



Suryachakra Power Corporation Limited

(The Company was originally incorporated as Suryachakra Power Corporation Limited on February 28, 1995 with registration no. 01-19554, in Hyderabad, Andhra Pradesh under the Companies Act, 1956 and obtained certificate of commencement of business on March 16, 1995. The Company was converted into a private limited company with effect from August 9, 2000. Pursuant to this, the name of the Company was changed to Suryachakra Power Corporation Private Limited. The Company was re-converted into a public limited company with effect from September 8, 2005 in terms of Section 31(1)/44 of the Companies Act, 1956. Pursuant to this, the name of the Company was changed to Suryachakra Power Corporation Limited. With effect from December 20, 1997 the registered office of the Company was shifted from 3-6-203/B, III floor, Behind Minerva Coffee Shop Himayathnagar, Hyderabad-500 029 to 3-6-725, 1st Floor, Street No.11, Himayathnagar, Hyderabad – 500 029 and with effect from July 01, 2005, the registered office of the Company was shifted to the present address.)

Registered Office: 8 – 2 – 293/82, Plot No: 1115, Road No. 54, Jubilee Hills, Hyderabad – 500 033.

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PUBLIC ISSUE OF 3,40,00,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PRICE OF RS. [•] PER SHARE AGGREGATING RS. [•] LAKHS OUT OF WHICH 4,00,000 EQUITY SHARES OF RS.10 EACH AT A PRICE OF RS. [•] AGGREGATING RS. [•] LAKHS ARE RESERVED FOR ELIGIBLE EMPLOYEES AND THE NET ISSUE TO THE PUBLIC WOULD CONSTITUTE 3,36,00,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PRICE OF RS [•] PER SHARE AGGREGATING RS. [•] LAKHS. THE ISSUE WOULD CONSTITUTE 44.37% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.THE NET ISSUE TO THE PUBLIC WOULD CONSTITUTE 43.85% OF THE FULLY DILUTED POST ISSUE PAID UP CAPITAL OF THE COMPANY

PRICE BAND: Rs. 17 TO RS. 20 PER EQUITY SHARE OF FACE VALUE OF RS. 10/- EACH

THE FACE VALUE OF THE EQUITY SHARES IS RS. 10/- EACH. THE FLOOR PRICE IS 1.7 TIMES THE FACE VALUE AND THE CAP PRICE IS 2.0 TIMES THE FACE VALUE

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after such revision, subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision of Price Band and the revised Bid/Issue Period, if applicable will be widely disseminated by notification to Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) whose online IPO systems will be available for bidding, by issuing a press release, and also by indicating the change on the website of the Book Running Lead Manager and the terminals of the Syndicate.

The Issue is being made through the 100% Book Building Process wherein at least 50% of the net Issue to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the portion available for allocation to QIBs shall be allocated proportionately to Mutual Funds. 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 to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the net Issue to the 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.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of the Company, there has been no formal market for the securities of the Company. The face value of the Equity Share is Rs. 10/- and the Issue Price is [•] times of the face value. The Issue Price (as determined by the Company in consultation with the Book Running Lead Manager ("BRLM") on the basis of assessment of market demand for the Equity Shares offered 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 or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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

Specific attention of investors is invited to the statement of Risk Factors on page No. (ix) of this Red Herring Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accept responsibility for, and confirm that this Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Red Herring 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 Red Herring 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 Red Herring Prospectus are proposed to be listed on the Bombay Stock Exchange Limited (BSE) (Designated Stock Exchange). The Company has received in-principle approval from BSE vide letter no. : LIST/SMG/SM/2006 dated 2nd November 2006.

IPO GRADING

The Company has voluntarily opted for IPO grading. CRISIL has assigned "IPO Grade 2" to the proposed public Issue of the Company. For more information on IPO grading refer to page no. (8) of this Red Herring Prospectus.

BOOK RUNNING LEAD MANAGER



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BID / ISSUE PROGRAMME

BID/ ISSUE OPENS ON	Monday, 25th June, 2007	BID/ISSUE CLOSES ON	Friday, 29th June, 2007
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I. DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Term	Description
"SPCL" or "the Company" or "Our Company" or "Suryachakra Power Corporation Ltd."	Suryachakra Power Corporation Ltd., a public limited company incorporated under the Companies Act, 1956
"We" or "us" and "our"	Unless the context otherwise requires, refers to Suryachakra Power Corporation Ltd.
Lahari	Lahari Power and Steels Limited, a public limited company incorporated under the Companies Act, 1956
SAAIL	South Asian Agro Industries Limited, a public limited company incorporated under the Companies Act, 1956
MSM	MSM Energy Limited, a public limited company incorporated under the Companies Act, 1956
AAPPL	Aasrit Agro Products Private Limited, a private limited company incorporated under the Companies Act, 1956
ASPL	Aasrit Securities Private Limited, a private limited company incorporated under the Companies Act, 1956
CFL	Cocanada Fisheries Limited, a public limited company incorporated under the Companies Act, 1956
KMAPL	Kalyan Marine and Agro Products Limited, a public limited company incorporated under the Companies Act, 1956
KSL	Kalyan Securities Limited, a public limited company incorporated under the Companies Act, 1956
SPPL	Surya Powergen Private Limited, a private limited company incorporated under the Companies Act, 1956
SPGPL	Suma Powergen Private Limited, a private limited company incorporated under the Companies Act, 1956
AGFPL	Arunodaya Green Fuels Private Limited (earlier known as Ushodaya Marine Products Private Limited, a private limited company incorporated under the Companies Act, 1956

1. Conventional/ General Terms

Term	Description
Act / Companies Act	The Companies Act, 1956 and amendments thereto
Articles/Articles of Association/ AoA	Articles of Association of Suryachakra Power Corporation Limited
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
Auditors	The statutory auditors of the Company, M/s. Visweswara Rao & Associates, Chartered Accountants
BSE	Bombay Stock Exchange Limited
Board/Board of Directors	Board of Directors of SPCL or a Committee thereof
Committee	Committee of the Board of Directors of the Company authorized to take decision on matters related to / incidental to this issue.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time being NSDL and CDSL
Depositories Act	The Depositories Act, 1996, as amended from time to time
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
Equity Shares	Equity Shares of the Company of face value of Rs.10/- each unless

	otherwise specified in the context thereof.
Equity Shareholders	Persons holding Equity Shares of the Company unless otherwise specified in the context thereof.
Face Value	Value of paid up equity capital per Equity Share.
FCNR Account	Foreign Currency Non Resident Account
Financial year / Fiscal / FY	The twelve months ended March 31 of a particular year
FIPB	Foreign Investment Promotion Board, Ministry of Finance and Company Affairs, Government of India.
FVCI	Foreign Venture Capital Investor, registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
Government/GOI	The Government of India
HUF	Hindu Undivided Family
I.T. Act	The Income-Tax Act, 1961, as amended from time to time expected as stated otherwise.
Indian GAAP	Generally Accepted Accounting Principles in India
Memorandum/ Memorandum of Association	The Memorandum of Association of the Company
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of profit & loss account, divided by number of equity shares.
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India
NRE Account	Non Resident External Account
NRI/Non Resident Indian	Non Resident Indian, is a Person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB/Overseas Corporate Body	Means and includes an entity defined in clause (xi) of Regulation 2 of the Foreign Exchange Management (Deposit) Regulations, 2000 and which has its existence on the date of commencement of the withdrawal of general permission to Overseas Body Corporate Regulations, 2003 and immediately prior to such commencement was eligible to undertake transactions pursuant to the general permission granted under the Foreign Exchange Management (Deposit) Regulations, 2000
P/E Ratio	Price/Earning Ratio
Person/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 otherwise requires
PIO/Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934, as amended from time to time
RoC	Registrar of Companies, 2nd Floor, CPWD Bldg., Kendriya Sadan, Sultan Bazar, Koti, Hyderabad, Andhra Pradesh- 500 195
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, as amended, including instructions and clarifications issued by SEBI from time to time

2. Issue Related Terms

Term	Description
Allocation Amount	The amount payable by a bidder on or prior to the pay-in date after deducting any bid amounts that may already have been paid by such bidder.
Allocation/Allotment /Transfer	Unless the context otherwise requires, transfer of Equity Shares from the Company to the successful applicant
Allottee	The successful Bidder to whom the Equity Shares are being issued.
Auditors	The statutory auditors of the Company viz. M/s Visweswara Rao & Associates, Chartered Accountants
Bankers to the Issue	ICICI Bank Limited, HDFC Bank Limited and Standard Chartered Bank
Bid	An indication to make an offer by a prospective investor to subscribe for Equity Shares of the Company at a price within the Price Band, during the Bidding Period and includes all revisions and modifications thereto
Bid Price/ 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 a widely circulated English national newspaper and Hindi national newspaper and a regional newspaper
Bid-cum-Application Form/ Bid Form	The form in terms of which the Bidder shall Bid for the Equity Shares of the Company and shall, upon allocation of the Equity Shares by the BRLM and filing of the Prospectus with the RoC, be considered as the application for allotment of the Equity Shares in terms of this Red Herring Prospectus.
Bid/ Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national news paper and a regional news paper
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus
Bidding period / Issue period	The period between the Bid/issue Opening date and the Bid/ Issue Closing date inclusive of both days and during which prospective Bidders can submit their bids.
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made
BRLM	Book Running Lead Manager, in this case being SREI Capital Markets Limited
CAN/ Confirmation of Allocation Note	Means the note, advice, or intimation of allocation of Equity Shares sent to the Bidders who have been allocated equity shares after discovery of the issue price in accordance with the Book Building Process
Cap Price	The higher end of Price Band, above which the issue price will not be finalized and above which no bids will be accepted
Commissioning	Means the status of the Power Plant when all the units are capable of generating power simultaneously at full capacity subject to the availability of bio-mass for commercial operation

Cut-off Price	Cut-off Price refers to any price within the Price Band. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band
Designated Stock Exchange	Bombay Stock Exchange Limited
Designated Date	The date on which funds are transferred from the escrow account (s) of the Company to the Public Issue Account after the Prospectus is filed with the Registrar of Companies (ROC), following which the Board of Directors shall allot Equity Shares to successful bidders
Directors	Director(s) of the Company unless otherwise specified
Electricity Supply Act	Electricity (Supply) Act, 1948
Eligible Employees	Means a permanent employee or the director of the Company (or its subsidiaries), who is an Indian national based in India and is physically present in India on the date of submission of the Bid-cum-Application Form. In addition, such person should be an employee or director during the period commencing from the date of filing of the Red Herring Prospectus with RoC up to the Bid/Issue closing date. Promoter directors are not eligible to be treated as eligible employees
Employee Reservation Portion	That portion of the Issue being a maximum of 4,00,000 Equity Shares available for allocation to Eligible Employees
Equity Shares	Equity Shares of the Company of face value of Rs. 10/- each unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid and the allocation amount paid thereof
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s) and the BRLM for collection of the Bid Amounts and 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 Banker to the issue with whom the Escrow Account for the issue will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted
Issue or Public Issue or offer	Public Issue by the Company of 3,40,00,000 equity shares of Rs. 10/- each for cash at a price of Rs. [●]/- aggregating to Rs. [●]/- lakhs
Issue Period	The period between the Bid/Issue Opening Date and Bid/ Issue Closing Date and including both these dates
Issue Price	The final price at which the Equity Shares will be issued and allotted in terms of the Red Herring Prospectus, as determined by the Company in consultation with the BRLM on the Pricing Date
Margin amount	The amount paid by the bidder at the time of submission of his/her bid, being 10% to 100% of the Bid Amount
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Net Issue to the Public	The Issue less the allocation to the Eligible Employees, being 3,36,00,000 Equity Shares of the Company
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders
Non-Institutional Portion	The portion of the net issue to public being a minimum of 50,40,000 Equity shares of Rs. 10/- each available for allocation to Non-Institutional Bidders

Pay-In-Date	The last date specified in the CAN sent to Bidders
Pay-in-Period	This term means: (i) with respect to Bidders whose margin Amount is 100% of the bid amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in-Date
Power Plant / Power Project	Power plants produce electrical energy by converting various forms of heat, hydro or nuclear energy into electrical form
Price Band	Being the price band of a minimum price (Floor price) of Rs. 17 and the maximum price (Cap Price) of Rs. 20 and includes revision thereof.
Pricing Date	The date on which the Company, in consultation with the BRLM finalizes the Issue Price
Promoters	Dr. S.M. Manepalli, Mr. M. Seshavatharam, Kalyan Securities Limited and Mannepalli Investments Private Limited
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	In accordance with Section 73 of the Companies Act, an account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Qualified Institutional Buyers/ QIBs	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, FIIs registered with SEBI, multilateral and bilateral development financial institutions, Venture Capital Funds registered with SEBI, FVCIs registered with SEBI, State Industrial Development Corporations, insurance companies registered with the Insurance Regulatory and Development Authority (IRDA), provident funds with a minimum corpus of Rs. 2500 lakhs and Pension Funds with a minimum corpus of Rs. 2500 lakhs
QIB Portion	The portion of the net issue to the public being 1,68,00,000 Equity Shares of Rs.10/- each available for allocation to QIB Bidder(s)
Red Herring Prospectus/RHP	Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered 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 finalization of the issue price
Retail Individual Bidders	Individual Bidders (including HUFs) who have not Bid for an amount in excess of Rs. 1,00,000/- in any of the bidding options in the Issue.
Retail Portion	The portion of the net issue to the public being a minimum of 1,17,60,000 Equity Shares of Rs.10/- each available for allocation to Retail Individual Bidders
Registrar to the Issue	Karvy Computershare Private Limited
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
Reserved Categories	Means reservation for allocation to the Eligible Employees
SCML/SREI	SREI Capital Markets Limited
Stock Exchanges	National Stock Exchange of India Limited and Bombay Stock Exchange Limited
Subsidiaries	Lahari Power & Steels Limited, South Asian Agro Industries Limited and MSM Energy Limited

Syndicate	BRLM and the Syndicate Member
Syndicate Agreement	Agreement between the Syndicate Members and the Company in relation to the collection of bids in this issue
Syndicate Members	SREI Capital Markets Limited and Karvy Stock Broking Limited
Tariff Year	Means each successive period of 12 months starting from the end of the Initial Tariff Year
Underwriters	The BRLM and the Syndicate Member
Underwriting Agreement	An agreement between Syndicate Members and the Company to be entered into on or after the Pricing Date

3. Company/Industry Related Terms & Abbreviations

AGM	Annual General Meeting
A & N administration	Andaman & Nicobar administration
ATA	A unit of measurement of Atmospheric Pressure (it is measured in Kg/sq.cm)
BOOM	Built Own Operate and Maintain
CDSL	Central Depository Services (India) Limited.
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CII	Confederation of Indian Industry
CNE	Committee on Non-Plan Expenditure
COD	Commercial operation date
CPP	Commercial Power Producer
CPVIML	Caterpillar Power Ventures International Mauritius Limited
CREDA	Chhattisgarh State Renewable Energy Development Agency
CSEB	Chhattisgarh State Electricity Board
Cu.Cm	Cubic Centimetre
DSCR	Debt Servicing Coverage Ratio
EA	Electricity Act, 2003
ECS	Electronic Clearing System
ERC	Electricity regulatory commission
EGM	Extra ordinary General Meeting
EPCC Contracts	Engineering Procurement Construction and Commissioning Contract. In general, the owner hires an entity to design, procure materials and equipment and to construct a facility for the owner
EPS	Earnings Per Share
FEMA	Foreign Exchange Management Act, 1999 as amended from time to time, and the regulations framed thereof.
FI	Financial Institution
FII(s)	Foreign Institutional Investors (as defined under FEMA (Transfer or issue of Securities by a person Resident outside of India) Regulations 2000 registered with SEBI.
GCV	Gross Calorific Value
HSD	High Speed Diesel
Hz	Hertz or cycles per second
IDC	Interest During Construction
IFCI	Industrial Finance Corporation of India
IOC	Indian Oil Corporation Limited
IPP	Independent Power Producer
IRR	Internal Rate of Return
Kcal	Kilo Calories
Kv	Kilo Volt
Kwh	Kilo Watt Hour
MEDA	Maharashtra Energy Development Agency

MIDC	Maharashtra Industrial Development Corporation
MoP	Ministry of Power, Government of India
MSEB	Maharashtra State Electricity Board
MT	Metric Ton
MTLR	Minimum Term Lending Rate
MU	Million Units
MW	Mega Watt
PAN	Permanent Account Number
PLF	Plant load factor
PGCIL	Power Grid Corporation of India Limited
PPA	Power Purchase Agreement
RE	Renewable Energy
RONW	Return On Net Worth
SBBJ	State Bank of Bikaner and Jaipur
SBH	State Bank of Hyderabad
SBI	State Bank of India
SEB	State Electricity Board
SEBI	Securities and Exchange Board of India, constituted under the SEBI Act, 1992
SERC	State Electricity Regulatory Commission
TPH	Tons Per Hour
TRS	Transaction Registration Slip
WCM	Working Capital Margin

II. RISK FACTORS

1. CERTAIN CONVENTIONS; USE OF MARKET DATA

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

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from the financial statements of the Company prepared in accordance with Indian GAAP and included in this Red Herring Prospectus. The Company's current fiscal year commenced on April 1, 2007 and will end on March 31, 2008.

For additional definitions used in this Red Herring Prospectus, see the section titled Definitions and Abbreviations on page no.i of this Red Herring Prospectus. In the section titled "Main Provisions of Articles of Association of the company", defined terms have the meaning given to such terms in the Articles of Association of the Company.

Market data used throughout this Red Herring Prospectus was obtained from internal Company reports and industry publications. 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 that the market data used in this Red Herring 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 sources.

All references to "India" contained in this Red Herring Prospectus are to the Republic of India. All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India.

2. FORWARD-LOOKING STATEMENTS

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

Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with the Company's expectations with respect to, but not limited to,

- Regulatory changes relating to power sector in India and the Company's ability to respond to them;
- Availability of raw materials and fuel;
- Financial stability of the electricity distribution company;
- The Company's ability to successfully implement its strategy, growth and expansion, and technological initiatives;
- The Company's exposure to market risks, general economic and political conditions in India which have an impact on its business activities or investments;
- The monetary and interest 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; and
- Changes in domestic laws, regulations and taxes.

For further discussion of factors that could cause the Company's actual results to differ, please refer to the section titled "Risk Factors" beginning on page ix of this Red Herring 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 the BRLM, 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 BRLM 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.

3. RISK FACTORS

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

This Red Herring Prospectus also contains forward-looking statements that involve risks and uncertainties. The actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below:

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

Materiality

The Risk factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality.

1. Some events may not be material individually but may be found material collectively.
2. Some events may have material impact qualitatively instead of quantitatively.
3. Some events may not be material at present but may be having material impacts in future.

Internal risks

1. The company's group companies viz. Cocanada Fisheries Ltd. and Kalyan Marine and Agro Products Ltd were delisted due to non-compliance with Listing Agreement.

Cocanada Fisheries Ltd. And Kalyan Marine and Agro Products Ltd. received a showcause notice from BSE for non-compliance with clause 15/16 – non-intimation of Book Closure, 31 - non-submission of Annual reports, 35 - non-submission of shareholding pattern, 38 – non-payment of listing fees, 40A- non submission of details as required under SEBI (Substantial Acquisition of shares and Takeovers), 41 – Non submission of Quarterly reports, 47 – non compliance with regard to investor complaints and compliance certificate and 49 – non submission of quarterly corporate governance report of the listing agreement with BSE, consequent to which the said companies were compulsorily delisted by BSE with effect from January 14, 2004 and April 20, 2004 respectively. For further details please refer to Section "Legal and other information" on page 213 of the Red Herring Prospectus.

2. Cocanada Fisheries Ltd. and Kalyan Marine and Agro Products Ltd. have received show cause notices from SEBI.

Cocanada Fisheries Ltd. and Kalyan Marine and Agro products Ltd have received showcause notices dated November 29, 2004 from SEBI for violation of Regulations 6 and 8 of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 and were levied a penalty of Rs. 1,50,000 and Rs. 1,75,000 respectively. In response to the showcause notice, the said companies vide their letters dated 21.12.2004

requested SEBI to condone the penalty as the companies had become sick and were unable to meet their expenses. The company has not made any payment against the penalty levied by SEBI.

3. The operations of the power plants may be adversely affected by any breakdown of key equipment, civil structure and/ or transmission system.

The breakdown or failure of generation equipment or other key equipment or of a civil structure can disrupt generation of electricity by the power plants and result in the performance being below the expected capacity utilization. Further, any breakdown or failure of the transmission system can disrupt transmission of electricity by the power plant. These events may result in the Company's inability to generate power as well as loss of revenues and increased cost towards repairs & maintenance.

4. The Company's current operations and the Subsidiaries that plan to set up power plants would have significant fuel requirements and the Company and / or its Subsidiaries may be unable to ensure availability of adequate fuel to meet the power generation requirements.

The most critical input required by power generation plants to generate electricity is fuel. For the Bamboo Flat power plant the Company has high speed diesel supply agreement with IOC.

The Subsidiaries' power plants, which are not yet operational, are being designed to use bio-mass and are yet to formalize any fuel supply agreements with the suppliers for the supply of raw materials.

If a fuel supplier fails or is unable to deliver fuel to the Company and / or if the subsidiaries are unable to tie up for fuel for its operations, or if the fuel supply to one or more of the power plants is otherwise disrupted, the Company and / or its Subsidiaries may not be able to make alternative arrangements in a timely manner, if at all, and any such alternative arrangements may be on terms that are more costly to the Company and / or its Subsidiaries.

Accordingly, any material delay or failure by a fuel supplier to fulfill its obligations under its fuel supply agreement with the Company or any other disruption of its fuel supplies would materially disrupt the normal operations of the affected generation facility and would have a material adverse effect on the Company's business and results of operations. The success of the Company's operations, and the Subsidiaries proposed power plants will be dependent on, among other things, timely and sufficient availability of fuels at competitive prices.

5. The Company currently depends on its Bamboo Flat power plant substantially for all of its income.

The Company's total income from operations and profit after tax from Bamboo Flat power plant for the sale of electrical energy for the year ended March 31, 2007 was Rs.9522.13 lakhs and Rs.171.83 lakhs (profit after extra-ordinary item) respectively. The Subsidiaries power plants are being implemented and the Company is yet to commence power trading activity. Until such time these power plants commence operations and power trading activity is undertaken, the Company's income largely depends on the continued operation of the Bamboo Flat power plant, and any failure of this facility to generate income as expected could have a material adverse effect on the Company's income, business prospects and results of operations.

6. The entire revenue is derived from the supply of power to a single client.

At present, the Company relies on a single customer for all of its income. Under the PPA, the Company is required to sell the entire power available for sale generated by the power plant to Electricity Department of A & N Administration. Any material failure or inability, financial or otherwise, on the part of Electricity Department of A & N Administration to fulfill its obligations under the PPA would have a material adverse effect on the business and operations of the Company.

However, once the Subsidiaries set up the power plants in the states of Chhattisgarh and Maharashtra, the Company will be better equipped to handle the loss of revenue due to the failure of its power plant.

7. Partial breakdown of company's machinery at A & N plant

On March 7, 2006 one of the engines (DG#2), at the Company's power plant at Bambooflat, A&N Islands caught fire, due to which, the DG#2 was completely damaged. On March 8, 2006, the Company addressed a letter to the Oriental Insurance Company informing them of the incident and requesting them to depute a surveyor to assess the damage. The estimated cost of revival of the DG set is 1301.09 lakhs. The Company has incurred a cost of Rs. 620.51 lakhs upto 31st March, 2007 on revival of the damaged DG set, of which, it has received Rs. 433.48 lakhs on account payment against the claimed amount as on 31st March, 2007. If the company is unable to recover the balance claim amount from the insurance company it would adversely affect its financials and profitability. For further details, please refer to "Other Notes" appearing on page no. 131 of the Red Herring Prospectus.

8. The Company cannot assure that the electricity department of A & N Administration will be able or willing to fulfil its obligations to the Company in a timely manner, or at all.

Although the electricity department of A & N Administration has so far not defaulted in its payment obligations to the Company, it may not be in a position to meet its obligations under the PPA if the electricity department of A & N Administration does not receive timely grants from the Central Government or collect its receivables on time. Any material failure or delay on the part of the electricity department of A & N Administration to fulfill its obligations to the Company under the PPA would have a material adverse effect on the Company's income, business prospects and results of operations.

9. RBI has rejected the application seeking exemption from registration under Section 45-IA of the Reserve Bank of India Act, 1934 of M/s Manepalli Investments Pvt. Ltd., one of the promoter of the Company.

One of the promoter of the company, namely M/s. Manneppalli Investments Pvt. Limited's application to the RBI, seeking exemption from registration under Section 45-IA of the Reserve Bank of India Act, 1934, has been rejected by the RBI, on the ground that the Company has sold some of the shares of M/s. Suryachakra Power Corporation Ltd. in 2006 and had incurred a loss of Rs. 100 lakhs. The RBI is of the opinion that the company does not have long-term interests in the equity of the group companies. Further, the RBI also asserts that the company's paid up capital has been completely eroded on account of accumulated losses and investments in group Companies. Based on the above two grounds, the RBI has rejected the application for exemption from registration as a NBFI under Section 45-IA of the RBI Act and has further directed the company to stop pursuing the business of a NBFI and apply for registration.

The Company is yet to make fresh application for registration. Unless, the registration is granted by the RBI, the company is prohibited from pursuing the business of Non-Banking Finance Institutions.

10. RBI has rejected the application seeking exemption from registration under Section 45-IA of the Reserve Bank of India Act, 1934 of M/s. Kalyan Securities Limited, one of the promoter of the Company.

One of the promoter of the company, namely M/s. Kalyan Securities Limited's application to the RBI, seeking exemption from registration under section 45-IA of the Reserve Bank of India Act, 1934 has been rejected by RBI, on the grounds that the Company holds 91.47% of its assets in form of investments in the group companies but upon perusal of the notes on accounts and accounting policies of the company, it appears these investments are held for temporary period, which indicates that the company does not have long-term interest in these investments.

Based on the these grounds, the RBI has rejected the application for exemption under section 45-IA of the Reserve Bank of India Act, 1934 and directed the company to stop pursuing the business of a NBFI and to apply for fresh registration.

The Company is yet to make fresh application for registration. Unless, the registration is granted by the RBI, the company is prohibited from pursuing the business of Non-Banking Finance Institutions.

11. The Promoters are running and operating such large number of projects for the first time

The Promoters have been successful in setting up and running a 20MW diesel based power plant in A & N Islands. However, the Promoters and its subsidiaries have limited experience in operating biomass based power plants and accordingly any inability to effectively manage and operate the power plant could adversely affect the Company's results of operations and financial conditions.

12. Pending Approvals

The subsidiary companies are yet to make certain applications/receive approvals to/from various regulatory authorities relating to set up/ operation of the power plants. Failure on part of the subsidiaries to obtain such approvals would have an adverse effect on the commencement of the business of the subsidiaries and consequently affect their profitabilities. For further details please refer to the section "Legal and Other information - Government Approvals" on page no. 229 of the Red Herring Prospectus.

