/12/2006 for disallowance of Rs.102.53 lakhs on old bottles purchased and interest claimed on bank loans. There is no tax liability on the Company in view of the taxable loss of the previous year. This order was passed in an appeal filed against the Order dated 28/3/2006 passed by the Assistant Commissioner of Income Tax, Chennai for the assessment year 99-00. The above appeal was filed on 2.3.07. The appeal has been filed recently and is yet to be numbered or taken up for hearing.

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- 3) The Company has filed an appeal before the Income Tax Appellate Tribunal, Chennai, against Order No. Income Tax Appeal No. 39/06-07 passed by the Commissioner (Appeals), Income Tax dated 22/12/2006 for disallowance of Rs.144.69 lakhs on old bottles purchased and under section 40(A)(3) of the Act. There is no tax liability on the Company in view of the taxable loss of the previous year. This order was passed in an appeal filed against the Order dated 28/3/2006 passed by the Assistant Commissioner of Income Tax, Chennai for the assessment year 98-99. The above appeal was filed on 2.3.07. The appeal has been filed recently and is yet to be numbered or taken up for hearing.
- 4) The Company has filed an appeal before the Commissioner of Income Tax - Appeals I, on 2.2.2007, against the wealth tax assessment order Assistant Commissioner dated 28.12.2006 with respect to assessment year 2004-05 in which certain land, cash available unspent and motor vehicles were assessed to wealth tax in the hands of the Company. The wealth tax was assessed at Rs. 64.01 lakhs and interest payable on the same was Rs.3.20 lakhs. The order also initiates penalty proceedings against the company under section 18(1)(c) of the Wealth Tax Act. 1957. The appeal is against this order. The appeal has been filed recently and is yet to be numbered or taken up for hearing. In the event the appeal were to be dismissed, the Company will be liable to pay the amount of tax demanded with interest till payment.

Sales Tax

1. The Company has filed a revision along with interlocutory application on 7/3/2007 before the Commissioner of Commercial Taxes, Trivandrum against the Order of the Deputy Commissioner, Commercial Taxes, Palakkad communicated on 19.2.2007 passed in Revision Petition No. 60/2006, which in turn is against Order No.31011131/99-00 dated 12/1/2006 passed by Assistant Commissioner (Assessment), Palakkad. The original order directs the Company to pay penalty of Rs. 61 lakhs. This relates to assessment year 1999-00. The relief claimed is Rs.61.00 lakhs with an interim application for stay of the demand. The revision is pending before the authority and no date has been fixed for hearing. In the event the revision is dismissed, the Company will be liable to pay the penalty demanded
2. The Company has filed a revision along with interlocutory application on 7/3/2007 before the Commissioner of Commercial Taxes, Trivandrum against the Order of the Deputy Commissioner, Commercial Taxes, Palakkad communicated on 19.2.2007 passed in Revision Petition No. 61/2006, which in turn is against the Order of the Asst. Commissioner (Assessment), Palakkad in Order No.31011131/00-01 dated 28.01.06. This relates to assessment year 2000-01. The original order directs the Company to pay penalty of Rs. 300 lakhs. The relief claimed is Rs. 300 lakhs with an interlocutory application praying for stay for collection of tax. The revision is pending before the authority and no date has been fixed for its hearing. In the event the revision is dismissed, the Company will be liable to pay the penalty demanded
3. The Company has filed a revision along with interlocutory application on 7/3/2007 before the Commissioner of Commercial Taxes, Trivandrum against the Order of the Deputy Commissioner, Commercial Taxes, Palakkad dated 2.2.2007 passed in Revision Petition No. 62/2006, which in turn is against Order of the Asst. Commissioner (Assessment), Palakkad in Order No.31011131/01-02 dated 28.1.06. This relates to assessment year 2001-02. The original order directs to pay the Company to pay a penalty of Rs. 148.89 lakhs. The relief claimed is Rs.148.89 lakhs and the interim application prays for a stay for collection of tax. The revision is hearing before the authority and no date has been fixed for its hearing. In the event the revision is dismissed, the Company will be liable to pay the penalty demanded.
4. The Company has filed an appeal before the Deputy Commissioner of Appeals (Ernakulam) against the order of the Assistant Commissioner (Assessment), Special Circle, Palakkad dated

- 31/12/2005 bearing assessment order No. 31011131/98-99. The appeal was filed on 7/12/2006, and relates to the assessment year 1998-99. The order under appeal directs the Company to pay turnover tax for compounding activities. The primary ground of appeal is that the Company would not be liable to pay the turnover tax for this period since the term 'compounding' was included in the definition of 'manufacture' in the Kerala Abkari Act (1 of 1077) only on 1/4/2003 and in the Kerala General Sales Tax Act, 1963 only on 1/4/2004. The relief claimed in the appeal is Rs. 2.50 lakhs. The appeal is pending with the Appellate Authority and no date has been fixed for its hearing.
5. The Company has filed an appeal before the Deputy Commissioner of Appeals (Ernakulam) against the order of the Assistant Commissioner (Assessment) Palakkad dated 31/12/2005 bearing assessment order No. 31011131/99-00. The appeal was filed on 7/12/2006, and relates to the assessment year 1999-00. The order under appeal directs the Company to pay turnover tax for compounding activities. The primary ground of appeal is that the Company would not be liable to pay the turnover tax for this period since the term 'compounding' was included in the definition of 'manufacture' in the Kerala Abkari Act (1 of 1077) only on 1/4/2003 and in the Kerala General Sales Tax Act, 1963 only on 1/4/2004. The relief claimed in the appeal is Rs. 30.32 lakhs. The appeal is pending with the Appellate Authority and no date has been fixed for its hearing.
 6. The Company has filed an appeal before the Deputy Commissioner of Appeals (Ernakulam) against the order of the Assistant Commissioner (Assessment) Palakkad dated 31/12/2006 bearing assessment order No. 31011131/99-00. The appeal was filed on 7/12/2006, and relates to the assessment year 1999-00. The primary ground of appeal is that the Company was not given sufficient time to produce the F Forms in support of the stock transfer during the year. The relief claimed in this appeal is Rs. 1.06 lakhs. The appeal is pending with the Appellate Authority and no date has been fixed for its hearing.
 7. The Company has filed an appeal before the Deputy Commissioner of Appeals (Ernakulam) against the order of the Assistant Commissioner (Assessment) Palakkad dated 28/1/2006 bearing assessment order No. 31011131/00-01. The appeal was filed on 7/12/2006, and relates to the assessment year 2000-01. The order under appeal directs the Company to pay turnover tax for compounding activities. The primary ground of appeal is that the Company would not be liable to pay the turnover tax for this period since the term 'compounding' was included in the definition of 'manufacture' in the Kerala Abkari Act (1 of 1077) only on 1/4/2003 and in the Kerala General Sales Tax Act, 1963 only on 1/4/2004. The relief claimed in the appeal is Rs. 219.89 lakhs. The appeal is pending with the Appellate Authority and no date has been fixed for its hearing.
 8. The Company has filed an appeal before the Deputy Commissioner of Appeals (Ernakulam) against the order of the Assistant Commissioner (Assessment) Palakkad dated 28/1/2006 bearing assessment order No. 31011131/01-02. The appeal was filed on 7/12/2006, and relates to the assessment year 2001-02. The order under appeal directs the Company to pay turnover tax for compounding activities. The primary ground of appeal is that the Company would not be liable to pay the turnover tax for this period since the term 'compounding' was included in the definition of 'manufacture' in the Kerala Abkari Act (1 of 1077) only on 1/4/2003 and in the Kerala General Sales Tax Act, 1963 only on 1/4/2004. The relief claimed in the appeal is Rs. 74.47 lakhs. The appeal is pending with the Appellate Authority and no date has been fixed for its hearing.
 9. The Company had received a provisional demand notice No. 31011131/03-04 issued by the Assistant Commissioner (Assessment) Commercial Taxes, Special Circle, Palakkad dated 15/2/06 issued under Rule 21(10) the Kerala General sales Tax Rules, 1963 seeking to demand tax of Rs. 182.06 lakhs and to impose penal interest of Rs. 78.28 lakhs. This relates to assessment year 2003-04. The Company has filed an appeal before the Deputy Commissioner Appeals,

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Ernakulam on 7.12.2006, against this notice. The primary ground of appeal is that the Company would not be liable to pay the turnover tax for this period since the term 'compounding' was included in the definition of 'manufacture' in the Kerala Abkari Act (1 of 1077) only on 1/4/2003 and in the Kerala General Sales Tax Act, 1963 only on 1/4/2004. No date has been fixed for hearing of this appeal.

Civil

Regular First Appeal No.534/2004 has been filed by the Company, Empee Distilleries Ltd. against M/s. S.S. Enterprises Pvt. Ltd. before the Delhi High Court in August 2004 against the decree passed by the Additional District Judge, Tis Hazari Courts, Delhi, in Suit No.111/2003. The decree directed the Company to pay a principal sum of Rs.7.81 lakhs plus interest at the rate of 18% totalling to an amount of Rs. 12.19 lakhs to M/s S.S. Enterprises P. Ltd. The Delhi High Court has passed an order on 1.12.2004 granting stay of the operation of the decree on the Company after depositing a sum of Rs. 12 lakhs in court, which has been complied with. The appeal is pending final hearing and no date has been fixed in this regard.

The Company has filed appeal against the order decreed in Original Suit. No 5205 of 2002 before the XII Assistant City Civil Court, Chennai wherein M/s Shri Hambuja Roadways was the Plaintiff. The company and M/s Alvar Malt Manufacturers Pvt. Ltd. were Defendants in the abovementioned suit. The Company has denied liability in this appeal since the transaction was completely between the Plaintiff and the second defendant. This suit has been decreed on 20.3.2007. As per the decree the Company and Alvar Malt Manufacturers P. Ltd. are liable to pay a sum of Rs. 3.78 lakhs with interest at the rate of 24% p.a. as awarded by the Court from the date of the suit i.e. 24.7.2002, till the date of payment. We have been informed that the appeal is yet to be numbered

1.1.2 LITIGATION AGAINST OUR COMPANY:

Statutory

Labour Disputes under the Industrial Disputes Act, 1947

- 1) Industrial Dispute Nos.149 to 173/2004 have been filed by A.Revathy, B.Lakshmi, K.Gomalavalli, D.Thiripoosundari, Dakashayani & 20 Others against The Management of Empee Distilleries on 5/11/2004. These cases pending before the II Additional Labour Court, Chennai, have been initiated against Company by certain casual employees for back wages and reinstatement and for continuity in service. The Company has filed its counter statement on 28-04-2005 denying their status as employees entitled to such benefits under section 25F of the Industrial Disputes Act, 1947. The cases were last heard on 17.9.2007 and have been posted for production of documents on 24.10.2007. If the petitions are allowed against the Company, the liability of the Company will be the payment of Rs. 850/- per month per person from March 2002 when the Company ceased to engage them until the date when they are taken back by the Company. As of October 2007, the total wages per person from March 2002 would be Rs.0.66 lakhs, total liability for these persons from March 2002 would be Rs 13. 20 lakhs.
- 2) Industrial Dispute No. 29/04 - M.Minala v. Administration, Empee Distilleries Ltd.; pending before the II Additional Labour Court, Chennai, has been initiated by a former employee of the Company who was issued a charge sheet by the Respondent Company on 28/1/2004 for acts of theft and misconduct during working hours. An enquiry was conducted. The Enquiry Officer found upon investigation that the Petitioner was guilty of theft and the misconduct of consumption of liquor. The Petitioner's services were thus terminated and a full and final settlement of Rs.0.11 lakhs was rendered to her. The Petitioner has sought reinstatement of service with back wages and attendant benefits. The Company has filed its counter statement. The case has been posted for hearing on 1.11.2007 for enquiry. In the event the petition were to be allowed in favour of the employee, the Company will be liable to reinstate the employee and to pay her backwages from

the date of dismissal until reinstatement at the rate of Rs.2227/- per month. As of October 2007, the liability would be Rs. 1.00 lakhs.

- 3) Industrial Dispute No.336/06 has been filed by a former employee, M.Mohan against the Management Empee Distilleries Ltd. on 4/9/2006 and is pending before the II Additional Labour Court, Chennai. The Petitioner was an assistant mechanic in the Company and was arrested by the police on charges of theft on 21.12.92 made by the Company. A criminal complaint CC No.292/93 was filed in this matter before the Judicial Magistrate -II Tiruvallur. The employee was acquitted of the complaint on 10.4.2000. However, the employee did not report to work all these years, and a charge sheet was issued against the employee with respect to his absenteeism. After conducting a domestic enquiry, in which the employee did not participate despite notice, his employment had been terminated by the Company on 14.10.02. The petition has been filed by the former employee for reinstatement in the Company with back wages and benefits. The Company has filed its vakalatnama in this case, and the case has been posted for enquiry on 17.10.2007 for the Company to file its counter statement. In the event the petition were to be allowed in favour of the employee, the Company will be liable to reinstate the employee and to pay him backwages from the date of termination until reinstatement at the rate of Rs.620/- per month. As of October 2007, the liability would be Rs.0.37 lakhs.
- 4) Industrial Dispute Nos. 542 to 563/2004 filed by M.Rani, J.Vatchala & 20 Others against The Management of Empee Distilleries is pending before the Principal Labour Court, Chennai. These cases have been initiated against Company by certain casual employees for back wages and reinstatement and for continuity in service. The Company has filed its counter statement denying their status as employees entitled to such benefits under section 25F of the Industrial Disputes Act, 1947. The above cases were filed on 31.5.2005. The cases have been adjourned to 24.10.2007. If the petitions are allowed against the Company, the liability of the Company will be the payment of Rs. 850/- per month per person from March 2002 when the Company ceased to engage them until the date when they are taken back by the Company. As of May 2007, the total wages per person from March 2002 would be Rs. 0.66 lakhs. The total liability would amount to Rs.14.52 lakhs as on October, 2007.
- 5) Industrial Dispute Nos. 42 to 63/2005 filed by V. Gajalakshmi, N.Umamaheshwari & 20 Others against The Management of Empee Distilleries is pending before the Principal Labour Court, Chennai. These cases have been initiated against Company by certain casual employees for back wages and reinstatement and for continuity in service. The Company has filed its counter statement denying their status as employees entitled to such benefits under section 25F of the Industrial Disputes Act, 1947. The above cases were filed on 10.8.2005. The cases have been adjourned to 24.10.2007. If the petitions are allowed against the Company, the liability of the Company will be the payment of Rs. 850/- per month per person from March 2002 when the Company ceased to engage them until the date when they are taken back by the Company. As of May 2007, the total wages per person from March 2002 would be Rs.0.66 lakhs. The total liability would amount to Rs.14.52 lakhs as on October, 2007.
- 6) Industrial Dispute Nos. 133-135/04 filed by S.Vijaya, J Vijaya and S. Baby against the Management, Empee Distilleries was filed on 5/4/2005 before the Principal Labour Court, Chennai. These cases have been initiated against Company by certain casual employees for back wages and reinstatement and for continuity in service. The Company has filed its counter statement denying their status as employees entitled to such benefits under section 25F of the Industrial Disputes Act, 1947. The cases have been adjourned for enquiry on 24.10.2007. If the petitions are allowed against the Company, the liability of the Company will be the payment of Rs. 850/- per month per person from March 2002 when the Company ceased to engage them until the date when they are taken back by the Company. As of May 2007, the total wages per person from March 2002 would be Rs. 0.53 lakhs. The total liability would amount to Rs. 1.98 lakhs as on October, 2007.

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- 7) Industrial Dispute Nos. 197 to 205/2005 - V. Glory & 8 Others V. The Management of Empee Distilleries Ltd., pending before the 1st Additional Labour Court Chennai, have been initiated against the Company by certain casual employees for back wages and reinstatement and for continuity in service. The Company has filed its counter statement denying their status as employees entitled to such benefits under section 25F of the Industrial Disputes Act, 1947. The above cases were filed on 31.5.2005. The Company has filed its counter statement on 8/6/2006. The case was posted for hearing on 9.5.2007 and was adjourned for enquiry on 22.8.2007. If the petitions are allowed against the Company, the liability of the Company will be the payment of Rs. 850/- per month per person from March 2002 when the Company ceased to engage them until the date when they are taken back by the Company. As of May 2007, the total wages per person from March 2002 would be Rs.0.66 lakhs. The total liability would amount to Rs.5.94 lakhs as on October, 2007.
- 8) Industrial Dispute Nos. 224 to 226/2005 - G.Nithyanandam & 2 Others V. The Management of Empee Distilleries Ltd.; pending before the 1st Additional Labour Court Chennai, have been initiated against Company by certain casual employees for back wages and reinstatement and for continuity in service. The Company has filed its counter statement denying their status as employees entitled to such benefits under section 25F of the Industrial Disputes Act, 1947. The above cases were filed on 7.2.2006. The cases were posted for hearing on 17.9.2007 and have been adjourned for enquiry on 24.10.2007. If the petitions are allowed against the Company, the liability of the Company will be the payment of Rs. 850/- per month per person from March 2002 when the Company ceased to engage them until the date when they are taken back by the Company. As of May 2007, the total wages per person from March 2002 would be Rs.0.53 lakhs. The total liability would amount Rs.1.98 lakhs as on October 2007

Sales Tax

- i. The Company has received a notice of demand dated nil from the Assistant Commissioner (Assessment), Special Circle, Palakkad, calling upon the Company to pay a sum of Rs. 2.34 lakhs which is the balance tax payable on the turnover assessed for the assessment year 1998-99. The Company has obtained a stay on the recovery of the tax impugned in all its appeals vide order dated 15.2.2007 passed by the High Court of Kerala in Writ Petition (C) No. 2616 of 2007.
- ii. The Company has received a notice of demand dated nil issued by the Assistant Commissioner (Assessment), Special Circle, Palakkad calling upon the Company to pay a sum of Rs. 30.42 lakhs which is the balance tax payable on the turnover assessed for the assessment year 1999-00. The Company has obtained a stay on the recovery of the tax impugned in all its appeals vide order dated 15.2.2007 passed by the High Court of Kerala in Writ Petition (C) No. 2616 of 2007.
- iii. The Company has received a notice of demand dated nil issued by the Assistant Commissioner (Assessment), Special Circle, Palakkad calling upon the Company to pay a sum of Rs. 219.89 lakhs which is the balance tax payable on the turnover assessed for the assessment year 2000-01. The Company has obtained a stay on the recovery of the tax impugned in all its appeals vide order dated 15.2.2007 passed by the High Court of Kerala in Writ Petition (C) No. 2616 of 2007.
- iv. The Company has received a notice of demand dated nil issued by the Assistant Commissioner (Assessment), Special Circle, Palakkad calling upon the Company to pay a sum of Rs. 74.47 lakhs which is the balance tax payable on the turnover assessed for the assessment year 2001-02. The Company has obtained a stay on the recovery of the tax impugned in all its appeals vide order dated 15.2.2007 passed by the High Court of Kerala in Writ Petition (C) No. 2616 of 2007.
- v. The Company has received a notice of demand dated 7/2/2006 bearing No. 31011131/01-02 from the Assistant Commissioner (Assessment) Palakkad for penal interest of Rs. 67.02 lakhs for the assessment year 2001-02. No appeal has been filed against this notice.

- vi. The Company has received a pre-assessment notice issued by the Assistant Commissioner (Assessment) Commercial Taxes, Special Circle, Palakkad, bearing No. 31011131/02-03 dated 25/1/2006 seeking to impose penalty of Rs. 195 lakhs against the Company, for non-filing of returns under section 45A (c) of the Kerala General Sales Tax Act, 1963. This relates to assessment year 2002-03. The pre-assessment notice assesses the Company to turnover tax under the Kerala General Sales Tax Act, 1963 at Rs. 147.86 lakhs-, while the Company has only remitted a sum of Rs.48.94 lakhs
- vii. The Company has also received a notice under section 17(3) of the Kerala General Sales Tax Act, 1963, and under Rule 6(5) of the Central Sales Tax Rules, 1957 issued by the Assistant Commissioner (Assessment) Commercial Taxes, Special Circle, Palakkad. This notice relates to assessment year 2002-03. The Company had filed a revised return for the year 2002-03 declaring a total turnover of Rs 2294.10 lakhs. The authority has refused to accept the books and files relating to the accounts submitted by the Company since the turnover reported is under protest. The authority has finalised the balance turnover for the year 2002-03 under the Kerala General Sales Tax Act, 1963 at Rs.2958.61 lakhs and the inter state sales turnover under the Central Sales Tax Act, 1956 at Rs 35.35 lakhs.and has called upon the Company to submit its reply, if any, within seven days. The tax proposed to be assessed by the authority is Rs. 147.97 lakhs for Kerala General Sales Tax Act, 1963, and Rs. 1.44 lakhs under the Central Sales Tax Act, 1956. The notice also fixed the date for personal hearing on 10.2.2006.
- viii. The Company has received a notice under Section 17(3), 36A and 45A under the Kerala General Sales Tax Act, 1963, bearing No. 31011131/03-04 dated 3/2/2006 issued by the Assistant Commissioner (Assessment) Commercial Taxes, Special Circle, Palakkad on the turnover filed by the company for the assessment year 2003-04. The authority has determined the turnover of the Company at Rs. 5090.39 lakhs with a proposed tax of Rs. 254.61 lakhs and proposes the imposition of a penalty of Rs.369 lakhs. The notice calls upon the Company to submit its reply, if any, within seven days. The notice also fixed the date for personal hearing on 14.2.2006.
- ix. The Company had received a provisional demand notice No. 31016131/03-04 dated 15/2/2006 issued by the Assistant Commissioner (Assessment) Commercial Taxes, Special Circle, Palakkad. The proposed demand for tax is Rs. 0.058 lakhs and Rs. 0.025 lakhs is penal interest. This relates to assessment year 2003-04.

Civil

- 1) M/s. Sundaram Finance Services Ltd has filed a suit against . M/s. Broadway Agencies and 5 others where the Company is the 6th Defendant before the Madras High Court (Civil Suit No.906 of 2000). The suit was filed in November 2000. The suit is for recovery of a sum of Rs. 42.02 lakhs with interest at the rate of 18% p.a. from the defendants towards amounts due under bill discounting facilities agreed upon between the parties. However, the claim against the Company is restricted to Rs. 18.10 lakhs. It is the claim of the plaintiff is that M/s Broadway Agencies had availed bill discounting facility from the plaintiff which was accepted by the Company. The Company has denied having offered any such Hundis or facilities to the 1st defendant. The suit was posted on 26.2.2003 for framing issues, and no further date has been fixed for hearing in the case.
- 2) Original Suit No. 1321 of 2004 has been filed by M/s Lorvens Package Industry against 1. Durga Liquors India Pvt. Ltd., 2. Durga Liquors, 3. Empee Distilleries Ltd. 4. Apollo Alcobev Pvt Ltd., before the I Additional Senior Civil Judge, Vijayawada in December 2004. The plaintiff, a manufacturer of corrugated boxes, claims to have supplied packaging material to the defendants during 2003-2004 and a balance of Rs. 2.35 lakhs is claimed to be due as khata debt. In this case the Company and Appollo Alcobev Ltd. are only formal parties and no relief is claimed against them. Decree has been granted for a sum of Rs.1.69 lakhs, with costs and interest at 12% per annum on Rs.1.35 lakhs. From the date of suit till the date of the decree and thereafter at 6% per

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annum till realization. The suit has not been decreed against the company or Apollo Alcobev Pvt. Ltd

- 3) Original Suit 4349 of 2005 has been filed by Karnataka State Agro Corn Products Ltd. and the Deputy Manager (Sales), Karnataka State Agro Corn Products Ltd (plaintiffs) against M/s Empee Distilleries Ltd. before the XXVII Additional City Civil Court, Bangalore on 10.6.2005. The Plaintiff manufactures weaning foods and the other maize flakes and food products. The plaintiffs claims Rs.9.80 lakhs with interest at 36% per annum for supplies of brewery flakes to the Company since 1992. The Company has filed its written statement denying its liability and questioning the jurisdiction of the courts in Bangalore. The issues have been framed in the suit and the case is posted for recording the evidence of the plaintiffs on 18.10.2007.
- 4) Appeal Suit. No. 108 of 2007 has been filed by M/s Shri Laxmi Tulasi Agro Paper Pvt Ltd, Rajamundhry, East Godavari Dist., A.P against M/s Empee Distilleries Ltd., in February 2007 and is pending before the High Court of Andhra Pradesh. This appeal is against the dismissal of a suit, Original Suit No 270 of 2004 filed by M/s Laxmi Tulasi Agro Paper Pvt. Ltd. against the Company on 31.8.2006 by the Additional Senior Civil Judge, Rajamundhry. The plaintiff supplied kraft paper to the Company and there existed a running account between the parties. The goods were supplied between the years 2001-2002. In 2003 there was a reconciliation of accounts between the parties and as per the same the Company has paid the sum of Rs. 6.86 lakhs, as full and final settlement. Having received this amount, the plaintiff has filed the suit claiming Rs. 9.74 lakhs of which Rs. 9.31 lakhs is towards interest accrued over dues settled earlier. The appeal has been admitted by the Andhra Pradesh High Court on 2.3.2007 and notice has recently been received by the Company calling upon the Company to enter appearance before the Court if it intends to defend the appeal. Accordingly, the Company has filed its vakalatnama in the appeal on 19/4/2007. The appeal is yet to be listed for final hearing, and no date has been fixed by the Court in this regard.

Others

Consumer Complaint

Case No.Original Petition No. 109 of 2006 has been filed on 1.12.2006 by Xavier Arokiya Selvaraj against the Managing Director, Empee Distilleries Ltd., The Managing Director, TASMAL and The Supervisor, Shop No. 10917, Thirunelveli, before the Thirunelveli District Consumer Forum claiming Rs.1.00 lakhs as compensation, plus cost of litigation. The complainant has bought a bottle of Power XXX Rum manufactured by the Company on 19.12.2005, in which he found an iron bolt and has accordingly filed the complaint. The Company has filed its counter, explaining the processes in place, and has also stated that this is not at all possible. The complainant has accepted that he was inebriated, and hence his statement cannot have any credibility. Further, the complaint has been filed after four months of the purchase of the bottle. The Company has in turn claimed that the Complainant should pay Rs.10.00 lakhs as compensation for fabricating this case. The case is pending hearing and is next posted for enquiry on 19.10.2007.