13. Loss of profit and Property damage

The Company's plant at Andaman & Nicobar Islands was affected by earthquake and Tsunami on December 26, 2004 consequent to which the company has estimated an amount of Rs 542.96 lakhs (net of Rs.43.76 lakhs recovered from Andaman and Nicobar administration as per the PPA agreement towards fixed charges) on account of loss of profit, for which the Company has made a claim with Oriental Insurance Co. Limited. The Surveyor of the insurance company has assessed the loss at Rs.414.87 lakhs resulting in a loss of Rs. 128.09 lakhs to the Company..

Similarly, the Company has claimed an amount of Rs.585.29 lakhs (net of Rs.30.80 lakhs after deduction of 5% of the claim as per the terms and conditions of the Insurance policy) on account of property damage from Oriental Insurance Company Limited, which was approved at Rs.505.11 lakhs as full and final settlement resulting in a loss of Rs.80.18 lakhs.

14. Company's inability to claim damages if A&N unilaterally terminates the PPA

The PPA with the A & N Administration does not contain any indemnity clause in Company's favour. Thus, if the A & N Administration terminates the agreement unilaterally, the Company shall be unable to claim any damages thereunder.

15. The Company may face competition on termination of the PPA

In the recent past a number of IPPs have been set up across the country. In the event that any of the PPAs entered into by the Company or its Subsidiaries are terminated prematurely or otherwise, there can be no assurance that the Company will be able to enter into similar arrangements and the Company will be exposed to competition. Failure of the Company to compete effectively in this scenario could have a material adverse effect on its business and operations.

16. The occurrence of force majeure events not covered by the PPA and the Company's insurance policies, may lead to temporary suspension of operations of the Power Plant and loss of revenue

Under the terms of the PPA, on the occurrence of certain events that may be considered as force majeure events, Electricity Department of A & N administration has agreed to make certain payments to the Company notwithstanding the inability of the Company to operate the Power Plant. Payment as determined by a valuation process provided for under the PPA, would also be required to be made for a termination of the PPA due to the occurrence of a force majeure event.

However, events which are not covered as a force majeure event either in the PPA or as insured risks, may lead to temporary suspension of operations of the Power Plant resulting in loss of revenue to the Company. In addition the Company cannot assure you that the amounts received under the insurance

policies would be sufficient to cover the loss or damage suffered. Further, the payment in the event of termination of PPA may not be adequate to cover the then existing economic value of the Power Plant.

17. The Company may face claims from A & N Administration for any damage or loss incurred by A & N Administration on account of the power plant.

The Company has provided an indemnity in favour of the A & N Administration. Under this indemnity, the Company shall be fully responsible for any damage or loss arising out of the construction, operation or maintenance of the power plant to any property or person and has also undertaken to indemnify the A & N Administration on such account resulting from any negligent act or omission of the Company and/or its contractors. In the event of such loss or damage, the Company may face claims for loss or damage from A & N Administration.

18. The Company may face difficulties enforcing its rights under the PPA since doing so would require it to litigate against government entities.

The payment obligations of the electricity department of the A & N Administration under the PPA are all assured by the A & N Administration. Faced with disputes and counterclaims between transmission companies, electricity boards and generation companies caused by a variety of factors, certain state governments have in the past refused to perform their obligations under such guarantees until such disputes or counterclaims have been fully resolved, which can take months or years. In addition, state governments may face political or public pressure not to fulfill their obligations to the Company, which could in turn result in the Company's inability to fulfill its obligations to others. Accordingly, the Company cannot assure you that, in the event of a default under a PPA, the government entity guaranteeing payment thereunder will fulfill its obligations under the relevant guarantee in a timely manner or at all. Any failure by any government entity to fulfill its obligations to the Company could have a material adverse effect on the Company's cash flows, income, business prospects and results of operations.

19. If the Company's and / or the Subsidiaries' power plants do not meet operating performance requirements and agreed norms as set out in the PPAs, or otherwise do not operate as planned, the Company may incur increased costs and penalties and the Company's revenues may be adversely affected.

The operation of power plants involves many operational risks, including the breakdown or failure of generation equipment or other equipment or processes, labour disputes, fuel interruption and operating performance below expected levels. However, the PPAs require the companies to guarantee certain minimum performance standards, such as plant availability and generation capacity. In addition, the tariffs the Company charges to the electricity department of the A & N Administration are arrived at assuming a certain heat rate and other agreed norms. If the power plants do not meet the required performance standards, the power purchasing companies will not reimburse the companies for any increased costs arising as a result of the power plants' failure to operate within the agreed norms, which in turn may affect the Company's results of operations. In addition to the performance requirements specified in the power purchase and other agreements, national and state regulatory bodies and other statutory and government mandated authorities may from time to time impose minimum performance standards upon the companies. Failure to meet these requirements could expose the companies to the risk of penalties.

20. After the expiry of the PPAs, the Company and / or the Subsidiaries, as the case maybe, are required to make substantial capital investments in the power plants.

All of power plants are run on long-term PPAs which expire over a period of 10 to 15 years. On the expiry of these PPAs, and if these plants are not bought out by the power distribution companies and the Company and / or the Subsidiaries, as the case may be, continue to operate these plants, substantial capital investments would be required to be made in these plants in order to earn future commercial benefits from them. The Company cannot ensure you that it would be able to raise capital for funding these refurbishments on attractive terms or at all. In addition, the Company may not be able to obtain

the anticipated benefit from the capital investments made by it in these plants. If any of these events occur, the Company's results of operations may be adversely affected.

21. An accident could occur if any of the dangerous materials used in the Company's business is handled improperly.

The nature of the Company's business requires it to work with highly inflammable and explosive materials such as HSD. Despite compliance with requisite safety requirements and standards, the Company's operations are subject to hazards associated with handling of such dangerous materials. If improperly handled or subjected to unsuitable conditions, these materials could hurt the employees or other persons, cause damage to the Company's properties and harm the environment. This could subject the Company to significant disruption in its business, legal and regulatory activities and impose significant costs and liabilities, which could adversely affect its results of operations.

22. The Company's power business is subject to extensive government regulation and changes in these regulations or in their implementation could disrupt the Company's operations and adversely affect its results of operations.

The Company's power business is subject to extensive government regulation by, among others, the Ministry of Environment and Forests and the State Pollution Control Board. To conduct its business, the Company must obtain various licenses, permits and approvals. Even once the Company obtains the required licenses, permits and approvals, its operations are subject to continued review and the governing regulations and their implementation are subject to change. The Company cannot assure you that it will be able to obtain and comply with all necessary licenses, permits and approvals required for its plants, or those changes in the governing regulations or the methods of implementation will not occur. If the Company fails to comply with all applicable regulations or if the regulations governing its business or their implementation change, the Company may incur increased costs or be subject to penalties, which could disrupt its operations and adversely affect its business and results of operations.

The Company is subject to significant national and state environmental laws and regulations, which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from its operations. The Company expects that environmental laws will continue to become stricter. Compliance with current and future environmental regulations may require substantial capital expenditure and, in certain cases, may require the closing down of non-complying plants. The Company may be required to bear additional expenditure for establishment of additional infrastructure for monitoring pollution impact and effluent discharge. The Company could be subject to substantial civil and criminal liability and other regulatory consequences if any environmental hazard is found at the site of any of its power stations, or if the operation of any of its power stations results in any contamination of the environment. The commencement of environmental actions against the Company or the imposition of any penalties or fines on it as a result of such contamination could have a material adverse effect on Company's business prospects and results of operations.

23. Changes in technology may impact Company's business by making its power plants less competitive or obsolete.

Company's future success will depend in part on its ability to respond to technological advances and emerging power generation industry standards and practices on a cost-effective and timely basis. Changes in technology and high fuel costs may make other generation plants more competitive than that of the Company or may require it to make additional capital expenditures to upgrade its facilities. In addition, there are other technologies that can produce electricity, most notably fuel cells, microturbines, windmills and photovoltaic (solar) cells. If the Company is unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, its business, financial performance and the trading price of its equity shares could be adversely affected.

24. The Company currently enjoys certain tax benefits, which may not be available to it in the future.

As per the provisions of Section 80IA of the Income Tax Act, 1961, the Company is eligible to benefit from 100% of the profits and gains for a period of 10 consecutive assessment years at the Company's option out of 15 years beginning from the year in which the undertaking begins to operate such facility. This benefit is available subject to fulfillment of certain conditions prescribed under Section 80IA and no benefit under this section shall be allowed with respect to any undertaking for the assessment year beginning on April 1, 2010 and subsequent years. As such, no income tax exemption will be available for the Company's power plant facilities, unless an amendment is made to the existing regulations. As part of the terms of the PPA, income tax payable by the Company is part of the tariff paid to it by the electricity department of the A & N Administration, and therefore the risks associated with the loss of income tax benefits are not material. However, in the event that there are any amendments to the PPA, the non-availability of such income tax benefits may adversely affect the Company's results of operations.

25. The Company has received a notice dated November 18, 2002 from the A & N Administration for payment of liquidated damages amounting to Rs. 3,15,70,000/- due to a delay in commissioning the 20 MW independent power plant at Bamboo Flat, Port Blair, A & N Islands.

The Company is liable to pay Rs. 3, 15, 70,000 to the Andaman and Nicobar Administration on account of the delay in commissioning the power project at Bamboo Flat, Andaman. Though the Company has represented to the Andaman and Nicobar Administration that the delay was on account of force majeure and delays on account of the Andaman and Nicobar administration itself. The Andaman and Nicobar Administration have imposed the damages on the Company despite their representations. This amount will be recovered or adjusted against the future bills raised by the Company. Therefore, the Company may not be able to receive its full dues on account of sale of power to the Andaman and Nicobar Administration.

26. There are number of outstanding litigations against some of the Directors, Promoters and the group companies.

The Company, along with its Directors, Promoters and group companies are defendants in legal proceedings incidental to the Company's business and operations. 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 laws or rulings against the Company, its promoters and group companies, by appellate courts or tribunals, the Company may need to make provisions in its financial statements, which could increase its expenses and current liabilities. Furthermore, if significant claims are determined against the Company and it is required to pay all or a portion of the disputed amounts, it could have a material adverse effect on its business and profitability.

For more information regarding litigation involving directors or the Company, its Promoters, and certain other listed companies promoted by its Promoters, please refer to the section titled "Outstanding Litigation and Material Development" on page no. 213 of this Red Herring Prospectus.

27. As on March 31, 2007, the Company had contingent liabilities as disclosed in its statements of assets and liabilities under Indian GAAP.

PARTICULARS	31.03.2007 (Rs. lakhs)
Liquidated damages for delay in commencement of commercial operations towards A&N administration	315.70
Letter of credits opened with banks	402.20
Securities (equity shares pledged) provided to the lenders of subsidiaries	730.53
Total	1448.43

If any of these contingent liabilities materializes, the Company's profitability could be adversely affected.

28. Any labour unrest at Company's Power Plant or its subsidiaries could adversely affect its operations and profitability

In the event of any labour unrest at the Power Plant, the company's operations and profitability could be adversely affected.

29. Any future issuance of equity shares by the Company or the issue of ESOPs may dilute your shareholding and adversely affect the trading price of the Equity Shares.

Any future issuance of the Equity Shares by the Company or the issue of ESOPs may dilute your shareholding, in the Company and could adversely affect the trading price of its Equity Shares and could impact its ability to raise capital through an issue of its securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of its Equity Shares.

30. The Company will be dependent on its wholly owned Subsidiaries for a substantial portion of its income.

Consequent to restructuring, the Company has become a holding company with 100% equity interests in operating companies that would be operating power plants. Therefore, its income will be substantially dependent on the receipt of dividends from its wholly owned Subsidiaries and income from its operations and maintenance of the power plants. As a result, in the event of non-receipt of dividends from its wholly owned Subsidiaries, it may have insufficient income at the holding company level to issue dividends to its shareholders or to meet its operating expenses.

31. An inability to manage growth effectively could disrupt the Company's business and reduce its profitability.

The Company, together with other companies in its Promoter Group, is currently analyzing a number of new projects in the power sector. It expects that the growth strategy, which includes investing in new power plants, will place significant demands on its management, financial and other resources. It will require the Company to continuously develop and improve its operational, financial and internal controls. In particular, continued expansion increases the challenges involved in financial and technical management, recruitment, training and retaining sufficient skilled technical and management personnel, preserving its culture, values and entrepreneurial environment, and developing and improving its internal administrative infrastructure. An inability to manage such growth could disrupt its business, reduce its profitability and adversely affect its results of operations and financial condition.

32. The Company cannot assure you that it will be able to obtain the financing it needs to pursue its growth strategy on terms acceptable to the Company, or at all.

The Company's growth strategy requires continued access to capital on acceptable terms for the success of its growth strategy of developing new power plants. The Company has so far been able to arrange for the financing of all its facilities. The Company can not assure you that market conditions and other factors will permit future project and acquisition financings on terms acceptable to the Company. The Company's ability to arrange for financing on a substantially nonrecourse basis and the costs of such capital are dependent on numerous factors, including general economic and capital market conditions, credit availability from banks, investor confidence, the continued success of current projects and other laws that are conducive to our raising capital in this manner. The Company's attempts to consummate future financings may not be successful or on favourable terms and failure to obtain financing on terms favourable to it could have a material adverse effect on its business prospects and results of operations.

33. The shareholding of the Company's Promoters in the Company are pledged

Promoters have pledged 14741336 (forming 19.247% of the post issue capital) shares with lenders as a collateral security. In the event of default of payment to the lenders by SPCL, the pledge could be invoked by the lenders. The PPA stipulates that a minimum of 33.33% of the equity of the Company is to be held by promoters. If the shareholding of the promoters falls below 33.33%, the PPA may be

terminated. In such event, the Company's business operations could be adversely impacted and also the promoters shall be dependent on the shareholders to pass ordinary resolution.

34. Lenders' rights under the loan agreements may adversely impact the Company's business

The Lenders have certain rights under the loan agreements signed with the Company, which, inter alia, include certain restrictive covenants that require lenders' prior approval to undertake any of the following:

- a. Effect any change in the company's capital structure;
- b. Formulate any scheme of amalgamation or reconstruction;
- c. Undertake any new project, implement any scheme of expansion or acquire fixed assets except those indicated in the funds flow statements submitted to the lenders from time to time and approved by them;
- d. Invest by way of share capital in or lend or advance funds to or place deposits with any other concern (including group companies) : normal trade credit or security deposits in the normal course of business or advances can however; be extended;
- e. Enter into borrowing arrangements either secured or unsecured with any other bank financial institution, company or otherwise or accept deposits apart from the arrangements indicated in the funds flow statements submitted to lenders from time to time and approved by lenders.
- f. Undertake any guarantee obligations on behalf of any other company (including group companies);
- g. Declare dividends for any year except out of profits relating to that year after making all due and necessary provisions and provided further that no default had occurred in any repayment obligations;
- h. Create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company, firm or persons.
- i. Sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to lenders;
- j. Enter into any contractual obligation of a long term nature or affecting the company financially to a significant extent;
- k. Change the practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees etc.;
- l. Undertake any trading activity other than the sale of products arising out of its own manufacturing operations;
- m. Permit any transfer of the controlling interest or make any drastic change in the management set-up.
- n. Incur any expenditure or commitments for expenditure for fixed or other non –current assets, other than those required for carrying out the Project or for repairs, replacements and maintenance of essential satisfactory operating conditions, except after the project completion date and in an aggregate amount not exceeding Rs. 50 lakhs or any equivalent amount thereof in Dollars in any fiscal year.
- o. Incur, assume or permit to exist any Debt other than as set forth in the Financial Plan.
- p. Lease any property or equipment of any kind.
- q. Enter into any Derivative Transaction other than Swap facilities
- r. Guarantee assume or become obligated for any obligation of any person, except for guarantees for the benefit of the employees of the borrower in the ordinary course of business..
- s. Create or permit to exist any lien on any Property, revenues or other assets, present or future, of the borrower, except for any tax or other Lien arising by operation of law while the obligation underlying that Lien is not yet due or ,if due, is being contested in good faith by appropriate proceedings so long as the Borrower has set aside adequate reserves sufficient to promptly pay in full any amounts that the Borrower may be ordered to pay on final determination of any such proceedings.

- t Enter into any transaction except in the ordinary course of business on ordinary commercial terms and on the basis of arm's- length arrangements; nor establish any sole and exclusive purchasing or sales agency.
- u Enter into any management ,partnership,profit-sharing or royalty agreement or other similar arrangement whereby the Borrowers business or operations are managed by, or its income or profits are shared with ,under any other than those agreements entered into by the Borrower in the normal course of business.
- v Form or have any subsidiary or make or permit to exist loans or advances to or deposits (except bank deposits in the ordinary course of business) with ,other persons or investments in any person or enterprise other than short term investment grade marketable securities acquired solely to give temporary employment to its idle funds.
- w Abandon or change the nature or scope of the project or of its business or operations
- x Undertake or permit any merger, spin-off , consolidation or reorganization, or sell, transfer,lease or otherwise dispose of all or a substantial part of its assets , other than inventory, whether in a single transaction or a series of transactions, related or otherwise.
- y Assign or otherwise transfer, terminate, amend or grant any waiver or forbearance with respect to any provision of any transaction document.

Any refusal by lenders in giving approvals may adversely affect the business of the Company.

35. The success of the Company depends on its management team and a loss of team members may adversely affect smooth operation of the Company's business.

The Company is dependent on its management team, consisting of experienced and technically qualified professionals. If one or more members of the management team were unable or unwilling to continue in their present positions because of various factors, the Company will have to replace such persons by other competent persons.

36. Since the Company's fund requirement has not been appraised and is based on its estimation, any escalation in the same would have an adverse impact on implementation of the objects of the issue

The funding requirements including working capital requirements as mentioned under "the Objects of the Issue" has not been appraised by any bank or financial institution but are based on Company's estimation. In the event of escalation in the fund requirements, the same would have an adverse impact on the implementation of the objects of the issue. However, the company has appointed State Bank of India to monitor the utilization of funds raised by this IPO.

37. Escalation in the completed cost of establishment of the power plant at A & N Islands

As per the conditions of the PPA, the estimated cost of completion of establishing the power plant was Rs. 6314 lakhs in November 1997. However, the actual cost incurred by the Company for establishing the power plant was Rs. 8500 lakhs. The Company submitted the actual cost incurred by it to the A & N administration that is still under consideration for approval. As the revenue to the Company is paid considering the fixed costs and variable costs and fixed cost being taken at a percentage of project cost, Company' cash flows will be adversely affected if the A & N administration does not approve the Company's submission.

38. Loss making/ Non-operational group companies/promoter company/ventures promoted by the promoters

The following group companies/promoter company/ventures promoted by the promoters that have incurred losses during the last three years:

Name of the Company	2004-2005	2005-06	(Rs. Lakhs)
			2006-07
Cocanada Fisheries Limited	(43.96)	653.67	(92.59)
Kalyan Marine and Agro Products	(19.64)	144.89	(26.64)

Limited			
Kalyan Securities Limited	0.04	(5.97)	(6.16)
Aasrit Securities Private Limited	--	(0.69)	(0.91)
Arunodaya Green Fuels Private Limited	1.31	7.53	(5.56)
Mannepalli Investments Private Limited	-	(68.13)	(2.81)

Of the above, Cocanada Fisheries Limited and Kalyan Marine and Agro Products Limited's entire network has been eroded.

39. Shortfall in Promise Vs Performance of the two group companies of SPCL

Kalyan Sea Foods Limited (Now Kalyan Marine and Agro Products Limited) (KMAPL)

KMAPL came out with its initial public offer of 27,52,500 equity shares of Rs. 10/- each for cash at par aggregating to Rs.275.25 lakhs on October 12, 1993.

Kalyan Marine and Agro Limited has not achieved the projections as given in the Prospectus

(Rs. lakhs)

Particulars	1993-94				1994-95				1995-96			
	Projections	Actuals	Deviation	Deviation (%)	Projections	Actuals	Deviation	Deviation (%)	Projections	Actuals (15 months annualised)	Deviation	Deviation (%)
Income	478.28	173.15	(305.13)	(63.80)%	558.50	376.18	(182.32)	(32.64)%	631.00	569.37	(61.63)	(9.77)%
Expenditure	411.11	137.14	(273.97)	(66.64)%	471.49	329.66	(141.83)	(30.08)%	534.02	498.32	(35.70)	(6.69)%
Profit before tax and interest	67.17	36.01	(31.16)	(46.39)%	87.01	46.52	(40.49)	(46.53)%	96.98	71.05	(25.93)	(26.74)%
Profit after tax and interest	50.37	27.30	(23.07)	(45.80)%	76.21	45.04	(31.17)	(40.90)%	86.18	37.54	(48.64)	(56.44)%
Equity Capital	367.00	349.09	(17.91)	(4.88)%	367.00	363.72	(3.28)	(0.89)%	367.00	363.87	(3.13)	(0.85)%
E.P.S	1.37	0.78	(0.59)	(43.07)%	2.07	1.23	(0.84)	(40.58)%	2.34	1.03	(1.31)	(55.98)%
Cash earning	1.87	0.93	(0.94)	(50.27)%	2.37	1.64	(0.73)	(30.80)%	2.64	1.63	(1.01)	(38.26)%
Dividend	-	-	-	-	20%	--	(20%)	(100.00)%	20%	--	(20%)	(100.00)%
Book Value	10.92	10.06	(0.86)	(7.88)%	11.01	11.52	0.51	4.63%	11.37	--	--	--

Suryachakra Sea Foods Limited (Now Cocanada Fisheries Limited) (CFL)

CFL came out with its initial public offer of 53,01,050 equity shares of Rs. 10/- each aggregating to Rs. 530 lakhs on March 07,1994.

CFL has not achieved the projections as given in the Prospectus

(Rs. Lakhs)

Particulars	1993-94				1994-95				1995-96			
	Projections	Actuals	Deviation	Deviation (%)	Projections	Actuals	Deviation	Deviation (%)	Projections	Actuals (15 months annualised)	Deviation	Deviation (%)
Income	1580.02	441.41	(1138.61)	(72.06)%	2562.72	1270.18	(1292.55)	(50.44)%	2646.11	1185.89	(1460.22)	(55.18)%
Expenditure	1088.70	353.82	(734.88)	(67.50)%	2114.91	989.06	(1125.85)	(53.23)%	2183.28	990.63	(1192.65)	(54.63)%
Profit before tax and interest	491.32	87.60	(403.72)	(82.17)%	447.81	281.12	(166.69)	(37.22)%	462.83	195.26	(267.56)	(57.81)%
Profit after tax and interest	410.52	58.58	(351.94)	(85.73)%	358.51	203.17	(155.34)	(43.33)%	377.23	115.31	(261.92)	(69.43)%

E.P.S	4.90	1.44	(3.46)	(70.61)%	4.28	2.43	(1.85)	(43.22)%	4.51	1.38	(3.13)	(69.40)%
Cash earning	5.27	1.81	(3.46)	(65.65)%	5.13	3.14	(1.99)	(38.79)%	5.23	2.20	(3.03)	(57.93)%
Book Value	15.18	10.83	(4.35)	(28.66)%	17.40	11.34	(6.06)	(34.83)%	19.97	--	(19.97)	(100.00)%
Equity	836.40	406.04	(430.36)	(51.45)%	836.40	836.19	(0.21)	(0.03)%	836.40	836.19	(0.21)	(0.03)%

For further details, please refer to the Section, "Statutory and other information" on page no. 249.

40. Any disruption affecting the manufacturing facilities of the Company could have a material adverse effect on the business, financial condition and results of operations of the Company.

Any significant interruption to the operations of the company as a result of industrial accidents, floods, severe weather or other natural disasters could materially and adversely affect the Company's business, financial condition and results of operations. There can be no assurance that such events or natural disasters may not occur in the future and that if they do occur, that the Company's generation ability and capacity would not be materially and adversely impacted. For example, in December 2004, due to tsunami the power plant was shut down for three months.

Further, there can be no assurance that the insurance coverage the Company maintains for these risks will be adequate to compensate for all damages and economic losses, which the Company may suffer as a result of any such events.

41. Any refusal by Chhattisgarh State Electricity Board for wheeling power to third party nominated by Lahari and SAAIL may affect the revenues of SPCL

As per one of the clauses of the PPA entered into by Lahari and SAAIL with CSEB, the CSEB has the right to refuse to wheel power to the third party nominated by them in case of failure on the part of third party to comply with the terms and conditions laid down in the agreement subsisting between CSEB and third party or any other reason which CSEB may consider detrimental to its interest. Such a refusal may adversely affect the sale of power by these subsidiaries to a third party and thereby adversely affect the revenues of the Company as a whole.

42. Names of one of the Promoters of the Company and one of the Directors of the Group Company (Coconada Fisheries Limited) appeared in RBI willful defaulters list

Dr. SM Manepalli, Promoter and Managing Director of the Company and Mr. B P Vijaya Rao, Director of Coconada Fisheries Limited (formerly named as Suryachakra Sea Foods Limited) ("CFL") names appeared in the RBI willful defaulters list as directors of CFL. However, CFL has settled the outstanding dues to the Banks under one time settlement by paying compromised amount of Rs. 248.87 lakhs, consequent upon which, CFL, its Directors and guarantors names have been deleted from the RBI defaulters list.

43. The Company has experienced Negative cash flows in the previous years.

The Company has experienced Negative cash flows in the previous years. The details of the last 5 years are as under:

(Rs. in lakhs)					
Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
Net Increase/ (Decrease) in cash and cash equivalents.	(401.45)	307.76	(236.81)	62.71	(82.04)

44. The Company's registered office building is in the leased premises and the lease agreement, which the company has entered into with the landlord for lease is not a registered document.

The Company has entered lease agreements with the landlord for its registered office. These agreements are not registered as required under law. The lease agreements pertaining to the immovable properties

are required to be compulsorily registered under the provisions of Indian Stamp Act, 1899 and the Registration Act, 1908 as applicable to the State of Andhra Pradesh.

Therefore, in case of any dispute pertaining to the lease, these agreements, if produced before any Court/Authority will be impounded.

45. The Auditors of the company in the notes to accounts, annexed to their report have commented on change of accounting policy with respect to gratuity for the year ended 2006 and non adjustments for billing made on the power generated and delivered to the Andaman & Nicobar Administration (A&NA) based on the provisional capital cost and ratios set out in the power purchase agreement, pending approval by the A&N administration. For further details please refer section titled "Financial Statements" starting on page no.123 of the Red Herring Prospectus.

46. The Draft Red Herring Prospectus (DRHP) of the Company was filed on June 1, 2006 by two Book Running Lead Managers (BRLMs) namely Karvy Investor Services Limited (KISL) and SREI Capital Markets Limited. Subsequently, KISL vide their letter dated 5th June, 2007 opted out from the issue due to scheduling of the Issue. KISL has vide their letter dated June 8, 2007, confirmed that they along with SREI Capital Markets Limited will continue to be responsible for the disclosures made in the DRHP filed with SEBI on 1st June, 2006. The other BRLM namely SREI Capital Markets Limited continues to be associated with the Issue as a BRLM.

Risks relating to Power Trading

1. Different delivery point for purchase and sale of power:

With the development of the Power market, the seller and the buyer of power may want to sell/buy power at a point nearer to him. It may be expected of the trader to wheel the power from the seller's point to the buyer's point. This, in turn, may involve additional burden on the trader in terms of wheeling charges, transmission and distribution losses etc. Currently, these charges are borne by the sellers and the purchasers, and constitute elements of cost recoverable from the buyers. Such developments may have impact on Company's trading margin and future profitability.

2. Operational Risks: Availability and Reliability of transmission facility

Agreement with Powergrid is a prerequisite for transmission of power. If the firm contract is not entered into with Powergrid for transmission of power from the seller to the buyer, the Company may not be in a position to undertake power trading activity, due to which its operations and profitability will be adversely affected.

3. Regulation of Trading margins

Under Section 79(1)(j) of the Electricity Act, 2003, the Central Electricity Regulatory Commission and the State Electricity Regulatory Commission have been provided with the right to regulate the trading margins of a trader. CERC has recently announced the Electricity Trading Regulation. Chapter IV of the regulation provides that the licensee shall be subjected to the trading margins for inter-state trading as fixed by the Commission, from time to time. If any such trading margin is reduced by CERC/SERC, it may have an adverse effect on the profitability of the industry.

4. Promoters are inexperienced in power trading

The Company and promoters have no experience in undertaking this activity. It proposes to recruit people with relevant experience for handling this operation efficiently.

External risks

1. Changes in government regulations or directives may adversely affect the Company.

There are several changes taking place in the power sector that may affect the Company's business. The Electricity Act, 2003 provides for complete deregulation of the power sector and envisions a comprehensive change in the current regulatory structure. The Company cannot envisage the future industry scenario in light of these changes and it could have a material effect on its business prospects and results of operations. Any other change or introduction of new legislation /regulation and any review of tariff and provisions of PPA, including taxation policy, relating to power generation in the country may have an impact on the operations and Financial Performance of the Company.

2. The price of equity shares may be highly volatile, or an active trading market for Company's Equity Shares may not develop.

The prices of Equity Shares of the Company on the Indian Stock Exchanges may fluctuate after this Issue as a result of several factors including -

- a) Volatility in Indian and global securities market;
- b) The Company's and its Subsidiaries' results of operations and performance;
- c) Performance of companies in the power sector;
- d) Adverse media reports on the Company or the Indian power sector;
- e) Changes in the estimates of Company's performance or recommendations by financial analysts;
- f) Significant development in India's economic liberalization and de-regulation policies; and
- g) Significant development in India's fiscal and environmental regulations.

There has been no public market for the Company's Equity Shares and the price of its Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for the Company's Equity shares will develop or be sustained after this Issue, or that the prices at which its Equity Shares are initially traded will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

3. The Company's performance is linked to the stability of policies and the political situation in India

The role of the Indian central and state governments in the Indian economy on producers, consumers and regulators has remained significant over the years. Since 1991, the Government of India has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. The present Government of India, which was formed in May 2004, consists of a coalition of political parties. The withdrawal of one or more of these parties from a coalition government can result in political instability. Any political instability could delay the reform of the Indian economy and could have a material adverse effect on the market for our shares. There can be no assurance to the investors that these liberalization policies will continue under the newly elected government. Protests against privatization could slowdown the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting companies in the power sector, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India and thereby affect our business.

Notes to Risk Factors

- The Book value of equity shares of the Company as on March 31, 2007 was Rs.14.86 (unconsolidated) and Rs.14.75 (consolidated) as per the restated financial statements under Indian GAAP.

- The net worth of the Company before the Issue (as on March 31, 2007) was Rs. 6334.28 Lakhs (unconsolidated) and Rs.6290.21 lakhs (consolidated) as per the restated financial statements under Indian GAAP
- The average cost of acquisition of one Equity Share for the Promoters is as follows:

Name of the Promoter	Average Cost of Acquisition (Rs.)
Dr. S. M. Manepalli	10.34
Mr. M. Seshavatharam	10.86
Kalyan Securities Limited	17.24
Manneipalli Investments Pvt. Ltd.	20.00

- The Issue is being made through a 100% Book Building Process wherein at least 50% of the Net Issue to the public will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. 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 to the public would be allocated to Non-Institutional Bidders and not less than 35% of the net issue to the public would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price
- Investors may note that in case of over subscription in the Issue, allocation shall be on proportionate basis. Please refer to the paragraph "Basis of Allotment" of this Red Herring Prospectus.
- Investors are advised to refer to the section titled "Basis for the Issue Price" of this Red Herring Prospectus before any investment in this Offer.
- The Promoters /Directors/Key Managerial Personnel of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits.
- The promoter/promoter group/ directors of of the company have not purchased and/ or sold/ financed any shares of the company during the past six months
- Consolidated related parties transactions for the last three years are as under:

Year	2005	2006	2007
Consolidated value of transactions (in Rs. Lakhs)	480.90	3916.32	3545.64

For full details of related party transactions, please refer to the section titled "Related Party Transactions" on page no.143 of this Red Herring Prospectus.

- Trading in Equity Shares of the Company for all the investors shall be in dematerialized form only.

Investors may contact the BRLM or the Compliance Officer for any complaints, information or clarifications pertaining to the Issue. For contact details of the BRLM and the compliance officer please refer to page no. 7 of this Red Herring Prospectus.

III. INTRODUCTION

1. SUMMARY

Business Overview

The Company was originally incorporated as Suryachakra Power Corporation Limited on February 28, 1995 with registration no. 01-19554, in Hyderabad, Andhra Pradesh under the Companies Act, 1956 and obtained certificate of commencement of business on March 16, 1995. The Company was converted into a private limited company with effect from August 9, 2000. Pursuant to this, the name of the Company was changed to Suryachakra Power Corporation Private Limited. The Company was re-converted into a public limited company with effect from September 8, 2005 in terms of Section 31(1)/44 of the Companies Act, 1956. Pursuant to this, the name of the Company was changed to Suryachakra Power Corporation Limited.

Pursuant to a competitive bid floated by the A & N Administration in 1995 for establishing a thermal based power plant at, Port Blair, A & N Islands the Company was adjudged the successful bidder and awarded the contract to establish and operate a 20 MW Diesel Generating Power House under Electricity Supply Act, 1948 on a BOOM (Build Own Operate and Maintain) basis.

The A & N administration declared commercial operation date with effect from April 01, 2003. The said power plant is operating at approx. 62% of its capacity and provides electricity to the town of Port Blair and surrounding places. During the year 2006-07, the Company has generated 1088.913 lakhs kWh power with the net sale value of Rs. 9282.07 lakhs.

The Company's three subsidiaries, Lahari Power and Steels Limited, South Asian Agro Industries Limited and MSM Energy Limited are in the process of setting up bio-mass based power plants at various locations in the states of Chhattisgarh and Maharashtra.

SURYACHAKRA GROUP Power Plants

S.No.	company	capacity	location	Type of fuel
1	Suryachakra Power Corporation Limited	20 MW	Port Blair, A&N Islands	HSD Oil
2	Lahari Power & Steels Limited	9.8MW	Madawa Village, Champa – Janjgir Dt, Chhattisgarh state	Biomass
3	South Asian Agro Industries Limited	9.8 MW	Baloda Bazar, Raipur Dt, Chattisgarh state	Biomass
4	M. S. M. Energy Limited	10 MW	Borwand, Parbhani Dt. Maharashtra state	Biomass
5	M. S. M. Energy Limited	10 MW	Kholapur, Amravati Dt. Maharashtra state	Biomass

Power Trading

In view of the recent Government decisions providing for trading of power as a separate activity and potential for power trading in India in coming years, SPCL has decided to diversify into power trading business

The main purpose of power trading business is to provide opportunities to generators for optimally utilizing existing power facilities, while allowing bulk customers to plan their power purchase portfolios in a reliable and cost-effective manner through an organized market. A power trading transaction offers complementary benefits to both the seller and the buyer. Power has conventionally been viewed as a commodity; While there may not be any significant barriers to entry in the business, the Company believes that its experience in setting up and operating power plants would place it in a better league, as trading is essentially a knowledge driven business.

SPCL is looking for CPPs / IPPs across the country having surplus power available with them for sale so that it can enter into MoUs with such CPPs / IPPs and consumers for purchase and sale of power. The company has already signed a PPA agreement with OPG Energy Pvt. Limited and a MoU with Lloyds Steel Industries Limited for supply of power.

Competitive strengths

- ***Operating experience:*** The Company was the first IPP in India to build and operate a power plant at Andaman and Nicobar Islands. The said power plant has been in operation since April 2003. Over these years, the Company has become familiar with the operations of these facilities and it believes that this experience should help it to ensure the continuity of operations.
- ***Assured revenues:*** The Company's power plant at A & N Islands has an assured source of revenue under PPA with Electricity Department of A&N Administration, under which the said department is required to pay for the plant's output at an agreed PLF. The tariffs that the Company is paid under the PPA are structured to cover the fixed costs of operating the plant, interest, depreciation and to provide for a 16% return on agreed equity.
- ***Raw Material resources for bio-mass based power plants of the Subsidiaries:*** The bio-mass based power plants of the Subsidiaries are located within a radius of 75 KM of agricultural lands wherein rice husk, redgram stalk and cotton stalk i.e., raw materials of the bio-mass plant are available in abundance thus ensuring adequate supply of raw material for power generation.
- ***Protection from competition:*** As per the terms of the PPA with the A & N Administration, the electricity department thereunder is obliged to purchase the entire power generated by the said plant, irrespective of the PLF and the Company is eligible for full fixed charges subject to annual plant availability of 68.49%, at the approved tariff. Accordingly, during the currency of the PPA the Company's revenues shall not be affected by any competition in the A & N Islands.

Industry Overview

Please see section titled "The Power Industry in India" on page no. 50 of this Red Herring Prospectus.

2. THE ISSUE

Issue:	3,40,00,000 Equity Shares
<u>Of Which</u>	
Reserved for Employees (Note 1)	Up to 4,00,000 Equity Shares
<u>Therefore,</u>	
Net Issue to the Public	3,36,00,000 Equity Shares
<u>Of which</u>	
A) Qualified Institutional Buyers portion, of which	At least 1,68,00,000 Equity Shares of face value of Rs. 10/- each constituting at the minimum 50% of the net issue to the public. (available for allocation on a proportionate basis)
Available for allocation to Mutual Funds	Up to 8,40,000 Equity Shares (available for allocation on a proportionate basis)
Balance for all QIB's including Mutual Funds	At least 1,59,60,000 Equity Shares (available for allocation on a proportionate basis)
B) Non-Institutional Portion	At least 50,40,000 Equity Shares, i.e., minimum 15% of the net issue to the Public (available for allocation on a proportionate basis)
C) Retail Individual Investors Portion	At least 1,17,60,000 Equity Shares, i.e., minimum 35% of the Net Issue to Public (available for allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	4,26,32,960 Equity Shares of face value of Rs. 10/- each
Equity Shares outstanding after the Issue	7,66,32,960 Equity Shares of face value of Rs. 10/- each
Objects of the Issue	Please refer to the section titled "Objects of the Issue" on page no.26 of this Red Herring Prospectus for a detailed discussion on the objects of the Issue

Notes:

1. Eligible Employees of the Company during the period commencing from the date of filing of the Red Herring Prospectus with RoC up to the Bid/Issue closing date shall be entitled to apply in the Reserved for Employees category on a competitive basis.
2. The un-subscribed portion, if any, in the Reserved for Employees portion will be added back to the Net Issue to the Public and will be considered for allotment only on a proportionate basis.
3. Under subscription, if any, in the Non-institutional, Retail Individual category would be met with spill over from any other category, except the QIB Portion, at the sole discretion of the Company in consultation with the BRLM.
4. In case of under-subscription in the Qualified Institutional Buyers' portion the same shall not be available to other categories and full subscription monies shall be refunded

3. SUMMARY OF FINANCIAL AND OPERATING INFORMATION

The following tables sets forth the historical financial information of the Company derived from the restated and audited financial statements for the fiscal years ended March 31, 2003, 2004, 2005, 2006 and 2007 all prepared in accordance with Indian GAAP and SEBI guidelines, and included in the section titled "Financial Information" on page no.123 of this Red Herring Prospectus and should be read in conjunction with those financial statements and notes:

Restated Statement of Assets & Liabilities - SPCL

(Rs. lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
1. FIXED ASSETS :					
a) Gross Block	81.32	8098.26	8218.50	8514.32	8483.80
b) Less : Depreciation	27.82	689.52	1321.11	1967.44	2613.74
c) Net Block	53.50	7408.74	6897.39	6546.88	5870.06
d) Capital WIP including capital advances	6912.81	312.53	300.54	93.12	110.98
e) Incidental Expenses pending allocation	1250.23	0.00	0.00	0.00	0.00
Total	8216.54	7721.27	7197.93	6640.00	5981.04
2. INVESTMENTS	-	-	-	3235.45	3235.45
3. CURRENT ASSETS, LOANS AND ADVANCES :					
a) Inventories	120.86	213.15	256.63	384.52	531.04
b) Sundry Debtors	31.42	732.45	743.44	1250.70	1213.98
c) Cash and Bank Balances	26.14	333.90	97.09	159.80	77.76
d) Loans, Advances and other current assets	160.98	141.10	569.51	483.20	960.89
Total	339.41	1420.60	1666.67	2278.22	2783.67
4. LIABILITIES & PROVISIONS :					
a) Secured Loans	5393.92	5446.63	4739.78	5161.32	4470.49
b) Unsecured Loans	-	402.00	537.57	298.08	136.20
c) Current Liabilities and Provisions	524.42	592.09	696.89	504.43	1059.19
	5918.34	6440.72	5974.24	5963.83	5665.88
5. NET WORTH (1 + 2 + 3 - 4)	2637.60	2701.15	2890.36	6189.84	6334.28
NET WORTH REPRESENTED BY					
6. EQUITY SHARE CAPITAL	2318.79	2318.79	2318.79	4263.30	4263.30
7. SHARE APPLICATION MONEY	327.01	327.01	327.01	Nil	Nil
8. RESERVES AND SURPLUS	-	61.91	249.48	1976.71	2148.53
9. Miscellaneous Expenditure (to the extent not written off or adjusted)	8.20	6.56	4.92	50.17	77.55
10. NET WORTH (6 + 7 + 8 - 9)	2637.60	2701.15	2890.36	6189.84	6334.28

Restated Statement of Profits & Losses - SPCL

(Rs in lakhs)

PARTICULARS	FOR THE YEARS ENDED			
	31.03.2004	31.03.2005	31.03.2006	31.03.2007
INCOME :				
Gross earnings from sale of energy	7001.05	6044.93	8740.96	9522.13
Less: Rebate & Penalties	181.23	148.99	213.72	240.06
	6819.82	5895.94	8527.24	9282.07
Other Income	22.23	19.38	151.81	209.20
TOTAL	6842.05	5915.32	8679.05	9491.27
EXPENDITURE :				
Consumption of Fuel	5383.51	4781.66	6984.29	7707.82
Staff Costs	32.85	32.87	55.37	78.62
Other Manufacturing Expenses	122.04	134.89	176.81	144.79
Administration expenses	98.44	106.97	121.46	104.12
Interest and Finance Charges	510.84	485.76	602.22	613.13
Depreciation	652.17	635.23	648.40	646.30
Preliminary expenses written off	1.64	1.64	1.64	1.64
TOTAL	6801.49	6179.02	8590.19	9296.42
Net Profit / Loss before tax, Extra-ordinary Items & Prior period adjustments	40.56	-263.70	88.86	194.85
Impact of Prior Period Adjustments	27.05	52.04	--	--
Net Profit / Loss before tax and Extra-ordinary Items	67.61	-211.66	88.86	194.85
Provision for Taxation				
- For Current Year (MAT)	5.70	-	8.51	21.27
- Fringe Benefit Tax	-	-	1.92	1.75
Net Profit / Loss after tax and before Extra-ordinary Items	61.91	-211.66	78.43	171.83
Extra-ordinary Items (net of tax)				
- Insurance Claims	-	399.23	31.30	--
Net Profit after Extra-ordinary Items	61.91	187.57	109.73	171.83
Balance carried forward, as restated	61.91	187.57	109.73	171.83

4. GENERAL INFORMATION

Registered Office

Suryachakra Power Corporation Limited

8 – 2 – 293/82, Plot No: 1115,
Road No. 54, Jubilee Hills,
Hyderabad – 500 033,
Andhra Pradesh, India.
Tel: 91 – 40 - 2355 0597 / 98
Fax: 91- 40 – 2354 1339
Website: www.suryachakra.in
E-mail: ipo@suryachakra.com

Registration Number: 01-19554

For details of changes in the registered office, details please see the section titled "History and Corporate Structure" on page no.80 of this Red Herring Prospectus.

Registrar of Companies

Registrar of Companies, Andhra Pradesh
2nd Floor, CPWD Bldg.,
Kendriya Sadan, Sultan Bazar, Koti
Hyderabad – 500 195

The Board of Directors of the Company

The Board of Directors of the Company comprises the following:

Name	Designation	Status
Mr.P. Visweswara Rao	Chairman	Independent Director
Dr. S. M. Manepalli	Managing Director	Executive Promoter Director
Mr. M .Seshavatharam	Director	Non-executive Promoter Director
Mr.P.K Bhattacharjee	Director	Independent Additional Director
Mr.K.B. Trehan	Director	Independent Director
Mr.Mahesh Chand	Director	Independent Director
Mr.T. Sree Rama Krishnayya	Director	Non-Executive Director
Mr.V. Madhava Naidu	Director	Non-Executive Director

Brief details of Chairman and Managing Director

Mr. P.Visweswara Rao IAS (Retd.) is a BA (Hons) Graduate with a Law degree and IAS. He has forty years of Administrative experience at District, State and National levels. He worked in different capacities and retired as special Chief Secretary to the Government of Andhra Pradesh. He also worked as Chairman of Infrastructure Authority of Andhra Pradesh.

Dr. S.M. Manepalli hails from an agricultural and business family from Bhimavaram, West Godavari District, Andhra Pradesh and is a qualified M.B.B.S., graduate. During the period 1974-87, he was engaged in the rice milling business and operated 6 rice mills belonging to the family. He has served as the President of Bhimavaram Rice & Oil Merchants Association during 1983-87. He has also operated Deep-sea Foreign Fishing Vessels on Charter basis during 1987-92.

Since 1992 he was engaged in Aqua-culture Business. During this period he was also engaged in Construction & Operation of Prawn/Fish Tanks, Hatchery, Feed Mill & Processing Plants

Inspired by the liberalization policies of Govt. of India, during 1995 he diversified his business interests by

setting up power generation plants following the privatisation of power sector. He promoted Suryachakra Power Corporation limited for setting up 20MW power plant in A & N islands.

For details on other directors, please refer to section titled "Management" on page no.114 of this Red Herring Prospectus.

COMPLIANCE OFFICER AND COMPANY SECRETARY	LEGAL ADVISORS TO THE ISSUE
<p>MR. B. VENKAT RAMA REDDY 8 – 2 – 293/82, Plot No: 1115, Road No. 54, Jubilee Hills, Hyderabad – 500 033. Tel: +91 40 2355 0597 / 98 Fax: +91 40 2354 1339 E-mail: ipo@suryachakra.com</p> <p>Investors can contact the compliance officer in case of any pre-issue or post-issue related problems such as non-receipt of the letters of allotment, credit for allotted shares in the respective beneficiary account, refund orders etc.</p>	<p>J. SAGAR ASSOCIATES Advocates and Solicitors Vakils House, 18 Sprott Road Ballard Estate Mumbai 400 001 Tel : +91 22 5656 1500 Fax : +91 22 5656 1515 E-mail : mumbai@jsalaw.com</p>
BANKERS TO THE COMPANY	
<p>STATE BANK OF INDIA Industrial Finance Branch 11, Dr.U.N. Brahmachari Street Kolkata – 700 017 Tel: +91 33 2287 7607, 2240 7646 Fax: +91 33 2287 9314 E-mail: sbi.01936@sbi.co.in</p>	
BOOK RUNNING LEAD MANAGER (BRLM)	
<p>SREI CAPITAL MARKETS LTD 'Vishwakarma', 86C Topsia Road (South), Kolkata 700 046 Tel: +91 33 –39873845/10, Fax: +91 33 3987 3861/ 39873863 E-mail: capital@srei.com Website: www.srei.com SEBI Registration No. INM000003762 Contact Person: Mr. Manoj Agarwal</p>	
REGISTRAR TO THE ISSUE	ESCROW BANKERS TO THE ISSUE
<p>KARVY COMPUTERSHARE PRIVATE LIMITED Plot No. 17 to 24, Vittalrao nagar Madhapur, Hyderabad – 500 081 Tel: +91 40 23431553 Fax: +91 40 23431551 SEBI Registration No.: INR/000000221 E-mail: mailmanager@karvy.com Contact Person: Mr. M. Muralikrishna</p>	<p>ICICI BANK LIMITED Capital Markets Division 30, Mumbai Samachar Marg Mumbai 400 001 Tel : +91 22 22627600 Fax: +91 22 222611138 Email: sidhartha.routray@icicibank.com Contact Person: Mr. Sidhartha Sankar Routray Website: www.icicibank.com</p>

	HDFC BANK LIMITED Manekji Wadia Building, Nanik Motwani Marg Fort, Mumbai - 400 001 Tel : +91 22 66573663/22693329 Fax : +91 22 22671661 Email: tushar.gavankar@hdfcbank.com Contact Person: Mr Tushar Gavankar Website: www.hdfcbank.com STANDARD CHARTERED BANK 270 D. N. Road Fort, Mumbai - 400 001 Tel : +91 22 22683831 Fax No: 022 – 22092216 Email: rajesh.malwade@in.standardchartered.com Contact Person: Mr Rajesh Malwade Website: www. Standardchartered.com
AUDITORS	SYNDICATE MEMBER
M/S. VISWESWARA RAO & ASSOCIATES Chartered Accountants No. 2, Al- Habib Apartments Kanthi Sikhara Apartments Compound Punjagutta, Hyderabad – 500 082, Andhra Pradesh, India Tel No: +91 40 2340 7601 Fax No:+91 40 2340 0933 Email: svrao@yahoo.com	KARVY STOCK BROKING LIMITED Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034. Tel. .: +91 40 23320751 Fax .: +91 40 23440680 Email : sridhark@karvy.com Contact Person: Mr. K. Sridhar Website: www.karvy.com

BROKERS TO THE ISSUE

All members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue.

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES BETWEEN THE BOOK RUNNING LEAD MANAGER TO THE ISSUE

Since SCML is the Sole BRLM for the issue, the entire issue related activities would be handled by SCML.

CREDIT RATING

As the Issue is of Equity Shares, credit rating is not required.

IPO GRADING

CRISIL has assigned a CRISIL IPO grade “2/5” (pronounced “two on five”) to the proposed initial public offer of Suryachakra Power Corporation Ltd (SPCL). This grade indicates that the fundamentals of the issue are below average relative to other listed equity securities in India.

The grading reflects the revenue inflows from SPCL’s 20MW DG based power plant in Port Blair, Andaman & Nicobar (A&N) islands, under a 15 year power purchase agreement signed with the A&N Administration effective in 2003 and the revenue growth potential from its planned biomass based power plants of about 20MW each in Chattisgarh and Maharashtra.

The grading is constrained by the fact that the promoters do not have any prior experience in setting up and operating a biomass based power plant and significant raw material price uncertainty associated with

biomass based power. The grading also reflects the prevalent steep costs of the company's DG based power in A&N that would provide a strong incentive to the A&N Administration to look for cheaper alternatives.

CRISIL notes the chequered track record of the promoters in running businesses in the past – specifically that two of their companies that were engaged in the aquaculture business are now defunct. These companies, which were listed on the Bombay and Hyderabad stock exchanges in the 1993-1994 period, had large defaults on their debt obligations in the 1996-1997 period (subsequently settled at a discount) and were delisted from BSE on January 14, 2004 (the listing with the Hyderabad Stock Exchange still continues). It may also be noted that the timing of the proposed IPO is influenced by the company's arrangement with a private equity investor, Opulent Venture Capital Trust, which currently holds a 4.7 per cent equity stake in SPCL. Opulent Venture Capital has linkages with the SREI group, which also includes SREI Capital Markets Ltd. - the Book Running Lead Manager for the proposed IPO.

A CRISIL IPO grade represents CRISIL's overall assessment of the fundamentals of the issue graded in relation to other listed equity securities in India. CRISIL IPO gradings are assigned on a five-point scale from 1 to 5, with a CRISIL IPO Grade 5/5 indicating strong fundamentals and a CRISIL IPO Grade 1/5 indicating weak fundamentals. A CRISIL IPO grade should not be construed to mean a comment on the price of the graded security nor is it a recommendation to invest or not to invest in the graded security.

TRUSTEES

This being an issue of Equity Shares, appointment of Trustees is not required.

APPRAISING ENTITY

The fund requirement has not been appraised by any bank or financial institution.

WITHDRAWAL OF THE ISSUE

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid / Issue Opening Date without assigning any reason thereof.

MONITORING AGENCY

The Company has appointed State Bank of India, SME Wing, Commercial Branch, Bank Street, Koti, Hyderabad as monitoring agency voluntarily and is not mandatory in terms of the SEBI (DIP) Guidelines.

The Monitoring Agency will ensure that the funds raised from the IPO will be utilized only for the projects mentioned in the RHP on providing the documentary evidence. The Monitoring agency will seek further information/ documents as may be required to ensure that a periodical report is sent to SEBI in accordance with SEBI DIP Guidelines.

BOOK BUILDING PROCESS

Book Building refers to the collection of bids from investors, based on the price band specified in the prospectus, with the issue price finalized after the Bid/Issue closing date. The principal parties involved in the Book Building process are:

- 1) The company
- 2) Book Running Lead Manager
- 3) Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the Stock Exchange(s) and eligible to act as underwriters. The BRLM appoints the Syndicate Members
- 4) Registrar to the Issue
- 5) Escrow Collection Banks

The SEBI Guidelines have permitted an issue of securities to the public through the 100% Book Building Process, wherein at least 50% of net issue to public shall be allocated on a proportionate basis to QIBs (including 5% for the Mutual Funds). In case of under-subscription, if any, in Mutual Fund category, the shares may be made available to other QIBs. Further, at least 15% of net issue to public shall be available for allotment on a proportionate basis to Non Institutional Bidders and at least 35% of net Issue to public shall be available for allotment on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

The Company shall comply with guidelines issued by SEBI for this Issue. In this regard, SPCL has appointed SREI as the Book Running Lead Manager) to the Issue to procure subscription to the Issue.

The IPO is through the process of book building, under SEBI Guidelines, so the investors are advised to make their own judgment about investment through the process of book building prior to making a Bid in the Issue. Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. Please see the section titled "Terms of the Issue" page no. 258 in this Red Herring Prospectus for more details.