Income Tax

1. The Assistant Commissioner of Income Tax, Central Circle, Chennai - 34 (ACIT) has filed an appeal before the Income Tax Appellate Tribunal, Chennai against the order of the CIT (A) in ITA No.40/06-07 dated 15.12.2006, granting relief in respect of a sum of Rs. 789.83 lakhs. This appeal was filed in connection with the assessment year 1999-2000. The total income declared by the assessee (the company) for that assessment year is Rs.151.83 lakhs. The appeal appears to have been filed in February of 2007 and is numbered as ITA 507/2007 and the notice for the same was received on 20.6.2007. The case is yet to come up for hearing.
2. The Assistant Commissioner of Income Tax, Central Circle, Chennai - 34 (ACIT) has filed an appeal before the Income Tax Appellate Tribunal, Chennai against the order of the CIT(A) in ITA

No.39/06-07 dated 5.12.2006, granting relief in respect of a sum of Rs 1217.25 lakhs. This appeal was filed in connection with the assessment year 1998-99. The total income declared by the assessee (the company) for that assessment year is Rs.(-) 39.18 lakhs. The appeal appears to have been filed in February of 2007 and is numbered as ITA 506 /2007 and the notice for the same was received on 20.6.2007. The case is yet to come up for hearing. The Company states that it has a carry forward loss of about Rs.2.02 crores.

3. The Assistant Commissioner of Income Tax, Central Circle, Chennai - 34 (ACIT) has filed an appeal before the Income Tax Appellate Tribunal, Chennai against the order of the CIT (A) in ITA No.43 /06-07 dated 21.12.2006, granting relief in respect of a sum of Rs 527.52 lakhs. This appeal was filed in connection with the assessment year 2002-2003. The total income declared by the assessee (the company) for that assessment year is Rs 59.93 lakhs. The appeal is numbered as ITA 688/2007 and the notice for the same was received on 20.6.2007. The case is yet to come up for hearing.
4. The Assistant Commissioner of Income Tax, Central Circle, Chennai - 34 (ACIT) has filed an appeal before the Income Tax Appellate Tribunal, Chennai against the order of the CIT(A) in ITA No.42 /06-07 dated 20.12.2006, granting relief in respect of a sum of Rs 1095.19. This appeal was filed in connection with the assessment year 2001-02. The total income declared by the assessee (the company) for that assessment year is Rs.(-) 225.46 lakhs. The appeal is numbered as ITA 687/2007 and the notice for the same was received on 20.6.2007. The case is yet to come up for hearing.
5. The Assistant Commissioner of Income Tax, Central Circle, Chennai - 34 (ACIT) has filed an appeal before the Income Tax Appellate Tribunal, Chennai against the order of the CIT(A) in ITA No.41 /06-07 dated 5.1.2007, granting relief in respect of a sum of Rs. 850.72 lakhs. This appeal was filed in connection with the assessment year 2000-01. The total income declared by the assessee (the company) for that assessment year is Rs.(-) 1347.24 lakhs. The appeal is numbered as ITA 686/2007 and the notice for the same was received on 20.6.2007. The case is yet to come up for hearing.

1.1.3 OUTSTANDING LITIGATION INVOLVING SUBSIDIARIES OF OUR COMPANY

1.1.3.1 Cases Filed By Our Subsidiary - Empee Sugars And Chemicals Limited, Nayudupet, Andhra Pradesh

Criminal

Empee Sugars and Chemicals Ltd. had filed FIR No. 125/2004 on 11.8.04 with the Nayudupet Police Station against a former administrative officer, V. S. Surendra Babu who was dismissed for misappropriation of funds amounting to Rs. 9.65 lakhs. On the basis of this complaint, a case was filed by the Police against V.S. Surendra Babu before the Court of II Additional District & Sessions Judge, Nellore under Sections 420, 406 of the Indian Penal Code. The case is still pending and investigation is being conducted in the complaint. The accused has obtained anticipatory bail. The chargesheet has not been filed in the case.

Statutory

Provident Fund

The Provident Fund Assistant Commissioner, Kadapa issued a notice on 9.9.2003 claiming damages of Rs. 6.98 lakhs plus penal interest of Rs. 2.77 lakhs for alleged belated remittances under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. The company challenged the order in Writ Petition No.3980 of 2004 before the Andhra Pradesh High Court. This Writ Petition was disposed by order dated 01.04.2004 directing the company to file an appeal

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against the order passed by the Assistant Commissioner of Provident Fund before the Employees Provident Fund Appellate Tribunal, New Delhi. The Andhra Pradesh High Court has also granted a stay of the order passed by the Provident Fund Assistant Commissioner upon deposit by the company of half of the demanded amount. The Company has deposited a little over 50% of the amounts demanded i.e. Rs. 1.63 lakhs and Rs. 3.49 lakhs towards penal interest. with the Office of the Assistant Provident Fund Commissioner amounting to Rs.5.12 lakhs. The company has also filed Appeal Nos. 5(1)2004 and 775(1)2004 before the Employee Provident Fund Appellate Tribunal, New Delhi, which is pending. Appeal No. 5(1)2004 was filed on 24/12/2003 and Appeal No. 775(1)2004 was filed on 24/12/2003 Before the Appellate Tribunal, the company has challenged the imposition of interest under Section 7Q of the Employees Provident Fund and Miscellaneous Provisions Act, 1952, in Appeal No. 775(1)2004 while Appeal No.5(1) 2004 challenges the levy of damages on the Company. Both the appeals are pending hearing before the Employees Provident Fund Appellate Tribunal.

Civil

Empee Sugars and Chemicals Ltd. has filed a suit (CF No. 479/2005) on 03-02-2005 before the Principal Senior Civil Judge Court at Gudur against Anab E Shahi Wines and Distilleries Pvt. Ltd., MLR Drinks Pvt. Ltd. and Omar Khayyam Wineries Pvt. Ltd. and Bank of India, Nampally, Hyderabad claiming a sum of Rs. 6.59 lakhs with interest @ 18% p.a. towards ENA supplied to these companies on a consolidated accounts of the transactions with these three companies belonging to the same group. The above case was filed on 3.2.2005. This suit was returned for complying with objections raised by the Registry and the response of the Plaintiff was considered on 17.9.2007. The suit is yet to be numbered.

Others

State Consumer Disputes Redressal Commission, Hyderabad :

The company has filed appeals bearing First Appeal (Sr.) No.7716 and 7719 of 2006 before the Andhra Pradesh State Consumer Disputes Redressal Commission at Hyderabad against the orders passed in C.D. Nos.19 of 2006 and 20 of 2006, in December 2006. These cases, C.D. 19 / 2006 - Mr.Ganta Rajendra Prasad - Vs - Empee Sugars and Chemicals Ltd., Nayudupet and C.D.No.20 / 2006 Mrs.Ganta Rajyalakshmi - Vs - Empee Sugars and Chemicals Ltd., Nayudupet, had been filed by growers of sugarcane alleging discrepancies in the quantum procured from them and for non-payment of price for the cane procured in the 2004 - 2005 sugar season. The Consumer Forum, Guntur vide order dated 25.07.2006 directed the company to pay Rs. 1.12 lakhs at 9% interest p.a. till the date of realization plus Rs.1000/- towards legal expenses in CD 19/2006 and in CD 20/2006 the company was ordered to pay Rs. 0.44 lakhs at 9% interest p.a. till the date of realization and Rs.500/- towards legal expenses. In the appeals, the State Commission has granted interim stay of the orders passed in the two consumer dispute cases. The appeals are pending final hearing before the Andhra Pradesh State Consumer Disputes Redressal Commission. The company has raised a preliminary dispute on the maintainability of the petitions filed by the sugarcane growers as consumer dispute since sugarcane growers would not be 'consumers' in terms of the Consumer Protection Act, 1986. Interim orders have been passed in both the cases, which are pending final hearing. The appeals have been posted to 24.12.2007 for further hearing.

1.1.3.2 Cases Filed Against Our Subsidiary - Empee Sugars And Chemicals Limited, Nayudupet, Andhra Pradesh

Statutory

SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997

A notice No. CFD/DCR/RC/TO/26660/04 dated 29.11.2004 was issued by SEBI to our subsidiary for payment of penalty under Section 15(A) of SEBI Act, 1992 on account of violating Regulations 6(2), 6(4) and 8(3) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, for 1998 to 2002. SEBI, vide the above cause notice also informed the company that it had introduced a scheme in the year 2002 for regularizing the non-compliances with the above said regulations and that the company has not chosen to avail the scheme therefore, the company was liable for payment of penalty under Section 15(A) of SEBI Act and also liable for prosecution under Section 24 of the SEBI Act.

It was also brought to the notice of the company that the Adjudicating Officer under Section 15(i) of the SEBI Act had been appointed to adjudicate and enquire into the aforesaid violations. However, SEBI would consider the request of the company for a consent order if the company was willing to pay a sum of Rs.1,75,000/- as penalty for the aforesaid violations. The company had been directed to inform SEBI whether the above proposal by SEBI was acceptable within 30 days of receipt of the show cause notice and in the event of not replying it would be presumed that the company was not interested in the proposal and SEBI's proposal stands automatically withdrawn. The Company has filed an application for Consent to SEBI (dated 19.7.2007) for compounding the violation inadvertently committed and its representatives have also personally appeared before them. SEBI has taken the same on record and an official communication of acceptance of the Proposal of the Company is expected from them

Labour Disputes under the Industrial Disputes Act, 1947

In Industrial Dispute No. 30/06 - Mr. T. Ganapathi versus Empee Sugars & Chemicals Ltd, Mr. T. Ganapathi, Fitter was dismissed from service on 15.04.2005, due to unauthorized absence from duty, after a finding in a domestic enquiry to this effect. The Petitioner has filed the industrial dispute before the Labour Court, Guntur, seeking reinstatement and back wages and attendant benefits. The above case was filed on 7.3.2006 and is pending trial and final hearing. The case is scheduled to be next heard on 26.10.2007. The wages per month paid to Mr. Ganapathi at the time of his dismissal was Rs.4765. The liability of the Company for the back wages from 15.4.2005 until October 2007 will be Rs.1.43 lakhs

Civil

- 1) Original Suit No.23/2001 filed by M/s Kovur Co-operative Sugar Factory Ltd., Nellore against Empee Sugars and Chemicals Ltd. on 27.8.2001, is pending before the Court of the District Judge, Nellore for breach of contract with regard to non-lifting of molasses valued at Rs. 83 60 lakhs plus interest @ 18% p.a. The cross examination of the witness on behalf of M/s Kovur Co-operative Sugar Factory Ltd., has been conducted and the case is at the stage of trial. The next date on which the case is posted is 24.10.2007, for arguments.
- 2) Appeal Suit No. 2150 of 2003 has been filed on 6.1.2003 before the Andhra Pradesh High Court by SVCooperative Sugar Factory Ltd. against an order dated 13.9.2002 filed in Original Suit No. 4/99. Original Suit No. 4/99 had been filed by SV Cooperative Sugar Factory Ltd. against Empee Sugars and Chemicals Ltd. before the III Additional District Court, Tirupathi for alleged breach of contract i.e. non-lifting of molasses as per the terms and conditions of agreement by Empee Sugars and Chemicals Ltd. The claim in the suit

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was Rs. 71.13 lakhs together with interest @ 12% p.a. This suit was dismissed on 13.9.2002. The appeal has not yet been listed for final hearing.

- 3) Appeal Suit No. 46 of 2003 has been filed by SV Cooperative Sugar Factory Ltd. Against decree dated 13.9.2002 in Original Suit No. 67/99. This appeal was filed on 6.1.2003. Original Suit 67/99 had been filed before the III Additional District Court, Tirupathi, by Empee Sugars and Chemicals Ltd against SV Cooperative Sugar Factory for recovery of the forfeited earnest money deposit amount of Rs.8.51 lakhs including interest @ 12% per annum The appeal has not yet been listed for final hearing.

Others

Consumer Dispute

Consumer Case. No. 143 of 2006 and 144 of 2006 have been filed before the District Consumer Disputes Redressal Forum, Nellore by Vakati Suneel Kumar Reddy Vakati Madhavi against Empee Sugars and Chemicals Ltd and against the Managing Director of Empee Sugars and Chemicals Ltd. Both the cases were filed on 27.9.2006. The Complainants are cane growers who supply sugarcane to the Company. The complainants had claimed that they suffered a loss of Rs. 2.90 lakhs and Rs. 3.70 lakhs respectively which are the amounts claimed against the company in the complaints. The complainants claim that the loss is created by defective seeds supplied by the Company, which constitutes deficiency in service. The Company has denied supplying the seeds of the variety claimed and has raised a preliminary objection questioning the jurisdiction of the forum to adjudicate the complaint since the allegations of the Complainants neither constitute a complaint under the Consumer Protection Act, 1986, nor are the complainants consumers as defined under that Act. The cases were last listed on 1.10.2007, and are presently posted for hearing on 16.10.2007. The Company has filed its affidavits of its witnesses as evidence.

a. OUTSTANDING LITIGATION INVOLVING THE PROMOTERS AND GROUP COMPANIES

1.2.1 LITIGATION FILED BY THE PROMOTERS

Statutory

Sales Tax

The Managing Director of our Company Mr. M.P. Purushothaman who was the proprietor of a concern by the name Associated Construction Company Naidupeta has filed Tax revision case nos. 81 to 83 of 2006 before the High Court at Andhra Pradesh against the orders passed by the Sales Tax Appellate Tribunal disallowing deductions to the proprietorship concern with respect to expenditure on labour and materials for the assessment years 1990-91, 1991-92, 1992-93, 1993-94 under the Andhra Pradesh General Sales Act, 1957 and claiming tax arrears of Rs. 19.43 lakhs for all these years. The above revisions were filed in November 2006, and no dates have been fixed for their hearing.

Income Tax

An appeal has been filed by one of the promoters of the Company, Mr M.P. Purushothaman, before the Income Tax Appellate Tribunal, Chennai on 2.3.2007. The appeal is filed against the order of the Commissioner of Income Tax (Appeals) (Income Tax Appeal No. 32/2006-07) for assessment year 2002-03 dated 15.12.2006. Mr. Purushothaman along with his family members had sold his shares in Empee Breweries Ltd. to Millenium Alcobev Ltd. on 18.1.2002 for a consideration of Rs.14.25 per share. The order under appeal has determined that Mr. Purushothaman had in fact sold the shares at Rs.69.96 per share, and has assessed this difference in the hands of Mr. Purushothaman. The shareholding of Mr. Purushothaman in Empee Breweries Ltd. which were sold by him is 15,78,051, which works out to Rs. 879.13lakhs. Capital gains, (both short term and long term), has been assessed on this income at Rs. 350.53 lakhs (including interest). Against this order the present appeal has been filed by Mr. Purushothaman. The appeal has been filed on 02-03-2007, and is yet to be numbered and taken up for hearing.

An appeal has been filed by one of the promoters of the Company, Mr. M.P. Purushothaman, before the Income Tax Appellate Tribunal, Chennai on 3.1.2007. The appeal is filed against the order of the Commissioner of Income Tax (Appeals), Chennai in Income Tax Appeal No. ITA 30/06-07 for assessment year 2004-05 dated 23.10.2006. The Commissioner of Income Tax - Appeals has confirmed the assessment of Rs. 21.93 lakhs towards the value of jewellery in the hands of the promoter, while disregarding his explanations as to the matter of the possession of the jewellery by him, and has assessed this income at Rs. 5.05 lakhs (including interest).. The appeal has also been filed on the ground that the assessment of Rs. 21.93 lakhs is excessive. The appeal has been filed on 03-01-2007, and is yet to be numbered and taken up for hearing.

An appeal has been filed by one of the promoters of the Company, Mr M.P. Purushothaman, before the Income Tax Appellate Tribunal, Chennai on 3.1.2007. The appeal is filed against the order of the Commissioner of Income Tax (Appeals) I, Chennai (Income Tax Appeal No. 31/06-07) for assessment year 2003-04 dated 20.10.2006. The Commissioner of Income Tax Appeals has confirmed the assessment of Rs. 21.93 lakhs towards the value of gold jewellery in the hands of the promoter, while disregarding his explanations as to the matter of possession of the jewellery by him. The impugned order has also confirmed the order of assessment fixing an income of Rs. 3.60 lakhs on the house property of the promoter. The tax has been liability has been assessed at Rs.12.76 lakhs. The appeal has also been filed by the promoter on the ground that the assessment of income is excessive. The appeal has been filed on 03-01-2007, and is yet to be numbered and taken up for hearing. The outcome of this appeal will have no impact on our Company.

Wealth Tax:

- 1) An appeal has been filed by one of the promoters of the Company, Mr M.P. Purushothaman, before the Commissioner of Wealth Tax -Appeals - I, on 2.2.2007. The appeal is against the order dated 29.12.2006 passed by the Assistant Commissioner of Wealth Tax, Central Circle I(2), Chennai for the assessment year 2002-03. The impugned order has assesses Mr. Purushothaman to wealth tax in respect of land owned by a partnership firm Ms/ Empee Hotels in which Mr. Purushothaman is a partner, on the basis that urban land which is kept unused or held by the assessee for industrial purposes would be considered wealth and a taxable asset after a period of two years. The assessing officer has assessed 50% of the value of the land at Rs. 284.96 lakhs in the hands of Mr. Purushothaman and determined tax thereon. The assessing officer has also assessed wealth tax on cash and unaccounted jewellery, and has imposed wealth tax of Rs.3.13 lakhs (for total wealth) together with interest at Rs. 1.59 lakhs, and has initiated penalty proceedings in respect of the above for concealment of wealth. The appeal has been preferred against this order on the ground, amongst others, that a hotel was under construction on the land and hence the same would not constitute vacant land or a taxable asset in the hands of Mr. Purushothaman. The appeal has been filed recently and is yet to be numbered or taken up for hearing.
- 2) An appeal has been filed by one of the promoters of the Company, Mr M.P. Purushothaman, before the Commissioner of Wealth Tax -Appeals - I, on 2.2.2007. The appeal is against the order dated 29.12.2006 passed by the Assistant Commissioner of Wealth Tax, Central Circle I(2), Chennai for the assessment year 2004-05. The impugned order has assesses Mr. Purushothaman to wealth tax in respect of land owned by a partnership firm Ms/ Empee Hotels in which Mr. Purushothaman is a partner, on the basis that urban land which is kept unused or held by the assessee for industrial purposes would be considered wealth and a taxable asset after a period of two years. The assessing officer has assessed 50% of the value of the land at Rs. 366.90 lakhs in the hands of Mr. Purushothaman and determined tax thereon. The assessing officer has also assessed wealth tax on cash and unaccounted jewellery, and has imposed wealth tax of Rs. 4.02 lakhs (for total wealth) together with interest at Rs. 0.92 lakhs, and has initiated penalty proceedings in respect of the above for concealment of wealth. The appeal has been preferred against this order on the ground, amongst others, that a hotel was under construction on the land and hence the same would not constitute vacant land or a taxable asset in the hands of Mr. Purushothaman. The appeal has been filed recently and is yet to be numbered or taken up for hearing.

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- 3) An appeal has been filed by one of the promoters of the Company, Mr M.P. Purushothaman, before the Commissioner of Wealth Tax -Appeals - I, on 2.2.2007. The appeal is against the order dated 29.12.2006 passed by the Assistant Commissioner of Wealth Tax, Central Circle I(2), Chennai for the assessment year 2003-04. The impugned order has assessed Mr. Purushothaman to wealth tax in respect of land owned by a partnership firm Ms/ Empee Hotels in which Mr. Purushothaman is a partner, on the basis that urban land which is kept unused or held by the assessee for industrial purposes would be considered wealth and a taxable asset after a period of two years. The assessing officer has assessed 50% of the value of the land at Rs. 328.68 lakhs in the hands of Mr. Purushothaman and determined tax thereon. The assessing officer has also assessed wealth tax on cash and unaccounted jewellery, and has imposed wealth tax of Rs. 3.58 lakhs (for total wealth) together with interest of Rs. 1.15 lakhs, and has initiated penalty proceedings in respect of the above for concealment of wealth. The appeal has been preferred against this order on the ground, amongst others, that a hotel was under construction on the land and hence the same would not constitute vacant land or a taxable asset in the hands of Mr. Purushothaman. The appeal has been filed recently and is yet to be numbered or taken up for hearing.
- 4) An appeal has been filed by one of the promoters of the Company, Mr M.P. Purushothaman, before the Commissioner of Wealth Tax -Appeals - I, on 2.2.2007. The appeal is against the order dated 29.12.2006 passed by the Assistant Commissioner of Wealth Tax, Central Circle I(2), Chennai for the assessment year 1999-00. The impugned order has assessed Mr. Purushothaman to wealth tax in respect of land owned by a partnership firm Ms/ Empee Hotels in which Mr. Purushothaman is a partner, on the basis that urban land which is kept unused or held by the assessee for industrial purposes would be considered wealth and a taxable asset after a period of two years. The assessing officer has assessed 50% of the value of the land at Rs. 257.44 lakhs in the hands of Mr. Purushothaman and determined tax thereon. The assessing officer has also assessed wealth tax on cash and unaccounted jewellery, and has imposed wealth tax of Rs. 2.84 lakhs (for total wealth) together with interest at Rs. 2.95 lakhs, and has initiated penalty proceedings in respect of the above for concealment of wealth. The appeal has been preferred against this order on the ground, amongst others, that a hotel was under construction on the land and hence the same would not constitute vacant land or a taxable asset in the hands of Mr. Purushothaman. The appeal has been filed recently and is yet to be numbered or taken up for hearing.
- 5) An appeal has been filed by one of the promoters of the Company, Mr M.P. Purushothaman, before the Commissioner of Wealth Tax -Appeals - I, on 2.2.2007. The appeal is against the order dated 29.12.2006 passed by the Assistant Commissioner of Wealth Tax, Central Circle I(2), Chennai for the assessment year 2000-01. The impugned order has assessed Mr. Purushothaman to wealth tax in respect of land owned by a partnership firm Ms/ Empee Hotels in which Mr. Purushothaman is a partner, on the basis that urban land which is kept unused or held by the assessee for industrial purposes would be considered wealth and a taxable asset after a period of two years. The assessing officer has assessed 50% of the value of the land at Rs. 266.62 lakhs in the hands of Mr. Purushothaman and determined tax thereon. The assessing officer has also assessed wealth tax on unaccounted jewellery, and has imposed wealth tax of Rs. 2.90 lakhs (for total wealth) together with interest at Rs. 2.41 lakhs, and has initiated penalty proceedings in respect of the above for concealment of wealth. The appeal has been preferred against this order on the ground, amongst others, that a hotel was under construction on the land and hence the same would not constitute vacant land or a taxable asset in the hands of Mr. Purushothaman. The appeal has been filed recently and is yet to be numbered or taken up for hearing.
- 6) An appeal has been filed by one of the promoters of the Company, Mr M.P. Purushothaman, before the Commissioner of Wealth Tax -Appeals - I, on 2.2.2007. The appeal is against the order dated 29.12.2006 passed by the Assistant Commissioner of Wealth Tax, Central Circle I(2), Chennai for the assessment year 2001-02. The impugned order has assessed Mr. Purushothaman to wealth tax in respect of land owned by a partnership firm Ms/ Empee Hotels in which Mr. Purushothaman is a partner, on the basis that urban land which is kept unused or held by the assessee for industrial purposes would be considered wealth and a taxable asset after a period of two years. The assessing officer has assessed 50% of the

value of the land at Rs. 275.79 lakhs in the hands of Mr. Purushothaman and determined tax thereon. The assessing officer has also assessed wealth tax on cash and unaccounted jewellery, and has imposed wealth tax of Rs. 3.00 lakhs (for total wealth) together with interest at Rs. 1.97 lakhs, and has initiated penalty proceedings in respect of the above for concealment of wealth. The appeal has been preferred against this order on the ground, amongst others, that a hotel was under construction on the land and hence the same would not constitute vacant land or a taxable asset in the hands of Mr. Purushothaman. The appeal has been filed recently and is yet to be numbered or taken up for hearing.

1.2.2 LITIGATION FILED BY THE GROUP COMPANIES

Criminal

- 1) Calendar Case No. 32016 of 2004 in the XIV Metropolitan Magistrate's Court, Egmore has been filed by New Victoria Hotel, owned by Proprietor South (India) Hotels Pvt. Ltd. (Complainant) against Kingson Louiz, Partner, M/s Glentta International, Coimbatore (Accused). The complaint is filed under Section 138 of the Negotiable Instruments Act, 1881 for dishonour of a cheque issued by the accused. The accused had used the services of the hotel during 14/5/04 and 9/7/04 and a balance of Rs. 0.71 lakhs was due and payable. The accused had given a cheque for the said amount and the same was returned by the bank for insufficient funds. The Accused has passed away in the meantime and a memo has been filed by the Company before the court informing the court that the accused is dead. The next date of hearing is 20.12.2007. The possibility of realization of the dues from the legal heirs of the deceased is possible only through civil proceedings, and as such cannot be pursued through criminal proceedings.
- 2) Calendar Case No 28883 of 2004. XIV Metropolitan Magistrate's Court, Egmore has been filed by M/s Aruna Export Pvt Ltd (Complainant) against A S Kumar, Proprietor, M/s Sudarsanan Impex, Coimbatore (Accused) in November 2004. This is under Section 138 of Negotiable Instruments Act, 1881. The accused had a merchant order of letter of credit in the name of the accused for U.S Dollars 26,633.33 from a Taiwan buyer for export of T-Shirts. The accused represented to the complainant that he was unable to execute the export and that he was ready to transfer it to the complainant. The complainant agreed to execute the export L/c. The accused transferred the export L/c to the complainant with the condition that the shipment will be executed on the scheduled date of L/c. The accused agreed to manufacture the goods namely, T-Shirts and supply to the complainant in ready-to-export condition. The accused wanted the complainant to open 30 days L/c in accused name to buy raw materials namely, yarn which the complainant fulfilled and the accused purchased the yarn availing the L/c. For the said purchase of yarn on credit as per the L/c opened by the complainant for Rs.9 lakh the accused gave the Company cheque bearing No.194212 dated 27/7/04 for Rs. 9.00 lakhs. This cheque was returned on account of insufficiency of funds in the account of the accused. The accused has not appeared before the Court and a non-bailable warrant has been issued on 21.10.2005, which has not yet been executed. The warrants were sent to the Commissioner of Police, Coimbatore on 17.11.2005.
- 3) Calendar Case No 20333 of 2005 before the XIV Metropolitan Magistrate's Court, Egmore has been filed by M/s New Victoria Hotel (Complainant) against Ashish Singh Pardeshi, Canada Corner, Nasik City, M.P. (Accused) on 14.10.2005. The Accused had used the services of the hotel in 2005 and had given three cheques aggregating Rs. 1.00 lakhs. All three cheques were returned due to insufficiency of funds. The sworn statement has been recorded. The accused has not been served with the notice of the complaint yet. The last date of hearing was 6.2.2007. No date has been fixed for hearing in this matter.