Steps to be taken by the Bidders for Bidding:

1. Check eligibility for making a Bid (see section titled "Issue Procedure - Who Can Bid" on page no. 266 of this Red Herring Prospectus);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (see section titled "Issue Procedure - PAN" on page no. 287 of this Red Herring Prospectus); and
4. Ensure that the Bid-cum-Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid-cum-Application Form.

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 out of which one bidder has bid for 500 shares at Rs. 24 per share while another has bid for 1,500 shares at Rs. 22 per share. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book given 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%
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The price discovery is a function of demand at various prices. The highest price at which the issuer is able to Issue the desired number of shares is the price at which the book cuts off i.e. Rs. 22 in the above example. The Company, in consultation with the BRLM, will finalise the Issue price at or below such cut off price, i.e. at or below Rs. 22. All bids at or above this Issue price and cut off bids are valid bids and are considered for allocation in the respective categories.

BID / ISSUE PROGRAMME

BIDDING PERIOD / ISSUE PERIOD

BID / ISSUE OPENS ON	Monday, 25th June, 2007
BID / ISSUE CLOSES ON	Friday, 29th June, 2007

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid-cum-Application Form except that on the Bid / Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid / Issue Closing Date.

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 advertised at least one day prior to the Bid / Issue Opening Date.

In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period / Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period / Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLM and at the terminals of the Syndicate.

UNDERWRITING AGREEMENT

After the determination of the Issue Price and prior to filing of the Prospectus with RoC, the Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the 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 Members do not fulfill their underwriting obligations.

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

Name and Address of the Underwriters	Indicative Number of Equity shares to be Underwritten	Amount Underwritten (Rs. in million)
[•]	[•]	[•]
[•]	[•]	[•]

The above-mentioned is indicative underwriting and this would be finalized after the pricing and actual allocation. The above underwriting agreement is dated [•].

In the opinion of Board of Directors of the Company (based on a certificate given by the BRLM), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under section 12(1) of the SEBI Act or registered as Brokers with the Stock Exchange(s). The Board of Directors of the Company have accepted the Underwriting Agreement mentioned above at their meeting held on [•] and the Company has issued letters of acceptance to the Underwriters accordingly.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM, and the Syndicate Members shall be responsible for ensuring payment with respect to equity shares allocated to investors procured by them. In the event of any default in payment, the respective underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to the extent of the defaulted amount.

5. CAPITAL STRUCTURE

Share capital as at the date of filing of Red Herring Prospectus with SEBI is set forth below:-

(Rs. lakhs)

	PARTICULARS	NOMINAL VALUE	AGGREGATE VALUE
A.	AUTHORISED CAPITAL 9,00,00,000 Equity Shares of Rs. 10/- each	9000.00	
B.	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL 4,26,32,960 Equity Shares of Rs. 10/- each	4263.29	
C.	PRESENT ISSUE TO THE PUBLIC IN TERMS OF THIS RED HERRING PROSPECTUS 3,40,00,000 Equity Shares of Rs. 10/- each at a price of Rs. [•]/- per share, out of which:	3400.00	
D.	Out of which 4,00,000 Equity Shares of Rs. 10/- each are reserved for Eligible Employees at a price of Rs. [•]/- per share	40.00	
E.	NET ISSUE TO THE PUBLIC 3,36,00,000 Equity Shares of Rs. 10/- each at a price of Rs. [•]/- per share	3360.00	[•]
F.	EQUITY CAPITAL AFTER THE ISSUE 7, 66,32,960 Equity Shares of Rs. 10/- each	7663.29	[•]
G.	SHARE PREMIUM ACCOUNT Before the Issue After the Issue		1617.50 [•]

The balance in the share premium account after the Issue can be determined only after the Issue Price is known i.e after the Book Building Process.

Details of Increase in Authorised Capital

The details of increase and change in the authorized share capital of the Company after the date of incorporation till filing of this Red Herring Prospectus with SEBI are as follows:

S. No.	From (Rs.)	Increased by Rs.	Total (Rs.)	Remarks
1.	-	5,00,00,000	5,00,00,000	With memorandum
2.	5,00,00,000	20,00,00,000	25,00,00,000	Shareholders' resolution dated September 30, 1998
3.	25,00,00,000	5,00,00,000	30,00,00,000	Shareholders' resolution dated May 28, 2005
4.	30,00,00,000	6,00,00,000	36,00,00,000	Shareholders' resolution dated October 31, 2005

5.	36,00,00,000	54,00,00,000	90,00,00,000	Shareholders resolution dated December 31, 2005
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Note:

The Company's members vide resolution dated September 30, 2002 have increased the authorized share capital from Rs.2500 lakhs to Rs.2800 lakhs, for which Form 23 has been filed with the Registrar of Companies, Hyderabad. However, the members vide resolution dated June 7, 2003 cancelled the said resolution for which Form 5 and 23 have been filed with the Registrar of Companies, Hyderabad.

Notes to Capital Structure

1. Share Capital History

Date / Year of Allotment	Date When fully paid up	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	% of Post-Issue Capital	Nature of Allotment	Cumulative no. of Shares	Cumulative Share capital
February 28, 1995	February 28, 1995	700	10	10	Cash	Negligible	Subscription to the Memorandum of Association	700	7000
October 4, 1995	October 4, 1995	295300	10	10	Cash	0.39	Allotment to promoters & their associates	296000	2960000
December 12, 1995	December 12, 1995	13200	10	10	Cash	0.02	Allotment to promoters associates	309200	3092000
December 12, 1995	March 10, 1998	100000	10	10	Cash	0.13	Allotment to promoter	409200	4092000
March 4, 1996	March 4, 1996	28800	10	10	Cash	0.04	promoters associates	438000	4380000
December 20, 1997	December 20, 1997	503200	10	10	Cash	0.66	Promoters & their associates	941200	9412000
January 31, 1998	January 31, 1998	713000	10	10	Cash	0.93	Allotment to promoters & their associates	1654200	16542000
March 10, 1998	March 10, 1998	459500	10	10	Cash	0.60	Allotment to promoters & their associates	2113700	21137000
December 28, 1998	December 28, 1998	1084500	10	10	Cash	1.42	Allotment to promoters & their associates	3198200	31982000
June 30, 1999	June 30, 1999	610000	10	10	Cash	0.80	Allotment to Promoter	3808200	38082000
December 16, 1999	December 16, 1999	670500	10	10	Cash	0.87	Promoters, BSES Ltd and BSES Infrastructure Finance Ltd.	4478700	44787000
August 23, 2000	August 23, 2000	16059300	10	10	Cash	20.96	Allotment to Promoters ,	20538000	205380000

							CPVIML, BSES Limited, BSES Infrastructur e Finance Limited , & others		
September 6, 2002	Septemb er 6, 2002	2649900	10	10	Cash	3.46	Promoters , their associates & CPVIML	23187900	231879000
July 27, 2005	July 27, 2005	3270060	10	10	Cash	4.27	Allotment to CPVIML	26457960	264579600
December 07, 2005	Decemb er 07, 2005	7085000	10	20	Cash	9.24	Allotment to promoters	33542960	335429600
January 17, 2006	January 17, 2006	825000	10	20	Cash	1.08	Opulent Venture Capital Trust	34367960	343679600
January 17, 2006	January 17, 2006	3200000	10	20	Cash	4.17	Allotment to promoters	37567960	375679600
March 03,2006	March 03,2006	5065000	10	20	Cash	6.60	Allotment to Promotes and Associates	42632960	426329600
	Total	42632960				55.63			

2. Promoters' Contribution and lock-in period

Name	Date of Allotment/ Acquisition	Date when made fully paid-up	Considera tion	Number of Equity shares	Face Value (Rs.)	Issue Price (Rs.)	% of post issue capital	Lock-in period
Dr.S.M. Manepalli	October 4, 1995	October 4, 1995	Cash	100	10	10	Negligible	1 Year
	December 12, 1995	March 10,1998	Cash	100000	10	10	0.13	1 Year
	December 20, 1997	December 20, 1997	Cash	149800	10	10	0.19	1 Year
	January 31, 1998	January 31, 1998	Cash	43000	10	10	0.05	1 Year
	March 10, 1998	March 10, 1998	Cash	84500	10	10	0.11	1 Year
	March 20, 1998	Transfer	Cash	100000	10	10	0.13	1 Year
	December 28, 1998	December 28, 1998	Cash	424800	10	10	0.55	1 Year
	June 30, 1999	Transfer	Cash	16200	10	10	0.02	1 Year
	August 30, 1999	Transfer	Cash	2700	10	10	Negligible	1 Year
	December 16, 1999	Transfer	Cash	10800	10	10	0.01	1 Year
	December 16, 1999	December 16, 1999	Cash	20000	10	10	0.02	1 Year
	April 17, 2000	Transfer	Cash	13200	10	10	0.02	1 Year
	July 25, 2000	Transfer	Cash	1000	10	10	Negligible	1 Year
	December 11, 2000	Transfer	Cash	155000	10	10	0.0.20	3 Years
	December 11, 2000	Transfer	Cash	292000	10	10	0.38	1 Years
	September 6, 2002	September 6, 2002	Cash	88151	10	10	0.11	1 Years

	January 17, 2006	January 17, 2006	Cash	52500	10	20	0.07	3 Years
				1553751			2.03	
Mr.M. Seshavatharam	December 20, 1997	December 20, 1997	Cash	119300	10	10	0.16	1 Year
	March 10, 1998	March 10, 1998	Cash	100000	10	10	0.13	1 Year
	March 20, 1998	Transfer	Cash	108000	10	10	0.14	1 Year
	December 28, 1998	December 28, 1998	Cash	184700	10	10	0.24	1 Year
	December 16, 1999	December 16, 1999	Cash	4300	10	10	Negligible	1 Year
	August 23, 2000	August 23, 2000	Cash	16380	10	10	0.02	1 Years
	April 24, 2001	Transfer	Cash	115400	10	10	0.15	3 Years
	September 6, 2002	September 6, 2002	Cash	153700	10	10	0.20	3 Years
	January 17, 2006	January 17, 2006	Cash	75550	10	20	0.09	3 Years
				877330			1.14	
Kalyan Securities Limited	June 30, 1999	June 30, 1999	Cash	294600*	10	10	0.38	1 Year
	August 23, 2000	August 23, 2000	Cash	1410000	10	10	1.84	1 Years
	September 6, 2002	September 6, 2002	Cash	170000	10	10	0.22	1 Years
	December 7, 2005	December 7, 2005	Cash	3291500	10	20	4.30	1 Years
	December 7, 2005	Transfer	Cash	1241694	10	17.01	1.62	1 Year
	December 7, 2005	Transfer	Cash	4085008	10		5.33	1 year
	December 7, 2005	Transfer	Cash	7793595	10		10.17	3 year
	March 03, 2006	March 03, 2006	Cash	2400000	10	20	3.13	3 Years
	March 03, 2006	March 03, 2006	Cash	315000	10	20	3.54	3 Years
				21001397			27.40	
Mannepalli Investments (P) Ltd.	December 7, 2005	December 7, 2005	Cash	3793500	10	20	4.95	3 Years
	January 17, 2006	January 17, 2006	Cash	702347	10	20	2.48	3 Years
	January 17, 2006	January 17, 2006	Cash	92900	10		0.12	1 year
	January 17, 2006	January 17, 2006	Cash	1101703	10		1.43	1 year
	March 03, 2006	March 03, 2006	Cash	1175000	10	20	1.53	1 Years
				6865450			8.96	

* Out of 610000 equity shares originally allotted, Kalyan Securities Limited has transferred 200000 equity shares to Mr. Y. N. Anjaneyulu and 115400 equity shares to Mr. K.V. Prasada Rao

** Out of 3071950 equity shares originally allotted, Mannepalli Investments Private Limited has transferred 1175000 equity shares to Opulent Venture Capital Trust (Registered Venture Capital Trust with the Securities and Exchange Board of India.).

The lock-in period for above mentioned shares will commence from the date of allotment of the equity shares in the present Issue.

Written consent has been obtained from the persons whose shares form part of Promoters' contribution and are subject to lock in period.

The promoter's contribution does not constitute:

- 1) Shares acquired for consideration other than cash and revaluation of assets or capitalization of intangible assets or bonus shares out of revaluations reserves or reserves without accrual of cash resources.
- 2) Securities issued during the preceding one year, at a price lower than the price at which equity shares are being offered to public.
- 3) Private placement made by solicitation of subscription from unrelated persons either directly or through any intermediary.
- 4) Shares for which specific written consent has not been obtained from the respective shareholders for inclusion of their subscription in the minimum promoters contribution subject to lock-in.
- 5) Shares issued to promoters on conversion of partnership firms into limited company.
- 6) Shares with a contribution of less than Rs. 25000/- per application from each individual and contribution less than Rs. 1,00,000/- from firms and companies.
- 7) Pledged shares held by promoters.

(b) 1 year lock-in:

Other than as stated above, the entire pre-Issue Equity Share capital of the Company i.e. 2,70,76,368 equity shares shall be subject to a lock-in for one year from the date of allotment of shares in this Issue.

Post-Issue, the Promoters holding will be 39.54%.

- (i) The Equity Shares to be locked-in for a period of three years have been computed as 20% of the equity capital after the Issue.
- (ii) The Promoters have 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 allotment in the Issue.
- (iii) In terms of clause 4.15 of the SEBI Guidelines, locked in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan.
- (iv) In terms of clause 4.16.1 (b) of the SEBI Guidelines, locked in Equity Shares held by the Promoters may be transferred to and amongst the Promoters/ Promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.

Further, in terms of clause 4.16.1 (a) of the SEBI 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 Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.

- (v) The promoters will not be participating in the proposed issue

- The following are the natural persons in control of Bodies Corporate forming part of promoters group:

Manepalli Investments Private Limited:

- a) Dr. S.M. Manepalli
- b) Mr. M. Seshavatharam

Kalyan Securities Limited

- a) Dr. S.M. Manepalli
- b) Mr. M. Seshavatharam
- c) Mrs. M. Mangatayaru
- d) Ms. M. Sunitha

Neither the natural persons nor Manepalli Investments Private Limited or Kalyan Securities Limited or any persons forming part of Promoters Group have been restrained from accessing the capital markets for any reason by SEBI or any other authorities.

4. Shareholding pattern of the Company prior and post the Issue

Category Code	Category of Shareholder	No. of Shareholders	Total no. of shares	No. of shares held in dematerialized form	Total shareholding as a percentage of total number of shares (Pre-Issue)		Total Number of shares	Total Shareholding as a % of total number of shares (Post-Issue)	
					As a Percent age of (A + B)	As a Percent age of (A+B+C)		As a % of (A + B)	As a % of (A+B+C)
(A)	Shareholding of promoter and promoter group								
(1)	Indian								
(a)	Individuals/Hindu undivided Family	42	4715415	--	11.06	11.06	4715415	6.15	6.15
(b)	Central Government/ State Government(s)		--		--	--	--	--	--
(c)	Bodies Corporate	4	28641847	--	67.18	67.18	28641847	37.38	37.38
(d)	Financial Institutions/Banks		--		--	--	--	--	--
(e)	Any other (Specify)		--		--	--	--	--	--
	Sub-Total (A) (1)		33357262	--	78.24	78.24	33357262	43.53	43.53
(2)	Foreign								
(a)	Individuals (Non Resident Individuals/Foreign Individuals)		--		--	--	--	--	--
(b)	Bodies Corporate		--		--	--	--	--	--
(c)	Institutions		--		--	--	--	--	--
(d)	Any Other (Overseas Corporate Body)	1	5221898	--	12.25	12.25	5221898	6.81	6.81
	Sub-Total (A) (2)		5221898	--	12.25	12.25	5221898	6.81	6.81
	Total Shareholding of Promoter and promoter group (A) = (A)(1)+ (A)(2)	47	38579160	--	90.49	90.49	38579160	50.34	50.34
(B)	Public Shareholding								
(1)	Institutions								
(a)	Mutual Funds/UTI		--		--	--			
(b)	Financial Institutions/Banks		--		--	--			
(c)	Central Government/ State Government(s)		--		--	--			

(d)	Venture Capital Funds	1	2000000		4.69	4.69	38053800	49.66	49.66
(e)	Insurance Companies		--		--	--			
(f)	Foreign institutional investor		--		--	--			
(g)	Foreign Venture Capital Investors		--		--	--			
(h)	Any Other		--		--	--			
	Sub Total (B)(1)	1	2000000		4.69	4.69			
(2)	Non Institutions								
(a)	Bodies Corporate	2	2053800		4.82	4.82			
(b)	Individuals- Individual shareholders holding nominal share capital up to Rs 1 lakh		--		--	--			
(c)	Any other (Please Specify)		--		--	--			
	Sub Total (B)(2)	2	2053800		4.82	4.82			
	Total Public shareholding (B)= (B)(1) + (B)(2)	3	4053800		9.51	9.51	38053800	49.66	49.66
	Total (A) + (B)	50	42632960		100.00	100.00	76632960	100.00	100.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued		--		--	--	--	--	--
	Grand Total (A)+(B)+(C)	50	42632960		100.00	100.00	76632960	100.00	100.00

4. Equity Shares held by the top ten shareholders:

(a) Top ten shareholders as on the date of filing of this Red Herring Prospectus with RoC:

S. No.	Name of the Shareholder	No. of Equity Shares	% of Pre-Issue Capital
1.	Kalyan Securities Limited	21001397	49.26%
2.	Mannepalli Investments Pvt. Ltd.	6865450	16.10%
3.	SM Infrastructure Investment Ltd.	5221898	12.25%
4.	Opulent Venture Capital Trust	2000000	4.69%
5.	Dr. S.M. Manepalli	1553751	3.64%
6.	BSES Infrastructure Limited	1026900	2.41%
7.	Power Surfer Interactive India Pvt. Ltd.	1026900	2.41%
8.	Mr. M. Seshavatharam	877330	2.06%
9.	Aasrit Securities Private Limited	725000	1.70%
10.	Mrs. M. Mangatayaru	690900	1.62%

- (b) Top ten shareholders 10 days prior to the date of filing of this Red Herring Prospectus with the RoC:

S. No.	Name of the Shareholder	No. of Equity Shares	% of Pre-Issue Capital
1.	Kalyan Securities Limited	21001397	49.26%
2.	Mannepalli Investments Pvt. Ltd.	6865450	16.10%
3.	SM Infrastructure Investment Ltd.	5221898	12.25%
4.	Opulent Venture Capital Trust	2000000	4.69%
5.	Dr. S.M. Manepalli	1553751	3.64%
6.	BSES Infrastructure Limited	1026900	2.41%
7.	Power Surfer Interactive India Pvt. Ltd.	1026900	2.41%
8.	Mr. M. Seshavatharam	877330	2.06%
9.	Aasrit Securities Private Limited	725000	1.70%
10.	Mrs. M. Mangatayaru	690900	1.62%

- (c) Top ten shareholders two years prior to date of filing of this Red Herring Prospectus with the RoC:

S. No.	Name of the Shareholder	No. of Equity Shares	% of Pre-Issue Capital
1.	Caterpillar Power Ventures International (Mauritius) Limited	13120297	30.78%
2.	SM Infrastructure Investment Ltd.	5221898	12.25%
3.	Kalyan Securities Ltd	1874600	4.40%
4.	Dr. S.M. Manepalli	1501251	3.52%
5.	BSES Infrastructure Finance Limited	1026900	2.41%
6.	BSES Limited	1026900	2.41%
7.	Mr. M. Seshavatharam	801780	1.88%
8.	Mrs. M. Mangatayaru	690900	1.62%
9.	Ms. K. Vijaya	320000	0.75%
10.	Mr. K.V.N.J. Sresthy	315000	0.74%

- (d) The promoter group/ directors of the company have not purchased and/ or sold/ financed any shares of the company during the past six months.

5. As of the date of the Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into Equity Shares. The Equity Shares locked in by the Promoters have been pledged to various financial institutions as provided hereinbelow:

S. No	Name of the Shareholder	Pledged shares	Pledged with	Against the amount of loan taken
1	Dr S M Manepalli	9,66,100	State Bank of India	Term loan Rs.1369 lakhs, FC loan 1636.10 lakhs Corporate loan Rs.400 lakhs (the above loans are taken by

				SPCL)
		3,80,151	India Global Competitive Fund	Rs.2290 lakhs (loan availed is Rs.2125 lakhs only)(the above loans is taken by Kalyan Securities Limited)
2	Mr. M Seshavatharam	5,32,680	State Bank of India	Term loan Rs.1369 lakhs, FC loan 1636.10 lakhs Corporate loan Rs.400 lakhs(the above loans are taken by SPCL)
3	Kalyan Securities Limited	57,89,608	State Bank of India	Term loan Rs.1369 lakhs FC loan 1636.10 lakhs Corporate loan Rs.400 lakhs (the above loans are taken by SPCL)
		47,03,194	India Global Competitive Fund	Rs.2290 lakhs (loan availed is Rs.2125 lakhs only) (this loan is taken by Kalyan Securities Limited)
4.	M/s. Mannepalli Investments Private Ltd	92,900	State Bank of India	Term loan Rs.1369 lakhs FC loan 1636.10 lakhs Corporate loan Rs.400 lakhs (the above loans are taken by SPCL)
		22,76,703	State Bank of India	Term Loan Rs. 2495 lakhs was taken by Lahari Power and Steels Limited.

6. There is no "buyback" or "stand by" arrangement for purchase of Equity Shares by the Company, the Promoters, Directors, or the BRLM for the Equity Shares issued through this Red Herring Prospectus.
7. The Company has not raised any bridge loan against the proceeds of the Issue.
8. The Equity Shares offered through the Issue will be fully paid up or may be forfeited within 12 months from the date of allotments of securities in the manner specified in clause 8.6.2 of the SEBI (DIP) Guidelines.
9. A total of 4,00,000 Equity Shares have been reserved for allocation to the eligible employees on

a proportionate basis, subject to valid bids being received at or above the issue price. Employees may bid in the Net issue to the public portion as well and such Bids shall not be treated as multiple Bids. Any under subscription portion in the Equity Shares under the Employee Reservation Portion would be treated as part of the Net issue to the public in the manner detailed in the section titled "Issue Procedure" on page no. 265 of this Red Herring Prospectus.

10. The unsubscribed portion, if any, in the employee reservation portion will be added back to the Net Issue to Public.
11. The Issue is being made through the 100% Book Building Process wherein at least 50% of the Net Issue to the public shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds. The remainder shall be available for allotment on 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 to Public shall be available for allocation to non-institutional bidders and not less than 35% of the Net Issue to Public shall be available for allocation to retail bidders, on a proportionate basis and subject to valid bids being received at or above the Issue Price. Under subscription, if any, in the Non-institutional, Retail Individual category would be met with spill over from any other category, except the QIB Portion, at the sole discretion of the Company in consultation with the BRLM.
12. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares issued through this Red Herring Prospectus have been listed.
13. At present, the Company does not have any intention or proposal to alter its capital structure for a period of six months from date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or to make a further issue of Equity Shares (including issue of securities convertible into Equity Shares) whether preferential or otherwise except employee stock option plans, if any, or if it enters into any joint ventures or acquired any business/entity or make investments, in which case it may consider raising additional capital to fund such activity or use Equity Shares as a currency for acquisition or participation in such joint ventures or investments.
14. As on the date of filing this Red Herring Prospectus with SEBI, there are no outstanding financial instruments or any other right, which would entitle the Promoters or shareholders of the Company or any other person any option to receive Equity Shares after the Issue.
15. The Company does not have any outstanding employee stock option plans.
16. The Company has not issued any Equity Shares out of revaluation reserve or consideration other than cash.
17. At any given point of time there shall be only one denomination of Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with such disclosures and accounting norms specified by SEBI from time to time.
18. 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.
19. The Company has 50 shareholders as on the date of filing of this Red Herring Prospectus with SEBI.
20. The following are the restrictive covenants as per the term loan agreements entered into with Banks, Financial institutions and Term lenders
 - a) The Company shall not, without the lenders prior permission in writing

- b) Effect any change in the company's capital structure;
- c) Formulate any scheme of amalgamation or reconstruction;
- d) Undertake any new project, implement any scheme of expansion or acquire fixed assets except those indicated in the funds flow statements submitted to lenders from time to time and approved by lenders;
- e) Invest by way of share capital in or lend or advance funds to or place deposits with any other concern (including group companies) : normal trade credit or security deposits in the normal course of business or advances can however; be extended;
- f) Enter into borrowing arrangements either secured or unsecured with any other bank financial institution, company or otherwise or accept deposits apart from the arrangements indicated in the funds flow statements submitted to lenders from time to time and approved by lenders.
- g) Undertake any guarantee obligations on behalf of any other company (including group companies);
- h) Declare dividends for nay year except out of profits relating to that year after making all due and necessary provisions and provided further that no default had occurred in any repayment obligations;
- i) Create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company, firm or persons.
- j) Sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to lenders;
- k) Enter into any contractual obligation of a long term nature or affecting the company financially to a significant extent;
- l) Change the practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees etc.;
- m) Undertake any trading activity other than the sale of products arising out of its own manufacturing operations;
- n) Permit any transfer of the controlling interest or make any drastic change in the management set-up.
- o) Incur any expenditure or commitments for expenditure for fixed or other non –current assets, other than those required for carrying out the Project or for repairs, replacements and maintenance of essential satisfactory operating conditions, except after the project completion date and in an aggregate amount not exceeding Rs. 50 lakhs or any equivalent amount thereof in Dollars in any fiscal year.
- p) Incur, assume or permit to exist any Debt other than as set forth in the Financial Plan.
- q) Lease any property or equipment of any kind.
- r) Enter into any Derivative Transaction other than Swap facilities
- s) Guarantee assume or become obligated for any obligation of any person, except for guarantees for the benefit of the employees of the borrower in the ordinary course of business.
- t) Create or permit to exist any lien on any Property, revenues or other assets, present or future, of the borrower, except for any tax or other Lien arising by operation of law while the obligation underlying that Lien is not yet due or, if due, is being contested in good faith by appropriate proceedings so long as the Borrower has set aside adequate reserves sufficient to promptly pay in full any amounts that the Borrower may be ordered to pay on final determination of any such proceedings.
- u) Enter into any transaction except in the ordinary course of business on ordinary commercial terms and on the basis of arm's- length arrangements; nor establish any sole and exclusive purchasing or sales agency.
- v) Enter into any management, partnership, profit-sharing or royalty agreement or other similar arrangement whereby the Borrowers business or operations are managed by, or its income or profits are shared with, under any other than those agreements entered into by the Borrower in the normal course of business.
- w) Form or have any subsidiary or make or permit to exist loans or advances to or deposits (except bank deposits in the ordinary course of business) with, other persons or investments in any person or enterprise other than short term investment grade marketable securities acquired solely to give temporary employment to its idle funds.
- x) Abandon or change the nature or scope of the project or of its business or operations

- y) Undertake or permit any merger, spin-off , consolidation or reorganization, or sell, transfer, lease or otherwise dispose of all or a substantial part of its assets , other than inventory, whether in a single transaction or a series of transactions, related or otherwise.
- z) Assign or otherwise transfer, terminate, amend or grant any waiver or forbearance with respect to any provision of any transaction document.