Civil

- 1) Original Application- No. 456 of 2005 Apollo Alchobev Ltd, Vs Durga Liquor India Pvt Ltd, pending before the Madras High Court has been filed under Section 9 of the Arbitration and Conciliation Act, 1996 in April 2005, against Andhra Pradesh Beverages Corporation Ltd. (APBCL) and Durga Liquors India P. Ltd. before the Madras High Court. In this application, the Company has sought for an interim order restraining Durga Liquors India Ltd. from running the premises leased to Appollo Alcobev Ltd. at Bandar road,

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Davuluru Village, Kankipadu Mandal, Krishna District and restraining APBCL from granting any tender to Durga Liquors P. Ltd. for supplying Indian Made Foreign Liquor Products pending the arbitral proceedings between Appollo Alcobev Ltd. and Durga Liquor India P. Ltd. Apollo Alcobev Ltd. entered into a lease agreement with the Respondent company on 23.06.03 for taking on lease the Respondent company's manufacturing unit at Bandar Road, Davuluru Village, Krishna Dist A.P. Subsequently the possession of the property was taken by Apollo Alcobev Ltd. on 01.08.03, initially for a period of 5 years. Under the lease agreement, Appollo Alcobev Ltd. would lease the IMFL facility for which purpose it was agreed that credit facilities in the form of working capital and term loans from the State Bank of India would be provided. Durga Liquor India P. Ltd. subsequently defaulted in its obligations under the agreement and repossessed the leased premises. Since the agreement provides for resolution of disputes between the parties through the process of arbitration, the application has been filed by the Company for interim reliefs against Durga Liquor India P. Ltd. The agreement also restricts the jurisdiction to courts in Chennai. Arguments were heard on the application on 12.9.2006 and judgement has been reserved.

- 2) Original Petition No. 569 of 2005 - Apollo Alcobev Ltd, Vs Durga Liquor India Pvt Ltd, pending before the Madras High Court has been filed under Section 11 (6) (b) of the Arbitration and Conciliation Act, 1996 on 2/8/2005 for appointment of an arbitrator to adjudicate upon the disputes between the Company and Durga Liquor India Pvt Ltd. under a lease agreement dated 23.6.2003 between them. No date has been fixed for hearing of this petition.

1.3. LITIGATION FILED AGAINST THE PROMOTERS/ GROUP COMPANIES

Civil

- 1) Civil Revision Petition No. 1795 of 2005 pending before the Andhra Pradesh High Court has been filed by Durga Liquor India P. Ltd. against Appollo Alcobev Ltd., Mr. Chandramohan, Mr. John Mathew, Mr. P. Balan and Mr. C.K.Velayudhan. The petition is filed against the order dated 2.2.2005 passed in I.A. No. 1416 of 2004 in Original Suit No. 4368/04 pending before the Court of the III Junior Civil Judge, City Civil Court, Hyderabad, directing that the parties should resolve their disputes through arbitration. The revision petition is pending final hearing and no date has been fixed for its hearing.
- 2) Original Suit No. 798 of 2004 has been filed by Durga Liquors India Pvt. Ltd. against Appollo Alcobev Private Limited on 2/8/2004 in the Court of a Senior Civil Judge at Vijayawada. The suit is for a permanent injunction restraining Appollo Alcobev Pvt. Ltd. from interfering with the possession of the Company in its distillery at Davuluru, Vijayawada District. Durga Liquors India Pvt. Ltd. claims that the property which was leased to Appollo Alcobev Pvt. Ltd. has reverted to its possession since its release of the property from the Andhra Pradesh Industrial Development Corporation which had seized the same. Further, the lease dated 25/6/2003 has also been terminated.
- 3) Original Suit 299 of 2004 has been filed by Mr. M. Ramiah, Mr. Giridhar Prasad and Seenu Prasad against Durga Liquors India Pvt. Ltd., Appollo Alcobev Pvt. Ltd., Mr. Chandramohan and Mr. John Mathew for a declaration that 36443 shares in Durga Liquors India Pvt. Ltd. belong to them and that the alleged transfer of these 36443 shares by the defendants 3 and 4 in favour of Appollo Alcobev Pvt. Ltd. is void and illegal and to direct these persons to deliver these shares to the plaintiff. A further relief of injunction has also been sought to restrain Appollo Alcobev Pvt. Ltd. from exercising any rights as shareholder with respect to the 36443 shares. The suit was filed on 17/8/2004. The shares had been pledged by these persons as security for repayment of dues by Durga Liquors India Pvt. Ltd. to Appollo Alcobev Pvt. Ltd. The shares were transferred as a consequence of the outstanding due from Durga Liquors India Pvt. Ltd. to Appollo Alcobev Pvt. Ltd. The case is coming up before the court on 11.10.2007 for trial.

Income Tax

1. The Assistant Commissioner of Income Tax, Central Circle, Chennai - 34 (ACIT) has filed an appeal before the Income Tax Appellate Tribunal, Chennai against the order of the Commissioner of Income Tax-

Appeals (CIT-A) in ITA No.32/06-07 dated 15.12.2006. This appeal was filed in connection with the assessment year 2002-2003. The total income declared by the assessee (Mr. M.P Purushotaman) for that assessment year is Rs.61.14 lakhs. The ACIT has filed an appeal against relief granted for an income of Rs. 1006.74 lakhs. The appeal appears to have been filed in February of 2007 and is numbered as ITA 508/2007. The case is yet to come up for hearing.

2. The ACIT has filed an appeal before the Income Tax Appellate Tribunal, Chennai against the order of the CIT (A) in ITA No.31 /06-07 dated 20.10.2006. This appeal was filed in connection with the assessment year 2003-04. The total income declared by the assessee for that assessment year is Rs.15.72 lakhs. The ACIT has filed an appeal against relief granted for an income of Rs. 55.68 lakhs. The appeal appears to have been filed in January of 2007 and is numbered as ITA 26/2007. The case is yet to come up for hearing.
3. The ACIT has filed an appeal before the Income Tax Appellate Tribunal, Chennai against the order of the CIT (A) in ITA 30/06-07 dated 23.10.2006. This appeal appears to have been filed in connection with the assessment year 2004-05 .The total income declared by the assessee for that assessment year is Rs.15.41 lakhs. The ACIT has filed an appeal against relief granted for an income of Rs. 106.30 lakhs. The appeal appears to have been filed in January of 2007 and is numbered as ITA 27/2007. The case is yet to come up for hearing.
4. The ACIT has filed an appeal before the Income Tax Appellate Tribunal, Chennai against the order of the CIT (A) in ITA 33/06-07 dated 18.10.2006. This appeal appears to have been filed in connection with the assessment year 1998-99. The total income declared by the assessee (Mr. M.P Purushothaman) for that assessment year is Rs.35.44 lakhs. The amount of income that the ACIT has appealed against is Rs.70.00 lakhs. The appeal was filed in January 2007 and is numbered as ITA 25/2007. The case is yet to come up for hearing.

Non-compliance with Section 383A of the Companies Act, 1956

Our Company has not complied with Section 383A of Companies Act, 1956 during following periods mainly on account of non-availability of suitable candidate:

Period	Duration
October 11, 2007 to October 17, 2007	7 days
September 29, 1984 to November 21, 1985	14 months
June 14, 1988 to December 15, 1988	6 months
July 18, 1989 to August 9, 1990	13 months
September 30, 1991 to May 3, 1992	7 months
February 1, 1993 to September 11, 1994	20 months
March 31, 1997 to February 24, 1999	2 years
November 21, 1999 to February 2, 2006	6 years & 5 months
August 31, 2006 to January 10, 2007	4 months

Litigations against our Directors

There is no litigation pending against our Directors.

MATERIAL DEVELOPMENTS

Significant development since the last audited balance sheet as on June 30, 2007 till the date of Prospectus

No circumstances have arisen since the date of last financial statement until the date of filing of the Red Herring Prospectus with SEBI, which materially and adversely affect or is likely to affect the operations or profitability of our Company, or value of its assets, or its ability to pay its liability within next twelve months.

There is no subsequent development after the date of the Auditor's Report, which will have a material impact on the reserves, profits, earnings per share and book value of the Equity Shares of our Company except that our open Cash Credit limit of Andhra Bank has increased from Rs. 800 lakhs to Rs. 1100 lakhs.

GOVERNMENT APPROVALS

We have obtained all the necessary Government approvals from the Government of India, State governments, and appropriate regulatory and governmental authorities in relation to the present business. No further approvals or licenses are required for conducting our present business. Unless specified otherwise, these approvals and licenses are valid until their cancellation and where the approvals are issued for a specified time, have been regularly renewed and are valid and subsisting. To the extent stated below, our Company has also obtained approvals and licenses, including statutorily mandated agreements from the Government for the proposed business.

APPROVALS FOR THE ISSUE

We have received the following material approvals for the issue:

1. Our Board of Directors has approved the issue and appointed the Compliance Officer by resolutions passed at the Board meetings dated February 28, 2006 and October 13, 2007 respectively.
2. Our members have approved the issue by a special resolution passed at the Annual General Meeting dated March 29, 2006.

APPROVALS RELATING TO THE BUSINESS

(a) Taxation Related Approvals

Description	Reg. No. / Ref. No & Date	Authority	Validity	Unit
Central Sales Tax Registration Certificate	33316 valid from October 31, 1995	Commercial Tax Officer, Anna Salai, Chennai	----	----
Permanent Account Number	AAACE1687N dated March 20, 1997	Commissionerate of Income Tax, Computer Operations, 121, Mahatma Gandhi Road, Nungambakkam, Madras - 600 034	----	----
Tax Deduction Account Number under the Income Tax Act, 1961	CHEE00085B	Income Tax Authority	----	----
Central Sales Tax Registration Certificate for manufacturing or processing of neutral spirit, grape spirit, packing of bottles , under the Central Sales Tax (Registration and Turnover) Rules, 1957		Sales Tax Officer	----	Mevalukuppam, Tamil Nadu
Service Tax Registration under Section 69 of the Finance Act, 1994 (32 of 1994)	GTA/Chennai/6HI/ STC issued on March 23, 2004	The Superintendent of Central Excise Service Tax	----	----
Tax Identification Number (TIN) under the Tamil Nadu Value Added Tax Act, 2006	33980640189	Commercial Tax Officer, Annasalai-III, Assessment Circle, Chennai-6.	----	Mevalukuppam, Tamil Nadu
Kerala General Sales Tax Registration Certificate under the Kerala General Sales Tax Rules, 1983	25162877 (New No.31123929) renewed from April 25, 2007	Additional Sales Tax Officer, Palakkad	2007-08	Palakkad, Kerala

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Description	Reg. No. / Ref. No & Date	Authority	Validity	Unit
Tax Identification Number (TIN) under the (Kerala Value Added Tax Act, 2003)	32090206645	Assistant Commissioner (Assessment), Special Circle, Palakkad	---	Palakkad, Kerala
Central Sales Tax Registration Certificate under the Central Sales Tax (Registration and Turnover) Rules, 1957	25167877 (New No. 31016131) with effect from July 29, 2002, renewed on April 22, 2006	The Assistant Commissioner (Assessment) Palakkad	---	Palakkad, Kerala

(b) Labour Related Approvals

Description	Reg. No. / Ref. No & Date	Authority	Validity	Unit
Overtime Exemption Certificate for exemption under Section 52, 54 and 56 of the Factories Act, 1948.	G.O. No.NML16 vide proceeding No. OM/A5/1437/2006 dated March 28, 2006	Joint Inspector of Factories	----	Mevalurkuppam, Tamil Nadu
Certificate Of Registration (Contract Labour) under Section 7 of Contract Labour (Regulation and Abolition) Act, 1970	18/2004	Deputy Chief Inspector of Factories, III Division, Chennai 600 006	----	----
Registration of Factory / Establishments under Section 2(12) of the ESI Act, 1948	51-83624-67	Asstt. Director for Regional Director, Regional Office (Tamil Nadu), Employees State Insurance Corporation	----	----

(c) Technical Approvals

Description	Reg. No. / Ref. No & Date	Authority	Validity	Unit
Certificate for the Use of a Boiler under Regulation 389 and Section 7/8 of the Indian Boilers Act, No. V of 1923	13/NAC/2007 - 2008 issued on May 2, 2007	Inspector of Boilers, North Arcot Circle, Fort, Vellore.	May 01, 2008	Mevalurkuppam, Tamil Nadu
License for Storing, Processing and Manufacturing of IMFL under Section 13 of the Fire Service Act, 1985	13473/A/2006 dated November 15, 2006	Divisional Officer, Fire and Rescue Services, Kancheepuram Division, Kancheepuram	November 14, 2007	Mevalurkuppam, Tamil Nadu
License for storage of Spirit, Furnace oil (30 KL) and Diesel (500 L) under Section 13 of the Fire Service Act, 1985	13474/A/2006 dated November 15, 2006	Divisional Officer, Fire and Rescue Services, Kancheepuram Division, Kancheepuram	November 14, 2007	Mevalurkuppam, Tamil Nadu
License for store and use furnace oil	29/KPM dated April 21, 2002	District Collector, Kancheepuram	April 20, 2009	Mevalurkuppam, Tamil Nadu
Certificate of verification under The Standards of Weights & Measures (Enforcement) Act, 1985 certifying that the equipment used conforms to prescribed standards	777921 issued on July 10, 2003	Deputy Inspector of Labour and Assistant Controller of Legal Metrology (Storage Tanks, Chennai)	July 09, 2008	Mevalurkuppam, Tamil Nadu

Prospectus

Description	Reg. No. / Ref. No & Date	Authority	Validity	Unit
Certificate of verification under The Standards of Weights & Measures (Enforcement) Act, 1985 certifying that the equipment used conforms to prescribed standards	777922 issued on July 10, 2003	Deputy Inspector of Labour and Assistant Controller of Legal Metrology (Storage Tanks, Chennai)	July 09, 2008	Mevalurkuppam, Tamil Nadu
Certificate of verification under The Standards of Weights & Measures (Enforcement) Act, 1985 certifying that the equipment used conforms to prescribed standards	777944 issued on November 06, 2003	Deputy Inspector of Labour and Assistant Controller of Legal Metrology (Storage Tanks, Chennai)	November 05, 2008	Mevalurkuppam, Tamil Nadu
Certificate of verification under The Standards of Weights & Measures (Enforcement) Act, 1985 certifying that the equipment used conforms to prescribed standards	2199188 issued on September 25, 2006	Deputy Inspector of Labour and Assistant Controller of Legal Metrology (Storage Tanks, Chennai)	September 25, 2011	Mevalurkuppam, Tamil Nadu
Certificate of verification under The Standards of Weights & Measures (Enforcement) Act, 1985 certifying that the equipment used conforms to prescribed standards	2199189 issued on September 27, 2006	Deputy Inspector of Labour and Assistant Controller of Legal Metrology (Storage Tanks, Chennai)	September 27, 2011	Mevalurkuppam, Tamil Nadu
Renewal Consent Order for existing operation of the plant under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981	Renewal of Consent Order No. 153 dated April 28, 2006 (Consent Order bearing proceedings No. DEE/TNPCB/KP M/F.OL-233/A/2007 dated 30.05.2007	District Environmental Engineer, Kancheepuram District	March 31, 2008	Mevalurkuppam, Tamil Nadu
Renewal Consent Order for existing discharge of sewage and trade effluents under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974	Renewal of Consent Order No. 783 dated April 28, 2006 (Consent Order bearing proceedings No. DEE/TNPCB/KP M/F.OL-233/W/2007 dated 30.05.2007	District Environmental Engineer, Kancheepuram District	March 31, 2008	Mevalurkuppam, Tamil Nadu
Permission letter under Rule 63 of the Indian Electricity Rules, 1956 under Rule 63 of the Indian Electricity Rules, 1956 permitting the commissioning of equipments at the plant after an inspection carried out on July 28, 1992	Letter No.CGL. 185/D4/92 dated August 17, 1992	The Chief Electrical Inspector, Government of Tamil Nadu	---	Mevalurkuppam, Tamil Nadu
License for setting up and operating Factory issued under the Factories Act, 1948	KM2271	Deputy Chief Inspector of Factories, 3rd Division, Chennai	December 31, 2007	Mevalurkuppam, Tamil Nadu
Verification Certificate under Rule 16(3) of Standards of Weights and Measures (Enforcement) Rules, 1992, certifying that the equipment used conforms to prescribed standards	Verification No. 1444/2005 dated November 18, 2005 Registered User No.4034.	Assistant Controller, Legal Metrology, Palakkad	November 18, 2010	Palakkad, Kerala

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Description	Reg. No. / Ref. No & Date	Authority	Validity	Unit
Verification Certificate under Rule 16(3) of Standards of Weights and Measures (Enforcement) Rules, 1992, certifying that the equipment used conforms to prescribed standards	Verification No.4739/2005 dated December 30, 2005 Registered User No.4034	Assistant Controller, Legal Metrology, Palakkad	November 18, 2010	Palakkad, Kerala
Consent order under Section 25 and 26 of Water (Prevention and Control of Pollution) Act for setting up and running a factory	No.W/09/114/99 dated December 30, 2005	Kerala State Pollution Control Board	December 31, 2007	Palakkad, Kerala
License issued under Section 232, 233 and 234 of Grama Panchayat Act, 1953 for manufacturing Indian Made Foreign Liquor	213/2006-07	Special Grade Secretary, Pudukkottai Grama Panchayat, Palakkad District	March 31, 2008	Palakkad, Kerala
License for the allocation of power under the Kerala State Electricity Board	DB4/PA4/Empee/ 2000-01/574/25/10 dated October 25, 2000	Issued by the Executive Engineer, Electrical Division, Palakkad, under the Kerala State Electricity Board	----	Palakkad, Kerala
License under Rule 47 (A) of the Indian Electricity Rules for the installation of 250KVA DG Set and other MV electrics installed at the premises	B1-342/99/EIP issued on March 27, 2001	Electrical Inspector Palakkad	----	Palakkad, Kerala
Allocation for non-power intensive, blending and bottling of IMFL, Additional Load for Expansion	Card No.13598	Issued by the Executive Engineer, Electrical Division, Palakkad-14 under Kerala State Electricity Board	----	Palakkad, Kerala
Sanction in respect of the Water Service Connection for industrial purpose.	KWA/EE/PH/PKD, D2.4709/92 dated February 27, 2000	issued by Executive Engineer, PH. Division, Palakkad, Kerala Water Authority	----	Palakkad, Kerala
Order for Issuance of Mortgage Permission for 4.03 Acres of land allotted in favor of the Company	I/3892/98 dated March 6, 2006 (Initial Proceedings No. I/3892/98 dated November 20, 1998)	Manager, District Industries Centre, Palakkad	----	Palakkad, Kerala
Order for Allotment of land on hire purchase basis	I/1384/99 dated March 10, 1999	Manager, District Industries Centre, Palakkad	----	Palakkad, Kerala
Grant of permission to install 8 Wind Mills of 250 KW capacity each, for power generation and to transmit such portion of the power generated to the factory premises of the Company and its subsidiary Companies.	Agreement dated March 29, 1997	Agreement entered between our Company and Tamil Nadu Electricity Board	----	Wind Mill

(d) Prohibition and Excise

Description	Reg. No. / Ref. No & Date	Authority	Validity	Unit
License under Tamil Nadu Indian made Foreign Spirits (Manufacture) Rules, 1981 to compound, blend, mature and bottle Indian Made Foreign Spirit Products	4/84-85	Issued by the Special Commissioner and Commissioner (Prohibition and Excise)	March 31, 2008	Mevalurkuppam, Tamil Nadu
RL 3 License under Tamil Nadu Rectified Spirits Rules, 2000	1/2001-2002	Issued by the Special Commissioner and Commissioner (P&E)	March 31, 2008	Mevalurkuppam, Tamil Nadu
License for manufacturing liquor	Form No.12 dated February 10, 2006	Commissioner of Panchayat Union	March 31, 2008	Mevalurkuppam, Tamil Nadu
License for Compounding and Blending of Foreign Liquor under the provisions of the Kerala Foreign Liquor (Compounding, Blending and Bottling) Rules, 1975	No.6/2007-08 dated 19.3.2007	Commissionerate of Excise, Trivandrum, Kerala	Provisionally renewed for the year 2007-08 as per direction in Letter No. XC2-2/07 dated March 19, 2007 of the Commissioner of Excise, Thiruvanan	Palakkad, Kerala
License for Bottling of Foreign Liquors under the provisions of the Kerala Foreign Liquor (Compounding, Blending and Bottling) Rules, 1975	4/1999-2000	Excise Commissioner, Trivandrum, Kerala	Provisionally renewed for the year 2007-08 as per direction in Letter No. XC2-2/07 dated March 19, 2007 of the Commissioner of Excise, Thiruvanan	Palakkad, Kerala
License for Possession of Spirit on which duty has not been paid under the provisions of the Kerala Foreign Liquor (Compounding, Blending and Bottling) Rules, 1975	4/1999-2000	Excise Commissioner, Trivandrum, Kerala	Provisionally renewed for the year 2007-08 as per direction in Letter No. XC2-2/07 dated March 19, 2007 of the Commissioner of Excise, Thiruvanan	Palakkad, Kerala

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License for Registration of Brands

Registration Certificates No. XC3-8501/07/K.Dis, XC3-10527/07/K.Dis & XC3-10527/07/K.Dis issued in respect of registration of brands of IMFL under Rule 3(6) Foreign Liquor Registration of Brand Rules, 1996 by Commissioner of Excise, Thiruvananthapuram, vide letter dated April 3, 2007, April 19, 2007 & April 26, 2007 respectively bearing reference No.P6/1173/07 valid for the year 2007-08. The Registration is in respect of the following IMFL Brands:

Brand Reg. Number	Name of Brand	Name of Brand Owner	Name of Brand Bottler
140 141 142 143 144 145	Empee's Sixer XXX Rum Empee's Sixer Brandy Victoria XXX Rum All Gold Classic VSOP Brandy All Gold Premium White Rum Citizen XXX Rum	M/s Empee Distilleries Limited, New Industrial Development Area, Kanjikode, Palakkad	M/s Empee Distilleries Limited, New Industrial Development Area, Kanjikode, Palakkad
146 147	Appollo Power XXX Rum Appollo Power Brandy	Appollo Alcobev Limited, Elcanso Bldg. 2D Halls Road, Chennai-08	M/s Empee Distilleries Limited, New Industrial Development Area, Kanjikode, Palakkad
148 149 150 152 151	Aristocrat Brandy Special Reserve Aristocrat XXX Rum Aristocrat White Rum Binnie's Aristocrat Vodka Aristocrat Extra Dry Gin	Jagatjit Industries Limited, Jagatjit Nagar, Kapurthala, Punjab	M/s Empee Distilleries Limited, New Industrial Development Area, Kanjikode, Palakkad

Brand Reg. Number	Name of Brand	Name of Brand Owner	Name of Brand Bottler
197	Victoria Fine Brandy	M/s Empee Distilleries Limited, New Industrial Development Area, Kanjikode, Palakkad	M/s Empee Distilleries Limited, New Industrial Development Area, Kanjikode, Palakkad
198 199 200 201 202 203 204 223	Empee's Old Secret XXX Rum Empee's Old Secret Rum Mc Clene Classic Brandy Citizen VSOP Brandy Appollo Napoleon VSOP Brandy Eloanco Premium XXX Rum Eloanco Premium White Rum McClene Classic XXX Rum	M/s Empee Distilleries Limited, Mevaloorkuppam Village, Kancheepuram District, Tamil Nadu Appollo Alcobev Ltd, Elcanso Bldg. 2D Halls Road, Chennai-08 M/s Empee Distilleries Limited, Mevaloorkuppam Village, Kancheepuram District, Tamil Nadu	M/s Empee Distilleries Limited, New Industrial Development Area, Kanjikode, Palakkad

Label Approval Orders issued by the Excise Commissioner, under Rule 10(6) of the Foreign Liquor (Compounding, Blending & Bottling) Rules, 1975 in respect of Unit at Palakkad, Kerala

Order No.	Dated	IMFL Brand	Bottle Quantity
XC4-16001/04	June 8, 2004	Victoria XXX Rum Victoria Fine Brandy Empee's Sixer XXX Rum	1500 ml
XC4-10420/06	April 24, 2006	All Gold Classic VSOP Brandy	1500 ml, 1000 ml, 750 ml, 500 ml, 375 ml & 180 ml.
XC4-17229/05	June 9, 2005	Victoria Fine Brandy Empee's Sixer Brandy	375 ml & 180 ml 1500 ml, 1000 ml, 750 ml & 500 ml
XC4-25573/2004	September 14, 2004	All Gold Premium White Rum	750 ml, 375 ml and 180 ml
XC4-34801/2003	December 12, 2003	Empee's Old Secret XXX Rum	1000 ml, 750 ml, 500 ml, 375 ml & 180 ml
XC4-10879/2003	April 28, 2003	Victoria Fine Brandy Power XXX Rum	1000 ml 1000 ml, 750 ml, 375ml and 180 ml
XC4-30910/2002	November 16, 2002	Honey Dew Brandy	100 ml, 750 (Front & Back), 500 ml, 375 ml & 180 ml
XC4-27914/2001/R.Dis	October 27, 2001	Empee's Napoleon Brandy	750 ml, 75 ml & 180 ml
XC4-21931/2001/R.Dis	August 14, 2001	Marcopolo Delux XXX Rum	750 ml, 375 ml & 180 ml
XC4-13236/04	May 4, 2004	Appollo Mazdoor XXX Rum Appollo Mazdoor Fine Brandy	1500 ml, 1000 ml, 750 ml, 500 ml, 375 ml & 180 ml 1500 ml, 1000 ml, 750 ml, 500 ml, 375 ml and 180 ml
XC4-29373/2004	October 20, 2004	Appollo Napoleon VSOP Brandy	750 ml (Front & Back Label), 500 ml, 375 ml & 180 ml
XC4-12135/05	April 20, 2005	Appollo Power XXX Rum	1500 ml, 1000 ml, 750 ml & 500 ml
XC4-17952/05	June 15, 2005	Appollo Power Brandy Citizen Deluxe Gin	1500 ml & 1000 ml 1000 ml, 750 ml, 500 ml, 375 ml & 180 ml
XC4-19554/05	July 7, 2005	Club Royal XXX Rum	1500 ml, 1000 ml, 750 ml, 500 ml, 375 ml & 180 ml
XC4-20044/2005	July 13, 2005	Club Royal VSOP Brandy McLene Classic XXX Rum	1500 ml, 1000 ml, 750 ml, 500 ml, 375 ml & 180 ml 1500 ml, 1000 ml, 750 ml, 500 ml, 375 ml & 180 ml
XC4-10425/05	April 6, 2005	Citizen XXX Rum Citizen VSOP Brandy Empee's Old Secret XXX Rum	1500 ml, 1000 ml, 750 ml, 500 ml & 375 ml 1500 ml, 1000 ml, 750 ml, 500 ml & 375 ml 1000 ml, 750 ml, 500 ml, 375 ml & 180 ml
XC4-15056/05	May 19, 2005	McLene Classic Brandy	375 ml & 750 ml

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Order No.	Dated	IMFL Brand	Bottle Quantity
XC4-15401/05	May 24, 2005	Empee's Old Secret XXX Rum	500 ml
XC4-19134/05	June 30, 2005	Empee's Napoleon Brandy	375 ml & 750 ml
XC4-18308/2000/R Dis.	July 14, 2000	Aristocrat Brandy Special Reserve	1000 ml, 750 ml, 500 ml, 375 ml & 180 ml
		Binnies Aristocrat Vodka	750 ml, 375 ml & 180 ml
		Aristocrat Extra Dry Gin	750 ml, 375 ml & 180 ml
		Jil 99 XXX Rum	375 ml & 750 ml for sale in erala
XC4-17640/2001/R Dis.	July 6, 2001	Binnies Fine Whisky	750 ml, 375 ml & 180 ml for sale in Kerala
XC4-30044/2000/R Dis.	November 15, 2000	Aristocrat XXX Rum	750 ml, 375 ml & 180 ml
		Jil 99 XXX Rum	180 ml for sale in Kerala
XC4-34441/2001/R Dis	January 2, 2001	Fortune Gold Brandy	750 ml, 375 ml & 180 ml
XC4-20099/2001/R Dis.	July 30, 2001	Aristocrat XXX Rum	1000 ml & 500 ml
XC4-18990/02	July 17, 2002	Binnie's Fine Brandy	750 ml, 375 ml & 180 ml
		Binnie's Fine Whisky	
XC4-20293/02	August 1, 2002	Binnie's Aristocrat Finest Whisky	750 ml, 375 ml & 180 ml
XC4-31664/02	November 20, 2002	Binnie's Aristocrat Vodka	1000 ml
XC4-32339/03	November 11, 2003	Aristocrat Brandy Special Reserve	1000 ml, 750 ml, 500 ml, 375 ml & 180 ml
XC4-24840/05	September 1, 2005	Aristocrat White Rum	1000 ml, 750 ml, 500 ml, 375 ml & 180 ml

APPROVALS RELATING TO PROPOSED BUSINESS/ ISSUE

Under the extant foreign direct investment policy, this sector comes within the automatic route. However, in view of the requirement under the Foreign Exchange Management (Issue or Transfer of Securities to Non-Resident) Regulations, 2000 (FEMA 20/2000), that the prior approval of the Government of India, be obtained in the case of foreign investments in sectors which require industrial licensing, we have applied to the Foreign Investment Promotion Board for approval for seeking foreign investment. The Department of Industrial Policy & Promotion, Ministry of Commerce & Industry vide its letter dated June 5, 2007 advised that FDI upto 100% is permitted on automatic route for Alcohol - Distillation & Brewing sector.

1. **Expansion of our Existing Distillery Unit situated at Mevaloorkuppam, Sriperumbudur Taluk, Kanchipuram District, Tamil Nadu by augmenting the capacity of our Extra Neutral Alcohol Plant from 20KLPD to 70KLPD.**

(i) **Approvals Received**

Consent for execution / establishment has been received on December 6, 2006 which is valid for two years or till the industry obtains consent to operate under section 25 of the water Prevention and control of pollution) act, 1974 as amended in 1988 whichever is earlier.

(ii) **Approvals Awaited**

The Commissioner (P&E) vide Proc. No. P & E V (2) / 2659 / 2006 dated August 11, 2006 has granted permission to our Company for installation of Additional plants / equipments with a capacity of 50,000 litres per day with the existing 20,000 litres plant within a period of three

months from the date of receipt of the said order. We have requested for further extension of validity for up to a period of six months for completion of pending works to the Commissioner (P & E) vide Letter No. Rc. No. 13/06A dated April 2, 2007. Requisite order for extension in respect of the aforesaid is awaited till date.

2. Expansion of our Existing Distillery Unit situated at Mevalooruppam, Sriperumbudur Taluk, Kanchipuram District, Tamil Nadu by augmenting the capacity of the said distillery to handle 5.00 Lakh cases per month from the present 3.20 Lakh cases per month.

(i) Approvals Received

Consent for execution / establishment has been received on December 6, 2006 which is valid for two years or till the industry obtains consent to operate under section 21 of the Air (Prevention and control of pollution) act, 1981 as amended in 1987 whichever is earlier.

(ii) Approvals Awaited

Approval from the Tamil Nadu Government for the expansion to 5.00 Lakh cases per month

3. Setting up of 7.5 MW Bio-mass based Power Plant at Aranthangi Taluk, Pudukottai District, Tamil Nadu

Approvals Received

- (a) Certification by the Village Administrative Officer that land in S.No.261/3 situated at Mukudi Village, Aranthangi Taluk, Pudukottai District as Dry Land and granting No Objection Certificate to our Company to put up a Biomass based Power Plant as approved by the Tamil Nadu Energy Development Agency.
- (b) Letter from Tamil Nadu Energy Development Agency bearing Ref. No. 3499/BE/TEDA/2002 dated May 31, 2005 to TNEB, copied to us, confirming the receipt of Rs. 1,87,500/- towards charges for enhanced capacity from 6MW to 7.5MW for Biomass based Power Project in Pudukottai District.
- (c) Letter from Tamil Nadu Energy Development Agency bearing Ref. No. 3499/BE/TEDA/2002 dated March 28, 2006 to us granting approval to the expansion of the Biomass Power Plant at Pudukottai from 7.5MW to 10 MW and recommending the same to TNEB.
- (d) Consent order bearing No. 3632 dated February 12, 2007 issued by the Tamil Nadu Pollution Control Board under section 21 of the Air (Prevention and Control of Pollution) Act, 1981, permitting the Company to establish an industry in Survey Number 261/3, Mukkudi Village, Aranthangi Taluk, Pudukottai District. This consent order is valid for a period of two years or till the industry obtains consent to operate under section 21 of the said Act.
- (e) Consent order bearing No. 3608 dated February 12, 2007 issued by Tamil Nadu Pollution Control Board under section 25 of the Water (Prevention and Control of Pollution) Act, 1974, permitting our Company to establish an industry in Survey Number 261/3, Mukkudi Village, Aranthangi Taluk, Pudukottai District. This consent order is valid for a period of two years or till the industry obtains consent to operate under section 25 of the said Act.
- (f) Ground Water Clearance for drawl of 2.00 Lakh Litres per day of ground water for setting up 7.5 MW Bio-mass based Power Plant at Mukudi Village, Aranthangi Block, Pudukottai Dist. issued by the Chief Engineer, Public Works Department vide Letter No. G9/13599/Spl Cons/TNJ/2006 dated August 8, 2006. The Groundwater Clearance is valid for three years from the date of issue
- (g) Local Panchayat Clearance dated October 25, 2004 given by the President, Rathinakkottai Village Panchayat, Aranthangi Taluk, Pudukottai District.

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(h) NOC dated September 15, 2004 from the Village Administrative Officer of the Mukkudi Group.

4. Development of 2.00 Lakhs sq.ft of residential space in Mevalorkuppam, Sriperumbudur Taluk, Kancheepuram, District Tamil Nadu.

(i) Approvals Received

- (a) The Deputy Director of the Directorate Town and Country Planning, Chengleput Division, has granted approval bearing No.69/2007 on March 28, 2007 to our Company for the proposed construction of multi storied residential buildings consisting of 488 residential units in the lands measuring an extent of 12.045 Acres comprised in S.No.264/9B, 264/10, 266/1, 266/2, 266/3, 266/4A, 267/1 and 267/2 in Mevalorkuppam Village, Sriperumbudur Taluk, Kanchipuram District.
- (b) The President, Mevalur Kuppam Panchyat, Sriperumbudur Panchayat Union has also granted approval dated March 30, 2007 to our Company for the above said proposed construction.
- (c) The Deputy Director of the Directorate Town and Country Planning, Chengleput Division, has granted approval bearing No.68/2007 on March 28, 2007 to our Company for the proposed construction of multi storied residential buildings consisting of 136 residential units in the lands measuring an extent of 4.70 Acres comprised in S.No.263/1, 271/1 to 271/12 in Mevalorkuppam Village, Sriperumbudur Taluk, Kanchipuram District.

(ii) Approvals Awaited

- (a) State / Central Environmental Clearance is yet to be obtained by us.
- (b) Approval from Fire Department is yet to be obtained by us.

5. Setting up of 60 KLPD Grain Based Distillery Unit at Nellore District, Naidupet Sub-District, Pellakuru Mandal, Pellakuru Village, Andhra Pradesh.

(i) Approvals Received

The Principal Secretary to Government, Prohibition & Excise-Distilleries has vide G.O Rt. No.3 dated January 2, 2007 issued permission to the Commissioner of Prohibition and Excise to change the name of the Company from Appollo Alchobev Limited to M/s Empee Distilleries Limited and also change of unit from Vijaywada to Pellakur Village, Gudur Taluk, Nellore District. (Originally issued to Appollo Alchobev Limited by the Principal Secretary to Government, Prohibition & Excise-Distilleries has vide G.O Rt. No.242 dated February 1, 2006 to set up distillery at Kesara Village, Kancheekacherla Mandal, Krishna District (near Vijaywada) for manufacture of RS/ENA with a capacity of 300.00 Lakh BLs per annum from maize, rice and jowar).

(ii) Approvals Awaited

The building plan approval, power sanction from State Electricity Board, approval from Pollution Control Board, water supply approval, license from fire department and registration under the Factories Act, 1948 are yet to be obtained by us.

6. **Setting up of Blending & Bottling IMFL Plant at Village Pellakuru Mitta, Panchayat Pellakuru, Mandal-Pellakuru, District Nellore, Andhra Pradesh with a capacity of 0.70 Lakh cases per month.**

Approvals Awaited

1. Licence from AP Government
2. Pollution Control Board
3. Excise Licence
4. Director of Factories
5. Directorate of Labour
6. Local Body Approval for Construction
7. Power supply from Andhra Pradesh State Electricity Board (APSEB)
8. Electrical Inspectorate
9. Legal Metrology

7. **Relocation of Plant & Machinery purchased from Appollo Alchobev Limited to Village Arabikothanur, Panchayat-Vokkaleri Hobli, District Kolar, Karnataka along with expanding the existing capacity from 0.50 Lakh cases per month to 1.00 Lakh cases per month.**

The below mentioned licenses, which are in the name of Appollo Alchobev Limited are yet to be transferred in our name

- Certificate of Legal Metrology
- Certificate of Service Tax
- Certificate of VAT Registration
- Factory License
- Air Pollution
- Water Pollution
- Distillery License
- Bottling License

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SECTION VII - OTHER REGULATORY AND STATUTORY DISCLOSURES

AUTHORITY FOR THE ISSUE

The Issue of Equity Shares in the Issue by the Company has been authorized by the resolution of the Board of Directors passed at their meeting held on February 28, 2006 subject to the approval of shareholders through a special resolution to be passed pursuant to Section 81(1A) of the Companies Act, 1956. The shareholders approved the issue at the Annual General Meeting of the Company held on March 29, 2006.

PROHIBITION BY SEBI

Neither the Company, nor its Promoters, its directors, any of its Group Companies, and the companies or entities with which directors of the Company are associated, as directors or promoters, have been prohibited from accessing or operating in the capital market or restrained from buying, selling or dealing in securities under any order or directions passed by SEBI.

None of the Promoters, their relatives, the Company, the Promoter Group Companies or the Directors of our Company are detained as willful defaulters by RBI/ government authorities and there are no proceedings relating to violations of securities laws pending against them and there are no violations of securities laws committed by them in the past.

The Listing of any securities of the Issuer has never been refused at anytime by any of the Stock Exchanges in India.

Eligibility for the Issue

The Company is eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines, as confirmed by the Auditors of the Company:

- The Company has net tangible assets of at least Rs. 300.00 Lakhs in each of the 3 preceding full years (of 12 months each) of which not more than 50% is held in monetary assets.
- The Company has had a pre-issue net worth of not less than Rs. 100.00 Lakhs in each of the three preceding full years (of 12 months each).
- The Company has had a track record of distributable profits as per Section 205 of the Companies Act, 1956, for at least three out of the immediately preceding five years.
- The proposed issue size would not exceed five (5) times the pre-issue net worth of the Company as per the last audited accounts.
- The Company has not changed its name within the last one year.

The net tangible assets, monetary assets, distributable profits and net worth as derived from the restated financial statements prepared in accordance with SEBI Guidelines, for the last five financial years ended October-September is set forth below:

(Rs in Lakhs)

Financial Year	2005-06	2004-05	2003-04	2002-03	2001-02
Net Tangible Assets	4249.19	3144.13	2276.14	1745.25	1438.75
Monetary Assets	315.33	415.10	362.90	188.24	85.78
Monetary Assets as a Percentage of Net Tangible Assets	7.42%	13.20%	15.94%	10.79%	5.96%
Distributable Profits	889.49	565.18	285.59	303.19	516.04
Net Worth	3870.62	2938.61	2293.89	1966.75	1438.75

- (1) Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities).
- (2) Monetary assets include cash on hand and bank.
- (3) The distributable profits of the Company as per section 205 of the Companies Act has been calculated from the restated Financial Statements.
- (4) Net Worth includes Equity Share capital and reserves (net off miscellaneous expenditure not written off, if any)

In addition, we shall ensure that number of allottees getting Equity Shares is not less than one thousand in number.

SEBI 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 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 MANAGER, ALMONDZ GLOBAL SECURITIES LIMITED (FORMERLY ALLIANZ SECURITIES LIMITED) HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES 2000, IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER ALMONDZ GLOBAL SECURITIES LIMITED (FORMERLY ALLIANZ SECURITIES LIMITED) HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED May 21, 2007 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, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO 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, IT'S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

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(3) WE CONFIRM THAT:

- A. THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- B. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE BOARD, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- C. 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;**

(3) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

(4) WE SATISFY ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

(5) WE CERTIFY THAT A WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS A 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 OF 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 REGISTRAR OF COMPANIES, CHENNAI, TAMIL NADU, IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTIONS 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER, RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER (MERCHANT BANKERS), ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

DISCLAIMER CLAUSE OF BOMBAY STOCK EXCHANGE LIMITED (BSE, the Designated Stock Exchange)

Bombay Stock Exchange Limited (the Exchange) has given vide its letter dated June 29, 2007, permission to this Company to use the Exchange's name in this offer document as one of the Stock Exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- ii. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- iii. 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 that this offer document 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.

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED (NSE)

As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter ref: NSE/LIST/52894-9 dated August 7, 2007, permission to the Issuer to use the Exchange's name in this Offer Document as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinised this Draft Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Offer Document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoter, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to an 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 any other reason whatsoever

DISCLAIMER FROM THE ISSUER AND THE BOOK RUNNING LEAD MANAGER

The Company, its Directors and the Book Running Lead Manager accept no responsibility for statements made otherwise than in this Prospectus or in the advertisement or any other material issued by or at its instance and that anyone placing reliance on any other source of information, including website of the Company, www.empeegroup.co.in would be doing so at his or her own risk.

The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Book Running Lead Manager Allianz Securities Limited and our Company dated May 21, 2007, and the Underwriting agreement to be entered into between the Underwriters and our Company.

All information shall be made available by the BRLM and the Company to the public and investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever including road show presentations, research or sales reports or at collection centres or elsewhere.

Neither the Company nor BRLM or Syndicate Members shall be liable to the Bidders for any failure in downloading the bids due to faults in any software/ hardware system or otherwise.

CAUTION

Investors that bid in this Issue will be required to confirm and will be deemed to have represented to the Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares. The Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.

DISCLAIMER IN RESPECT OF JURISDICTION

This Issue is being made in India to persons resident in India (including Indian nationals resident in India), who

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are majors, Hindu Undivided Families, Companies, Corporate Bodies and Societies registered under the applicable laws in India and authorized to invest in shares, Indian Mutual Funds registered with SEBI, Indian Financial Institutions, Commercial Banks, Regional Rural Banks, Co-operative Banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to NRIs on non-repatriable basis and FIIs registered with SEBI. The Red Herring Prospectus does not, however, constitute an Issue to sell or an invitation to subscribe to 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 into whose possession the Red Herring Prospectus comes into is required to inform himself 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 Chennai only.

No action has been or will be taken to permit a public offering in any jurisdiction where permission would be required for that purpose, except that the Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and the final Red Herring Prospectus has been filed with RoC as per the provisions of the Act. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and the Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the Red Herring 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.

The Equity Shares have not been and will not be registered under the US Securities Act ("the Securities Act") or any state securities laws in the United States and may not be issued 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 issued 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 jurisdiction where those issues and sales occur.

FILING

A copy of the Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, SEBI Bhavan, Plot No. C-4A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai- 400 051.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the ROC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC situated at the Registrar of Companies, 2nd Floor, Shastri Bhawan, 26, Haddows Road, Chennai, Tamil Nadu-600034.

LISTING

The initial listing applications have been made to Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) for permission to list the Equity Shares and for an official quotation of the Equity Shares of the Company. The Bombay Stock Exchange Limited (BSE) will be the Designated Stock Exchange.

In case the permission for listing of the Equity Shares and for official quotation of the Equity Shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of the Red Herring Prospectus and if such money is not repaid within eight days after the day from which the Issuer becomes liable to repay it, then the Company and every director of the Company who is an officer in default shall, on and from the expiry of 8 days, be jointly and

severally liable to repay the money with interest prescribed under Section 73 of the Companies Act 1956.

The Company with the assistance of the Book Running Lead Manager shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalization and adoption of the basis of allotment for the Issue.

CONSENTS

Consents in writing of Directors, the Company Secretary, Compliance Officer, the Auditors, Bankers to the Company, Appraiser viz Albank Finance Limited Book Running Lead Manager to the Issue, Registrars to the Issue and Legal advisors, Syndicate Members, Underwriters to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, as required under Sections 60 of the Companies Act, 1956 and such consents have not been withdrawn up to the time of delivery of a copy of this Prospectus, for registration with the Registrar of Companies, 2nd Floor, Shastri Bhawan, 26, Haddows Road, Chennai, Tamil Nadu-600034.

M/ s N. C. Ananthakumar, Chartered Accountant Statutory Auditor, has also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which it appears in the Red Herring Prospectus and also tax benefits accruing to the Company and to the members of the Company and such consent and report have not been withdrawn up to the time of delivery of this Prospectus for registration with the Registrar of Companies, 2nd Floor, Shastri Bhawan, 26, Haddows Road, Chennai, Tamil Nadu-600034.

EXPERT OPINION

No opinion of any expert has been obtained by the Company, except that of M/ s N. C. Ananthakumar, Chartered Accountant, Statutory Auditor of the Company, the Allbank Finance Limited - Appraising Agency and M/s. Dua & Associates, Legal Advisors to the Issue.

PUBLIC ISSUE EXPENSES

The expenses for this Issue includes issue management fees, selling commission, underwriting 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 approximately 1417.00, details of which are as under:

Activity	Amount (Rs. in Lakhs)	% Total Issue Size	% Total Issue Expenses
Issue Management Fee	336.00	1.75	23.71
Registrars fees	10.00	0.05	0.71
Fee for Legal Counsel	7.00	0.04	0.50
Fee for IPO Grading	8.00	0.04	0.57
Printing and Distribution of Issue Stationery	96.00	0.05	6.77
Advertising and Marketing expenses	864.00	4.50	60.97
Other expenses (stamp duty, initial listing fees, depository fees, charges for using the book building software of the exchanges and other related expenses)	96.00	0.50	6.77
Total	1417.00	7.38	100.00

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FEES PAYABLE TO THE BRLM, UNDERWRITING, BROKERAGE AND SELLING COMMISSION

The total fees payable to the BRLM including brokerage and selling commission for the Issue will be as per the engagement letter(s) dated March 17, 2006 is available for inspection at the Registered Office of the Company.

FEES PAYABLE TO THE REGISTRAR

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding executed between the Company and the Registrar dated June 5, 2006 copy of which is available for inspection at the Registered Office of the Company.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund order(s) or allotment advice by registered post or speed post or under certificate of posting.

PREVIOUS PUBLIC AND RIGHTS ISSUES

The Company has not made any public or rights issue since its inception.

PREVIOUS ISSUES OF SHARES OTHERWISE THAN FOR CASH

The Company has not issued shares for consideration other than for Cash.

COMMISSION AND BROKERAGE PAID ON PREVIOUS ISSUES

Since this is the initial public issue of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of Equity Shares of the Company since its incorporation

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 which has made any capital issues during the last three years.

PROMISE V/S PERFORMANCE

(A) Last issue made by the Issuer Company

The Company has not made any issue of Equity Shares to the public prior to the present Public Issue.

(B) Last issue of group/ associate companies

One of the promoter group company viz. Empee Sugars & Chemicals Limited is a listed entity and the details in respect of Promise v/s Performance are disclosed on page no. 117 of this Prospectus.

OPTION TO SUBSCRIBE

Equity Shares being issued through the Red Herring Prospectus can be applied for in Dematerialized form only.

OUTSTANDING DEBENTURES, BONDS, REDEEMABLE PREFERENCE SHARES OR OTHER INSTRUMENTS

The Company since its incorporation has not issued any Redeemable Preference shares and debentures, bonds or other instruments.

STOCK MARKET DATA FOR EQUITY SHARES OF THE COMPANY

This being the Initial Public Issue of Empee Distilleries Limited, the Equity Shares of the Company are not listed on any stock exchange.

MECHANISM FOR REDRESSAL OF INVESTOR GRIEVANCES

The Company has appointed **Cameo Corporate Services Limited**, as the Registrar to the Issue, to handle the investor grievances in co-ordination with Compliance Officer of the Company. All grievances relating to the

present issue may be addressed to the registrar with a copy to the Compliance Officer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and Bidder/ Bank branch where the application was submitted. The Company will monitor the work of the Registrar to ensure that the grievances are settled expeditiously and satisfactorily.

DISPOSAL OF INVESTOR GRIEVANCES

Cameo Corporate Services Limited, the Registrars to the Issue, will handle investor grievances pertaining to the Issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to the Company. The Company would also be coordinating with Registrar to the Issue in attending to the grievances of the investors. The Company assures that the Board of Directors, in respect of the complaints, if any, to be received, shall adhere to the following schedules:

Sr. No.	Nature of Complaint	Time Taken
1.	Non-receipt of refund	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2.	Change of Address notification	Within 7 days of receipt of Information
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details

The Company has appointed Mr. N.S. Suryanarayanan, as Compliance Officer who would directly deal with SEBI with respect to implementation /compliance of various laws, regulations and other directives issued by SEBI and matters related to investor Complaints. The investor may contact the Compliance Officer in case of any pre issue/post issue related problems. The Compliance Officer can be contacted at the following address:

COMPLIANCE OFFICER**Mr. N.S. Suryanarayanan**

Company Secretary & Vice President (Corporate Affairs)

Empee Towers, 59, Harris Road

Pudupet, Chennai - 600 002

Tel: +91 44 28522510,

Fax: +91 44 28555163

Email: ipo@empeegroup.co.in

CHANGES IN AUDITORS

There has been no change in the Auditors of the Company during the last three years except for the following:

Name of Auditor	Date of Appointment / Resignation	Reason
R. Rajagopalan, Chartered Accountant	June 25, 2004	Resignation
N.C. Ananthakumar, Chartered Accountant	July	Appointment

CAPITALIZATION OF RESERVES OR PROFITS (DURING THE LAST FIVE YEARS)

The Company has not capitalized its profits or reserves at any time except for the bonus issue made by us on previous two occasions, details of which are disclosed under section titled "Capital Structure" appearing on page no. 16 of this Prospectus.

REVALUATION OF ASSETS (DURING THE LAST FIVE YEARS)

The Company has twice revalued its assets since its incorporation, details of which are disclosed under section titled "Capital Structure" appearing on page no. 16 of this Prospectus.

SECTION VII: ISSUE RELATED INFORMATION**TERMS OF THE ISSUE**

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

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Memorandum and Articles of Association and shall rank *pari passu* with the existing Equity Shares of the Company including rights in respect of dividends. The Allottees of the Equity Shares under this Issue shall be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of Allotment. For further details see the section entitled "Main Provisions of the Articles of Association" at page no. 281 of this Prospectus.