6. OBJECTS OF THE ISSUE

The objective of the issue is to invest in MSM Energy Limited, one of the Subsidiaries of the Company, to enter into Power Trading Business, to meet additional working capital requirements and to meet issue expenses. The Company believes that listing of its shares will also enhance its visibility and brand value.

The Company's assessment of funds and deployment is based on internal management estimates and has not been appraised by any bank or financial institution or any independent organisation. In case of any variations in the actual utilization of funds earmarked for the above activities, the difference, if any, may be adjusted against the availability / requirement of funds in the areas identified as part of the expansion plan and/or increased fund deployment for a particular activity. The shortfall, if any, may be met with by surplus funds, if any available out of Company's internal accrual or promoters contributions and/or working capital loans that may be availed from the banks. The balance proceeds of the Issue in addition to the abovementioned requirements, if any, will be used for general corporate purposes including but not restricted to strengthening power trading operations and repayment of loans.

The main objects clause and objects incidental or ancillary to the main objects of the Memorandum of the Company enables it to undertake existing activities as well as the activities for which the funds are being raised through this Issue. The Company further confirms, that the activities carried out by it until now are in accordance with the objects of its Memorandum.

The objectives of the Issue are:

1. To invest in Equity of MSM Energy Limited a wholly owned subsidiary, for setting up of two 10MW bio-mass based power plants in Parbhani and Amravati districts of Maharashtra respectively;
2. To meet working capital requirement for power trading;
3. To meet additional working capital requirements for its operations;
4. To meet the expenses of this Issue.

FUNDS REQUIREMENT AND MEANS OF FINANCE

Fund requirement as per Company's own estimates in accordance with the Objects of the issue are as under:

S. No.	Particulars	Amount in Rs. Lakhs
1	Equity Investment in MSM Energy Limited for setting up two 10MW bio-mass power plants	2393.00
2	To meet working capital requirement for Power Trading	1000.00
3	Additional Working Capital for its operations	1438.50
4	General Corporate Purposes	[•]
5	Issue expenses	[•]
	Total	[•]

Means of Finance

The above requirement of funds of Rs. [•] lakhs is proposed to be financed through:

S. No.	Particulars	Amount in Rs. lakhs
1	Public issue of equity shares	[•]
2	Internal accruals	[•]

	Total	[•]
--	--------------	------------

Notes:

- Any shortfalls in meeting project cost for the above objects will be met through further internal accruals and/or promoters contribution.
- No part of the Issue proceeds will be paid as consideration to promoters, directors, key managerial personnel, associate or group Companies.
- The Company will be acquiring [•] % of the total project cost as tangible assets that is proposed to be financed out of the issue.
- The balance proceeds of the Issue in addition to the abovementioned requirements, if any, will be used for general corporate purposes including but not restricted to strengthening power trading operations and repayment of loans.

Appraisal

The fund requirement of the Company has not been appraised by any bank or financial institution.

Proposed Project

1. Investment in M.S.M Energy Limited

MSM Energy was originally incorporated as Suma.com Private Limited on February 07, 2000. The company has obtained the certificate of commencement business on February 17, 2000. With effect from November 27, 2000, the Company's name was changed to Suma Informatics Limited. With the objective of entering into power generation and allied activities, the Company has amended its main objects, consequent to which the name of the Company was changed to MSM Energy Limited with effect from September 26, 2003.

Location:

(i) Borawand Village, Parbhani Taluka, Parbhani District, Maharashtra

This site is located at 15 kilometers from the Parbhani Town.

This location has been selected considering the following advantages.

Infrastructure: The place is accessible by road only. The nearest railway station is at Parbhani town. The other civic facilities such as educational institutions, banks, hospitals etc are available at Parbhani town;

Raw Material: The raw material required for the proposed project is cotton stalks, redgram stalks etc., which are abundantly available in and around Parbhani district. As a supplement, the Company is also proposing to obtain allocation of coal from Ministry of Coal, Government of India.

Water: The project is proposed with air-cooled condensing system, it requires about 250 cu.m/day for the power plant process which will be met from the nearby river. Ground water is also available to the required level.

Transmission lines: Export of power to the grid has to be through 33KV transmission lines. The 33KV sub-station is located near Pangri Village, which is at a distance of 5 kilometers from the proposed plant site.

(ii) Kholapur Village, Bhastkuli Tehsil, Amravati District, Maharashtra State, which is 28 Kms from Amravati town.

The locational advantage of the project is

Infrastructure:

The place is accessible by road only. The nearest railway station is at Amravati town. The other civic facilities such as educational institutions, banks, hospitals etc are available at Amravati town;

Raw Material:

The raw material required for the proposed project is cotton stalks, redgram stalks etc., which are abundantly available in and around Parbhani district.

Water:

The quantity of water required for the proposed plant is 12.6 cum/hr. which will be met from the nearby canals/rivers. Sufficient quantity of ground water is also available to meet the requirement.

Transmission lines:

Export of power to the grid has to be through 33KV transmission lines. The 33KV sub-station is located near Kholapur Village, which is at a distance of 1 kilometer from the proposed plant site.

Technology

The basic technologies available for Bio-mass is

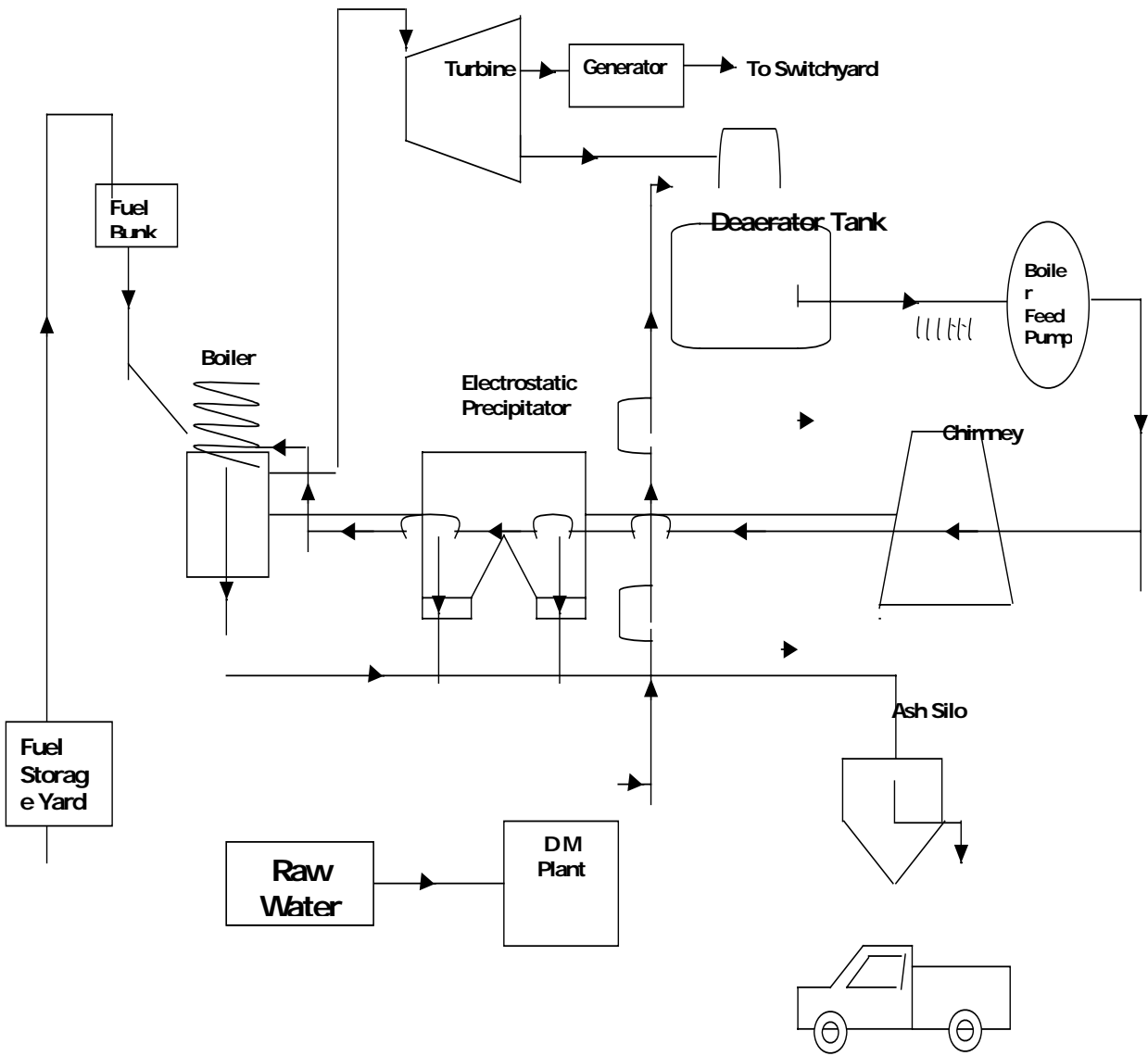
- 1) Conventional Boiler Systems
- 2) Bio-mass Gasification systems

Considering the various aspects for the proposed Bio-mass power plant, like type of main fuel and the size of the power plant, the company has decided to adopt the direct combustion process where in the Bio-mass fuel can be directly fired inside the boiler. Direct Combustion process is a proven technology and is being adopted for many power plants worldwide.

Manufacturing Process:

The process of generating power through the Direct Combustion process is relatively a simple process. The description of the manufacturing process to be followed by the company is discussed hereunder with the help of a flowchart:-

The water from the river or from bore wells will be pumped to raw water tank which would then be pumped into the DM tank, where the water will be processed and the DM water will be fed to the boiler in economizer tubes. From the economizer tubes, the water will travel to air pre heater tubes and super heater tubes which would convert the water into steam which would then be fed into the turbine. For converting the water to steam the boiler will be lighted with biomass (Rice husk, Julia flora, wood and coal) through fuel system. The fuel from the fuel yard shall be transported through crusher & conveyors up to fuel bunker where the biomass will be put into boiler for firing. The steam generated would then rotate the rotor and enter into the generator which would convert mechanical energy to kinetic energy. The energy thus generated will be supplied to 132 KV grids.



Collaboration:

The company has not entered into any collaboration agreements.

Project Cost

The detailed break up of the project cost is given as under.

(Rs. Lakhs)

S.No.	Details	Parbhani	Amravati	Total
1	Land and Site development	50.00	50.00	100.00
2	Civil Works	425.00	425.00	850.00
3	Plant & Machinery	3275.00	3275.00	6550.00
4	Misc. fixed assets	20.00	20.00	40.00
5	Preliminary and Pre-operative expenses	452.00	452.00	904.00
6	Contingency	185.00	185.00	370.00
7	Margin for working capital	81.50	81.50	163.00
	Total Project Cost	4488.50	4488.50	8977.00

Means of Finance

Particulars	Amount in Rs.Lakhs
Debt	5984.00
Equity	2993.00
Total	8977.00

Notes

1) SPCL has invested a sum of Rs. 600.00 lakhs by way of equity in MSM and the balance amount of Rs.2393 lakhs is proposed to be invested out of the proceeds of the proposed issue.

2) MSM has been sanctioned loans from Allahabad Bank, State Bank of Hyderabad and State Bank of India amounting to Rs. 5984.00 lakhs.

a) Land Details Parbhani:

SL.No.	Name of the Seller, Address & Occupation	Reg. No. & Date	Date of Agreement	Measurement in Acres	Value in Rs. (In.Lacs)
1	Shri.Sriranga Rao, S/o.Bapurao Kadam, Age-65 yrs, Agriculturer, Singanapur village, Parbani District, Maharashtra.	810/2006, dtd.23.02.2006	24.02.2006	11.05	1082900
2	Shri.Digambar, S/o.Bapurao Kadam, Age-62 yrs, Rtd.Govt Servent, Singanapur village, Parbani District, Maharashtra.	810/2006, dtd.23.02.2006	24.02.2006		

3	Shri.Madhava Rao, S/o.Bapurao Kadam, Age-57 yrs, Agriculturer, Singanapur village, Parbani District, Maharashtra.	810/2006, dtd.23.02.2006	24.02.2006		
4	Smt.Shanta Bhai, W/o.Shesherao, Age-50 yrs, House wife, Gour village, Purna District, Maharashtra.	810/2006, dtd.23.02.2006	24.02.2006		
5	Smt.Kamala Bhai, W/o.Sahebrao Dubhate, Age-45 yrs, House wife, Golegaon village, Purna District, Maharashtra.	810/2006, dtd.23.02.2006	24.02.2006		
6	Shri.Munjaji, S/o.Madhavrao Kadam, Age-40 yrs, Agriculturer, Singanapur village, Parbani District, Maharashtra State.	811/06, dtd.24.02.2006	24.02.2006	7.325	718340
7	Shri.Shivaji, S/o.Shrirangarao Kadam, Age-39 yrs, Agriculturer, Singanapur village, Parbani District, Maharashtra State.	811/06, dtd.24.02.2006	24.02.2006		
				18.375	1801240*

** - The amount for the land has been fully paid up.*

Land Details Amravati:

SL.No.	Name of the Seller, Address & Occupation	Reg. No. & Date	Date of Agreement	Measure ment in Acres	Value in Rs. (In.Lacs)
1	Shri. Shantilal, S/o.Kisansa Shah, Age-82, Agriculture, Kolapur Village, Bhatkuli Village, Amaravathi District	757/2006, dtd.15.06.2006	16.06.2006	26.825	19,02,000
2	Smt.Chadrakala, W/o.late Prakash Chand Shah, Age-53, Agriculturer, Kolapur Village, Bhatkuli Village, Amaravathi District.	757/2006, dtd.15.06.2006	16.06.2006		
3	Shri. Pradip, S/o.Shantilal Shah, Age-52 yrs, Agriculturer, Kolapur Village, Bhatkuli Village, Amaravathi District	757/2006, dtd.15.06.2006	16.06.2006		
4	Shri.Vilas, S/o.Shantilal Shah, Age-51, Agriculturer, Kolapur Village, Bhatkuli Village, Amaravathi District	757/2006, dtd.15.06.2006	16.06.2006		
5	Shri. Dilip, S/o.Shantilal Shah, Age-50 yrs, Agriculturer, Kolapur Village, Bhatkuli Village, Amaravathi District	757/2006, dtd.15.06.2006	16.06.2006		

6	Shri. Kirit, S/o.Shantilal Shah, Age-46 yrs, Agriculturer, Kolapur Village, Bhatkuli Village, Amaravathi District	757/2006, dtd.15.06.2006	16.06.2006		
				26.825	19,02,000
	Less: As per Government Measurement			2.45	--
	Total Land			24.375	19,02,000*

** - The amount for the land has been fully paid up.*

All the above lands are agricultural lands and no specific approvals are required to setup the project at these sites.

b) Plant and Machinery

The total cost of machinery required for both the units viz. Amravati and Parbhani is estimated at 6550.00 lakhs. The break up of total cost for both the units is as follows:

S.No.	Particulars	Basic	Taxes & Duties	Total Cost	Supplier Name	Date of Quotation
1	Boiler & Auxiliaries and Erection	1013.00	216.23	1335.36	M/s.Thermax Ltd.	28.09.2006
2	Turbine & Auxiliaries and Erection	558.19	74.02	687.21	M/s.Associated Power Team Pvt Ltd.	16.12.2006
3	Indegenious items & Auxiliaries and Erection	350.00	69.91	419.91	M/s.Greenesol Power	26.03.2007
4	33 kv Switch Yard & 11 kv panels and erection	66.55	13.72	83.72	M/s.Parameswari Power Projects	10.03.2007
5	12.5 MV Generator transformer & 1.6 MVA Auxiliaries Transformer and Erection	79.00	15.78	94.78	M/s.PETE Ltd.,	18.04.2007
6	Fuel and Ash Handling System and erection	131.00	27.40	168.40	M/s.Sai Krupa Industries	14.05.2007
7	RCC Chimney of 65 M Ht and 206 M clear ID and Erection	34.60	6.91	41.51	M/s.Vijaya Engineering	15.01.2007
8	20T Double Girder, Class III, Semi EOT Crane with Electrically Operated Lifting	24.00	4.79	28.79	M/s.Shivpra Cranes	1.02.2007
9	DM Plant & Erection	112.00	22.37	134.37	M/s.Doshion Engineering	22.03.2007
10	Weigh Bridge and Erection	6.12	0.21	6.57	M/s.IPA Flowmatics	22.02.2007
11	Control Panels and Erection	37.33	7.46	44.79	M/s.Venkateswara Electricals	20.03.2007
12	ESP & Erection	135.00	29.09	180.44	M/s Thermax Limited	25.03.2007

13	Other Equipments	--	--	49.15		
	Total Value			3275.00		
Total Value for both the units			3275.00*2	6550.00		

Note:

The Company does not intend to purchase any second hand machinery

Schedule of implementation

For Amravati and Parbhani projects

<i>Particulars</i>	<i>Date of commencement</i>	<i>Date of Completion</i>
Civil works	June, 2007	July, 2008
Boiler & Auxiliaries	June, 2007	August, 2008
Balance of Plant	July, 2007	April, 2008
Turbo Generator & Aux	July, 2007	July, 2008
Electrical	August, 2007	July, 2008
Air-cooled Condenser	July, 2007	August, 2008
Mechanical	November, 2007	July, 2008
Erection	December, 2007	July, 2008
Commissioning	August, 2008	August, 2008
Commercial Operation	September, 2008	

Reasons for the delay

One of the terms and conditions of the term loan lenders is that the equity should be brought in upfront before the release of the term loan. SPCL intends to subscribe to the Equity from the proceeds of the IPO. Due to delay in the IPO, SPCL was not in a position to subscribe to the Equity Shares of MSM Energy, due to which the term lenders have not disbursed the aforesaid loans, leading to delay in project implementation.

Status of the project

1. MSM has entered into sale deeds for acquiring the land admeasuring 18.38 acres and 24.38 acres in Parbhani and Amravati districts respectively.
2. MSM has received Quotations from suppliers of Critical Equipment viz., Boiler and Steam Turbine Generator etc. and evaluation is under process.
3. MSM has entered into the PPA with Maharashtra State Electricity Board.
4. MSM has received a sanction of Rs.5984 lakhs as term loan from State Bank of India, , State bank of Hyderabad and Allahabad Bank for the project.

Government and Environmental Clearance

For details of approvals received and yet to be received please refer to section titled "Government Approvals and Licensing Arrangements" on page no. 229 of this Red Herring Prospectus.

2. Working Capital requirement for Power Trading activity

Considering the tremendous potential in the power trading segment, the Company has obtained a Category "A" license to undertake power trading activity from Central Electricity Regulatory Commission (CERC) vide licence no.19/ Trading /CERC dated 22nd February 2006.This license permits the company to trade in electricity as an electricity trader in the whole of India , except the state of Jammu & Kashmir subject to certain terms and conditions contained in the Act.The license shall be valid for a period of 25 years from the date of its issue unless revoked earlier.

In order to meet the mis-match between the revenue realizations and payment obligations, the Company has earmarked an amount of Rs.1000 lakhs out of the proceeds of the issue. This being the new area, being allowed by the government for private sectors to operate, the Company, with its expertise in power generation is confident of handling these operations .

3. Additional Working Capital Requirements for its operations

The Company enjoyed working capital facilities with State Bank of India to the tune of Rs.1725 lakhs for its power plant in Andaman & Nicobar Islands during the year 2005-06 & 2006-07.The summarized

position of utilization as at 31st March 2006 and 31st March 2007 is as under:

(Rs. Lakhs)

Description	As at 31st March 2006	As at 31st March 2007
Current Assets built up		
Inventories	384.52	531.04
Receivables	1250.70	1213.98
Other Current Assets	108.00	161.50
Total	1743.21	1906.53
Current Liabilities		
Sundry Creditors & Provisions	166.70	211.16
Total	166.70	211.16
Net Working capital	1576.51	1695.37
Bank borrowing	1582.55	1296.66
Internal Sources	(6.04)	398.71
Limits Available		
Fund based	1725.00	1725.00
Non-fund based	0.00	0.00

The growth in the operations and eligible credit period to the Electricity Department as per the provisions of PPA, necessitates the Company to infuse additional margins in to current assets, which would enable it to access the required working capital support from the Banks.

The working capital requirement has been calculated on the basis of additional working capital required for the current financial year. Inventories, Receivables and Advances have been taken at various levels, which is in consonance with industry practice.

(Rs. Lakhs)

Description	2007-08
Current Assets built up	
Inventories	1044.21
Receivables	1788.79
Other Current Assets	472.92
Total	3305.92
Current Liabilities	
Sundry Creditors & Provisions	142.42
Total	142.42
Net Working capital	3163.50
Margin @ 10%	316.35
Support from Banks (including BG)	1725.00
Additional working capital required	1438.50

Details of Existing Working Capital as on date

(Rs. In lakhs)

Fund Based Loans	
State Bank of India (Kolkata) (C.C)	925.00
Non Fund Based	
State Bank of India (Kolkata) (Bank Guarantee)	800.00
Total	1725.00

As desired by Indian Oil Corporation the Company has switched its working capital limits into bank guarantee limits amounting to Rs. 800 lakhs.

All the above projections are based on the management's estimate and have not been appraised by any bank or financial institution

4. Issue Related Expenses

Issue related expenses includes underwriting and Issue management fees, selling commission, distribution expenses, legal fees, printing and stationery costs, advertising expenses and listing fees payable to the Stock Exchanges etc. The total expenses for the Issue are estimated at Rs. [•], which is [•] % of the Issue size. All the Issue related expenses shall be met out of the proceeds of the Issue.

The break-up of the same is as follows:

(Rs. lakhs)

Particulars	Amount	% of total issue expenses	% of total issue size
Issue Management	[•]	[•]	[•]
Registrars fees	[•]	[•]	[•]
Printing of Stationery	[•]	[•]	[•]
Legal Fee	[•]	[•]	[•]
Advertising and marketing expenses	[•]	[•]	[•]
Underwriting Commission	[•]	[•]	[•]
Brokerage and Selling commission	[•]	[•]	[•]
Other expenses	[•]	[•]	[•]
Total	[•]	[•]	[•]

Funds Deployed

The Company has incurred a sum of Rs. 38.10 lakhs upto April 30, 2007 on the proposed project. The funds deployment and its means of finance have been certified by M/s. Visweswara Rao & Associates Chartered Accountants, the Statutory Auditors of the Company vide their certificate dated May 23, 2007.

The details thereof and Funds deployed are as under:

Particulars	Amount (Rs. Lakhs)
IPO Expenses	38.10
Total	38.10

Sources of Financing of Funds already deployed

Particulars	Amount (Rs. Lakhs)
Internal Accruals	38.10

Total	38.10
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Details of Proposed Fund Deployment

(Rs. Lakhs)

Activity	Cost of the activity	Up to April 30,2007	From 1/6/2007 to 31/08/2007
Investment in Equity of MSM Energy Limited	2393.00	-	2393.00
Working capital requirement for Power Trading activity	1000.00	-	1000.00
Additional Working Capital requirement	1229.24	-	1229.24
Issue Expenses	[•]	38.10	[•]
General corporate Purposes	[•]	-	[•]
Total	[•]	[•]	[•]

Interim Use of Funds

Pending use of funds as described above, the proceeds of this issue will be kept in fixed deposits with scheduled commercial banks.

MONITORING OF UTILISATION OF FUNDS

The Company has appointed State Bank of India, SME Wing, Commercial Branch, Bank Street, Koti, Hyderabad as monitoring agency which the company has done so voluntarily and not in terms of the SEBI (DIP) Guidelines.

The Monitoring Agency will ensure that the funds raised from the IPO will be utilized only for the projects mentioned in the RHP on providing the documentary evidence. The Monitoring agency will seek further information/ documents as may be required to ensure that a periodical report is sent to SEBI in accordance with SEBI DIP Guidelines.

7. TERMS OF ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of the Company, the terms of this Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of 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, Government of India, Stock Exchanges, RBI,ROC and/or other authorities, as in force on the date of the Issue and to the extent applicable

8. BASIS OF ISSUE PRICE

The Price Band will be decided prior to the filing of the Red Herring Prospectus with the RoC. The Issue Price will be determined by the Company in consultation with the BRLM, on the basis of assessment of market demand for the Equity Shares in this Issue. The face value of the Equity Shares is Rs. 10/- and the Issue price is 1.7 times the face value at the lower end of the Price Band and 2.0 times the face value at the higher end of the Price Band.

Qualitative Factors

- (i) Existing profit making Company
- (ii) Set up a 20MW power plant in A & N Islands.
- (iii) Three of the subsidiaries in which the Company has invested have already completed financial closure and PPAs have been entered into.

Quantitative Factors

(i) Adjusted Earning Per Share (EPS)

Unconsolidated

Financial year	EPS (Rs.)	Weightage
March 31, 2005	0.81	1
March 31, 2006	0.38	2
March 31, 2007	0.40	3
Weighted average EPS	0.46	

Consolidated

Financial year	EPS (Rs.)	Weightage
March 31, 2005	-	-
March 31, 2006	0.37	1
March 31, 2007	0.32	2
Weighted average EPS	0.34	

(ii) Industry P/E

Highest	80.30
Lowest	5.20
Average	18.20

Source: Capital Market (May 21- June 3, 2007)

(iii) Price/Earning ratio (P/E ratio) in relation to issue price of Rs. 17 per share (Lower end of the Price band)

Un-consolidated

Particulars	
Based on March 31, 2007 EPS	42.50
Based on weighted average EPS	36.96

Consolidated

Particulars	
Based on March 31, 2007 EPS	53.13
Based on weighted average EPS	50.00

(iv) Price/Earning ratio (P/E ratio) in relation to issue price of Rs. 20 per share (Higher end of the Price band)

Un-consolidated

Particulars	
Based on March 31, 2007 EPS	50.00
Based on weighted average EPS	43.48

Consolidated

Particulars	
Based on March 31, 2007 EPS	62.50
Based on weighted average EPS	58.82

(iv) Return on Network

Unconsolidated

Financial year	RONW %	Weightage
March 31, 2005	7.32%	1
March 31, 2006	1.77%	2
March 31, 2007	2.71%	3
Weighted average RONW	3.17	

Consolidated

Financial year	RONW %	Weightage
March 31, 2006	1.71	1
March 31, 2007	2.16	2
Weighted average RONW	2.01	

*Lahari, SAAIL and MSM have become subsidiaries during the financial year 2005-06

- (v) **Minimum return on total net worth** needed after the Issue to maintain pre-Issue EPS (as on 31.03.2007) at Rs. 0.40 is

Un-consolidated

At the lower end of the price band of Rs. 17 is 2.53%

At the Higher end of the price band of Rs. 20 is 2.33%

Consolidated

At the lower end of the price band of Rs. 17 is 2.54%

At the Higher end of the price band of Rs. 20 is 2.34%

- (vi) **Net Asset Value***

Unconsolidated

Particulars	Rs.
As at March 31, 2005	11.05
As at March 31, 2006	14.52
As at March 31, 2007	14.86
After Issue at Issue price of Rs. [•]	[•]

Consolidated

Particulars	Rs.
As at March 31, 2006	14.50
As at March 31, 2007	14.75
After Issue at Issue price of Rs. [•]	[•]

*NAV on Equity Share of face value of Rs.10/-

- (vii) **Comparison of accounting ratios of the Company with industry average and accounting ratios of peer group for Financial year 2006-07.**

There are no comparable companies of similar size in the power sector in India. However, a comparison has been made with other listed Companies operated in the similar sector.