Mode of payment of Dividend

Our Company shall pay dividend to its shareholders as per the provisions of the Companies Act, 1956.

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. 400 per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholders

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 of shares; and
- Such other rights, as may be available to a shareholder of a listed public Company under the Companies Act and Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of Articles of Association of the Company dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to the section on "Main Provisions of Articles of Association of the Company" on page no. 281 of this Prospectus.

Market lot and trading lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialised form. As per existing SEBI Guidelines, the trading of Equity Shares of the Company shall only be in dematerialised form. Since trading of Equity Shares of the Company is compulsorily in dematerialized

mode, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form in multiples of one Equity Shares subject to a minimum Allotment of 15 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 allotted, 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. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of the Company or at the Registrar and Transfer Agents of the Company.

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.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Company. Nominations registered with the respective depository participant of the applicant would prevail. If an investor needs 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 Net Issue to the public including devolvement of the members if the syndicate, within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

Arrangements for disposal of odd lots

Since the market lot for Equity Shares of our Company will be one, no arrangements for disposal of odd lots are required.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Chennai, Tamil Nadu, India.

Restriction on Transfer of shares

There are no restrictions on transfer and transmission of shares/ debentures and on their consolidation/ splitting except as provided in our articles. Please see section " Main Provisions of Articles of Association" on page no 281 of this Prospectus

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Withdrawal of the issue

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. If the Company does not receive minimum subscription of 90% of the Issue size, including devolvement of the members of the syndicate, the Company shall forthwith refund the entire subscription amount received. In case, the Company receives minimum subscription but wishes to withdraw the Issue after Issue Opening but before allotment, the Company will give public notice giving reasons for withdrawal of Issue. The public notice will appear in an English National Newspaper, a Hindi National Newspaper and one Regional language (Tamil) newspaper with wide circulation.

ISSUE STRUCTURE

The present Issue of 48,00,000 Equity shares of Rs. 10/- each per Equity Shares at a price of Rs. 400 per Equity Share aggregating to Rs. 19200 lakhs is being made through the Book Building Process. The Issue will constitute 25.26 % of the fully diluted post Issue Equity Share capital of our Company.

	QIBs	Non-Institutional Bidders	Retail individual Bidders
Number of Equity Shares available for Allocation*	Not more than 24,00,000 Equity Shares or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Not less than 7,20,000 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 16,80,000 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Issue Size Available for allocation	Not more than 50% of the Net Issue or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders of which 5% will be available for allocation to mutual funds.	Not less than 15% of Net Issue or Net Issue less allocation to QIB Bidders and Retail Individual Bidders	Not less than 35% of Net Issue or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Proportionate as follows: a. Equity Shares shall be allocated on proportionate basis to Mutual Funds in the Mutual Fund portion; b. Equity Shares shall be allocated on proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares in multiples of 15 Equity Shares so that the Bid Amount exceeds Rs. 1,00,000	Such number of Equity Shares in multiples of 15 Equity Shares so that the Bid Amount exceeds Rs. 1,00,000	15 Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of 15 Equity Shares so that the Bid amount does not exceed the Net Issue, subject to applicable limits.	Such number of Equity Shares in multiples of 15 Equity Shares so that the Bid amount does not exceed the Net Issue, subject to applicable limits.	Such number of Equity in multiples of 15 Equity Shares so that the Bid amount does not exceed Rs. 1,00,000
Mode of Allotment	Compulsorily in dematerialised mode	Compulsorily in dematerialised mode	Compulsorily in dematerialised mode
Allotment Lot	15 Equity Shares and in multiples of 1 Equity Shares thereafter	15 Equity Shares and in multiples of 1 Equity Shares thereafter	15 Equity Shares and in multiples of 1 Equity Shares thereafter
Trading Lot	One	One	One

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	QIBs	Non-Institutional Bidders	Retail individual Bidders
Who can apply**	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors 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, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable laws.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions, societies and trusts.	Individuals including NRIs and HUFs (in the name of the Karta) applying for Equity Shares such that the Bid amount does not exceed Rs. 100,000 in value.
Terms of Payment	Margin Money applicable to QIB Bidders at the time of submission of Bid cum Application Form to the BRLM.	Margin Money applicable to Non institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Money applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	10% of the bid amount	10% of the bid amount	10% of the bid amount

* Subject to valid bids being received at or above the Issue Price.

Under-subscription, if any, in any category would be met with spillover from other categories at the sole discretion of the Company, in consultation with the BRLM.

** 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 are in the same sequence in which they appear in the bid cum application form.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net Issue shall be available for allocation on a proportionate basis to QIB Bidders, out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Further, atleast 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and atleast 15% of the Net Issue 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 Members only. Further QIB Bids can be submitted only through BRLM. In case of QIB Bidders, our Company in consultation with BRLM may reject Bid at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialized 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 authorized 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 Nationals or NRIs applying on a non-repatriation basis	White
NRIs or FIIs or Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue

Who Can Bid?

1. Indian nationals resident in India who are majors, in single or joint names (not more than three) or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);
2. 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;

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3. Eligible NRIs on a repatriation basis or a non-repatriation basis subject to compliance with applicable laws. NRIs, other than Eligible NRIs, are not permitted to participate in this Issue.
4. Companies and corporate bodies registered under the applicable laws in India and authorized to invest in Equity shares;
5. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their constitution to hold and invest in equity shares;
6. Mutual funds registered with SEBI;
7. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI Guidelines and Regulations, as applicable);
8. FII registered with SEBI;
9. Venture capital funds registered with SEBI;
10. Foreign venture capital investors registered with SEBI, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the issue;
11. State Industrial Development Corporations;
12. Insurance companies registered with the Insurance Regulatory and Development Authority;
13. As permitted by the applicable laws, Provident funds with minimum corpus of Rs. 2500 Lakhs and who are authorized under their constitution to invest in Equity Shares;
14. Pension funds with minimum corpus of Rs. 2500 Lakhs and who are authorized under their constitution to invest in Equity Shares;
15. Multilateral and bilateral development financial institutions;
16. Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non- repatriation basis subject to applicable local laws; and
17. Scientific and/or industrial research organizations authorized under their constitution to invest in equity shares.

As per existing regulations, OCBs are prohibited from investing in this Issue.

Note: The BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations if any. However, associates and affiliates of the BRLMs and Syndicate Member are entitled to bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in Non Institutional Portion as may be applicable to such investors, where the allotment will be on a proportionate basis. Such bidding and subscription may be on their own account or on behalf of their clients.

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.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than 1,20,000 Equity Shares, allocation shall be made to Mutual Funds on proportionate basis to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. 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 for which the Bid has been made.

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 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 capital carrying voting rights.

Bids by Eligible NRIs

Eligible NRI Bidders to comply with the following:

1. Individual NRI Bidders can obtain the Bid cum Application Forms from Registered Office of our Company, members of the Syndicate or the Registrar to the Issue.
2. 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 Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians (White in color). All instruments accompanying bids shall be payable in Mumbai only.

Bids by FIIs**As per the current regulations, the following restrictions are applicable for investments by FIIs:**

No single FII can hold more than 10% of post-issue paid-up capital of our Company (i.e., 10% of 1,90,04,000 Equity Shares). In respect of an FII investing in Equity Shares of our Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of total issued capital or 5% of our total issued capital of our Company in case such sub-account is a foreign corporate or an individual. Under the current foreign investment policy applicable to us foreign equity participation up to 100% is permissible under the automatic route.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity

Bids by SEBI registered VCF and FVCI

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 investment by any VCF or FVCI should not exceed the prescribed investment limit as the case may be.

The SEBI has issued a press release on 26 June, 2006 stating that the shareholding of SEBI registered Venture Capital Funds and Foreign Venture Capital Investors held in a company prior to making an initial public offering would be exempt from lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing the Draft Red Herring Prospectus with the SEBI.

Bids and revision of Bids by non-residents including Eligible NRIs, FIIs and Foreign Venture capital Funds registered with SEBI on a repatriation basis must be made:

1. On the prescribed Bid cum Application Form or Revision Form, as applicable (blue in colour) and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected;

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2. In a single name or joint names (not more than three and in the same order as their Depository Participant details);
3. Eligible NRIs for a Bid Amount of up to Rs. 1,00,000 would be considered under the Retail Bidders portion for the purposes of allocation and Bids for a Bid amount of more than Rs. 1,00,000 would be considered under the Non-Institutional Bidders portion for the purposes of allocation; Other Non-Resident Bidders must bid for a minimum of such number of Equity Shares and in multiples of 15 thereafter that the Bid amount exceeds Rs. 1,00,000; for further details see "Maximum and Minimum Bid Size" at page no. 254 of this Prospectus.
4. 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, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the 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 Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. The Company 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 Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modifications or changes in the applicable laws or regulations, which may occur after the date of this Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid size

For Retail Bidders: The Bid must be for minimum 15 number of Equity Shares and in multiples of 15 Equity Shares and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 1,00,000. **Bidders may note that the total Bid amount will be used to determine if a Bid is in the retail category or not, and not just the amount payable on Application.** In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid amount does not exceed Rs. 1,00,000. In case the Bid amount is over Rs. 1,00,000 due to revision of the Bid or revision of the Price Band or on exercise of option to Bid at Cut-off price, the Bid would be considered for allocation under the Non-Institutional Portion. The option to Bid at Cut-off price is an option given only to the Retail Individual Bidders indicating their agreement to bid and purchase Equity Shares at the final Issue Price as determined at the end of the Book Building Process.

For Non-Institutional Bidders and QIBs Bidders: The Bid must be for a minimum of such number of Equity Shares in multiples of 15 Equity Shares such that the Bid Amount payable by the Bidder exceeds Rs. 1,00,000 and in multiples of 15 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by applicable laws. Under the existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the QIB margin amount upon submission of the Bid.

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000, for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids or revision of the Price Band, the same would

be considered for allocation under the Retail Portion in respect of the Bids by Non-Institutional Bidders who are otherwise eligible for allocation under the Retail Portion. Non Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

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 or regulation or as specified in this Prospectus.

Information for the Bidders

- a. Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.
- b. Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated national newspapers (one each in English and Hindi) and a regional language newspaper (Tamil) of wide circulation in the place where our Registered Office is situated. This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX-A of the SEBI DIP Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.
- c. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to their potential investors. Any investor (who is eligible to invest in the Equity Shares) desirous of obtaining a copy of the Red Herring Prospectus along with the Bid-cum- Application Form can obtain the same from the registered office of our Company or from the BRLM, or from a member of the Syndicate.
- d. Eligible investors who are interested in subscribing for the Equity Shares should approach the BRLM or Syndicate Member or their authorized agent(s) to register their Bids.
- e. The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of a member of the Syndicate. The Bid-cum-Application Forms, which do not bear the stamp of a member of the Syndicate, will be rejected.
- f. The Bidding/Issue Period shall be a minimum of three working days and shall not exceed seven working days. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.
- g. The Price Band has been fixed at Rs. 350 to Rs. 400 per Equity Share. The Bidders can bid at any price within the Price Band, in multiples of Rs. 1 (One). In accordance with the SEBI Guidelines, our Company, in consultation with the BRLM, 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.
- h. In case the Price Band is revised, the Bidding/ Issue Period may be extended, if required, by an additional three days, subject to the total Bidding/ Issue Period not exceeding 10 working days. The revised Price Band and Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, and by issuing published in two national newspapers (one each in English and Hindi) and a regional language (Tamil) newspaper of wide circulation in the place where our Registered Office is situated and also by indicating the change on the websites of the Book Runners and at the terminals of the members of the Syndicate.
- i. We, in consultation with the BRLM, can finalise the Issue Price within the Price Band, without the prior approval of, or intimation to, the Bidders.

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Method and Process of bidding

1. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels" on page no. 256 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.
2. 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 bidding 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 allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the paragraph "Build up of the Book and Revision of Bids" on page no. 256 of this Prospectus.
3. The members of the Syndicate 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.
4. During the Bidding Period, the Bidders may approach 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, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.
5. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Account" on page no. 258 of this Prospectus.

Bids at Different Price Levels and Revision of Bids

1. The Price Band has been fixed at Rs. 350 to Rs. 400 per Equity Share of Rs. 10/- each, Rs. 350 being the lower end of the Price Band and Rs. 400 being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re. 1 (One).
2. Our Company, in consultation with the BRLM, can revise the Price Band during the Bid/Issue Period in accordance with the SEBI Guidelines, in which case the Bidding Period shall be extended further for a period of three additional days, subject to the total Bidding Period not exceeding ten working days. 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 Price Band can move up or down to the extent of 20% of the Floor Price disclosed in the Red Herring Prospectus.
3. Any revision in the Price Band and the revised Bid /Issue Period, if applicable, will be widely disseminated by informing the stock exchanges, by issuing a public notice in two widely circulated newspapers (one each in English and Hindi) and in one Tamil newspaper with a wide circulation and also indicating the change on the relevant website of the BRLM, Company and the terminals of the members of the Syndicate.
4. The Company, in consultation with the BRLM, 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. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 1,00,000 may bid at "Cut-off". However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.**

6. Retail Individual Bidders who bid at the Cut-off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, who bid at the Cut-off (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), such Bidders, who bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account or the Refund Account, as the case may be.
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 (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 1,00,000 if the bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs.1, 00,000, the Bid by a retail Individual Bidder 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 higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downward for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidders 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 could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account or the Refund Account, as the case may be.
9. In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application Size shall be within the range of Rs. 5,000 to Rs. 7,000. The Company in consultation with the BRLM shall accordingly stipulate the minimum application size (in terms of number of shares) falling within the aforesaid range.
10. During the Bidding/Issue 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 during the Bidding/Issue Period using the printed Revision Form, which is a part of the Bid cum Application Form.
11. 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. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
12. The Bidder can make 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.
13. 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.
14. 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 the Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

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15. 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.**

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and non-residents applying on a non-repatriation basis; blue colour for the Eligible NRIs, FIIs applying on a repatriation basis).
- (b) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (c) 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.
- (d) The Bids from the Retail Individual Bidders must be for a minimum of 15 Equity Shares and in multiples of 15 Equity Shares thereafter, subject to a maximum Bid Amount of Rs. 100,000.
- (e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of 15 Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 15 Equity Shares. Bids cannot be made for more than the Net Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Application in the Issue

Equity Shares being issued through the Red Herring Prospectus can be applied for in the dematerialized form only.

PAYMENT INSTRUCTION

Escrow Mechanism

- 1. The Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks 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 Escrow Account for the Issue. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account of the Company 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 Banks shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue and to the Refund Account as per the terms of the Escrow Agreement. Payment of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and this Red Herring Prospectus.
- 2. The Bidders may note that the Escrow Mechanism is not prescribed by SEBI and the same has been established as an arrangement between the Company, the Syndicate, Escrow Collection Bank(s) and the Registrars to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

Each Bidder, shall provide the applicable Margin Amount, with the submission of the Bid-cum-Application Form

by drawing a cheque, demand draft in favour of the Escrow Account of the Escrow Collection Bank(s) as per the below terms:

- (a) 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 whose bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held in the Refund Account for the benefit of the Bidders who are entitled to refunds.
- (b) Each category of Bidders (i.e. QIBs, Non Institutional Bidders, Retail Individual Bidders) would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form by way of 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) and submit the same to the member of the Syndicate to whom the Bid is being submitted. (For details please see the section titled "Issue Procedure - Payment Instructions" beginning on page no. 258 of this Prospectus. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Structure" beginning on page no. 249 of the Prospectus. 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.
- (c) 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 no later than the Pay-in-Date which shall be a minimum period of two (2) days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. 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-cum-Application Form.
- (d) Where the Bidder has been allocated lesser number of Equity Shares than he or she had applied 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 the Company shall pay interest @ 15% per annum for any delay beyond the periods mentioned above.
- (e) 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 of the Company and submit the same to the member of the Syndicate.
- (f) 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 of the Company 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 BRLM.
- (g) The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
 - (i) In case of resident QIB Bidders- **"Escrow Account - EDL Public Issue - QIB-R"**
 - (ii) In case of other resident Bidders - **"Escrow Account - EDL Public Issue - R"**
 - (iii) In case of Non-Resident QIB Bidders- **"Escrow Account - EDL Public Issue - QIB - NR"**
 - (iv) In case of NRI Bidders - **"Escrow Account - EDL Public Issue - NR"**.

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- (h) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
- (i) In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- (j) The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
- (k) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
- (l) Payments should be made by cheque, or demand drafts 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 center where the Bid cum Application Form is submitted. Outstation cheque/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/ Stockinvest/ Money Orders/ Postal Orders will not be accepted.
- (m) Bidders are advised to mention the number of the Bid Cum Application Form on the reverse of the cheque or demand draft to avoid misuse of the instrument submitted along with the Bid cum application Form.

Payment by Stock-invest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-2004 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. Hence, payment through stock-invest would not be accepted in this Issue.

Electronic Registration of Bids

- (a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one NSE/ BSE on-line connectivity to each city where a Stock Exchange is located in India and the Bids are accepted.
- (b) The 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 members of the Syndicate and their authorized agents during the Bidding Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid 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 displayed on-line at all bidding centers and the websites of NSE and BSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding 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 Bidder(s): Bidders 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, NRI, FII, or Mutual Fund, etc.;
 - Numbers of Equity Shares bid for;
 - Bid price;
 - Bid-cum-Application Form number;
 - Whether Margin Amount, as applicable, has been paid upon submission of Bid-cum-Application Form; and
 - Depository Participant Identification Number and Client Identification Number of the Beneficiary 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 members 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) The BRLM/ member of the Syndicate have the right to accept the Bid or reject it in case of QIBs; however, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids should not be rejected except on the technical grounds listed on page no. 269 of 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 the Company or BRLM 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 Promoters, our management or any scheme or project of our Company.
- (i) It is also to be distinctly understood that the approval given by BSE and/or NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.
- (j) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ allotment. In case of discrepancy of data between BSE or NSE and members of the Syndicate, the decision of the BRLM based on the physical records of Bid-cum-Application Form shall be final and binding to all concerned.

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Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.
- (b) The book gets build up at various price levels. This information will be available with the BRLM on a regular 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 numbers 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) 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 the Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (f) 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 has placed the original Bid. **Bidders are advised to retain copies of the blank Revision Forms and the revised Bid must be made only in such Revision Form or copies thereof.**
- (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) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ allotment. In case of discrepancy of data between BSE or NSE and members of the Syndicate, the decision of the BRLM based on the physical records of Bid-cum-Application Form shall be final and binding to all concerned.

Price Discovery and Allocation

- (a) After the Bid/Issue Closing Date, the BRLM shall analyze the demand generated at various price levels.
- (b) Our Company, in consultation with the BRLM shall finalise the "Issue Price", and the number of Equity Shares to be allotted in each category to Bidders.
- (c) The allocation for QIBs would be not more than 50% of the Net Issue and to Non-Institutional Bidders and Retail Individual Bidders will be not less than 15% and not less than 35% of the Net Issue, respectively, on proportionate basis in the manner specified in the SEBI guidelines and the Red Herring Prospectus and in consultation with the Designated Stock Exchange.
- (d) Under-subscription, if any, in any category of the Net Issue, would be allowed to be met with spill over from any of the other categories at the discretion of our Company, in consultation with the BRLM.

However, if the aggregate demand by Mutual Funds is less than 1,20,000 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB portion has been met, under-subscription, if any, would be allowed to be met with spillover from any other category or combination of categories at the discretion of Company, in consultation with the BRLM and the Designated Stock Exchange.

- (e) Allocation to Eligible NRIs, FIIs, foreign venture capital funds, multi-lateral and bilateral development financial institutions registered with SEBI applying on repatriation basis will be subject to the applicable laws, rules, regulations, guidelines and approvals.
- (f) The BRLM, in consultation with the Company shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning reasons whatsoever but before allotment.
- (h) In terms of SEBI DIP guidelines, QIB bidders shall not be allowed to withdraw their bid after the bid / issue closing date.
- (i) The allotment details shall be put on the website of the Registrar.

Signing of Underwriting Agreement and ROC Filing

- (a) Our Company, the BRLM, and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, our Company will update and file the updated Red Herring Prospectus with 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.

Filing of the Prospectus with ROC

The Company will file a copy of the Prospectus with the Registrar of Companies, Tamil Nadu situated at Chennai in terms of Section 56, Section 60 and Section 60B of the Companies Act, 1956.

Announcement of Pre-Issue Advertisement

Subject to section 66 of the Companies Act, our Company shall after receiving final observation, if any, on the Red Herring Prospectus with SEBI, and filing of the Red Herring Prospectus with RoC, publish an advertisement, in the form prescribed by the SEBI (DIP) Guidelines in two widely circulated newspapers (one each in English & Hindi) and a Tamil newspaper with a wide circulation.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement, will be issued by our Company in two widely circulated newspapers (one each in English & Hindi) and a Tamil newspaper with a wide circulation, after 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 the Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

- (a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM or the 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. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. Investor should note that our Company shall ensure that the demat

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credit of the Equity Shares pursuant to allotment shall be made on the same date to all investors in this Issue;

- (b) The BRLM or the 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 to be 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 the full Bid Amount into the Escrow Account on or prior to the time of bidding shall pay in full amount into the Escrow Account on or prior to the Pay-in Date specified in the CAN;
- (c) Such Bidders who have been allocated Equity Shares and who have already paid the full Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrars to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder.
- (d) The Issuance of CAN is subject to "Notice to QIBs: Allotment Reconciliation and Revised CANs" as set forth below in the Red Herring Prospectus.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared, by the Registrar, on the basis of, Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

- 1. Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account and Refund Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository account of the allotted Equity Shares to the allottees within two working days of the date of finalization of the basis of allotment.
- 2. **As per the SEBI (DIP) Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

General Instructions

Do's:

- (a) Check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approvals and the terms of the Red Herring Prospectus;

- (b) Read all the instructions carefully and complete the Bid-cum-Application Form (white or blue in colour) as the case may be;
- (c) Ensure that the details about Depository Participant and Beneficiary Account are correct and the beneficiary account is activated, as allotment of Equity Shares will be in the dematerialized form only.
- (d) Ensure that the Bids are submitted at the Bidding Centers only on forms bearing stamp of the Syndicate Member;
- (e) 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.
- (f) Ensure that you have been given a TRS for all your Bid options;
- (g) Submit Revised Bids to the same Syndicate Member through whom the original Bid was placed and obtain a revised TRS;
- (h) Ensure that the Bid is within the Price Band.
- (i) 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 or 61 as the case may be together with the permissible documents as address proof
- (j) Ensure that demographic details (as defined herein below) are updated true and correct in all respects.

Don'ts:

- (a) Do not Bid if you are prohibited from doing so under the law of your local jurisdiction;
- (b) Do not Bid for lower than minimum Bid size;
- (c) Do not Bid or revise the Bid to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- (d) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- (e) Do not pay Bid amount in cash, money order, postal order or by stockinvest;
- (f) Do not Bid at cut off price (for QIB Bidders, Non-Institutional Bidders);
- (g) Do not bid where bid amount exceeds Rs. 1,00,000 (for Retail Individual Bidders)
- (h) Do not fill up the Bid cum Application Form for an amount that exceeds the Issue size and / or investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws / regulations or maximum amount permissible under the applicable regulations.
- (i) Do not send Bid cum Application Form by post; instead submit the same to a member of the Syndicate only.
- (j) Do not provide your GIR number instead of your PAN as bid is liable to be rejected on those ground.
- (k) Do not submit the Bid without the QIB Margin Amount, in case of a Bid by QIB.

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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 Depositories, the Bidders bank account details, including the nine digit MICR code as appearing on a cheque leaf. These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refund through Direct Credit to or ECS. 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 dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and such delay shall be at the Bidders sole risk and neither our Company, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor BRLM shall be liable to compensate for the losses caused to the Bidders due to any such delay or liable to pay any interest for such delay.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN THE DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S 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 or giving credit through ECS, Direct Credit , RTGS or NEFT and occupation (hereinafter referred to as "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 or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid-cum-Application Form would not be used any other purposes by the Registrars to the Issue.

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 be deemed to have authorised 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 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 Bidders 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. Please note that any such delay shall be at the Bidders sole risk and neither the Company, the Registrar, Escrow Collection Bank(s) nor the BRLM 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.

Our Company in its 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/ refunds through electronic transfer of funds, 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.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the 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. The Company and/or the Book Runners will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

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 Article of Association and/or Bye Laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made pursuant to a Power of Attorney by FII, 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 submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid. in whole or in part, in either case without assigning any reason thereof.

In case of Bids made by insurance companies registered with Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by Insurance Regulatory and Development Authority must be submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

In case of Bids made by provident fund with the minimum corpus of Rs. 2500 lakhs (subject to applicable law) and pension fund with the minimum corpus of Rs. 2500 lakhs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

In case of Bids made pursuant to Power of Attorney by Mutual Fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

Our Company, in its absolute discretion, reserves 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 as the Company and the BRLM may deem fit.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by Account Payee cheques or drafts equivalent to the margin amount shall be submitted to the Members of the Syndicate at the time of submitting the Bid-cum-Application Form.

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No separate receipts shall be issued for the money payable on submission of Bid-cum-Application Form or Revision Form. However, the collection centre 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

Individuals may make bid in single or joint names (not more than three). In the case of joint Bids, all refunds will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

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.

In this regard, illustrations of certain procedures, which may be followed by the Registrar to the Issue to detect multiple applications, are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file, which would serve as a multiple master.
2. In this master, a check will be carried out for the same PAN. In cases where the PAN numbers are different, the same will be deleted from this master.
3. The Registrar will obtain, from depositories, details of the applicants' address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
4. The addresses of all the applicants in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of addresses and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the application processed. A print-out of the addresses will be taken to check for common names. The application with same name and same address will be treated as multiple applications.
5. The applications will be scrutinized for their DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
6. Subsequent to the aforesaid procedures, a print out of multiple master will be taken and applications physically verified to tally signatures as also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

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.