Name of company	EPS (Rs.)	PE Ratio	RONW (%)	Book Value(Rs.)
Suryachakra Power Corporation Limited	0.40	--	2.71	14.86
GVK Power Infra	4.6	80.3	3.9	176.0
BF Utilities	0.6	--	--	54.0

Jaiprakash Hydro	3.2	10.6	12.5	18.4
Energy Develop	2.1	17.4	18.7	24.6
Neyveli Lignite	3.3	23.7	7.7	47.7
Gujrat Indus. Power	12.1	5.2	15.4	71.3

Source: Capital Market (May 21- June 3, 2007)

- (viii) The face value of the shares is Rs. 10/-. The issue price is [•] times of the face value at a price of Rs. [•]. The Floor price is 1.7 times and Cap Price is 2.0 times of the Face Value. The Issue Price of Rs. [•] has been determined by the Company in consultation with the BRLM on the basis of assessment of market demand for the Equity shares by way of Book Building and is justified on the basis of the above factors.
- (ix) The BRLM believes the Issue Price of Rs. [•] is justified in view of the above qualitative and quantitative parameters. See the section titled "Risk Factors" on page no.ix of this Red Herring prospectus and the financials of the Company including profitability and return ratios, as set out in the section titled "Management Discussion and Analysis" on restated financial statements on page no. 206 of this Red Herring Prospectus to have more informed view.

9. STATEMENT OF POSSIBLE TAX BENEFITS

We hereby confirm that the enclosed annexure, prepared by the Company, states the possible tax benefits available to Suryachakra Power Corporation Limited ('the Company') and its Shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws. Hence the ability of the company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company may or may not choose to fulfill. Each shareholder is advised to consult its own tax consultant with respect to the specific tax implications arising out of its participation in the issue, particularly in view of the fact that there could be different interpretations of legislation.

Unless otherwise specified, sections referred to below are sections of the Income-tax Act, 1961. All the provisions set out below are subject to conditions specified in the respective sections. The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

Further we do not express any opinion or provide any assurance as to whether:

- the Company or its shareholders will continue to obtain these benefits in future: or
- the conditions prescribed for availing the benefits, where applicable have been/would be met.

for VISWESWARA RAO & ASSOCIATES
Chartered Accountants

(MAHIDHAR. S.G.)
Partner

Place: Hyderabad
Date : 23-05-2007

STATEMENT OF POSSIBLE TAX BENEFITS

A. Benefits available to the Company under the Income Tax Act, 1961:

1. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O of the Act (i.e. dividends declared, distributed or paid on or after 1st April 2003 by the Company) is exempt from tax.
2. By virtue of section 10(35) of the Act, the following income shall be exempt in the hands of the company –
 - (a) Income received in respect of the units of a Mutual Fund specified under clause (23D) of Section 10; or
 - (b) Income received in respect of units from the Administrator of the specified undertaking ; or
 - (c) Income received in respect of units from the specified company.

Provided that this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be. For this purpose:

1. "Administrator" means the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002.
2. "Specified Company" means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;
3. In terms of section 10(36) of Act, any long term capital gain arising to the Company from the transfer of a long term capital asset being an eligible equity share in a company purchased on or after March 1, 2003 and before March 1, 2004 and held for a period of more than 12 months would be liable to tax in the hands of the Company;

For this purpose, "eligible equity share" means-

- a) any equity share in a company being a constituent of BSE – 500 Index of the Bombay Stock Exchange Limited as on ;the March 1, 2003 and the transaction of purchase and sale of such equity share are entered into on a recognized stock exchange in India; or
- b) an equity share in a company allotted through a public issue on or after the March 1, 2003 and listed in a recognized stock exchange in India before March 1, 2004 and the transaction of sale of such share is entered into on a recognized stock exchange in India.
4. The finance (No.2) Act, 2004 has inserted provisions of section 10 (38) of the Act that the long term capital gains arising from the transfer of shares, where the transaction of sale of such shares is entered into in a recognized stock exchange in India on or after October 1, 2004 and chargeable to Securities Transaction Tax will be exempt from tax.

Provided that the income by way of long term capital gain of a company shall be taken into account in computing the book profit and income tax payable under Section 115JB from the assessment year 2007-08.

5. Under section 48 of the Act, if the investments in shares are sold after being held for not

less than twelve months, the gains, if any, will be treated as long-term capital gains and the gains will be calculated by deducting from the gross consideration, the indexed cost of acquisition. The indexed cost of acquisition / improvement adjusts the cost of acquisition / improvement by the cost of inflation index, as prescribed from time to time.

6. Under section 54EC of the Act, subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(36) and section 10(38) of the Act) arising on transfer of a long-term capital asset shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long-term specified asset.

If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred.

However, the investment made on or after the 1st day of April, 2007 in the long term specified asset by an assessee during any financial year does not exceed fifty lakh rupees.

7. The Finance (No.2) Act, 2004 has inserted provisions of section 111A of the Act that the short term capital gains arising from the transfer of shares, where the transaction of sale of such shares is entered into in a recognized stock exchange in India or after October 1, 2004 and chargeable to Securities Transaction Tax will be chargeable to tax @ 10% (Plus surcharge).
8. Under section 112 of the Act, and other relevant provisions of the Act, long term capital gains.(i.e., if shares are held for a period exceeding 12 months) (In cases not covered under section 10(36) and section 10(38) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge). The tax shall however, not exceed 10% (plus applicable surcharge) without indexation, if the transfer is made after listing of the shares of the Company.
9. Under section 115JAA(1A) of the Act, credit is allowed in respect of any minimum alternate tax (MAT) paid under section 115JB of the Act for any assessment year commencing on or after April 1st, 2006. Tax credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the Act for that assessment year. Such MAT credit is allowed to be carried forward for set off purposes for up to 7 years succeeding the year in which the MAT credit is allowed.
10. U/Sec. 80IA and 35 of the Act

In accordance with and subject to the conditions specified in Section 80IA of the 'Income Tax Act, 1961, the Company would be entitled to deduction of 100% of profits derived from Industrial undertaking engaged in generation and/or distribution or transmission of power for any 10 consecutive assessment years out of fifteen years beginning from the year in which the undertaking generated power or commences transmission or distribution of power before March 31, 2010.

In accordance with and subject to the provisions of Section 35, the Company would be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business.

11. Education Cess of 2% and secondary and higher education cess of 1% on Income tax including surcharge. The rate of tax would therefore increase accordingly.

B. Benefits available to the shareholders of the Company under the Income Tax Act, 1961:

Benefits to Resident Shareholders

- 12 Under section 10(32) of the Act, any Income of a minor child clubbed in the total income of the parent under section 64 (1A) of the Act will be exempt from tax to the extent of Rs. 1,500 per minor child.
13. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O of the Act (i.e. dividends declared, distributed or paid on or after 1st April 2003 by the Company) is exempt from tax.
14. The Finance (No.2) Act, 2004 has introduced provisions of Section 10(38) of the Act which provides that the long term capital gains arising from the transfer of shares, where the transaction of sale of such shares is entered into in a recognized stock exchange in India on or after the 1st Day of October, 2004 and the transaction is chargeable to Securities Transaction Tax will be exempt from tax.

Provided that the income by way of long term capital gain of a company shall be taken into account in computing the book profit and income tax payable under Section 115JB from the assessment year 2007-08.

15. Under section 88E of the Act, securities transaction tax paid by a shareholder in respect of the taxable securities transactions entered into in the course of his business, would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction in respect of amount paid on account of securities transaction tax will be allowed in computing the income chargeable to tax as capital gains.
16. Under section 48 of the Act, if the Company's shares, being long-term capital assets (i.e. being held for more than 12 months), are sold, the long-term capital gains(in cases not covered under section 10(36) and 10(38) of the Act), if any shall be calculated after indexing the cost of acquisition.
17. Under section 112 of the Act, and other relevant provisions of the Act, long term capital gains (i.e., if shares are held for a period exceeding 12 months) (in cases not covered under section 10(36) and Section 10(38) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48. The amount of such tax shall however, not exceed 10% (plus applicable surcharge) without indexation, if the transfer is made after listing of the shares of the Company.
18. Under section 54EC of the Act, subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(36) and Section 10(38) of the Act) arising on transfer of the shares of the Company are exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long-term specified asset.

In such a case, the cost of such long-term specified asset will not qualify for deduction under section 80C of the Act.

If the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred or converted into money.

However, the investment made on or after the 1st day of April, 2007 in the long term specified asset by an assessee during any financial year does not exceed fifty lakh rupees

19. Under section 54F of the Act, long term capital gains(in cases not covered under section

10(36) and 10(38) of the Act) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family (HUF) are exempt from capital gains tax if the net consideration is utilized, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:

a) if the individual or Hindu Undivided Family-

- (i) Owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
- (ii) Purchases another residential house within a period of One year after the date of transfer of the shares; or
- (iii) Constructs another residential house other than the new house within a period of three years after the date of transfer of the shares; and

b) The income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property"

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the residential house bears to the net consideration shall be exempt.

If the residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

- 20. The Finance (No.2) Act, 2004 has inserted section 111A of the Act that the short term capital gains arising from the transfer of equity shares, where the transaction of sale of such shares is entered into in a recognized stock exchange in India on or after 1st Day of October, 2004 and such transaction is chargeable to securities transaction tax will be chargeable to tax @ 10% (plus surcharge and Education Cess).
- 21. Education Cess of 2% and secondary and higher education cess of 1% on Income tax including surcharge. The rate of tax would therefore increase accordingly.

Benefits to Non-resident Indians / Non residents shareholders (Other than FIIs)

- 22. Under section 10(32) of the Act, any income of a minor child clubbed in the total income of the parent under section 64(1A) of the Act will be exempt from tax to the extent of Rs. 1,500 per minor child.
- 23. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1st April 2003 by the Company) is exempt from tax.
- 24. The Finance (No. 2) Act, 2004 has inserted provisions of section 10(38) of the Act that the Long term capital gains arising from the transfer of shares, where the transaction of sale of such shares is entered into in a recognized stock exchange in India on or after 1st day of October, 2004 and chargeable to Securities Transaction Tax will be exempt from tax.

Provided that the income by way of long term capital gain of a company shall be taken into account in computing the book profit and income tax payable under Section 115JB from the assessment year 2007-08.

- 25 Under the first proviso to section 48 of the Act, in case of a non-resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange, cost indexation will not be applicable. The capital gains/loss in such a case will be computed by converting the cost of acquisition, consideration for transfer and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilized in the purchase of the shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing/arising from every reinvestment thereafter and sale of shares or debentures of an Indian company including the Company.
26. Under section 88E of the Act, securities transaction tax paid by a shareholder in respect of the taxable securities transactions entered into in the course of his business, would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction in respect of amount paid on account of securities transaction tax will be allowed in computing the income chargeable to tax as capital gains.
27. Under Section 54EC of the Act, subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under Section 10(36) and section 10(38) of the Act) arising on transfer of the shares of the Company are exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long-term specified asset.

In such a case, the cost of such long-term specified asset will not qualify for deduction under section 80C of the Act.

If the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred or converted into money.

However, the investment made on or after the 1st day of April, 2007 in the long term specified asset by an assessee during any financial year does not exceed fifty lakh rupees.

28. Under section 54F of the Act, long term capital gains (in cases not covered under section 10(36) and Section 10(38) of the Act) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family (HUF) are exempt from capital gains tax if the net consideration is utilized, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:
- a) If the individual or Hindu Undivided Family-
 - i) owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
 - ii) Purchases another residential house within a period of one year after the date of transfer of the shares; or
 - iii) Constructs another residential house within a period of three years after the date of transfer of the shares; and
 - b) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property"

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase of construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

29. The finance (No. 2) Act, 2004 has inserted provisions of section 111A of the Act that the short term capital gains arising from the transfer of equity shares, where the transaction of sale of such shares is entered into in a recognized stock exchange in India on or after 1st day of October, 2004 and chargeable to Securities Transaction Tax will be chargeable to tax @ 10% (plus surcharge).
30. Under section 112 of the Act and other relevant provisions of the Act, long term capital gains. (i.e., if shares are held for a period exceeding 12 months) (In cases not covered under section 10(36) and section 10(38) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge). The tax shall however, not exceed 10% (plus applicable surcharge) without indexation, if the transfer is made after listing of the shares of the Company.
31. Education Cess of 2% and secondary and higher education cess of 1% on Income tax including surcharge. The rate of tax would therefore increase accordingly.
32. A non-resident Indian (i.e. an individual being a citizen of India or person of Indian origin who is not a resident) has an option to be governed by the provisions of Chapter XII-A of the Act, viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows:
 - a. Under section 115 E of the Act, where shares in the company are acquired or subscribed for in convertible foreign exchange by a non-resident Indian, capital gains arising to the non-resident Indian on transfer of shares held for a period exceeding 12 months shall (in cases not covered under section 10(36) and section 10(38) of the Act) is concession ally taxed at the rate of 10% (plus applicable Surcharge) (without indexation benefit).
 - b. Under section 115F of the Act, long term capital gains (in cases not covered under section 10(36) of the Act and section 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible foreign exchange is exempt from Income tax, if the net consideration is reinvested in specified assets within six months from the date of transfer. If only a part of the net consideration is so invested, the exemption shall be proportionately reduced.

If the specified asset is transferred or converted into money within a period of three years from the date of its acquisition, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital gains" of the year in which the specified asset is transferred or converted.
 - c. Under Section 115G of the Act, it shall not be necessary for a Non-resident Indian to furnish his return of income if his income chargeable under the act consists on only investment income or long term capital gains or both arising out of specified assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.
 - d. Under section 115H of the Act, where the Non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the

provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets mentioned in Sub Clauses (ii), (iii), (iv) and (v) of clause (f) of Section 115 C for that year and subsequent assessment years until such assets are converted into money.

- e. Under section 115I of the Act, a Non-Resident Indian may elect not be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.
33. Under section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the double tax avoidance agreement ('tax treaty') entered between India and the country of fiscal domicile of the non-resident, if any, to the extent they are more beneficial to the non-resident. Thus, a non-resident (including NRIs) can opt to be governed by the provisions of the Act, or the applicable tax treaty, whichever is more beneficial.

Benefits to Foreign Institutional Investors (FIIs)

34. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after April 1, 2003 by the Company) is exempt from tax.
35. The Finance (No.2) Act, 2004 has inserted provisions of Section 10(38) of the Act that the long term capital gains arising from the transfer of shares, where the transaction of sale of such shares is entered into in a recognized stock exchange in India on or after October 1, 2004 and chargeable to Securities Transaction Tax will be exempt from tax.

Provided that the income by way of long term capital gain of a company shall be taken into account in computing the book profit and income tax payable under Section 115JB from the assessment year 2007-08.

36. Under section 88E of the Act, securities transaction tax paid by a shareholder in respect of the taxable securities transactions entered into in the course of his business, would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction in respect of amount paid on account of securities transaction tax will be allowed in computing the income chargeable to tax as capital gains.
37. The income by way of short-term capital gains / long-term capital gains realized by FIIs on sale of shares in the company would be taxed at 30% / 10% respectively, as per section 115AD of the Act. (however, in respect of short term capital gains referred to in section 111A the tax rate applicable will be 10%). The benefit of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not applicable to FII.
38. Under section 54EC of the Act, subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(36) and Section 10(38) of the Act) arising on transfer of the shares of the Company are exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long-term specified asset.

If the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred or converted into money.

However, the investment made on or after the 1st day of April, 2007 in the long term specified asset by an assessee during any financial year does not exceed fifty lakh rupees.

39. Education Cess of 2% and secondary and higher education cess of 1% on Income tax including surcharge. The rate of tax would therefore increase accordingly.
40. Under section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the double tax avoidance agreement ('tax treaty') entered between India and the country of fiscal domicile of the non-resident, if any, to the extent they are more beneficial to the non-resident. Thus, a non-resident (including NRIs) can opt to be governed by the provisions of the Act, or the applicable tax treaty, whichever is more beneficial.

Benefits to Mutual Funds

41. Under section 10(23D) of the Act, any income of:

- a) A Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under;
- b) Such other Mutual Fund set up by a public sector bank or a public financial institution or authorized by the Reserve Bank of India and subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf will be exempt from income-tax.

C. Benefits available to the shareholders of the Company under the Wealth Tax Act, 1957:

42. Shares of the company held by the shareholders will not be treated as an asset within the meaning of section 2 (ea) of the Wealth Tax Act, 1957. Hence, shares are not liable to wealth tax.

D. Benefits available to the shareholders of the Company under the Gift Tax Act, 1958:

43. Gift made after 30th September, 1998 is not liable for any gift tax, and hence, gift of shares of the Company would not be liable for any gift tax.

Notes:

- 1. All the above benefits are as per the current tax law as amended by the Finance Bill, 2007
- 2. The above Statement of possible tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or list of all potential tax consequences.
- 3. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
- 4. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
- 5. In view of the individual nature of tax consequences, each investor is advised to consult his/her/its own tax advisor with respect to specific tax consequences of his/her/its participation in the scheme.
- 6. The tax benefits listed above are not exhaustive.

IV. ABOUT THE ISSUER COMPANY

1. INDUSTRY OVERVIEW

Unless otherwise indicated, all financial and statistical data relating to the power industry in India in the following discussion is derived from the Ministry of Power's Annual Report (2005-2006), the Central Electricity Authority's General Review (2000-2001) and Executive Summary (March 2004, 2005, 2006) and the Planning Commission (Power and Energy Division) Annual Report on the Working of the State Electricity Boards and Electricity Departments (2001-2002). The data may have been re-classified by us for the purpose of presentation. Unless otherwise indicated, the data presented excludes captive capacity and generation. The term "units" as used herein refers to kilowatt hours.

Power Industry in India

The power industry in India has been characterized by energy shortages. In fiscal 2006-07, (up to December, 06) demand for electricity exceeded supply by an estimated 7.7% in terms of total requirements and 10.50% in terms of peak demand requirements. Although power generation capacity has increased substantially in recent years, it has not kept pace with the growth in demand or the growth of the economy generally. According to the United Nations, India has one of the lowest electricity consumption levels in the world, at 355 units per capita in 2000, due in part to unreliable supply and inadequate distribution networks. This contrasts with 827 units per capita in China, 1,878 units per capita in Brazil and 12,331 units per capita in the United States in 2000.

Historically, Central and State government entities played the dominant roles in the development of the Indian power industry. However, capacity growth did not keep pace with demand, due to inadequate investment and the poor financial health of the state electricity boards. In recent years, however, in light of persistent shortages, the Government has taken significant action to restructure the industry and attract investment. This has included measures to restructure the state electricity boards and improve their financial health. In addition, the Government has liberalized policies relating to the generation and distribution sectors.

Supply and Demand

Although electricity generation capacity has increased substantially in recent years, the demand for electricity in India is still substantially higher than the available supply. In fiscal 2007 (up to December, 2006), India faced an energy shortage of approximately 7.7% of total energy requirements and 10.5% of peak demand requirements.

The following table presents data showing the gap between the total requirement for electricity versus the total amount of electricity made available from fiscal 2000 to fiscal 2006.

Actual Power Supply Position Fiscal 2000-Fiscal 2005-06 (Upto December 2005)

Fiscal Year	Requirement (Million units)	Availability (Million units)	Surplus/Deficit (+ / -)	
			(Million units)	(%)
1999-00	480430	450594	-29836	-6.2%
2001-01	507216	467400	-39816	-7.8%
2001-02	522537	483350	-39817	-7.5%
2002-03	545983	497890	-48093	-8.8%
2003-04	559264	519398	-39866	-7.1%
2004-05	591373	548115	-43258	-7.3%
2005-06 (upto December 05)	466109	430408	-35701	7.7%

(Source: Ministry of Power Annual Report, 2004-2005; CEA Executive Summary, March 2006;)

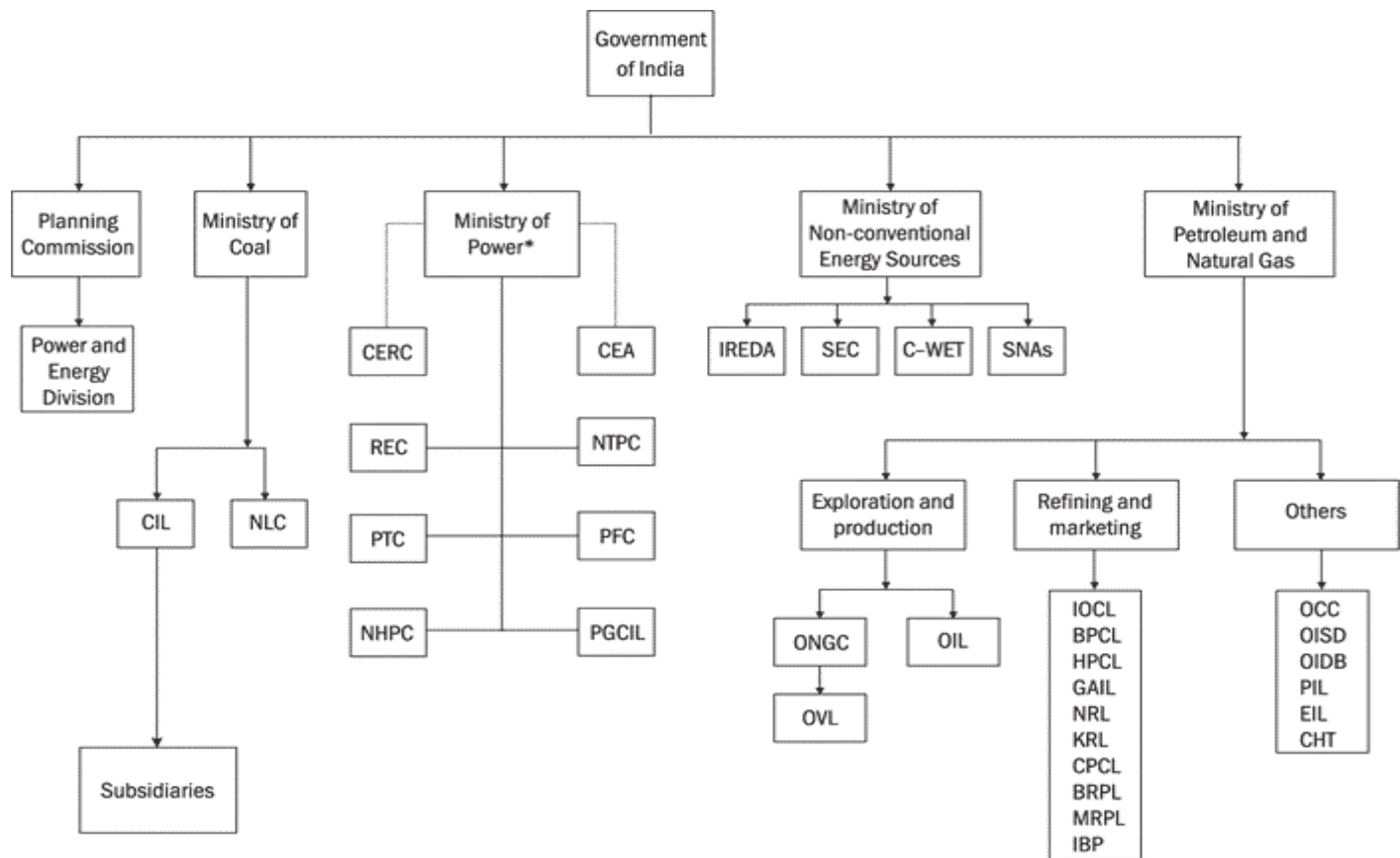
Consumption

The following table compares per capita electricity consumption in India, other countries and the world average consumption as of 2000.

Country	Per Capita Electricity Consumption in 2000 (units)
India	355
China	827
Egypt	976
Brazil	1,878
U.K.	5,601
Australia	9,006
U.S.A.	12,331
World Average	2,156

(Source: U.N. Development Programme, Human Development Indicators 2003.)

Organization of the energy sector



AEC	-	Atomic Energy Commission	HPCL	-	Hindustan Petroleum Corporation Ltd.	OIL	-	Oil India Ltd.
ARCs	-	Atomic research centres	IOCL	-	Indian Oil Corporation Ltd.	OIDB	-	Oil Industry Development Board
BPCL	-	Bharat Petroleum Corporation Ltd.	IREDA	-	Indian Renewable Energy Development Agency	OISD	-	Oil Industry Safety Directorate
BRPL	-	Bongaigaon Refinery and Petrochemicals Ltd.	IBPL	-	Indo-Burma Petroleum Company Ltd.	ONGC	-	Oil and Natural Gas Corporation
CEA	-	Central Electricity Authority	KRL	-	Kochi Refineries Ltd.	OVL	-	ONGC Videsh Ltd.
CERC	-	Central Electricity Regulatory Commission	MRPL	-	Mangalore Refinery and Petrochemicals Ltd.	PFC	-	Power Finance Corporation
CHT	-	Centre for High Technology	NHPC	-	National Hydroelectric Power Corporation Ltd.	PGCIL	-	Power Grid Corporation of India Ltd.
CIL	-	Coal India Ltd.	NLC	-	Neyveli Lignite Corporation Ltd.	PIL	-	Petroleum India International
CPCL	-	Chennai Petroleum Corporation Ltd.	NPCIL	-	Nuclear Power Corporation of India Ltd.	PTC	-	Power Trading Corporation
C-WET	-	Centre for Wind Energy Technology	NRL	-	Numaligarh Refineries Ltd.	REC	-	Rural Electrification Corporation
EIL	-	Engineers India Ltd.	NTPC	-	National Thermal Power Corporation Ltd.	SEC	-	Solar Energy Centre
GAIL	-	Gas Authority of India Ltd.	OCC	-	Oil Coordination Committee	SNAs	-	State nodal agencies

Source - TERI

Power Generation

As of April 30, 2007, India's power system had an installed generation capacity of approximately 132,110.21 MW. Thermal power plants powered by coal, gas, naphtha or oil accounted for approximately 64.78% of total power capacity in India as of April 30, 2007, hydroelectric stations for approximately 26.23% and others (including nuclear stations and wind power) accounted for approximately 9%. The CPSUs accounted for approximately 34.32% of total power generation capacity as of April 30, 2007, the various SEBs accounted for 52.72% and private sector companies accounted for approximately 10%.

Installed Capacities

The following table presents the installed generation capacity of India's electricity generators by type of generation from fiscal 2000 to fiscal 2006.

Installed Generation Capacities, Fiscal 2000-Fiscal 2007 by Generation (in MW)

As of March 31	Thermal (% of Total)	Hydro (% of Total)	RES (% of Total)	Nuclear (% of Total)	Total (In MW)
2000	71.8	24.3	1.2	2.7	98,184
2001	71.2	24.7	1.3	2.8	101,626
2002	71.0	25.0	1.4	2.6	105,046
2003	71.0	24.9	1.6	2.5	107,973
2004	69.6	26.3	1.7	2.4	112,058
2005	68.8	26.3	2.5	2.4	117,588
2006	66.3	26.0	5.0*	2.7	124,287
2007	65.0	26.0	5.8	2.9	132,110.21

* includes Small Hydro Project(SHP), Biomass Gas(BG), Biomass Power(BP), Urban & Industrial waste Power(U&I), and Wind Energy

(Source: CEA Executive Summary, March 2007.); Figs in MW

Installed Generation by Capacity by Sector (Fiscal 2006)

Type/Sector	Central	State	Private	Total
Thermal	33658.99	42895.33	9021.52	85575.84
Hydro	7562.00	25785.62	1306.15	34653.77
Nuclear	4120.00	0.00	0.00	4120.00
RES	0.00	975.65	6784.95	7760.60
Total	45340.99	69656.60	17112.62	132110.21

(Source: CEA Executive Summary, March 2006)

Biomass

In India biomass energy being mainly utilized for domestic, commercial and industrial applications. The estimated potential for power generation from this source is about 16,000 MW. However, as of June, 2004,. The installed capacity in India is only 630MW. (CII Report 2004 on Biomass Energy and Potential & Prospects)

Future Capacity Additions

The Government adopts a system of successive Five Year Plans that set out targets for economic development in various sectors, including the power sector. Each successive Five Year Plan has increased power generation capacity addition targets.

The target for capacity addition has been set at 78577 MW under the Tenth Plan, as described below:

Type/Sector	Central	State	Private	Total
Thermal	26800	24347	7497	58644
Hydro	9685	3605	3263	16553
Nuclear	3380	0	0	3380
Total	39865	27952	10760	78577

(Source: Ministry of Power, Official Website, Executive summary)

Capacity Utilisation

Capacity utilization in the Indian power sector, as measured by the plant load factor ("PLF") of generating plants, is lower than in developed countries. However, the PLF for coal-fired plants has increased from 63.0% in fiscal 1996 to 80.0% in fiscal 2006.

The following table shows the PLF for coal-fired plants from fiscal 2001 to fiscal 2006, by sector:

Fiscal Year	Centre	State	Private	Overall
2000-01	74.3	65.6	73.1	69.0
2001-02	74.3	67.0	74.7	69.9
2002-03	77.1	68.7	78.9	72.2
2003-04	78.7	68.4	80.4	72.7
2004-05	81.7	69.6	85.2	74.8
2005-06(upto Feb 06)	81.5	66.4	85.1	73.0

(Source: Planning Commission Annual Report on the Workings of the SEBs and EDs, 2001-2002; CEA, Executive Summary March 2004, 2005, 2006.); Figures in %

PLF varies significantly across ownership segments. Coal-fired generating plants owned by SEBs operated at an average PLF of around 73.5% in fiscal 2006, while those owned by private utilities and CPSUs operated at a PLF of 88.2% and 88.6%, respectively, during the same period.

Transmission and Distribution

In India, the T&D system is a three-tier structure comprising regional grids, state grids and distribution networks. The distribution network and the state grids are owned and operated by SEBs or state governments through SEBs. Most of the inter-state transmission links are owned and operated by POWERGRID. In order to facilitate the transfer of power between neighbouring states, state grids are interconnected to form regional grids.

Because peak demand does not occur simultaneously in all states, situations may arise in which there is surplus of power in one state while another state faces a deficit. The regional grids facilitate transfers of power from a power surplus state to a power deficit state. The grids also facilitate the optimal scheduling of maintenance outages and better co-ordination between the power plants. The regional grids are to be gradually integrated to form a national grid, whereby surplus power from a region could be transferred to a region facing power deficits, thereby facilitating a more optimal utilisation of the national generating capacity. At present the national grid has a capacity of 8,500 MW and POWERGRID expects to achieve grid capacity of 30,000 MW by fiscal 2010.

The T&D system in India is characterized by high losses, ranging from 24-33% during fiscal years 1997 to 2001, which includes theft as well as commercial losses. This compares with T&D losses of 10 to 15% in developed countries. T&D losses for the 19 SEBs and 8 EDs increased from 21.8% in fiscal 1993 to 29.9% in fiscal 2001. In the absence of adequate metering arrangements, however, loss figures have an implicit element of inaccuracy.

The Electricity Act calls for the unbundling of the SEBs so that the generation, transmission and distribution functions are placed into separate corporations. In addition, the Electricity Act provides for open access, whereby any generator has non-discriminatory access to transmission lines or distribution systems, and permits the creation of alternative or parallel distribution networks. However, these reforms are likely to take time to have full effect. Private sector investments have been allowed in the transmission sector and foreign direct investment in this sector is being encouraged by the Government. In addition, decentralized distributed generation using non-conventional sources of energy such as solar power and biomass are being encouraged in the country.

Structure of Sector Operations & Evolution of Trading

The operations of the Indian power industry are organized by dividing the country into five 'power regions' (namely North, South, West, East and North-East). Power generation projects have traditionally been planned and set up based on the projected demand in the regions they were meant to service and also depending on the availability of the fuel/natural resource required for generation of power. However, the long gestation periods of these projects has often resulted in demand-supply mismatches, including those on account of reasons such as actual growth in demand differing from anticipated growth, changes in the consumer mix, and changes in the usage profile of a class of consumers or then the projects themselves encountering time overruns. Also, some amount of demand supply mismatches have arisen from the fact that some of the power generation projects were undertaken in regions where the necessary resources required for generation such as coal field, water resources etc. were available and not necessarily adequate demand or power distribution infrastructure. Thus, while surplus energy has been available in the power system at certain times with some of the constituents, there has been a shortfall of energy experienced by others. It is this phenomenon, like in the case of any other industry that has resulted in the concept of, exchange of power between regions having a surplus and regions facing a deficit. Such transactions have now become a feasible possibility with the coming up of some of the requisite infrastructure, and are expected to become the order of the day in view of the economics of setting up generation projects near the source of fuel and transmission of power generated to the load centers. When the exchange of power / energy is structured with commercial mechanisms, a trading transaction occurs, which then delivers value for the mutual benefit of counter-parties.

NON CONVENTIONAL SOURCES OF ENERGY

During the last five decades, the demand for electricity has increased manifold in India, primarily due to the rapid rate of urbanization and industrialization. The conventional fossil fuel resources for power generation are fast depleting and there is a growing concern over the environmental degradation caused by conventional power plants. Against such implications, power generation from non-conventional resources assumes greater significance.

The importance of renewable energy was recognized in the country in the early 1970s. India has today one of the largest programmes for renewable energy. The Ministry of Non-conventional Energy Sources (MNES) created in 1992 is the nodal agency of the Government of India for all matters relating to new and renewable energies. The national programme covers the entire gamut of technologies, including improved chulhas, biogas plants, short rotation fuelwood tree species, biomass gasifiers, solar thermal and solar photovoltaic systems, wind farms, wind mills, biomass based cogeneration, small and micro hydel systems, energy recovery from urban, municipal and industrial wastes, hydrogen energy, ocean energy, fuel-cells, electravans and gasohol, etc. In each of these areas, there are programmes of resource assessment, R & D, prototype development and technology commercialisation.

BIOMASS

Among the various renewable energy sources, biomass conversion technologies is one of the best suited for conversion to shaft power/electricity. The term 'biomass' refers to organic matter, which can be converted to energy. Some of the most common biomass fuels are wood, agricultural residues, and crops grown specifically for energy. In addition, it is possible to convert municipal waste, manure or agricultural products into valuable fuels for transportation, industry, and even residential use.

As a renewable fuel, biomass is used in nearly every corner of the developing world as a source of heat, particularly in the domestic sector. Unlike other renewables, biomass is a versatile source of energy, which can be converted to 'modern' forms such as liquid and gaseous fuels, electricity, and process heat.

Various applications that are widely in use are the following:

- ☐ Power generation
- ☐ Biomass Gasification for thermal heating and power generation
- ☐ Biogas generation for cooking and distributed power generation

Unlike wind, solar or micro-hydroelectric systems, modern biomass energy systems could be set up in virtually any location where plants can be grown or domestic animals reared. Renewable sources of fuel such as solar, wind, and micro-hydroelectric require 'spare' or additional capacity to produce adequate energy when the conditions are right, such as water flow or wind speed. This intermittent feature of such renewable energy sources necessitates electricity storage facilities, especially with small and local systems. Bio-energy sources such as producer gas systems do not require electricity storage. In short, biomass energy systems offer an opportunity for sustainable and equitable development.

It has been estimated about 400 million tonnes of agricultural waste is being produced every year in India. As the country broadens its portfolio of power options to meet growing energy demands and increasingly stringent environmental concerns, biomass based power generation is emerging as an attractive option. Of all the technologies of utilization of biomass for energy generation, direct combustion of biomass has been recognised as an important route for generation of grid quality power by utilisation of vast amounts of agricultural residues, agro-industrial residues and forest wastes, which are either being wasted or sub-optimally utilised.

Advantages of using biomass:

- Biomass is available all round the year.
- Biomass power generation is CO₂ neutral and thus environmentally benign, limiting green house effect.
- It is cheap, widely available, easy to transport, store, and has no environmental hazards.
- It can be obtained from plantation of land having no competitive use.
- Biomass-based power generation systems, linked to plantations on wasteland, simultaneously address the vital issues of wastelands development, environmental restoration, rural employment generation, and generation of power with no distribution losses.
- It can be combined with production of other useful products, making it an attractive byproduct.
- Ideal option for providing electricity to a small cluster of villages

Biomass contributes 14% of the total energy supply worldwide. (CII – June 2004). Projections indicate that within decades, it would be cost-effective to generate and supply renewable electricity up to several thousands megawatts due to continued improvement in renewable energy devices (increasing efficiency and reducing cost) creating maximum impact on global power scenario. Besides grid supply augmentation, renewable energy technology offers

possibility of decentralized power generation at or near points of use, which can reduce peaking loads and save on costly of upgradation and maintenance of transmission and distribution networks to serve the growing demand. Among the various renewable energy sources, bio-resources, of which agro-residue forms a major component, hold special promise as future fuel and feedstock. Biomass-based systems are the only energy generating systems, which have the combined benefits of renewability, decentralization, and availability on demand without need for separate storage. Taking into account the energy requirements of collection, processing and conversion to convert forms of that, biomass still assures a bright future from energy point of view. Biomass for power generation has been recognized as an important component of the renewable energy programme in India

RECENT POLICY INITIATIVES

Mega Power Projects

In October 1998, the Government announced a policy aimed at utilizing economies of scale and producing power at the most economical locations. Under this policy, subject to satisfying certain conditions, thermal power projects with a capacity of 1,000 MW and above (or hydro projects with a capacity of 500 MW and above) and selling power to more than one state are granted "mega power project" status, and allowed certain fiscal benefits, such as the duty-free import of capital goods and a ten-year income tax holiday. Mega power projects in both the public and private sectors can avail of the benefits of this policy. An Inter-Institutional Group (IIG) comprising senior representatives from the lenders and Ministry of Power has been constituted to jointly appraise such projects and facilitate financial sanction in a time bound fashion. Eleven power projects with a total capacity of about 4000 MW have since achieved financial closure and eight more projects with a total capacity of about 10,000 MW are being pursued for early financial closure, possibly by the first quarter of 2005-06. A Green Channel has been constituted in the Ministry of Power to facilitate statutory clearances for the developers.

Accelerated Power Development and Reforms Programme

To improve the condition of the SEBs, the Government launched a combination of regulatory and development initiatives. In 2001, the Government initiated the APDRP to provide financial assistance to the states for undertaking renovation and modernization programs for thermal and hydro power stations and to strengthen and improve the sub-transmission and distribution network. The Government earmarked a total of Rs. 400 billion for the programme during the Tenth Plan. The programme includes investment components and incentive components. Under the investment component of APDRP, the Government provides financial assistance to the states to strengthen and upgrade their sub-transmission and distribution networks. The Government through concessional loans meets half of the cost of such projects, with the balance arranged by the states as counterpart funding from financial institutions. However, for states in the northeastern region, Jammu & Kashmir, Himachal Pradesh, Uttaranchal and Sikkim, the Government provides financial assistance for up to 100% of the project cost.

Under the incentive component, the MoP makes a grant to the states of 50% of the SEB's actual cash loss reductions year-over-year. This component has been introduced to motivate the SEBs and utilities to reduce their financial losses.

Power for all by 2012

The Ministry of Power has set a goal - Mission 2012: Power for All. A comprehensive blueprint for Power Sector development has been prepared encompassing an integrated strategy with the objective of having reliable, quality power at optimum cost that is commercially viable to achieve a GDP growth rate of 8%. This mission would require that India's installed generation capacity should be at least 200,000 MW by 2012 from the present level of 114,000 MW.

The strategies to achieve the objectives would include focusing on power generation, transmission and distribution, regulation, financing, conservation and communication:

- Power Generation Strategy with focus on low cost generation, optimization of capacity utilization, controlling the input cost, optimisation of fuel mix, technology upgradation and utilization of non-conventional energy sources;
- Transmission strategy with focus on development of national grid including Interstate connections, technology upgradation and optimization of transmission cost;
- Distribution strategy to achieve distribution reforms with focus on system upgradation, loss reduction, theft control, consumer service orientation, quality power supply, commercialization, decentralized distributed generation and supply for rural areas;
- Regulation strategy aimed at protecting consumer interests and making the sector commercially viable;
- Financing strategy to generate resources for required growth of the power sector;
- Conservation strategy to optimise the utilization of electricity with focus on demand side management, load management and technology upgradation to provide energy efficient equipment / gadgets; and
- Communication Strategy for political consensus with media support to enhance the general public awareness.

2. BUSINESS OVERVIEW

The Company was originally incorporated as Suryachakra Power Corporation Limited on February 28, 1995 with registration no. 01-19554, in Hyderabad, Andhra Pradesh under the Companies Act, 1956 and obtained certificate of commencement of business on March 16, 1995. The Company was converted into a private limited company with effect from August 9, 2000. Pursuant to this, the name of the Company was changed to Suryachakra Power Corporation Private Limited. The Company was re-converted into a public limited company with effect from September 8, 2005 in terms of Section 31(1)/44 of the Companies Act, 1956. Pursuant to this, the name of the Company was changed to Suryachakra Power Corporation Limited.

Pursuant to a competitive bid floated by the A & N Administration in 1995 for establishing a thermal based power plant at Bamboo Flat, Port Blair, A & N Islands the Company was adjudged the successful bidder and awarded the contract to establish and operate a 20 MW Diesel Generating Power House under Electricity Supply Act on a BOOM (Build Own Operate and Maintain) basis.

On February 18, 2003 the Bamboo Flat power plant went through all the required acceptance tests and was declared complete in all respects and started commercial operations from April 2003 by providing continuous power supply as required by the A & N Administration. The said power plant was constructed by M/s. BSES Limited (presently M/s. Reliance Energy Limited) under an EPCC Contract and the operations and maintenance is being looked after by M/s. Caterpillar Commercial Private Limited for which the Company has entered into an O&M agreement for a 15 years period, effective from May 12, 1999. All clearances such as pollution, environment, water, forests, height of chimney etc., were obtained by the A & N Administration and then transferred in the name of the Company.

The project was scheduled to be completed by September 2002. There was a delay of 7 months due to the following reasons:

- Non-availability of reliable construction power
- Non-availability of transmission facilities for evacuation
- Non-availability of Letter of Credit to secure working capital facilities

Following the implementation and commencement of commercial operations of the Bamboo Flat plant in A & N Islands, the Company is now looking at developing new power generation facilities.

Strategy

- ***Continuing to invest in the expansion of generation capacity:*** Once the power plant at Bamboo Flat, Port Blair, reaches its full capacity, the Company intends to increase its generating capacity by either expanding its existing plant or constructing additional power stations in the current location and other locations across India, thereby increasing its market share. The Company intends to locate the new plants close to either demand centres or fuel sources, in order to balance the need to generate at the lowest cost with the ability to bring electricity to market effectively.
- ***Securing access to long-term supplies of fuel:*** The Company intends to review the possibility of securing quality fuel from various sources. In this regard, it intends to sign initial MOUs with various potential fuel suppliers.
- ***Capitalizing upon opportunities presented by the Electricity Act:*** The Electricity Act is designed to open generation, transmission and supply, power trading and distribution businesses to competition. It is intended to give larger users the freedom to

choose their source of power supply. By producing competitively priced power, the Company plans to capture opportunities therein. In this regard, the Company has applied for and received power trading license from Central Electricity Regulation Commission on February 22, 2006.

- **Identifying new investment opportunities:** The Company is actively focused on becoming a diversified power infrastructure player. The Company, together with its Subsidiaries, is currently analyzing a number of new potential projects in the power sector, i.e thermal and bio-mass projects, which will diversify its fuel mix and revenue sources.
- **Emphasis on Emerging Technologies:** The Company recognizes significant growth potential in renewable energy. As a short term solution to expand the operations, the Company is of the opinion that projects with renewable energy sources or dedicated captive power projects are best suited. Therefore, the Company is proposing to set up renewable energy power projects.

Present status and financial performance:

The Bamboo Flat power plant is continuously generating power as base load station and supplying power to the city of Port Blair and surrounding places from the date of commercial operation. The Company has generated 89.95 million kWh power during 2004-05 and the sale value of the power was Rs. 5895.94 lakhs. During Fiscal year 2007, 108.89 million units kwh power was generated and the sales value of the power was Rs. 9282.07 lakhs.

	2003-04	2004-05	2005-06	2006-07
Installed Capacity (MW)	20	20	20	20
Power Generation (Kwh)	115 Million	89.95 Million	105.62 Million	108.89 Million
Sales Value	Rs. 6819.82 Lakhs	Rs. 5895.93 Lakhs	Rs. 8527.24 Lakhs	Rs. 9282.07 Lakhs

Long Term Contracts for the Bamboo Flat power plant

(i) Power Purchase Agreement with the A & N Administration

The Company has signed a 15 year PPA on November 20, 1997 with the A & N Administration under which the Electricity Department of the A & N Administration shall purchase all the power generated by the said power plant.

The salient features of the above agreement are

- The said power station would be established within a period of 24 months from the date of signing of this Agreement
- If the company fails to achieve the Commercial Operation Date of the Project within Seven hundred and eighty (780) Days of the Effective Date, the Company shall pay to the Administration liquidated damages (which shall be the only damages payable in respect of any loss whether direct, proximate, consequential, foreseeable or otherwise arising out of such failure) at a maximum of 5% on every uncompleted units at the rate of 0.5% per week.

- The company is required to maintain at all times after the Commercial Operation date, stocks of fuel and Lubricating oil at least equivalent to the requirements for 30 days consumption, both at PLF as per Normative level of 6000 (68.49 PLF) hours per annum
- The administration shall grant to the company a site lease for a term not less than 20 years commencing from the date of this agreement.
- If the commercial operation date of any unit is delayed because the transmission facilities are not commissioned and ready for interconnection, the administration shall pay fixed charges (less return on equity) upto normative level of generation during the period of delay.
- In case of shortfall in energy generated in comparison to declared availability during peak hours (from 6 PM to 10PM) a penalty of two times the cost of generation for the shortfall in generation will be deducted from the corresponding bills of the billing month by the Administration .
- The Administration has the right to direct the Company to shut down the project under emergency condition and will continue to pay the full fixed charges for such period for the extent of normative level of production
- The Administration shall be allowed a rebate equal to 2.5% of the amount of the Tariff Invoice if it is paid within 5 days and a rebate of 1% if paid within a month of presentation of bills by the generating company.
- The tariff structure consists of fixed charge payment, Variable charge payment, incentive payment if any plus foreign exchange adjustment.
- This agreement shall be valid for a period of fifteen years unless earlier terminated. This agreement can be extended by 3 further periods of 5 years each.
- One hundred and eighty (180) days after delivery of a Notice of default by one party to the other and unless the other party event of Default giving rise to the Notice of Default shall have remedied, the first party may at any time terminate this Agreement by notice to the defaulting party.
- The Company shall operate the Electrical Interconnection Facilities in accordance with the instructions issued from time to time by the A&N administration to the company. If, for reasons other than delays caused by an event of Force Majeure or default by the A&N administration of any obligations, the occurrence of the Commercial Operation Date of the first unit is delayed beyond (1) 120 Days after the Required Commercial Operation Date of the first Unit and (2) 120 Days after the Transmission facilities have been commissioned and are ready for interconnection, the Company shall pay to the A&N administration interest on the amount invested by the A&N administration in the Transmission Facilities or the amount approved for such purpose by C E A at a rate which is one half per cent (0.5%) above the applicable Cash Credit Rate. As a condition precedent to the obligation of the Company to make any such interest payment the A&N administration shall provide evidence reasonably satisfactory to the company of the amounts invested and approved exclusively for this project.
- The Project is to be designed as a 20 MW Power Plant. If the Rated Capacity of the Project demonstrated at the RC test is less than 20 MW on the Commercial Operation Date of the Project, then the applicable tariff shall be recalculated using a revised Capital Cost. The revised Capital Cost shall be the Capital Cost multiplied by the ratio of the Rated Capacity divided by 20 MW. If within sixty (60) days from the Commercial

Operation Date of Project the Company demonstrates to the A&N administration during continuous generation for seventy two (72) hours that it has corrected some or all of the deficiency in attaining a Rated Capacity of 20 MW, the Capital cost shall be adjusted to reflect the revised Rated Capacity from the date on which such retest has been made. During any period for which the Capital Cost is reduced as provided above, PLF will be calculated based upon a denominator equal to the Rated Capacity at the RC Test

- The company has agreed to sell and deliver and the A&N administration has agreed to accept, receive and purchase all Electricity and deemed generation from the units and projects for the agreed consideration. Once the title to all energy generated by the project passes to the Administration at the interconnection point, the Administration shall have sole and exclusive responsibility for and risk of loss with respect to, all such electricity from and after the moment the electricity is delivered.
- The company shall obtain by financial closing and maintain through the term of the agreement insurance policies and coverages with respect to the project such as :
(a)Machinery breakdown insurance (b) Fire and other natural hazards
(c)Third party liability insurance (d) Workman compensation insurance:
- The Company shall indemnify the A& N administration, its offices, Board of Directors, and shareholders, against, and bear responsibility for, all loss of or damage to property, death or injury to any person (or any claim against A&N administration in respect thereof) and all expenses relating thereto (including, without limitation, reasonable legal fees) suffered by THE ADMINISTRATION in connection with the Project but only to the extent solely and directly resulting from any negligent act or omission of the Company and/or its Contractors, without recourse to the A& N administration.

(ii) Fuel Supply Agreement with IOC

The Company has signed a 15 year Fuel Supply Agreement dated January 31, 2000 with IOC under the fuel linkage clearance from the Ministry of Petroleum and Natural Gas. The following are the salient features of the agreement

- The annual requirement of the company for its Bambooflat power generating station is 24,000 Metric tons of HSD and 100 Kilolitres of Lubricating oils and greases for which the Company has received HSD linkage of 24000 Metric tons per annum vide Ministry of Petroleum and Natural Gas, Government of India letter No. P-9017/7/94-Dist. dated April 09, 1999.
- The Company shall indent on IOCL its monthly requirements at least one month in advance and IOCL will make arrangements for the supply of the indented quantity in the time schedule.
- The Company agrees to procure its requirements of petroleum products as well as future requirements arising out of variation in plant load factor and expansion of proposed Power Generating Station at Bambooflat from IOC.
- Supply of HSD will be as per relevant BIS specification. In case, at a later date any other specification is accepted by the oil industry in India, supply of HSD will be as per the oil industry accepted specification. Quality of lubricating oils and greases will be accordance with the specification of equipment manufacturers.
- All petroleum products including Lubrication oils and greases under this agreement will be supplied by IOCL from its Port Blair terminal. However, the IOCL reserves the right to change the supply point depending upon availability and other factors.

- The price of HSD bound by this agreement shall be IOCL's delivered rates inclusive of excise duty and transportation charge for supplier from Port Blair terminal on the day of supply. Sales Tax, surcharge on sales tax (if any), octroi or any other levy will be payable additionally by the Company.
- Prices of petroleum products are subject to revision without prior notice and prices ruling on that day shall be charged by IOCL. Taxes, duties and levies are subject to change from time to time depending on directives/ notifications of Government of India and the local Government and any other local authority.
- IOCL assures 100% supply of the required petroleum products for the company's power generating station at Bambooflat. In case IOCL fails to supply any petroleum product due to non-availability, for reasons other than the Force Majeure, the IOCL will make alternate arrangements to supply such quantity within the delivery period stipulated at the agreed price between the Company and the IOCL.
- The agreement is valid for a period of fifteen (15) years and extendible further for a period of ten years by mutual consent.
- All disputes or differences which may arise between the parties shall be settled by mutual understanding and the disputes /differences which can not be settled by mutual understanding between the parties shall be referred to Arbitration.
- In case of any Force Majeure event, which includes any natural calamity like flood, storm and such others; incidents of fire, accidents or breakage of facilities or equipment that are not within the control of the affected party; strikes or labour difficulties, epidemics etc; Any political circumstances and events occurring within or outside India like wars, acts of sabotage, terrorism, acts of foreign enemies, blockades, embargoes, civil disturbances, revolutions, insurrection, exercise of military or usurped power, Radioactive contamination, any delay or direction or order on the part of any governmental Instrumentality or denial or refusal to grant or renew any authorizations, any change in laws etc; IOC will not be responsible for any delay in the supply of the required petroleum product and shall not be liable for any form of damages or compensation.

(ii) Operations and Maintenance contract with M/s. Caterpillar Commercial Private Limited

The Company had originally entered into a 15 years Operation and Maintenance agreement with BSES Limited on May 12, 1999 and later on BSES assigned the agreement in favour of Caterpillar Commercial Private Limited (hereinafter called "the new operator") by entering into an assignment and consent agreement dated February 18, 2002 with the Company and Caterpillar Commercial Private Limited. On February 18, 2002 the Company entered into an agreement amending the original operation and maintenance agreement

The salient features of the original agreement as amended.

The scope of services of operator broadly covers and includes

- Operator shall be responsible for the overall operation and maintenance of the plant.
- Operator shall operate and staff the plant, twenty four hours a day seven days a week, in accordance with the Operation and Maintenance manuals and the agreement.
- Operator shall identify and trouble shoot all problems attendant to plant equipment and ancillary systems and shall promptly take appropriate corrective action as is reasonably necessary.
- Operator shall promptly provide all pertinent technical information and documentation on plant equipment and ancillary systems to owner as required.

- Operator shall perform the services hereunder and conduct its operations at the plant in compliance with all applicable laws governing safety, and in compliance with a safety program to be submitted by operator for review by owner within sixty (60) days after the substantial completion date for the first unit.
- Operators shall schedule and be responsible for all routine maintenance and repairs for the plant. Operator shall maintain the plant in accordance with the standards of performance.
- Operator shall be responsible for all necessary repairs and maintenance to the plant, included unscheduled maintenance and repairs.
- Operator shall use its commercially reasonable efforts to schedule all outages and maintenance shutdowns to minimize operation and maintenance costs and any loss of revenues. Operator shall promptly notify owner in writing of emergencies or other circumstances resulting in unscheduled significant shutdowns or interruptions of operations and shall keep owner reasonably informed of progress in restoring the plant to normal operations.
- Operator shall prepare and submit to the company an Annual operating plan as set forth in Section 4.1 of the agreement.
- Operator shall prepare and submit to owner an annual report in accordance with the terms of the agreement.