The Company reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number (PAN)

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **The copy of the PAN card(s) or PAN allotment letter(s) is required to be submitted with the Bid cum Application Form. Applications without this information and documents will be considered incomplete and are liable to be rejected.** It is to be

specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground. In case the sole/First Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/First Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) ration card (b) passport (c) driving licence (d) identity card issued by any institution (e) copy of the electricity bill or telephone bill showing residential address (f) any document or communication issued by any authority of the Central Government, state government or local bodies showing residential address (g) any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended by a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

Unique Identification Number ("UIN") - MAPIN

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/ quote UIN under the SEBI (Central Database of Market Participants) Regulations, 2003 by its circular bearing number MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UIN's in a phased manner. The press release states that the cut-off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations. Therefore, MAPIN is not required to be quoted with the Bids.

Right to Reject Bids

In case of QIB Bidders, the Company in consultation with the BRLM may reject a Bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of submission of the Bid and the reasons therefore shall be disclosed to the QIB Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject Bids only on technical grounds.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on, inter alia, on the following technical grounds:

1. Amount paid doesn't tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;
3. In case of Partnership firms, the shares may be registered in the name of individual partners and no such partnership firm, shall be entitled to apply.
4. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
5. PAN photocopy/ PAN Communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
6. Bids for lower number of Equity Shares than specified for that category of investors;

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7. Bids at a price less than the lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;
9. Bids at cut-off price by Non-Institutional and QIB Bidders;
10. Bids for number of Equity Shares, which are not in multiples of 15;
11. Category not ticked;
12. Multiple bids as defined in the Red Herring Prospectus;
13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Bids accompanied by Stock invest/money order/ postal order/ cash;
15. Signature of sole and/or joint Bidders missing;
16. Bid-cum-Application Form does not have the stamp of the BRLM or the Syndicate Member;
17. Bid-cum-Application Form does not have Bidder's depository account details;
18. Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid-cum-Application Form and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid-cum-Application Form; or
19. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations.
20. 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 account number;
21. Bids by OCBs;
22. Bids by US persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the Securities Act or other than in reliance Regulation S under the Securities Act;
23. Bids by QIBs not submitted through BRLM or members of the syndicate;
24. Bids by NRIs not disclosing their residential status;
25. If GIR number is mentioned instead of PAN number;
26. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
27. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority; and
28. Bids by any person resident outside India, if not in compliance with applicable foreign and Indian laws.

Equity Shares in Dematerialised Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted 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 tripartite agreements have been signed among the Company, the Depositories and the Registrar,

1. An Agreement dated October 12, 2007 among NSDL, our Company and Registrars to the Issue.
2. An Agreement dated October 10, 2007 among CDSL, our Company and Registrars to the Issue.

All Bidders can seek allotment only in Dematerialized mode. Bids from any Bidder without the following details of his or her depository account are liable to be rejected:

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
2. 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.
3. Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
4. 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 depository account details of the Bidder(s) with the Depository.
5. 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.
6. 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.
7. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. All the stock exchanges where Equity Shares are proposed to be listed are connected to NSDL and CDSL.
8. The trading of Equity Shares of the Company would only be in dematerialized form 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.

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

Our Company has appointed Mr. N.S. Suryanarayanan 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 the following address:

COMPLIANCE OFFICER

Mr. N.S. Suryanarayanan

Company Secretary & Vice President (Corporate Affairs)

Empee Towers, 59, Harris Road

Pudupet, Chennai - 600 002

Tel: +91 44 28522510,

Fax: +91 44 28555163

Email: ipo@empeegroup.co.in

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Procedure and Time Schedule for Allotment

The Issue will be conducted through a "100% book building process" pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on Thursday, November 1, 2007 and expire on Tuesday, November 6, 2007. Following the expiration of the Bidding Period, our Company, in consultation with the BRLM, will determine the issue price, and, in consultation with the BRLM, the basis of allotment and entitlement to allotment based on the bids received and subject to the confirmation by the BSE/NSE. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with SEBI and the Registrar of Companies and will be made available to investors. SEBI Guidelines require our Company to complete the allotment to successful bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors' demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence.

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."

Basis of 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 category. The allotment to all the successful Retail individual Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the valid Bids in this category is less than or equal to 16,80,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid bids.
- If the valid Bids in this category is greater than 16,80,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 15 Equity Shares and in multiples of 15 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 category. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The 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, which is equal to or greater than the Issue Price.

- If the valid Bids in this category is less than or equal to 7,20,000 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 valid Bids in this category is greater than 7,20,000 Equity Shares at or above the Issue Price; allocation shall be made on a proportionate basis up to a minimum of 15 Equity Shares and in multiples of 15 Equity Shares thereafter. For the method of proportionate basis of allotment 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 QIBs will be made at the issue price.
- The Issue size less allocation to Non-Institutional portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Funds Portion. After completing proportionate allocation to Mutual Funds for an amount of up to 1,20,000 Equity Shares (the Mutual Funds Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Funds Portion). For the method of allocation in the QIB Portion, see the paragraph titled "Illustration of Allotment to QIBs" appearing below. If the valid Bids by Mutual Funds are for less than 1,20,000 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders.
- The allotment shall be undertaken in the following manner -
 - (a) In the first instance, allocation to mutual funds for upto 5% of the QIB portion shall be determined as follows:
 - In the event that bids from mutual funds exceed 5% of the QIB portion, allocation to mutual funds shall be done on a proportionate basis upto 5% of the QIB portion.
 - In the event that the aggregate demand from mutual funds is less than 5% of QIB portion, then all mutual funds shall get full allotment to the extent of valid bids received above the issue price.
 - Equity Shares remaining unsubscribed, if any, not allocated to mutual funds shall be available to all QIB Bidders as set out in as (b) below;
 - (b) In the second instance, allocation to all QIBs shall be determined as follows -
 - In the event that the over subscription in the QIB portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for upto 95% of the QIB portion.
 - Mutual Funds, who have received allocation as per (a) above, for less than the number of equity shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
 - Under-subscription below 5% of the QIB portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

Undersubscription, if any, in any category would be allowed to be met with spillover from any other category at the sole discretion of our Company and the BRLM

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Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue details

S. No.	Particulars	Issue details
1.	Issue size	100 Lakhs Equity Shares
2.	Allocation to QIB (minimum 50% of the Issue) Of which:	50 Lakhs Equity Shares
	a. Reservation For Mutual Funds, (5%)	2.50 Lakhs Equity Shares
	b. Balance for all QIBs including Mutual Funds	47.50 Lakhs Equity Shares
3.	Number of QIB applicants	10
4.	Number of Equity Shares applied for	250 Lakhs Equity Shares

B. Details of QIB Bids

Sr. No.	Type of QIB bidders#	No. of shares bid for (in Lakhs)
1	A1	25
2	A2	10
3	A3	65
4	A4	25
5	A5	25
6	MF1	20
7	MF2	20
8	MF3	40
9	MF4	10
10	MF5	10
	TOTAL	250

A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/Applicants

(Number of equity shares in Lakhs)

Type of QIB Bidders	Shares bid for	Allocation of 2.5 lakh Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 47.50 Lakhs Equity Shares to QIBs proportionately please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	25	0	4.80	0
A2	10	0	1.92	0
A3	65	0	12.48	0
A4	25	0	4.80	0
A5	25	0	4.80	0
MF1	20	0.50	3.74	4.24
MF2	20	0.50	3.74	4.24
MF3	40	1.0	7.48	8.48
MF4	10	0.25	1.87	2.12
MF5	10	0.25	1.87	2.12
	250	2.50	47.50	21.20

Please note:

- The illustration presumes compliance with the requirements specified in this Prospectus in the section titled "Issue Structure" beginning on page no. 249 of this Prospectus.
- Out of 50 Lakhs Equity Shares allocated to QIBs, 2.50 lakh (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 100 lakh shares in the QIB Portion.
- The balance 47.50 Lakhs Equity Shares [i.e. 50 - 2.5 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 250 lakh Equity Shares (including 5 Mutual Fund applicants who applied for 100 lakh Equity Shares).
- The figures in the fourth column titled "Allocation of balance 47.50 Lakhs Equity Shares to QIBs proportionately" in the above illustration are arrived as under:
 - For QIBs other than Mutual Funds (A1 to A5)= Number of Equity Shares Bid for X 47.5/247.5
 - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e., in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 47.5/247.5

The numerator and denominator for arriving at allocation of 47.5 Lakhs Equity Shares to the 10 QIBs are reduced by 2.5 lakh shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Method of Proportionate Basis of Allocation

In the event of the issue being over-subscribed, our Company shall finalize the basis of allotment to Retail Individual Bidders and Non-Institutional Bidders in consultation with the Designated Stock Exchange. The

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Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrars to the issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

Bidders will be categorized according to the number of Equity Shares applied for by them and the allotment shall be made on a proportionate basis as explained below:

- (a) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category 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, which is the total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- (c) If the proportionate allotment to a Bidder is a number that is more than 15 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 15 Equity Shares per Bidder, the allotment shall be made as follows:
 - Each successful Bidder shall be Allotted a minimum of 15 Equity Shares; and
 - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category 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 category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Disposal of Applications and Applications Money and Interest in case of Delay

Our Company shall ensure dispatch of allotment advice, refund orders (except for Bidders who receive refunds through Electronic Transfer of Fund) 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 finalization of basis of allotment of Equity Shares. Our Company shall dispatch refund orders above Rs. 1500/-, if any, by registered post or speed post at the sole or first bidder's sole risk. In case of Bidders who receive refunds through ECS, or RTGS or Direct Credit or NEFT, the refund instructions will be given to the clearing system and a suitable communication shall be sent to such Bidders within 15 days from the Bid/Issue Closing Date.

We undertake 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 finalization of basis of allotment

The Company shall despatch refund orders, as per the procedure mentioned under section "Dispatch of Refund Orders" on page no. 269 of this Prospectus, at the sole or First Bidder's sole risk.

The Company will provide adequate funds required for dispatch of refund orders or for credit of refunds, as the case may be, to the Registrar to the Issue.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- Dispatch of refund orders will be done within 15 days from the Bid /Issue Closing Date; and
- Our Company shall pay interest at 15% per annum (for any delay beyond the 15 days time period as mentioned above), if allotment is not made, refund orders are not dispatched, credit intimation are not dispatched and in case where refund is made through electronic mode, the refund instructions have not been given to the clearing system in the disclosed manner and / or demat credits are not made to investors within the fifteen 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.

Save and except for refunds effected through an electronic mode, refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks 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.

Letters of Allotment or Refund Orders

Our Company shall give credit to the beneficiary account with depository participants within 2 working days of finalisation of the basis of allotment of Equity Shares. Applicants having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other applicants, our Company shall dispatch refund orders, if any, of value upto Rs. 1,500 by "Under Certificate of Posting", and will dispatch refund orders above Rs. 1,500, if any, by registered post only at the sole or first Bidder's sole risk within 15 days of the Bid / Issue Closing date. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter through "Under Certificate of Posting" within 15 days of closure of issue, intimating them about the mode of credit of refund, the bank where refunds shall be credited along with the amount and the expected date of electronic credit of refund.

Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI guidelines, our Company undertakes that:

- Allotment shall be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders will be done within 15 days from the Bid / Issue Closing Date at the sole or First Bidder's sole risk; and
- Our Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders have not been dispatched to the applicants or if, in case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid / Issue closing date.

Our Company will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue as per the mode disclosed under "Dispatch of Refund Order" appearing on page no. 269 of this Prospectus.

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Save and except refunds effected through the electronic mode i.e. ECS, direct credit or RTGS, refunds will be made by cheques, pay-orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

DISPATCH OF REFUND ORDERS

The payment of refund, if any, would be done through various modes in the following order of preference -

1. ECS - Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centers - Ahmedabad, Bangalore, Bhubneshwar, Kolkatta, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvanthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR Code as appearing on a cheques leaf from the Depositories. The payment of refunds is mandatory through this mode for applicants having a bank account at any of the above-mentioned fifteen centers, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS or NEFT. Refunds through ECS may also be done at other locations based on operational efficiency and in terms of demographic details obtained by the Registrar from the Depository participant.
2. Direct Credit - Applicants having bank accounts with the Refund Bankers, in this case being ICICI Bank Limited, shall be eligible to receive funds through direct credit. Charges, if any, levied by the Refund Bankers for the same would be borne by the Company.
3. RTGS - Applicants having a bank account at any of the above-mentioned fifteen centers and whose refund amount exceeds Rs. Ten lakhs, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC Code in the Bid-cum-Application form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the refund banks for the same would be borne by the Company. Charges, if any, levied by the applicants' bank receiving the credit would be borne by the applicant.
4. NEFT - Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the IFSC, which can be linked to a MICR, if any, available to that particular bank branch. IFSC will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.
5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks 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 centres will be payable by the Bidders.

Please note that only applicants having a bank account at any of the 15 centres where clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes detailed in 1, 2, 3 & 4 hereinabove. For all the other applicants, including applicants who have not updated their bank particulars along with the nine digit MICR code, the refund orders would be dispatched "Under Certificate of Posting" for refund orders of value upto Rs. 1,500 and through Speed Post / Registered Post for refund orders of Rs. 1,500 and above.

Bid/Issue Programme

Bidding Period/Issue Period

BID/ISSUE OPENS ON **Thursday, November 01, 2007**

BID/ISSUE CLOSES ON **Tuesday, November 06, 2007**

Bid/Issue Period as mentioned above at the bidding centres mentioned in the Bid cum application Form except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) and uploaded until 5.00 p.m. in case of Bids by QIB Bidders and Non- Institutional Bidders and (ii) till such time as permitted by the BSE and the NSE, in case of Bids by Retail Individual Bidders. Bids will be accepted only on working days i.e. Monday to Friday excluding public holidays). Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 1.00 p.m (Indian on the Bid/Issue Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will only be accepted on working days.

The Company reserves the right to revise the Price Band during the Bidding 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.

In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional working days after revision of Price Band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the NSE and the BSE, by issuing a press release, and also by indicating the change on the web site of the Book Runners and at the terminals of the Syndicate.

UNDERTAKING BY THE COMPANY

Our Company undertake as follows:

- (a) that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- (b) 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;
- (c) that the funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed under the heading "Dispatch of Refund Orders" on page no. 269 of this Prospectus shall be made available to the Registrar to the Issue by our Company;
- (d) that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of Issue, giving details of the bank where refunds shall be credited alongwith the amount and expected date of electronic credit of refund;
- (e) that the refund orders or allotment advice to the Eligible NRIs or FIIs shall be dispatched within specified time; and
- (f) that no further Issue of Equity Shares shall be made until the Equity Shares Issued through this Prospectus are listed or until the Bid Money's are refunded on account of non-listing, under-subscription etc.

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UTILISATION OF ISSUE PROCEEDS

Our Board of Directors of the Company certifies that:

- (a) all monies received out of the Issue shall be credited / transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- (b) details of all monies utilized out of the Issue referred above shall be disclosed under an appropriate separate head in its balance sheet indicating the purpose for which such monies have been utilized;
- (c) details of all unutilized monies out of the Fresh Issue, if any, shall be disclosed under the appropriate separate head in its balance sheet indicating the form in which such unutilised monies have been invested;
- (d) details of all unutilized monies out of the funds received from the Employee Reservation Portion shall be disclosed under the appropriate separate head in its balance sheet indicating the form in which such unutilized monies have been kept.
- (e) Our Company 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.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the GoI and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government of India, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment.

Subscription by Non-Residents

The Equity Shares have not been and will not be registered under 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 or the requirements of the Investment Company Act.

Accordingly, the Equity Shares are only being offered and sold (i) in the United States to entities that are both "qualified institutional buyers", as defined in Rule 144A of the Securities Act and "qualified purchasers" as defined under the Investment Company 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 jurisdiction where those offers and sales occur.

As per the current regulations, OCBs cannot participate in this Issue.

The above information is given for the benefit of the Bidders. The Company, the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations. However we shall update the Red herring Prospectus and keep the public informed of any material changes in matters concerning our business and operations till the listing and commencement of trading of the Equity Shares.

SECTION VIII

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Pursuant to the provisions of Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and other main provisions are as detailed below.

Preliminary	1	<p>a. The Regulations contained in Table 'A' in Schedule I to the Companies Act, 1956 shall apply to this Company except as hereinafter provided.</p> <p>b. "Act" means the Companies Act, 1956, or any modification thereof.</p>
Shares and Share Capital	3	<p>The share capital of the Company shall be as mentioned in Clause V of Memorandum of Association of the Company.</p> <p>3(1)(a) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its existing shares and other securities; rematerialize its shares and other securities held with Depositories and/or offer its fresh shares and other securities in a dematerialized form pursuant to the Depositories Act, 1996 and the rules framed there under and on the same being done, the Company shall further be entitled to maintain a register of Members with the details of members holding shares both in material and dematerialized form in any media as permitted by law including any form of electronic media, either in respect of existing shares or any future issue and transfer or transmission of any shares or other securities held in material or dematerialized form.</p> <p>1(b) The shares and other Securities of the Company which are held in dematerialised form shall not be progressively numbered and the provisions relating to the progressive numbering shall not apply to the shares or other Securities of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form and no share certificates shall be issued in respect of the shares issued/held in rematerialised form with any Depository and the provisions of regulations 7 and 8 of Table A of Schedule I of the Act shall not apply in this regard.</p> <p>1(c) Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears as the Beneficial Owner of the shares / Securities in the records of the Depository as the absolute owner thereof as regards the receipt of dividends or bonus or</p>

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	<p>service of notice and all or any other matters connected with the Company and accordingly the Company shall not (except as ordered by a court of competent jurisdiction or as by law required) be bound to recognise any benami trust or equity or equitable, contingent or other claims to or interest in such shares/Securities on the part of any other person whether or not it shall have express or implied notice thereof</p>
<p>* (Existing Articles 3 to 55 were replaced by the new set of Articles No.3 to 143 vide Special Resolution passed at the Annual General Meeting held on 29.3.2006)</p>	
	<p>1(d) In the case of transfer or transmission of Securities held by Beneficial Owners with the Depository the provisions relating to the normal transfer or transmission of Securities in respect of the Securities held in the physical mode shall not apply to the transfer of Securities effected by the transferor and the transferee both of whom is entered as Beneficial Owners in the records of the Depository. In case of transfer or transmission of shares or other Securities where the Company has not issued any certificates in respect thereof and where such shares or Securities are being held in an electronic and fungible form with a Depository, the provision of the Depository Act, 1996 shall apply.</p> <p>3(2) Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the un-issued capital or out of the increased share capital then:</p> <p>Such further shares shall be offered to the persons who at the date of the offer, are holders of the Equity Shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.</p> <p>Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.</p> <p>The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favor of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favor any</p>

	<p>member may, renounce the shares offered to him.</p> <p>After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that the declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion fit.</p> <p>3(3) Notwithstanding anything, contained in sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.</p> <p>If a special resolution to that effect is passed by the Company in General Meeting, or Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or, where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.</p> <p>3(4) Nothing in sub-clause (c) of (1) hereof shall be deemed:</p> <p>To extend the time within which the offer should be accepted; or</p> <p>3(5) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:</p> <p>(i) To convert such debentures or loans into shares in the Company; or</p> <p>(ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise)</p> <p>PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:</p> <p>Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and</p>
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		In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.
Further issue of same class of shares	4	The rights conferred upon the holders of the shares of any class with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class be deemed to be varied by the creation or issue of further shares ranking pari-passu therewith.
Shares at the disposal of the directors	5	Subject to the provisions of the Companies Act, 1956 and these Articles, the shares shall be under the control of the Directors, who may allot or otherwise dispose of the same to such persons, on such terms and conditions, and at such times as the Directors may think fit. Provided that option or right to call on shares shall not be given to any person or persons without the sanction of the Company in General Meeting and where at any time it is proposed to increase the subscribed capital of the Company by the issue of new shares then, subject to the provision of Section 81 of the Act, the Board shall issue such shares in the manner provided therein.
Liability of joint holders	6	The joint holders of the share shall be severally as well as jointly liable for the payment of all instalments and calls and interest on instalments and calls due in respect of such shares.
Address of share holders	7	Every share holder shall name to the Company a place in India to be registered as his address, and such address shall for all purposes be deemed his place of residence.
In whose name shares may be registered	8	Shares may be registered in the name of any person, the joint holders, or any Limited Company, but not in the name of a minor, nor shall more than three persons be registered as joint holders of any share.
Trust not recognised	9	Subject to the provisions of Section 153-A, 153-B and 187-B of the Act, and except as required by law, no person shall be recognised by the Company as holding any shares upon any trust, and the Company shall not, save as ordered by some court of competent jurisdiction be bound by or be compelled in any way to recognise (even when having notice thereof) any benami, equitable, contingent, future or partial interest in any share or any fractional part of a share or (except only as by these regulations or by law otherwise provided) any other rights in respect of any share except an

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		<p>absolute right thereto in the person or persons from time to time registered as the holder or holders thereof.</p> <p>The Directors may allot and issue shares in the capital of the Company in payment or part payment for any property sold or transferred, goods or machinery supplied or for services rendered to the Company in or about the formation or promotion of the Company, or the conduct of its business and any share, which may be so allotted may be issued as fully paid up shares and if so issued shall be deemed to be fully paid up shares.</p>
Brokerage and commission	10	The Company may on any issue of shares or debentures pay such brokerage as may be reasonable and lawful.
Commission	11	In addition to the payment of any reasonable sums as brokerage the Company, at any time may pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debenture or debenture stock in the Company, or procuring or agreeing to procure subscriptions (whether absolutely or conditionally) for any shares debentures or debenture stock in the Company but so that (if the commission shall be paid or payable out of the capital) the commission shall not exceed 5 per cent of the price at which the shares are issued or 2.5% of the price at which debentures are issued.
Method of payment of commission	12	The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other.
Certificates	13	<p>Every person whose name is entered as a member in the register of members shall be entitled to receive within ten weeks after closure of subscription list or one month after the application for the registration of the transfer of any share (or within such other period as the condition of issue shall provide) :</p> <p>(a) One certificate for all his shares of each class with out payment. or</p> <p>(b) Several Certificates, each for one or more of such shares, upon payment of one rupee for every certificate after the first, or such less sum as the Directors may determine. The expression "transfer" for the purpose of this article means transfer duly stamped and otherwise valid and does not include any transfer which the Company is for any reason entitled to refuse to register and does not register.</p>
Signature on certificates	14	Every share certificate shall be issued under the Common Seal of Company and shall be signed by (i) two Directors (ii) a Secretary or any other person

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		authorised for the purpose by the Board of Directors. Every certificate shall specify the shares to which it relates and the amount paid up thereon.
One certificate for joint holders	15	In respect of any share or shares held jointly by two persons, the Company shall not be bound to issue more than one certificate, and delivery of a certificate for share to one of the two joint holders shall be sufficient delivery to both the holders.
Renewal of certificates	16	If any certificate be worn out, decrepit or defaced, or if there are no further pages on the back thereof for the endorsements of transfer, then upon production thereof to the Directors, they may order the same to be cancelled and may issue a new certificate in lieu thereof free of charge and if any certificate is proved to have been lost or destroyed, then upon proof thereof to the satisfaction of the Directors and such indemnity as the Directors deem adequate being given to the party entitled to such lost or destroyed certificate. Similarly if any share or shares be surrendered to the Company for subdivision and split or consolidation, the Board may order the same to be done free of Charge.
Fee for new certificate	17	<p>The sum of two rupees, the out of pocket expenses incurred by the Company in investigation for evidence and the advertisement cost or such less sum as the Directors may determine shall be paid to the Company for every such new certificate and the like fee shall be payable in respect of each sub-division of certificates.</p> <p>Provided that no fee shall be charged for sub-division or consolidation of certificates into lots of the market unit or for issue of new certificates in replacement of those which are old, decrepit or worn out or where pages on the reverse for the endorsements for transfer have been fully utilised.</p>
Power to Buy back shares	18	Notwithstanding anything contained contrary in this Article, the Company shall subject to the provisions of the Act, and particularly of sections 77A, 77AA, and 77B thereof, and the Regulations made there under have the power to buy back its own shares or other specified securities."
CALL ON SHARES C a l l s	19	The Board of Directors may by a resolution passed at a Meeting of the Board from time to time, subject to any terms on which any shares may have been issued, make such calls as they think fit upon the share holders in respect of all moneys unpaid on the shares held by them respectively, and each member shall pay the

		<p>amount of every call so made on him to the persons and at the time and place appointed by the Board. A call may be made payable by instalments.</p> <p>A call shall be deemed to have been made at the time when the resolution of the Board of Directors authorising such call was passed.</p>
When call deemed to have been made	20	At least thirty clear days' notice of any call shall be given by the Company (either by letter to the members or by advertisement) specifying the time and place of payment and to whom such payment shall be paid.
Notice of call amount payable at fixed times or by instalments payable as calls	21	<p>(i) If by the terms of issue of any share or otherwise any amount is made payable on allotment or at any fixed time or by instalments at fixed times, whether on account of the nominal amount of the share or by way of premium every such amount or instalment shall be payable as if it were a call duly made by the Directors and of which due notice had been given, and all the provisions herein contained in respect of the calls shall relate to such amount or instalment, accordingly.</p> <p>(ii) In the case of non-payment of such sum all the relevant provisions of these Articles to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.</p>
When interest on call or instalment payable	22	If the sum payable in respect of any call or instalment be not paid on or before the day appointed for the payment thereof, the holder for the time being of the share in respect of which the call shall have been made or the instalment shall be due shall pay interest for the same at the rate of 12 per cent per annum or at such rate as the Directors may determine from time to time not exceeding 18 percent per annum, from the day appointed for the payment thereof to the time of actual payment. The Directors shall be at liberty to waive payment of any such interest, wholly or in part.
Payment of calls in advance	23	The Directors may, subject to Section 92 of the Companies Act, 1956 receive from any member willing to advance all or any part of money unpaid upon the shares held by him beyond the sums actually called for and exceeds the amount of calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate as the member paying such sum in advance and the Directors agree upon not less than 15 percent per annum. Money so paid in excess of the amount of calls shall not rank for dividend or anticipate in Profits until it is appropriated towards satisfaction of any call. The Directors may at any time repay the amount so advanced.

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Amount and time of call	24	No call shall exceed one fourth of the nominal value of a share, or be payable at less then one month from the date fixed for the payment of the last proceeding call. A call may be revoked or postponed at the discretion of the Board.
Evidence in action for call	25	On the trial or hearing of any action for the recovery of any money due for any call, it shall be sufficient to prove that the name of the member sued is entered in the register as the holder, or one of the holders of the shares in respect of which such debt accrued; that the resolution making the call is duly recorded in the minute book; and the notice of such call was duly given to the member, in pursuance of these presents; and it shall not be necessary to prove the appointment of the Directors who made such call or any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.
Forfeiture, surrender and lien if call or instalment not paid notice to be given	26	If any Member fails to pay any call, or instalment, on or before the day appointed for payment thereof, the Directors may at any time thereafter, during such time as the call or instalment remains unpaid, serve notice on him to pay the same together with any interest that may have accrued, by reasons of such non-payment, and stating that in the event of non-payment on or before some day to be named in the notice (such day not being less than fourteen days from the date of service of such notice) and at some place (either the Office or a bank) named in such notice, the shares in respect of which the call was made or instalment is payable will be liable to be forfeited.
If notice not complied with shares may be forfeited	27	If the requisition of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of calls, instalments, and interest may be forfeited by a resolution of the Board of Directors, and the forfeiture shall be recorded in the Directors' Minute book; and the holder of such share will thereupon cease to have any interest therein, and his name shall be removed from the register as such holder and thereupon notice shall be given to him of such removal, and an entry of the forfeiture with the date thereof shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice to or to make such entry aforesaid.
Effect of forfeiture	28	The forfeiture of a share shall involve the extinction of all interest in and also of 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.

Arrears to be paid notwithstanding forfeiture	29	Any person whose share shall be so forfeited shall cease to be a member in respect of the forfeited share, but shall, notwithstanding the forfeiture, be liable to pay to the Company all calls or instalment and interest, or in respect of such shares at the time of forfeiture together with interest at the rate of 12 percent per annum, or at such rate as the Directors may determine. The liability of such person shall cease if and when the Company shall have received payment in full of all such amounts due in respect of the shares.
Forfeited share to become property of the Company	30	Any share so forfeited shall be deemed to be the property of the Company and the Board of Directors may sell, re-allot, or otherwise dispose of the same in such manner as they think fit.
Power to annul forfeiture	31	The Directors may at any time, before any share, is so forfeited, shall have been sold, re-allot or annul the forfeiture thereof upon such conditions as they think fit.
Declaration for forfeiture of shares	32	A duly verified declaration in writing that the declarant is a Director or the Secretary of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence for the facts, therein stated as against all persons claiming to be entitled to the share.
Lien on shares	33	The Company shall have a first and paramount lien upon all the shares (other than fully paid-up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonus from time to time declared in respect of such shares. Unless otherwise agreed the registration of shares shall operate as a waiver of the Company's lien if any on such shares. The Directors may at any time declare any shares wholly or in part to be exempt from the provisions of this clause.
As to enforcing a lien by sale	34	The Directors shall be entitled to give effect to such lien by sale or forfeiture and re-issue of the shares subject thereto or by retaining all dividends and profits in respect thereof or by any combination of the said means but no sale or forfeiture shall be made, until such period as aforesaid shall have arrived, and unless a sum in respect of which the lien exists is presently payable and until notice in writing of the intention to sell or forfeit shall have been served on such member, his

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		executors, or administrators and default shall have been made by him or by them in the payment, fulfilment, or discharge of such debts liabilities or engagements for seven days after such notice.
Validity of sale	35	Upon any sale after forfeiture or for enforcing a lien in purported exercise of the power herein before given, the Directors may cause the purchaser's name to be entered in the register in respect of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money, and after his name has been entered in the register in respect of such shares, the validity of the sale shall not be impeached by any person.
Application of proceeds of sale	36	<p>(i) The net proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists, as is presently payable.</p> <p>(ii) The residue, if any subject to a like lien for sums presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of the sale, or to his executors, administrators, committee, curator or other representative.</p>
Directors may issue new certificates	37	Where any shares under the power in that behalf herein contained are sold by the Directors, and the certificate thereof has not been delivered to the Company by the former holders of the said shares, distinguishing it in such manner as they think fit from the certificate not so delivered up, they may issue fresh certificates.
Surrender of shares	38	Subject to the provisions of the Act, the Board may accept from any member the surrender on such terms and conditions as shall be agreed, of all or any of his shares.
SHARE WARRANT		
Power to issue share warrants	39	With the previous approval of the Central Government, the Company may issue share warrants subject to and in accordance with the provisions of Section 114 and 115 of the Act, and accordingly, the Board may at its discretion, with respect to any share which is fully paid-up on application in writing signed by the person registered as holder of the share and authenticated by such evidence (if any), as the Board may, from time to time, required as to the identity of the person signing the application and on receiving the certificate (if any) of the share, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time required, issue a share warrant.

Rights of depositors of share warrants	40	<p>(i) 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 other privileges of a member at any meeting, held after the expiry of two calendar days from the date of deposit, as if his name were inserted in the register of members as the holder of the share included in the deposited warrant.</p> <p>(ii) Not more than one person shall be recognised as depositor of the share warrant.</p> <p>(iii) The Company shall, on two day's written notice, return the deposited share warrant to the depositor.</p>
Rights of bearer of share warrant	41	<p>(i) Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling a Meeting of the Company or attend, or vote to exercise any other privilege of member at a meeting of the Company, or be entitled to receive any notices from the Company.</p> <p>(ii) The bearer of a share warrant shall be entitled in other respects to the same privileges and advantages as if he were named in the register of members as the holder of a share included in the warrant, and he shall be a member of the Company.</p>
Renewal of share warrant	42	<p>The board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.</p>
TRANSFER AND TRANSMISSION OF SHARES		
Transfer of shares	43	<p>The transfer of shares and debentures shall be effected by an instrument in writing duly stamped, and all the provisions of Section 108 of the Companies Act, and of any modifications thereof for the time being shall be duly complied with in respect of all the transfers of shares and the registrations thereof, and shall be executed both by the transferor and the transferee, whose executions shall be attested by atleast one witness, who shall add his address, and the transferor shall be deemed to remain the holder of such shares until the name of the transferee shall have been entered in the register in respect thereof.</p> <p>No fees shall be charged for registration of transfer, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.</p>

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		Subject to the Stock Exchange Regulations as may be altered from time to time, transfer of shares shall take place in marketable lots.
Instrument of transfer to be deposited	44	<p>Every instrument of transfer shall be deposited with the Company, and no transfer shall be registered until such instrument shall be deposited together with the certificate of the shares or debentures to be transferred, and together with any other evidence the Directors may require to prove the title of the transferor, or his right to transfer the shares or debentures. The instrument of transfer, shall, after registration be kept by the Company, but all instruments of transfer, which the Directors may decline to register, shall be returned to the person depositing the same. One instrument of transfer should be in respect of only one class of shares.</p> <p>The Directors may waive the production of the instrument of transfer of any certificate upon evidence satisfactory to them of its loss or destruction, and on such terms as to indemnify as the Board of Directors may think fit.</p>
Power of board to refuse registration to transfer	45	<p>The Board may, without assigning any reasons but subject to the right of appeal conferred by Section 111 and Section 22(A) of Securities Contract and (Regulations) Act decline to register any transfer of shares or debentures upon which the Company has a lien, and in the case of shares which are not fully paid up, may refuse to register a transfer to a transferee of whom the Board does not approve.</p> <p>Provided registration of the transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons, indebted to the Company on any account whatsoever except a lien on shares.</p>
Notice of refusal	46	If registration of the transfer of a share or debenture of the Company is refused, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal.
Closing of share transfer books and register	47	The Directors may, on giving atleast seven days previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated, close the register of members for any time not exceeding thirty days at a time, but not exceeding in the whole forty-five days in each year.
Transmission of registered shares	48	The executors or administrators or the holders of a succession certificate in respect of shares of a deceased

		<p>member (not being one or several joint holders) shall be the only person, whom the Company shall recognise as having any title to the shares registered in the name of such member, and in case of the death of any one or more of the joint holders of any registered shares, the survivors shall be the only persons recognised by the Company as having any title to or interest in such shares, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares held by him jointly with any other person. Before recognising any executor or administrator or legal heir, the Directors may require him to obtain a grant of probate or letters of administration or succession certificate or other legal representation, as the case may be from some competent court provided nevertheless that in any case where the Directors in their absolute discretion think fit, it shall be lawful for the Directors to dispense with the production of probate or letters of administration upon such terms as to indemnity or otherwise as the Directors may consider desirable.</p> <p>Provided further that no fee shall be charged for registration of each of the following documents namely, Trustee in Insolvency, Order of Court, Probate, Proof of Death and Marriage, Power of Attorney, Letters of Administration, Lunacy Order, Affidavit, Statutory declaration or any other documents which in the opinion of the Directors requires registration.</p> <p>Provided, also that, if the member was a member of a Joint Hindu Mitakshara Family, the Directors on being satisfied that the shares standing in his name in fact belonged to the joint family, may recognise the survivors thereof as having title to the shares registered in the name of such member but this provision shall in no way be deemed to modify or nullify the provisions contained in Articles 10 and 11 hereof.</p>
As to transfer of shares of deceased or bankrupt member	49	<p>Any committee or guardian of a lunatic or infant member, or any person becoming entitled to or to transfer shares or debentures in consequence of the death, bankruptcy or insolvency of any member, or otherwise than by transfer may, with consent of the Directors (which they shall not be under any obligation to give), be registered as a member upon such evidence of his title being produced, as may, from time to time, be required by the Directors, or such person, instead of being registered himself, may subject to the regulations as to transfer herein before contained, transfer such shares. The Board shall, in either case, have the same right to decline or</p>

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		suspend registrations as it would have had, if the deceased or insolvent member had transferred the share before his death or insolvency.
As to notice of election on transmission	50	<p>(i) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the shares.</p> <p>(ii) If the person so becoming entitled shall elect to be registered as holder of the share himself he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.</p> <p>(iii) All the limitations relating to the right to transfer restrictions and provisions of these regulations and the registration of the transfers of shares shall be applicable to any such notice of transfer as aforesaid, as if the death or insolvency of the member had not occurred, and the notice or transfer were a transfer signed by that member.</p>
Transmission clause	51	<p>A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share.</p> <p>Provided 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, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonus or other money payable in respect of the share, until the requirements of the notice have been complied with.</p>
ALTERATION OF CAPITAL		
Increase of capital	52	The Company in General Meeting may, from time to time increase the capital by creating and/or issuing new shares. The new capital may be divided into preference shares or Equity Shares and may be issued upon such terms and conditions, and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation and/or issuing thereof shall direct, and if no direction be given, as the Board of Directors shall determine, and in particular such shares may be issued with preferential or qualified rights to dividends and in the distribution of assets of the Company.
Same as original capital	53	Any Capital raised by the creation and/or issue of new shares shall be considered as part of the original capital in all respects so far as may be, subject to the foregoing provisions, with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien and surrender, unless it may be otherwise resolved by the General Meeting sanctioning the increase.

Reduction of capital	54	Any Company may, subject to confirmation by the Court from time to time, by special resolution, reduce its capital in any way, and in particular and without prejudice to the generality of the foregoing powers by exercising the powers mentioned in Section 100 of the Companies Act, 1956.
		<p>The Company may by Special Resolution, reduce in any manner and with and subject to, any incident authorised and consent required by law :</p> <p>(a) its Share Capital</p> <p>(b) any Capital Redemption Reserve Fund, or</p> <p>(c) any Share Premium Account.</p>
Consolidation of shares	55	The Company may consolidate all or any of its share capital into shares of large amount than its existing shares.
Conversion of shares	56	The Company may convert all or any of its fully paid up shares into stock, and re-convert that stock into fully paid up shares of any denominations.
Transfer of stock	57	The holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulation under which the shares from which the stock arose.
Right of stock holders	58	<p>The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividend, voting at meeting 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 on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have inferred that privilege or advantage.</p> <p>Such of the regulations of the Company (other than those relating to share warrants) as are applicable to paid up shares shall apply to stock and the words "Shares" and "Shareholders", in these regulations shall include "Stock" and "Stockholder" respectively.</p>
Sub-division of shares	59	The Company may sub-divide its shares or any of them into shares of smaller amount than is fixed by Memorandum so however, that in the sub-division, the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

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Cancellation of shares	60	The Company may cancel shares which at the date of the passing of the resolution in that behalf, have not been or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.
Sub-division into preferred and equity	61	The resolution whereby any share is sub-divided may determine that as between the holders of the resulting shares from such division, one or more of such class of shares shall have same preference or special advantage as regards dividend, capital or otherwise over or as compared with the other or others.
Modification of rights	62	Whenever the capital by reason of the issue of preference shares or otherwise is divided into different classes of shares, all or any of the rights and privileges attached to each class in the capital for the time being of the Company may be modified, commuted, effected, abrogated or dealt with by agreement between the Company and any person purporting to contract on behalf of that class, provided that such agreement is ratified in writing by the holders of at least 75% in nominal value of the issued shares of the class, or is confirmed by a special resolution passed at a separate General Meeting of the holder of shares of that class. The powers conferred upon the Company by this Article are subject to Sections 106 and 107 of the Act.
BORROWING POWERS		
Power to borrow	63	(a) Subject to the provisions of the Act, and without prejudice to the power conferred by any other article or articles, the Directors may, from time to time, at their discretion, borrow or secure the payment of any sum or sums of money for the purpose of the Company either from any Director or elsewhere on security or otherwise and may secure the repayment or payment of any sum or sums in such manner, and upon such terms and conditions in all respects as they think fit, and in particular by the creation of any mortgage or charge on the undertaking or the whole or any part of the property present or future, or the uncalled Capital of the Company, or by the issue of debenture stock of the Company perpetual or redeemable, charged upon the undertaking or all or any part of the property of the Company, both present and future including its uncalled capital for the time being and the Directors or any of them may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon, and shall be entitled to receive such payment as consideration for the giving of any such guarantee as may be determined by the

		<p>Directors with power to them to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or charge on the undertaking of the Company or upon any of its property or assets or otherwise.</p> <p>(b) The Directors may at any time by a resolution passed at a Board Meeting delegate to any category of managerial, personnel or any Committee of Directors or any other principal officer of the branch office of the Company, the powers specified in sub-clause (a) above provided the resolution delegating powers to such managerial personnel or committee to borrow moneys shall specify the total amount upto which the moneys may be borrowed by him or them.</p> <p>Provided that the right to conversion of loan or debentures in shares shall not be given with out the sanction of the Company in General Meeting.</p> <p>The Directors shall cause a proper register to be kept in accordance with the provisions of the Act or changes specifically affecting the property of the Company and shall duly comply with the requirements of the Act with regard to the registration of mortgages and charges. The register of charges kept in pursuance of the Act shall be open during business hours, subject to reasonable restrictions as the Company in General Meeting may impose so that not less than two hours in each day are allowed for such inspection to any creditor or member of the Company without fee and to any other person on payment of Re 1/- for each inspection at the Registered Office of the Company.</p> <p>Subject to the provisions of the Act and Companies (Acceptance of Deposit) Rules, 1975 the Directors may receive deposits on such terms and bearing interest at such rate as the Directors may decide from time to time. The deposits may be received from any person or person including the Directors and the Shareholders of the Company.</p>
Restriction on borrowing powers	64	<p>The Directors may, subject to the provisions of Section 293 of the Act borrow any sum of money and where the moneys to be borrowed together with the money(s) already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceeds the aggregate of the paid up capital of the Company and its reserves that is to say, reserves not set apart for any specific purpose, the sanction of the General Meeting should be obtained and every resolution passed by the Company</p>

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		in relation to the exercise of the power referred to in the Article shall specify the total amount upto which moneys may be borrowed by the Board of Directors.
Director's loans and guarantees	65	The Directors shall be entitled to receive interest on loans made by them to the Company as may be agreed between the Company and the Directors. The Directors, including the Managing Director may guarantee any loan made to the Company and shall be entitled to receive such payment on account of his having given any such guarantee as may be determined by the Board, and such payment shall not be remuneration in respect of his services as Director.
Mortgage of uncalled capital	66	If any uncalled capital of the Company be included in or charged by any mortgage or security is executed, or any other person in trust for him to make calls on the members in respect of such uncalled capital, and the provisions herein before contained in regard to calls shall mutates mutandis apply to calls made under such authority and such authority may be made exercisable either conditionally or unconditionally made either to the exclusion of the Directors power or otherwise and shall be assignable if expressed so to be.
GENERAL MEETINGS		
Annual General Meeting	67	(a) The Board of Directors shall hold Annual General Meeting of the Company in accordance with the Provisions of Section 166 of the Companies Act. (b) The Board of Directors may, suo moto, call any other General Meeting, besides the Annual General Meeting.
Distinction between annual and other general meetings	68	The Meetings referred to in Article 67(a) shall be called as Annual General Meetings and all other meetings of shareholders shall be called as Extra Ordinary General Meetings.
Extra-ordinary general meeting	69	The Board of Directors of the Company, shall on the requisition of such number of members of the Company as is specified in sub-section (4) of Section 169 of the Act, forthwith proceed duly to call an Extra-Ordinary General Meeting of the Company and the provisions of Section 169 of the Act, shall apply thereto. Provided if at any time there are not within India Directors capable of acting who are sufficient in number to form a quorum, any Director or any two members of the Company may call an Extra-Ordinary General Meeting in the same manner, as nearly as possible, as that in which the Board may call a meeting.
Notice	70	a) Every notice of meeting of the Company shall:

		<p>i) Specify the place, date and time of the meeting; and</p> <p>ii) Contain a statement of the business to be transacted there at.</p> <p>b) The form of proxy shall be a 'two -way-proxy' as given in IX schedule of the Companies Act, 1956, enabling the Shareholders to vote for/against any resolution.</p> <p>c) The Company shall, in the case of a resolution to be moved as a special resolution, duly specify in the notice calling the General Meeting or other intimation given to the members, of the intention to propose the resolution as a special resolution.</p> <p>d) The Company shall on compliance with Section 190,225,262 and 284 of the Act, give to its members notice of resolution requiring special notice at the same time and in the same manner as it gives notice of the meeting or if that is not practicable, shall give them notice thereof either by advertisement in a newspaper having circulation in the State in which the registered office is situate, not less than 21 days before the meeting.</p> <p>e) Subject to the provisions of Section 225 and 284 of the Act, the receipt of representation, if any, made under Section 225 of the Act by a retiring Auditor or under Section 284 by a Director sought to be removed from office as a Director, must be stated in the notice of meeting given to the members of the Company, if the representations are received in time.</p> <p>f) Document to be annexed to the Notice</p> <p>i) Where any items of business to be transacted at the meeting are deemed to be special in accordance with the provisions of the Act, a statement setting out all material facts concerning each such item of business, including in particular the nature and extent of the interest if any therein of every Director, shall be annexed to the notice of the meeting.</p> <p>ii) Where any item of business consists of the according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement mentioned above.</p> <p>iii) A copy of every balance sheet including the profit and loss account, the auditors report and every other document required by law to be annexed or attached, as the case may be, to the balance sheet which is to be laid before the Company in General Meeting, shall not less than twenty one days before the date of the</p>
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		<p>meeting, be sent to every member of the Company in accordance with the provisions of Section 219 (1) of the act.</p> <p>iv) A copy of the representations if any, made under Section 225 of the Act by a retiring auditor or under Section 284 of the Act by a Director sought to be removed from office, shall be sent to the members of the Company as provided for in Section 225 and 284 of the Act.</p> <p>g) Subject to the provisions of Section 188 of the Act, member's resolution shall be circulated to the members of the Company entitled to receive notice of the Annual General Meeting.</p> <p>h) The Company shall, duly keep and maintain at the Registers at the Registered Office in accordance with the provisions of the Act.</p> <p>i) Where under any provisions of the Act, any person where a member of the Company or not entitled to inspect any register, return, certificates, deed, instrument or document required to be kept or maintained by the Company, the person so entitled to inspection shall be permitted to inspect the same during the hours of 11 a.m. to 1 p.m. on such business days as the Act requires them to be open for inspection.</p> <p>j) The Company may, after giving not less than Thirty days previous notice by advertisement in some newspapers, circulating in the districts of the office, close the register of members, or the register of debenture-holders, as the case may be, of any period or periods not exceeding thirty days at any time.</p>
Chairman of general meeting	71	<p>The Chairman of the Board of Directors shall be entitled to take the chair at every General Meeting and if there be no such Chairman or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting or is unwilling to act, the members present shall choose 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 choose one of their members, being a member entitled to vote, to be the Chairman.</p>
When if quorum not present, meeting to be dissolved and when to be adjourned	72	<p>(a) Five members personally present shall be the quorum for a General Meeting. No business shall be transacted at any General Meeting unless the quorum requisite shall be present at the commencement of the meeting.</p> <p>(b) Within half an hour from the time appointed for the meeting a quorum be not present, the meeting, if</p>

		<p>convened upon such requisition as aforesaid, shall be dissolved; but in any other case, it shall stand adjourned to the same day in the next week, at the same time and place or to such other day and such time and place, as the Board may by notice appoint and if at such adjourned meeting a quorum be not present those members who are present shall be a quorum and may transact the business for which the meeting was called.</p>
Business to be transacted at adjourned meeting	73	<p>The Chairman with consent of the Meeting, may adjourn any General Meeting from time to time and place to place, but no business shall be transacted at any adjourned General Meeting other than the business left unfinished at the General Meeting from which the adjournment took place and which might have been transacted at that meeting. It shall not be necessary to give any notice of adjournment of the business to be transacted at an adjourned meeting.</p> <p>Provided When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of any adjournment or of the business to be transacted at adjourned meeting.</p>
How question to be decided at meeting	74	<p>Except where otherwise provided by the companies Act, 1956 or by these presents every question to be decided by any General Meeting shall in, the first instance, be decided by a show of hands. In case of an equality of votes, the Chairman shall both on a show of hands and at poll have a casting vote, in addition to the vote or votes to which he may be entitled as a member.</p>
When poll may be demanded	75	<p>Poll may be demanded and taken in accordance with and subject to the provisions of Sections 179, 184 and 185 of the Companies Act, 1956.</p>
What is to be evidence of the passing of a resolution where poll not demanded	76	<p>Unless a poll is demanded in accordance with Section 179 of the Companies Act, 1956, before or on the declaration of the result by the show of hands, a declaration of the Chairman that a resolution has been carried unanimously or carried by a particular majority shall be sufficient evidence of the facts so declared, without proof of the number or proportion of the votes given for or against the resolution.</p>
Poll	77	<p>If a poll is demanded as aforesaid, it shall be taken subject to Sections 180 to 185 of the Companies Act, 1956 in such manner and such time and place as the Chairman of the meeting directs, and either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the resolution of</p>

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		<p>the meeting at which the poll was demanded. The demand for a poll may be withdrawn.</p> <p>The Company shall cause minutes of all proceedings of every General Meeting and of its Board of Directors or of every Committee of the Board to be kept by making within thirty days of conclusion of every such meeting concerned entries thereof in books kept for that purpose with their pages consecutively numbered. Each page of every such book shall be initialled or signed and the last page of the record of proceedings of each meeting in such books shall be dated and signed :</p> <p>(a) In the case of minutes of proceedings of a meeting of the Board or a Committee thereof, by the Chairman of the said meeting or the Chairman of the next succeeding meeting.</p> <p>(b) In the case of minutes of proceedings of a General Meeting by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period, by a Director duly authorised by the Board for the purpose.</p> <p>In no case, the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.</p>
Vote of members	78	<p>On a show of hands, every member present in person, or by proxy, or attorney and being a holder of Equity (Ordinary) shares, and entitled to vote shall have one vote. On a poll the voting rights of members shall be as laid down in the Act. Preference share holders shall have right to vote in accordance with provisions of Section 87 of the Act.</p>
Joint holders	79	<p>If two or more persons are jointly registered as holders of any one share, any one of such persons may vote at any meeting, either personally, or by proxy, or attorney as if he were solely entitled thereto, and if more than one of such joint holders be present at any meeting personally or by proxy or attorney, one of such persons so present whose name stands first in the register in respect of such share, shall alone be entitled to vote in respect of the same. Several executors or administrators of a deceased member in whose names any share stands shall, for the purpose of this clause be deemed joint holders.</p>
Right of vote under transmission clause	80	<p>Any guardian or other person entitled under the transmission clause (Article 54 hereof) to transfer any shares, may vote at any General Meeting in respect thereof, as if he was the registered holder of such shares</p>

		provided that at least 24 hours before the holding of the meeting he shall satisfy the Directors of his right to act in that capacity, unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.
No member entitled to vote while call due to Company	81	No Member shall be entitled to be present, or to vote at any General Meeting, either personally, or by proxy, or attorney whilst any call or other sum is due and presently payable to the Company, or in regard to which the Company has and has exercised any right of lien.
Right of vote to a member of unsound mind	82	A member of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy may vote, whether on a show of hands or on a poll, by his nominee or other legal guardian, and any such nominee or guardian may, on a poll, vote by proxy.
As to objection to a voter	83	(i) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. (ii) Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.
Proxy	84	Subject to Section 176 of Companies Act, 1956, Votes may be given either personally or by proxy or by agent acting under a duly executed power of attorney.
Time for deposit of instrument of proxy	85	The instrument appointing a proxy, and every power of attorney or other authority, (if any) under which it is signed or notorially certified copy of that power or authority, shall be deposited at the registered office of the Company, not less than 48 hours before the time of holding the meeting, at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
Form of proxy	86	An instrument appointing a proxy shall be in the forms in Schedule IX to the Act or form as near thereto as circumstances admit.
Proxy need not be a member	87	Any member of the Company entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person (whether a member or not) as his proxy to attend and to vote instead of himself, but a proxy so appointed shall not have any right to speak at the meeting.
As to validity of vote given by proxy	88	A vote given in accordance with the terms of an instrument of proxy or a power of attorney shall be valid

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		notwithstanding the previous death of the principal, or revocation of the proxy or power of attorney or transfer of share in respect of which the vote is given, unless an intimation in writing of the death, revocation, or transfer, shall have been received at the office of the Company before the meeting.
MANAGEMENT		
Directors	89	The business of the Company shall be managed by the Directors who may exercise all such powers of the Company as are not, by the Companies Act, 1956 or any statutory modification thereof for the time being in force, or by these articles, required to be exercised by the Company in General Meeting, subject nevertheless to such regulations, not inconsistent with the aforesaid provisions, as may be prescribed by the Company in General Meeting, but no such regulations shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.
Number of directors	90	Unless otherwise determined by the Company in General Meeting the number of Directors shall not be less than 3 or not more than 12, including technical, nominated, and special Directors if any.
First directors	91	The first Directors are : 1. Mr M P Purushothaman 2. Mrs. A K Aruna 3. Mr. M Ravindran
Appointment of directors	92	The Directors shall have power from time to time and at any time, to appoint any persons to be Directors, but so that the total number of Directors shall not at any time exceed the maximum number fixed as above. But any Director so appointed shall hold the office only until the next following Annual General Meeting of the Company and shall then be eligible for re-election.
Qualification shares	93	A Director shall not be required to hold any qualification shares.
Directors fee and other remuneration	94	Unless otherwise determined by the Company in a General Meeting each director other than a managing director or a whole time director shall be entitled to receive out of the funds of the Company for his services in attending the meetings of the Board or a committee of the Board, a fee not exceeding the limits specified under section 310 and 640B read with rule 10B of Companies General Rules and Forms as altered from time to time. All other remuneration, if any, payable by the Company to each Director, whether in respect of his service as a managing director or a director in the

		<p>whole or part time employment shall be determined in accordance with and subject to the provisions of these Articles and the act. The directors shall be entitled to be paid their reasonable traveling, hotel and other expenses incurred in connection with their attending the Board and committee Meeting or otherwise incurred in the execution of their duties as Directors.</p>
Directors commission	95	<p>The Directors may subject to the provision of Section 198 and 309 of the Companies Act, 1956, also receive remuneration or commission, or participation of profits or partly in one way or partly in another, and such remuneration shall be divided among the Directors, equally or in such other proportion as they may determine from time to time.</p>
As to extra service performed by directors	96	<p>If any Director, being willing, shall be called upon to perform extra services or to make any special exertions in going or, residing away from the place of the registered office of the Company for any of the purpose of the Company, or giving attendance to the business of the Company, the Company may pay to the Directors so doing either by a fixed sum, or by a percentage on profits or otherwise, as may be determined by the Directors, subject to the provisions of Section 198 of the Companies Act, 1956.</p>
Special Directors	97	<p>In the event of the Company entering into an agreement or agreements for the purchase of machinery and/or promoting technical collaboration and or assistance for the purchase of machinery, installation etc., or for any lease or concession or other contract or agreement for assistance in any form like power supply, water supply, grant of loans, underwriting and/or subscribing for shares of the Company, with any State Government, Central Government or any industrial financing and development corporation or financing institution and if the terms of the agreement or contract or arrangement provide for the appointment of person or persons as Director or Directors such person or persons including any State Government, Central Government, or any industrial finance and development corporation or financing institution with whom the said agreements are entered into shall be entitled to appoint such number of Directors hereinafter referred to as special/ corporation Directors as may be agreed upon from time to time, and from time to time remove such Director or Directors so appointed and to appoint others in his or their place and to fill in vacancy caused by death or resignation of such Directors or otherwise ceasing to hold office and that such special Directors shall not be required to hold any</p>

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		qualification shares and shall not be liable to retire by rotation or be removed by the Company in General Meeting.
Alternate Director	98	<p>(1) The Board of Directors may appoint an Alternate Director to act for a Director (hereinafter called the Original Director) during his absence or for a period of not less than three months from the State in which the meetings of the Board are ordinarily held.</p> <p>(2) An alternate Director appointed under sub-clause(1) above shall vacate office if and when the Original Director returns to the State in which the meetings are ordinarily held.</p> <p>(3) If the term of office of the original Director is determined before he so returns to the State aforesaid any provision for the automatic re-appointment, shall apply to the Original and not to the Alternate Director.</p>
Additional Director	99	The Board of Directors shall have the power, at any time and from time to time, to appoint any person as additional Director in addition to the existing Directors but so that the total number of Directors shall not exceed the limits fixed by these Articles. Any Director, so appointed shall hold office only till the next Annual General Meeting but shall be eligible there for election as Director.
Removal of Directors	100	<p>(a) The Company, may by ordinary resolution, remove any ordinary Director other than a Director appointed by the Central Government in pursuance of the Section 408 before the expiry of his period of office and fill up the vacancy thus created in the manner and subject to the provision of Section 284 of the Companies Act, 1956.</p> <p>(b) The office of a Director shall be vacated:</p> <ol style="list-style-type: none"> On the happening of any of the conditions provided for in section 283 of the Act or any statutory modification thereof. On the contravention of the provision of Section 314 of the Act or any statutory modification thereon. If a person is a Director of more than twenty Companies at a time If he is disqualified under section 274 of the Act or any statutory modification thereof. In case of alternate Directors, on return of the original Director, to the State, under the provisions of Section 313 of the Act or any statutory modification thereof. On resignation of his office by notice in writing

Casual vacancy may be filled by Directors	101	Any casual vacancy occurring among the Directors may be filled up by the Directors but any person so chosen shall retain his office so long only as the vacating Director would have retained the same, if no vacancy had occurred provided that the director may not fill a casual vacancy by appointing any person who has been removed from the office of Director of the Company under the preceding Article.
Failure to fill casual vacancy	102	The continuing Director may act, notwithstanding any vacancy in their body, but so that if the number falls below the minimum fixed, the Director shall not, except for the purpose of filling vacancies, act so long as the number is below the minimum.
Rotation and retirement of Directors	103	At the Annual General Meeting of the Company to be held in every year, one-third of such of the Directors as are liable to retire by rotation for the time being or, if their number is not three or a multiple of three, then the number nearest to one third shall retire from office, and they will be eligible for reallocation provided nevertheless that the Managing Director or a Director appointed under Article 117 or the Directors appointed as special Director or ex-officio Director or an Additional Director under Articles 102 and 104 hereof shall not retire by rotation under this Article nor shall they be included in calculating the total number of Directors of whom one-third shall retire from office under this Article.
Directors may contract with Company	104	Subject to the provision of Sections 297,299,300,302 and 314 of the Act, the Directors shall not be disqualified by reason of his or their office as such from contracting with the Company either as vendor, purchaser, lender, agent, broker, lessor or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with such Director or with any Company or partnership in which he shall be a member or otherwise interested be avoided nor shall any Director so contracting or being such member or so interested be liable to account to the Company for any profit realised by such contract or arrangement by reason only of such Director holding that office or of fiduciary relation thereby established but the nature of the interest must be disclosed by him or them at the meeting of Directors at which the contract or arrangement is determined if the interest than exists or in any other case at the first meeting of the Directors after the acquisition of the interest.
When Director of this Company appointed Directors of a subsidiary Company	105	A Director of this Company may be or become a Director of any Company promoted by this Company or in which it may be interested as a vendor, share holder, or

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		otherwise, and no such Director shall be accountable for any benefits received as Director or member of such Company.
MEETINGS OF DIRECTORS		
Quorum casting vote general	106	The Directors shall meet together at least once in every three months and at least four such meetings shall be held in every year. Two Directors or one third of the total strength of Directors, whichever is higher as provided in Section 287 of the Companies Act, 1956 shall be a quorum. Where at any time, the number of interested Directors exceeds or is equal to two thirds of the total strength, the number of remaining Directors not so interested present at the meeting, being not less than two, shall be the quorum during such time. Any Director or Managing Director may at any time and the Managing Director shall upon the request of any Director at any time convene a meeting of Directors. Questions arising at any meeting shall be decided by a Majority of Votes. In case of an equality of votes, the Chairman shall have a second or casting vote.
Chairman of board	107	(a) The Board of Directors may elect a Director as Chairman of the Board. (b) If no such Chairman is present within 15 minutes after the time appointed for holding the meeting, the Directors present may choose one of them to be Chairman of the meeting.
Delegation of powers by board	108	Subject to the restrictions contained in Section 292 of the Act, the Board may delegate any of their powers to committees of the Board consisting of such member or members of its body, as it thinks fit. Every Committee of the Board so formed shall in 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.
Meetings etc. of committee	109	The meetings and proceedings of any such committee consisting of two or more members shall be governed by the Provisions herein before contained for regulating the meeting and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding clause.
Minutes	110	All minutes shall be signed by the Chairman of the meeting at which the same are recorded or by the person

		who shall preside as Chairman at the next ensuing meeting and all minutes purporting to be so signed shall for all purposes whatever be prima facie evidence of the actual passing of the resolution recorded, and the actual and regular transaction or occurrence of the proceedings to be so recorded, and of the regularity of the meeting at which the same shall appear to have taken place.
Resolution without board meeting	111	Save in those cases where a resolution is required by Sections 262, 292, 297, 316, 372(4) and 386 of the Act, to be passed at a meeting of the Board, a resolution shall be as valid and effectual as if it had been passed at a meeting of the Board or Committee of the Board, as the case may be, duly called and constituted, if a draft thereof in writing is circulated together with the necessary papers, if any, to all the Directors or to all the members of the Committee of the Board as the case may be then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee, as the case may be) and to all other Directors, or members of the Committee at their usual address and has been approved by such of them as are in India or by a majority of such of them, as are entitled to vote on the resolution.
Managing Director	112	The Board may, from time to time and at any time appoint one or more of their body to be a whole time or Managing Director or Directors to manage and conduct the business of the Company subject to their control, direction and superintendence, and subject to the provisions of the Act and the articles. The whole time or Managing Director or Directors will not be liable to retire by rotation.
Custody of the Seal	113	The Directors shall provide a Common Seal for purpose of the Company, and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof. The Directors shall provide for the safe custody of the Seal for the time being and the seal shall never be used, except by the Authority of the Directors or a Committee of the Directors previously given, and one Director at least shall sign every instrument to which the seal is affixed, provided nevertheless, that any instrument bearing the Seal of the Company and issued for valuable considerations shall be binding on the Company notwithstanding any irregularity touching the authority of the Directors to issue the same.
Seal for use in Foreign territory	114	The Company may have for use in any territory, district or place not situated in India, an official seal which shall be a facsimile of its Common seal with the addition of the name of the territory, district or place.

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Foreign register	115	The Company shall keep in any State or Country outside India, a branch register of members or debenture holders resident in that State or Country (hereinafter called as Foreign Register) and shall, within one month from the date of the opening of any foreign register, file with the Registrar notice of the situation of the office where such register is kept and in the event of any change of situation of such office or of its discontinuance as the case may be file notice with the Registrar of such change or discontinuance. As regards the provisions relating to Foreign Register, the Company shall have regard to Section 158 of the Act.
ACCOUNTS, AUDITS AND DIVIDENDS		
(a) ACCOUNTS Books where kept	116	<p>The Books of accounts shall be kept at the Registered Office of the Company, or at such other place in India as the Directors may think fit.</p> <p>The Directors shall, from time to time, determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to inspection of members not being Directors. No member (not being a Director) shall have any right to inspect the same except as conferred by the Companies Act, or authorised by the Board of Directors, or by any resolution of the Company in General Meeting.</p>
(b) AUDIT Auditors	117	Once at least in every year the accounts of the Company shall be examined, and the correctness thereof and of the balance sheet and profit and loss account ascertained by one or more Auditor or Auditors.
Appointment etc. of auditors	118	<p>As regards the appointment and remuneration, qualification and disqualification, removal, powers, rights and duties of Auditors, the Directors and the Auditors shall have regard to Sections 224 to 231 of the Companies Act, 1956.</p> <p>Every account of the Company when audited and approved by General Meeting shall be conclusive, except so far as regards any error discovered therein before or at the audit of the then next account, and whenever such error is discovered within that period of account shall be conclusive.</p>
(c) CAPITALISATION OF PROFITS		(1) The Company in General Meeting may, upon the recommendation of the Board of Directors resolve :

		<p>(a) that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss accounts or otherwise available for distribution, and</p> <p>(b) that such sum be accordingly set for distribution in the manner specified in clause (2) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.</p> <p>(2) The sum aforesaid shall not be paid in cash but shall be applied subject to the provision contained in clause(3) either in or towards :</p> <p>(i) Paying up any amounts for the time being unpaid on any shares held by such member respectively.</p> <p>(ii) Paying up in full, unissued shares or debentures of the Company to be allotted and distributed as fully paid up to and amongst such members in the proportions aforesaid or,</p> <p>(3) A share premium account and a capital redemption reserve fund may, for the purpose of this article only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid up bonus shares.</p> <p>(4) The Board of Directors shall give effect to the resolution passed by the Company in pursuance of this Article.</p>
Application of profits	119	<p>1. Whenever such a resolution as aforesaid shall have been passed, the Board of Directors shall :</p> <p>(a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby and allotments and issue of fully paid-up shares or debentures, if any, and</p> <p>(b) generally do all acts and things required to give effect thereto.</p> <p>2. The Board of Directors shall have full power :</p> <p>(a) to make such provision by the issue of fractional certificate or by payment in cash or otherwise as it thinks fit, in the case of shares or debentures becoming distributable in fractions, and also.</p> <p>(b) to authorise any person to enter on behalf of all the members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid-up of any further</p>

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		<p>shares or debentures to which they may be entitled upon such capitalisation or (as the case may require) for the payment by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised of the amounts or any part of the amounts remaining unpaid on their existing shares.</p> <p>3. Any agreement made under authority shall be effective and binding on all such members.</p>
Reserve and depreciation funds	120	<p>The Directors may from time to time set apart any and such portion of the profits of the Company as they think fit, as reserve fund applicable, at their discretion for the liquidation of any debentures, debts liabilities of the Company, for equalisation of dividends or for any other purposes of the Company with full power to employ the assets constituting the Reserve Fund in the business of the Company and without being bound to keep the same separate from the other assets.</p> <p>The Directors may also carry forward any profits which they may think prudent not to divide, without setting them aside as a reserve.</p> <p>The Directors may from time to time set apart any and such portion of the profits of the Company as they think fit, as a Depreciation Fund applicable at the discretion of the Directors, for rebuilding, restoring, replacing, or altering the building, works, plant, machinery or other property of the Company, destroyed or damaged by fire, flood, storms, tempest, accident, riot, wear and tear, or other means or for repairing, altering, and keeping in good condition the property of the Company, with full power to employ the assets constituting such depreciation fund in the business of the Company, and that without being bound to keep the same separate from the other assets.</p> <p>All moneys carried to the Reserve Fund and Depreciation Fund respectively shall nevertheless remain and be profits, of the Company applicable, subject to due provision being made for actual loss or depreciation, for the payment of dividends, and such moneys and all the other moneys of the Company, not immediately required for the purpose of the Company, may be invested by the board of directors in or upon such investments or securities as they may select or may be used as working capital or may be kept at any bank on deposit or otherwise as they may from time to time think proper.</p>

Dividends	121	The Company in Annual General Meeting may declare a dividend to be paid to the members according to their rights and interests in the profits, and for the purpose of the equalisation of dividends any sums from time to time in accordance with these presents carried to the reserve, depreciation, or other special funds may be applied in payment thereof. The dividends so declared by the General Body shall not exceed the amount, so recommended by the Directors.
Dividend in proportion to amounts paid up on shares	122	Subject to the rights of person, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect thereof the dividend is paid but if and so long as nothing is paid upon any of the shares in the Company dividends may be declared and paid according to the amounts of the shares.
Bonus	123	If and whenever any Bonus on shares is declared out of the profits and whether alone or in addition to any dividend thereon, the bonus shall for all purposes whatsoever be deemed to be a dividend on the shares.
Debts may be deducted	124	When any shareholder is indebted to the Company for calls or otherwise, all dividends payable to him, or a sufficient part thereof may be retained and applied by the Directors in or towards satisfaction of the debt, liabilities or engagements.
Dividends out of profits only	125	No dividends shall be payable except out of the profits of the year or any other undistributed profits, and no larger dividend shall be declared than is recommended by the Directors, but, the Company in General Meeting may declare a smaller dividend. Before declaring any dividend, the Company shall have regard to the provisions of Section 205 of the Act.
Interest out of capital	126	Subject to the provisions of the Section 208 of the Act, the Company may pay interest on so much of the share capital as is for the time being paid up, for the period and subject to the conditions and restriction mentioned in Section 208 and charge the sum so paid by way of interest, to capital as part of the cost of construction of the work or building or the provision of the plant.
Dividend in specie	127	No dividend shall be payable except in cash provided that nothing shall be deemed to prohibit the capitalisation of profits or reserves of the Company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by the members of the Company.

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Joint holders receipt	128	<p>In case two or more persons are registered as the joint holders of any share, any of such persons may give effectual receipts for all dividends and payment's on account of dividends in respect of such share.</p> <p>Any Annual General Meeting declaring dividend, may 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 call. The making of call under this Article shall be deemed ordinary business of an ordinary meeting which declares a dividend.</p>
Right to dividend on transfer of share	129	<p>A transfer of shares shall not pass the rights to any dividend declared thereof before the registration of the transfer.</p>
Mode of Payment	130	<p>Unless otherwise directed in accordance with Section 206 of the Act, any dividend, interest or other moneys payable in cash in respect of a share may be paid by way of transfer to the bank account of the holder/joint holder or by cheque or warrant sent through the post to the registered address of the holder or, in the case of joint-holders, to the registered address of that one of the joint-holders who is the first named in the Register in respect of the joint holding or to such person and such address as the holder or joint-holders, as the case may be, may direct, and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent.</p>
Unclaimed dividend	131	<p>Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend Account of Empee Distilleries Limited" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.</p> <p>Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of Seven years from the date of such transfer, shall be transferred by the Company to the Investor Education & Protection Fund. Claim to any money so transferred to the said fund be preferred the shareholders.</p>

SERVICE OF DOCUMENTS AND NOTICE

How notice and documents to be served on members	132	A document may be served by the Company to members either personally or by sending it by post to him to his registered address or if he has no registered address in India to the address, if any, within India supplied by him to the Company for the giving of notices to him.
Service by post	133	<p>Where a document is sent by post service of notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the documents provided that where a member has intimated to the Company in advance that the documents should be sent to him under certificate of posting or by registered post with or without acknowledgement due and has deposited with the Company a sum sufficient to defray the expenses of doing so, service of the document shall not be deemed to be effected unless it is sent in the manner intimated by the member, and such service shall be deemed to have been effected</p> <p>(a) In the case of a notice of a meeting at the expiration of forty eight hours after the same is posted and</p> <p>(b) In any other case at the time at which the letter would be delivered in the ordinary course of post.</p> <p>Member resident abroad notice of meeting by advertisement in news paper</p>
	134	If a member has no registered address in India and has not supplied to the Company an address within India for the giving of notice to him a document or notice of meeting advertised in a newspaper circulating in the neighbourhood of the Registered Office of the Company shall be deemed to be duly given to him on the day on which the advertisement appears.
Notice to joint holders	135	A document may be served by the Company on the joint holders of a share by serving it on the joint holder named first in the Register in respect of the share.
Notice to person entitled by transmission	136	A document may be given by the Company to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in prepaid letter addressed to them by name, or by the title of representatives of the deceased or assignee of the insolvent or by any like description at the address (if any) in India supplied for the purpose by the person, claiming to be so entitled of until such an address has been so supplied by giving notice in any manner in which the same might have been given if the death or insolvency had not occurred.

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Notice of general meeting	137	Notice of every meeting shall be given to every member of the Company in any manner authorised by Articles 149 to 151 hereof and also to every person entitled to a share in consequence of the death, or insolvency of a member who but for his death or insolvency would be entitled to receive notice of the meeting.
When notice may be given by advertisement	138	Any notice required to be given by the Company to the members or any of them and not expressly provided for by the Act or by these presents shall be sufficiently given if given by advertisement.
Transfers etc. bound by prior notice	139	Every person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall previous to his name and address being entered in the register a notice in writing shall be duly given to the person from whom he derives his title to such share.
Notice valid though member deceased	140	<p>Any notice or document delivered or sent by post or left at the registered address of any member in pursuance of these presents shall notwithstanding such member be then deceased and whether or not the Company have notice of his death be deemed to have been duly served in respect of any registered shares whether held solely or jointly with other persons by such member until some other person be registered in his stead as the holder or joint holder thereof and such service shall for the purpose of these presents, be deemed a sufficient service of such notice or document on his or her heirs, executors, or administrators and all persons, if any, jointly interested with him or her in any such shares.</p> <p>The accidental omission to give notice to or non-receipt of notice by any member or other person to whom it should be given shall not invalidate the proceedings at the meeting</p>
How notice to be signed	141	The signature on any notice to be given by the Company may be written or printed.

SECTION IX

OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of the Red Herring Prospectus, have been delivered to the Registrar of Companies, Chennai, Tamil Nadu, for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company, from 10.00 a.m. to 4.00 p.m. on any working day from the date of the Red Herring Prospectus until the date of closing of the Issue.

Material Contracts

1. Memorandum of Understanding, dated May 21, 2007 signed between the Company and Allianz Securities Limited, the Book Running Lead Manager to the Issue.
2. Memorandum of Understanding, dated June 5, 2006 signed between the Company and Cameo Corporate Services Limited the Registrar to the Issue.
3. Copy of the Tri-partite Agreement dated October 12, 2007 between NSDL, the Company and Cameo Corporate Services Limited to establish direct connectivity with the depository.
4. Copy of the Tri-partite Agreement dated October 10, 2007 between CDSL, the Company and Cameo Corporate Services Limited to establish direct connectivity with the depository.
5. Copy of the Underwriting Agreement dated November 7, 2007 between the Company, Almondz Global Securities Limited (Formerly Allianz Securities Limited) & Cameo Corporate Services Limited.

Documents for Inspection

1. Memorandum and Articles of Association of Empee Distilleries Limited as amended from time to time.
2. Certificate of Incorporation of Empee Distilleries Limited dated September 15, 1983
3. Copy of board resolution passed on February 28, 2006 and Special Resolution passed at AGM dated March 29, 2006 under Section 81 (1A) authorizing the Issue of Equity Shares.
4. Copies of letters addressed to BSE and NSE regarding In-principle approval for Listing.
5. Copies of In-principle approvals from BSE and NSE dated June 29, 2007 and dated August 7, 2007 respectively.
6. Copy of the application made to FIPB for approval of the Issue and a Copy of the letter received from the Ministry of Commerce & Industry advising the Company to access automatic route for NRI investment.
7. Copy of Appraisal Report of Allbank Finance Limited
8. Copies of Auditors Reports issued by Statutory Auditors of the Company viz. N.C. Ananthakumar, Chartered Accountants, dated September 24, 2007 regarding restated financials of the Company.
9. Copies of Auditors Reports issued by Statutory Auditors of Empee Sugars & Chemicals Limited viz. R. Rajagopalan, Chartered Accountants, dated September 24, 2007 regarding restated financials of Empee Sugars & Chemicals Limited.
10. Copies of Auditors Reports issued by Statutory Auditors of Empee Power Company (India) Limited viz. R. Rajagopalan, Chartered Accountants, dated September 24, 2007 regarding restated financials of Empee Power Company (India) Limited.

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11. Copy of Statement of Tax Benefits issued by Statutory Auditors of the Company dated September 24, 2007.
12. Copy of Certificate dated September 24, 2007 regarding the deployment of funds in relation to the proposed projects till September 24, 2007.
13. Copy of Power Purchase Agreement with Tamil Nadu Electricity Board
14. Copy of the new Energy Purchase Agreement signed with Tamil Nadu Electricity Board to establish 10 MW bio- mass power plant
15. Copy of usership agreement with Jagatjit Industries Limited
16. Copy of manufacturing agreement with Radico Khaitan Limited
17. Copy of non-compete agreement with McDowell Alcobev Limited
18. Copy of Asset Purchase agreement with Appollo Alcobev Limited
19. Resolutions approving the present terms of employment and remuneration between our Company and our Whole-time Directors as approved by our Board and our Shareholders.
20. Copy of the sanction letter no. 848/1/1045 dated March 18, 2005 from Andhra Bank in respect of sanction of term loan of Rs. 2204 lakhs.
21. Consent letters from Directors, Book Running Lead Manager to the Issue, Bankers to the Issue, Bankers to the Company, Statutory Auditors, Legal Advisors to the Issue, Registrar to the Issue, Appraising Agency, Company Secretary and Compliance Officer to act in their respective capacities and for inclusion of their names in the Red Herring Prospectus.
22. Copies of Annual Reports of the Company for the last 5 accounting periods i.e. 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06.
23. Copies of Annual Reports of Subsidiary and Promoter Group Companies.
24. Due Diligence Certificate dated May 21, 2007 issued by Book Running Lead Manager to the Issue viz. Allianz Securities Limited.
25. A copy of the SEBI's observation letter no. CFD/DIL/ISSUES/SC/104322/2007 dated September 19, 2007 received from SEBI, Mumbai in respect of the Public Issue of Empee Distilleries Limited.
26. Copy of the the Certificate dated February 28, 2007 from the Auditor, viz. R. Rajagopalan, Chartered Accountant for valuation of Operating Assets of Appollo Alcobev Limited.
27. Copy of the IPO Grading letters received from CARE on July 3, 2007 and October 3, 2007

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. The Company further certifies that all statements in this Prospectus are true and correct.

SIGNED BY ALL THE DIRECTORS OF EMPEE DISTILLERIES LIMITED

Mr. M P Purushothaman
Chairman & Managing Director

Mr. Shaji Purushothaman
Non-Executive Director

Ms. Nisha Purushothaman
Joint Managing Director

Lt. Gen Ranjit Singh Nagra
Non-Executive Independent Director

Mr. T. S. Raghavan
Non-Executive Independent Director

Mr. M.K. Mohan
Non-Executive Independent Director

Mr. R. Natarajan
Vice President (Finance & Accounts)

Date : November 10, 2007

Place : Chennai, Tamil Nadu

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