Payments to operators

The company shall pay the operator the sum of the following amounts

Reimbursement of the operation and maintenance costs.

The company shall pay a monthly operational fee of (The "Management Fee" in arrears in an amount of Rs 33,60,000 which shall be paid in monthly installments of Rs 2,80,000. This fee shall be subject to annual escalation based on US consumer price index for the period also the fee shall be subject to the following adjustment

Management fee for current month = Rs 2,80,000 * Rs : \$/(Current)/Rs : \$ (Original)

Rs : \$ Rate(Current) = Current Rupee : US \$ exchange rate as published by the State Bank of India at the time of invoicing.

Company's Obligations

The company's obligations include the following:

- The company shall be responsible for obtaining and maintaining all permits necessary for the plant to be legally authorize to operate.
- The company shall arrange for the supply of fuel of sufficient quality and quantity to permit the uninterrupted operations of the plant at the levels described in the annual operating plan. And the company shall also arrange for the supply of water of sufficient quality and quantity to permit the uninterrupted dependable operation of the plant at such levels. The company shall also provide utilities and services like sewer service, telephone service and electric service both during emergencies and during any planned shut down of the plant.
- The company shall be solely responsible for any applicable sales, use of property from income or other taxes or other government charges relating to the plant or the sight including their components or appurtenances, fuel to the plant, the company shall be solely responsible for any income tax imposed on or with respect to its income from the provision of the services.

Indemnity

The Company shall own the Plant at all times during the Term from and the time that the

applicable portion of the Plant achieves Substantial completion. Notwithstanding the foregoing, any personal injury, death, or property damage, including damage to the Plant or the site shall be the sole responsibility of the Company except to the extent arising out of the fault negligence or willful misconduct of the Operator, or its agents or contractors.

Renewal

The agreement shall be automatically renewed for successive one year terms unless and until a party gives the other Party written notice of its decision not to renew this agreement at least one hundred (120) days prior to the expiration of the then-effective Term or unless earlier terminated pursuant to the provisions hereof.

Events of Default

The events of default provided in the agreement are failure of operator/owner to make payment of any undisputed amount, breach of material provision of the agreement, filing of or consent to filing of petition in bankruptcy, liquidation, insolvency etc.

Non-assignment

The agreement cannot be assigned without prior written consent of the other party.

Disputes

Subject to the relevant sections of this agreement , every dispute of any kind or nature between the parties arising out of or in connection with this agreement shall be resolved in accordance with the Section 12 of the agreement i.e. by referring to senior management and in case of technical disputes either by appointing technical expert or by appointing such lawyers or consultants and advisors as the case may be. The disputes can also be referred to arbitration if they have not been resolved as above..

Power Trading

In view of the recent Government decisions providing for trading of power as a separate activity and potential for power trading in India in coming years, SPCL has decided to diversify into power trading business. SPCL would like to play a frontrunner's role towards this objective and strives to add value to its operations by providing services that serve the evolving needs of customers.

The main purpose of power trading business is to provide opportunities to generators for optimally utilizing existing power facilities, while allowing bulk customers to plan their power purchase portfolios in a reliable and cost-effective manner through an organized market. A power trading transaction offers complementary benefits to both the seller and the buyer. Power has conventionally been viewed as a commodity; While there may not be any significant barriers to entry in the business, the Company believes that its experience in setting up and operating power plants would place it in a better league, as trading is essentially a knowledge driven business.

SPCL is aggressively looking for CPPs / IPPs across the country having surplus power available with them for sale so that it can enter into MoUs with such CPPs / IPPs and consumers for purchase and sale of power. The company has already signed a PPA agreement with OPG Energy Pvt. Limited and a MoU with Lloyds Steel Industries Limited for supply of power.

Capacity and Capacity Utilization

SPCL (existing)

	2004-05	2005-06	2006-07
Installed Capacity	20 MW or 175.2 Million (kwh)	20 MW or 175.2 Million (kwh)	20 MW or 175.2 Million (kwh)
Capacity Utilization	89.95 Million (Kwh)	105.62 Million (Kwh)	108.89 Million (Kwh)
Capacity Utilization %	51.34	60.28	62.15

Projected Capacity Utilization

	<u>SPCL</u>		<u>Lahari</u>		<u>MSM</u>		<u>SAAIL</u>	
<u>Installed Capacity</u>	20 MW or 175.2 Million (kwh)		9.8 MW or 85.85 Million (kwh)		20 MW or 175.2 Million (kwh)		9.8 MW or 85.85 Million (kwh)	
	<u>Capacity Utilization</u>	<u>%</u>	<u>Capacity Utilization</u>	<u>%</u>	<u>Capacity Utilization</u>	<u>%</u>	<u>Capacity Utilization</u>	<u>%</u>
<u>Year I</u>	<u>122.64</u> <u>Million</u> <u>(kwh)</u>	<u>70%</u>	<u>68.68</u> <u>Million</u> <u>(kwh)</u>	<u>80%</u>	<u>122.64</u> <u>Million</u> <u>(kwh)</u>	<u>70%</u>	<u>68.68</u> <u>Million</u> <u>(kwh)</u>	<u>80%</u>
<u>Year II</u>	<u>131.40</u> <u>Million</u> <u>(kwh)</u>	<u>75%</u>	<u>77.23</u> <u>Million</u> <u>(kwh)</u>	<u>90%</u>	<u>140.16</u> <u>Million</u> <u>(kwh)</u>	<u>80%</u>	<u>77.23</u> <u>Million</u> <u>(kwh)</u>	<u>90%</u>
<u>Year III</u>	<u>140.16</u> <u>Million</u> <u>(kwh)</u>	<u>80%</u>	<u>77.23</u> <u>Million</u> <u>(kwh)</u>	<u>90%</u>	<u>140.16</u> <u>Million</u> <u>(kwh)</u>	<u>80%</u>	<u>77.23</u> <u>Million</u> <u>(kwh)</u>	<u>90%</u>

Properties

The Company does not own any immovable property.

Insurance

The Company has obtained an Industrial All Risks insurance policy from The New India Assurance Company Limited for the assets located at the Bamboo Flat power plant. The policy numbered 611900/11/06/06/00000706 covers the risk of physical damage to the assets as well as business interruption risks, i.e. loss of profit.

Details of the said policy are as provided hereunder:

S. No.	Type of insurance cover	Sum insured (Rs.)
1.	Fire and all natural perils & Earthquake	10173.87 lakhs
2.	Machinery breakdown	7177.80 lakhs
3.	Loss of profit due to fire	1750.00 lakhs
4.	Loss of profit due to machinery breakdown	1750.00 lakhs
5.	Workmen compensation policy (Policy No. 611900/36/06/01/0000006)	10.60 lakhs
6.	Public liability policy	100 .00 lakhs

	(Policy No.611900/36/06/38/00000060)	
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The said policy is valid for a year from January 22, 2007 to January 21, 2008. The Company believes that the above policies are adequate to cover all material risks.

3. KEY INDUSTRY REGULATIONS AND POLICIES

The responsibility for the development of the power industry is shared between the Central Government and the state governments. The MoP is the ministry governing the central power sector in the country.

The MoP oversees the operation of all CPSUs. The Central Electricity Authority ("CEA") advises the MoP on electricity policy and technical matters, among others. The Central Electricity Regulatory Commission ("CERC") was constituted under the Electricity Regulatory Commission Act, 1998 (the "ERC Act") to regulate the tariffs for the CPSUs and other entities with interstate generation or transmission operations. The ERC Act, which has been replaced by the Electricity Act, also provided for the formation of State Electricity Regulatory Commissions ("SERCs") in the respective states for the rationalization of energy tariffs and the formulation of policy within each state. As of March 31, 2004, twenty states have set up their SERCs.

Geographically, the SEBs are grouped into five Regional Electricity Boards ("REBs"). The REBs coordinate system operations in the respective regional grids including generation schedule, overhaul and inter-grid maintenance programs, power transfers and tariffs.

POWER GENERATION

Background

The development of electricity industry in India was fashioned by two legislations, namely the Indian Electricity Act, 1910 ("Electricity Act") and the Electricity (Supply) Act, 1948 ("Electricity Supply Act").

The Electricity Act introduced a licensing system in the electricity industry whereas the Electricity Supply Act was responsible for greater state involvement in the industry.

The Electricity Supply Act promoted state-owned, vertically integrated units through the creation of the State Electricity Boards ("SEBs"). SEBs were responsible for generation, transmission and distribution of electricity within the geographical limits of each State of the Indian Union. Where SEBs were not set up, a government department was responsible for the electricity supply. It is worthwhile to note that "electricity" comes under the concurrent list of the Constitution of India and both the State and Central Governments have the power to legislate on "Electricity".

In the early 1990s, the electricity sector was subjected to reforms, following which private participation in the generation sector was permitted by way of amendments to the Electricity Supply Act. Subsequent to the amended legislation, PPAs were entered into by independent power plants (IPPs) with the SEBs.

In 1998, the ERC Act was enacted by the Central Government. The ERC Act provided for the establishment of independent electricity regulatory commission both at the Center and State levels. The regulatory commissions were set up to rationalize electricity tariff and promote and regulate the electricity industry.

Salient features of the Electricity Act, 2003

The Electricity Act, 2003 ("EA 2003") came into effect from June 10, 2003 and extends to whole

of India except the State of Jammu and Kashmir. After the enactment of EA 2003, the provisions of the Andhra Pradesh Electricity Reforms Act, 1998 would continue to apply to the extent that their provisions are consistent with the provisions of EA 2003. The EA 2003 is a central unified legislation that seeks to replace the multiple legislations that governed the Indian electricity sector and provides for further material reforms in the sector. The most significant reform initiative under the EA 2003 is the move towards a multi buyer, multi seller system as opposed to the current structure which permits only a single buyer to purchase power from generators. In addition, under the EA 2003, the regulatory regime is more flexible, has a multi year approach and allows regulatory commissions greater freedom in determining tariffs, without being constrained by rate-of-return regulations. Under the EA 2003, the penal provisions for dishonest use of electricity have been tightened and special courts have been envisaged for speedy dispensation of justice.

Generation

Electricity generation has been de-licensed and any generating company can establish, operate and maintain a generating station if it complies with the technical standards relating to connectivity with grid.

Approvals from the Central Government, State Government and the techno-economic clearance from the Central Electricity Authority (CEA) have been done away with for any power plant, except for hydroelectric projects. Generating companies are now permitted to sell electricity to any licensees and where permitted by the state regulatory commissions, to consumers.

In addition, no restriction is placed on setting up of captive power plant by any consumer or group of consumers for their own consumption. Under EA 2003, no surcharge is required to be paid on wheeling of power from the captive plant to the destination of the use by the consumer. This provides financial incentive to large consumers to set up their own captive plants.

The regulatory commissions determine the tariff for supply of electricity from a generating company to any distribution licensee, transmission of electricity, wheeling of electricity and retail sale of electricity. The Central Electricity Regulatory Commission ("CERC") has the jurisdiction over generating companies owned or controlled by Central Government and those generating companies who have entered into or otherwise have a composite scheme for generation and sale in more than one state. The State Electricity Regulatory Commissions ("SERC") have jurisdiction over generating stations within the state boundaries, except those under the CERC's jurisdiction. These provisions are quite similar to those existed under the ERC Act and take care of the diverse nature of generating companies operating in the country.

Transmission

Transmission, both at the inter-state and intra-state levels, is a regulated activity requiring a license. EA 2003 requires the central government to designate one government company as the central transmission utility ("CTU"), which would be deemed as a transmission licensee. Similarly, each state government would designate one government company as state transmission utility ("STU"), which would also be deemed as a transmission licensee.

The CTU and STU shall be responsible for transmission of electricity, planning and co-ordination of transmission system, providing non-discriminatory open-access to any users and developing a co-ordinated, efficient and integrated inter-state and intra-state transmission system respectively. EA 2003 prohibits CTU and STU from engaging in the business of generation or trading in electricity.

A transmission licensee can engage in other businesses by intimating the appropriate Commission. A part of the revenues from such other businesses shall, as may be specified by the

Commission, be utilized for reducing the transmission and wheeling charges. Separate accounts have to be maintained for each business to ensure that the transmission business neither subsidizes the other business nor encumbers its transmission assets to support such other business.

The Act allows IPPs open access to transmission lines. This will facilitate IPPs to sell power directly to distribution and trading licensees. The provision of open access is subject to the availability of adequate transmission capacity as determined by the Central / State Transmission Utility. This will allow a multi – buyer model to exist in the sector and allow IPPs to diversify risk.

Trading

The EA 2003 specifies trading as a licensed activity. Trading has been defined as purchase of electricity for resale. This may involve wholesale supply (i.e. purchasing power from generators and selling to the distribution licensees) or retail supply (i.e. purchasing from generators or distribution licensees for sale to end consumers).

The license will be awarded by the Electricity Regulatory Commission, based on certain entry norms relating to capital adequacy and technical parameters. However, the National and Regional Load Despatch Centres, Central and State Transmission Utilities and other transmission licensees will not be allowed to trade in power, to prevent unfair competition. The Electricity Regulatory Commission will also have the right to fix a ceiling on trading margins in intra-state trading. Open access, together with recognition of power trading as a distinct business opportunity, will provide new intermediation opportunities between wholesaler buyers and distribution licensees and between generators and distribution licensees. At a bulk supply level, this provision will create competition and enhance efficiency.

Distribution and retail supply The EA 2003 does not make any distinction between distribution and retail supply of electricity.

Distribution is a licensed activity and distribution licensees are allowed to undertake trading without any separate license. Under EA 2003, no license is required for the purposes of supply of electricity. Thus a distribution licensee can undertake three activities: trading, distribution and supply through one license.

The Electricity Act allows new licensees to enter distribution areas after acquiring licenses from the regulator. Non exclusive licensing and provision for phased open access in distribution will restrict monopolies in the distribution business. Open access to generators will be subject to a surcharge to meet the current level of subsidy, in addition to wheeling charges. The SERCs would decide on the rules for open access within one year. SERC's will also have the flexibility to determine the time frame for implementing open access in the retail segment, depending on subsidies and readiness of the utilities.

Unregulated rural markets

The licensing requirement does not apply in cases where a person intends to generate and distribute electricity in rural areas as notified by the state government. However, the supplier has to comply with the requirements specified by the CEA. EA 2003 mandates formulation of national policies governing rural electrification and local distribution and rural off-grid supply including those based on renewable and other non-conventional energy sources. This policy initiative is expected to give impetus to rural electrification and also conceptualize rural power as a business opportunity.

Roles of key organizations and players

Central and State Governments

The EA 2003 reserves a significant involvement of the central government in the functioning of the power sector. It has been assigned a number of duties, including planning and policy formulation, rule making, appointing, establishing, designating authority, prescribing duties and other tasks, funding, and issuing directions.

The central government designates a CTU and establishes the National Load Dispatch Centre (NLDC), Regional Load Dispatch Centers ("RLDC"), the Appellate Tribunal, the Coordination Forum, and the Regulators' Forum. It has the power to vest the property of a CTU in a company or companies and decides on the jurisdiction of benches of the Appellate Tribunal. It prescribes the duties and functions of the CEA, NLDC and RLDC, and can make rules on a wide range of areas and has the power to remove difficulties through issue of orders within two years of commencement of EA 2003. It also has the power to amend the schedule of States where reform legislation continues to be applicable.

The central government provides loans and grants to the CERC and decides on other sources of funds for the CERC. It decides how the CERC should spend all its revenues and specifies the manner the accounts should be maintained. The CERC is required to send its audited accounts to the central government.

The central government is also responsible for, inter alia: a) specifying additional requirements for granting more than one distribution licensee; b) providing no-objection certificates for granting license if the service area includes central government installations such as cantonment, aerodrome, defence area, etc; c) demarcating the country into transmission regions for the purpose of inter-state transmission; d) issuing guidelines for transparent bidding process; e) approving the salary and benefits of the employees of the CEA, CERC and Appellate Tribunal; f) referring cases to the Appellate Tribunal for removal of members on the ground of misbehavior; and g) prescribing the procedures for inquiry into misbehavior by members.

The state government exercises appointing, designating powers, provides funds and makes rules notifications, etc. It appoints the members of the SERC including the chairman, approves the terms and conditions of appointment of the secretary to the SERC and other staff, and can remove or suspend a member of the SERC. It is also responsible for constituting the selection committee for appointing members of SERC. It establishes the SLDC, notifies the STU, vests property of STU in companies, draws up reorganization of the SEB through acquiring its assets and re-vests it through a transfer scheme. It can also transfer employees through a transfer scheme. It is empowered to constitute special courts, and state coordination forum. The state government creates the SERC fund and can provide loan or grants for running the SERC. It decides how the SERC should utilize the fund and how it should maintain accounts.

The state government can also provide subsidy to consumers, but EA 2003 requires it to compensate the licensee in advance by the amount of loss expected to be suffered by the licensee in implementing the subsidy. The state government notifies rural areas where exemption of license conditions would apply and issues directions to the SERC on public interest issues.

Central Electricity Authority

The CEA was created under the Electricity Supply Act and EA 2003 retains the agency by relegating it mostly to a consultative role. There was some overlap of duties and power between the CERC and the CEA earlier, which EA 2003 has now removed. The technical clearance required for power projects under the provisions of the Electricity Supply Act has been eliminated, except in cases of hydro projects above a certain capital investment.

Commissions

EA 2003 retains the two-level regulatory system for the power sector. At the central level, the CERC would be responsible for regulating tariff of generating stations owned by the central government, or those involved in generating or supplying in more than one states, and regulating inter-state transmission of electricity. The State Electricity Regulatory Commissions on the other hand regulate intra-state transmission and supply of electricity within the jurisdiction of each state. CERC and the SERCs are to be guided by the National Electricity Policy, Tariff Policy and the National Electricity Plan while discharging their functions under EA 2003. The Commissions are also to be guided by any direction given by the central government for CERC or the state government for the SERC pertaining to any policy involving public interest. The decision of the government is final and non-challengeable with respect to the question that whether directions pertain to policy involving public interest or not. The Commissions have been entrusted with a variety of functions including determining tariff, granting licensees, settling disputes between the generating companies and the licensees. The Commissions are a quasi-judicial authority with powers of a civil court and an appeal against the orders of the Commissions would lie to the Appellate Tribunal.

Appellate Tribunal

Under the earlier electricity legislations, the High Court was the appellate authority against orders that are passed by the SERC. Under EA 2003, the Appellate Tribunal has been set up to as an appellate body against orders of the Commissions or adjudicating officers in settling disputes. The Appellate Tribunal has the power to summon, enforce attendance, require discovery and production of documents, receive evidence and review decisions. The orders of the Appellate Tribunal are executable as decrees of a civil court. The orders of the Appellate Tribunal can be challenged in the Supreme Court by the aggrieved party.

Load dispatch centres

EA 2003 has created a three-tier load dispatching system, namely a National Load Dispatch Centre (NLDC), Regional Load Dispatch Centres (RLDC) and State Load Dispatch Centres (SLDC). The load dispatch centres are now separate government companies and they cannot participate in trading or generation of electricity.

Special courts

To try offences like theft of electricity or electrical lines and equipment, EA 2003 empowers the state governments to establish special courts with single judges for certain area or areas.

Ombudsman for grievance redress

The distribution licensee shall set up a grievance redressal system following the guidelines of the SERC. Any consumer aggrieved by non-redressing of grievances can refer the case to an Ombudsman to be set up by the SERC. The Ombudsman is to settle the grievance of the consumer within such time and in such manner as specified by the SERC.

Co-ordination Forum and Forum of Regulators

This forum shall be constituted by the central government for smooth and coordinated development of the power system in the country. The state government shall also constitute a co-ordination forum for the state to ensure smooth and coordinated development of the power system in the state.

Enforcement Agencies

Assessing Officer

EA 2003 provides for provisional assessment of dues payable by a person who benefits from unauthorized use of electricity, by an Assessing Officer of the State Government, or State Electricity Board or a Licensee designated by the State Government. No civil court has any jurisdiction over a matter which the Assessing Officer is empowered to determine under the EA 2003.

Appellate Authority

EA 2003 provides for an appeal to be filed within 30 days from a final order by an Assessing Officer to the Appellate Authority prescribed by the Government. No civil court has any jurisdiction over a matter which the Appellate Authority is empowered to determine under the EA 2003.

Investigating Authority

The Commissions may, on satisfaction of failure by the generating company/licensee to comply with the provisions of the EA 2003 or the license, direct any person to investigate the affairs of and undertake inspection of the generating company/licensee and report to the Commission after which the Commission may direct the generating company/licensee to take such action as may be necessary.

Electrical Inspector

In the event of an accident in connection with the generation, transmission, distribution or supply of electricity or in case of use of electrical lines or electrical plant which is likely to cause injury to human being or animal, on receipt of a complaint, the appropriate government may require an Electrical Inspector to inquire and report as to the cause of the accident and the manner and extent to which the provisions of the Act have been complied with. The Electrical Inspector is vested with the powers of a civil court under the Civil Procedure Code, 1908 for enforcing the attendance of witnesses and compelling the production of documents and material objects.

Adjudicating Officer

A member of the Commission may be appointed as an Adjudicating Officer to hold enquiry as prescribed by the Government. A civil court has no jurisdiction in respect of matters, which the Adjudicating Officer has the power to determine.

Tariff-related provisions

Tariff principles

Electricity Act 2003 has introduced significant changes in terms of tariff principles. Earlier, the rate of return regulation as prescribed in the Sixth Schedule of the Electricity Supply Act was the basis of tariff determination. Even in the case of state reform acts, this Sixth Schedule was retained as the basis. The present act has done away with that provision. The EA 2003 casts a duty on the Commissions to be guided by the following while determining tariff:

- the principles and methodologies specified by the CERC for determination of the tariff applicable to generating companies and licensees;
- generation, transmission, distribution and supply of electricity are conducted on commercial principles;

- the factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments;
- safeguarding consumers interest and also ensure recovery of the cost of electricity in a reasonable manner;
- incorporate principles which reward efficiency in performance;
- multi year tariff principles;
- tariff progressively reflects the cost of supply of electricity, at an adequate and improving level of efficiency
- that the tariff progressively reduces and eliminates cross subsidies within a period to be specified
- by the ERC;
- the promotion of co-generation and generation of electricity from renewable sources of energy;
- the National Electricity Policy and Tariff Policy;

It is to be noted that unlike the ERC Act, the Commissions have not been expressly permitted to depart from the tariff determining factors set out above. Consumer protection: Standards of performance The appropriate commission can set standards of performance of each licensee or a class of licensees after consulting the licensees and the affected parties. A licensee failing to meet the performance standards may have to pay compensation or may be prosecuted as determined by the Commission. The penalty is payable within 90 days of the decision. The standards of performance can be different for different licensees. The licensees are required to submit information about their performance to the Commission and the Commission shall arrange to publish them at least once a year.

Tariff Setting

Tariff Setting for Generators

Tariffs for state sector generators are regulated by the SERCs or the respective state governments, and those for independent power producers are not regulated. The Electricity Act empowers the CERC to set the tariff of generating companies owned or controlled by the Government and other entities with interstate generation or transmission operations. Under the Electricity Act, the Government will formulate national electricity and tariff policies in conjunction with state governments and the CEA. The CERC advises the Government on the formulation of that policy. The tariff policy is intended to serve as a guide in the actual tariff setting. The Government has constituted a task force for the formulation of a national tariff policy, which has circulated a draft tariff policy that has not yet been accepted by the Government.

In the meantime, CERC has issued tariff regulations effective from April 1, 2004 for a period of five years. These regulations provide for tariffs consisting of a capacity charge, a variable charge and an unscheduled interchange charge. For further discussion on tariffs and their impact on our results of operations, see "Our Business-Sales of Power" and "Management's Discussion and Analysis of Financial Condition and Results of Operations-Factors Affecting Our Results of Operations."

Tariff Setting for End Consumers

Under the Electricity Act, tariffs for customers of the SEBs and EDs will be regulated by the SERCs. The Act allows state governments to provide power at subsidized rates, but requires them to fund the subsidy out of their respective state government budgets. While setting the tariff for consumers of SEBs and EDs, some states have attempted to cross-subsidise tariffs by charging lower rates for agricultural and domestic consumers, and charging higher rates for industrial and commercial consumers. Tariffs, even with cross-subsidization, have not kept pace with the cost of supply. The cost of supply for distribution licensees averaged Rs. 3.49 per unit in fiscal 2002, up from Rs. 1.09

per unit in fiscal 1989. The increase in the total cost of supply is mainly due to the increase in power purchase costs. The average tariff has not increased proportionately with the increase of the cost of supply. The average revenue per unit was Rs. 2.40 per unit in fiscal 2002, leaving a gap of Rs. 1.10 for every unit of power supplied. This has adversely affected most of the SEBs and their commercial losses totalled approximately Rs. 330 billion in fiscal 2002.

Recent Policy Initiatives *Mega Power Projects*

In October 1998, the Government announced a policy aimed at utilising economies of scale and producing power at the most economical locations. Under this policy, subject to satisfying certain conditions, thermal power projects with a capacity of 1,000 MW and above (or hydro projects with a capacity of 500 MW and above) and selling power to more than one state are granted "mega power project" status, and allowed certain fiscal benefits, such as the duty-free import of capital goods and a ten-year income tax holiday. Mega power projects in both the public and private sectors can avail of the benefits of this policy.

Accelerated Power Development and Reforms Programme

To improve the condition of the SEBs, the Government launched a combination of regulatory and development initiatives. In fiscal 2000, the Government initiated the APDRP to provide financial assistance to the states for undertaking renovation and modernization programs for thermal and hydro power stations and to strengthen and improve the sub-transmission and distribution network. The Government earmarked a total of Rs. 400 billion for the programme during the Tenth Plan. The programme includes investment components and incentive components.

Under the investment component of APDRP, the Government provides financial assistance to the states to strengthen and upgrade their sub-transmission and distribution networks. Half of the cost of such projects is met by the Government through concessional loans, with the balance arranged by the states as counterpart funding from financial institutions. However, for states in the northeastern region, Jammu & Kashmir, Himachal Pradesh, Uttaranchal and Sikkim, the Government provides financial assistance for up to 100% of the project cost.

Under the incentive component, the MoP makes a grant to the states of 50% of the SEB's actual cash loss reductions year-over-year. This component has been introduced to motivate the SEBs and utilities to reduce their financial losses.

Electricity Act, 2003

The Government enacted the Electricity Act with the objectives of consolidating the laws relating to generation, transmission, distribution, trading and use of electricity and creating measures conducive to the development of the power industry, including promoting competition. The Electricity Act includes wide ranging initiatives to (1) liberalise generation and T&D, (2) identify the causes of and solve the SEE crisis, (3) upgrade infrastructure and (4) improve centre-state coordination in planning and development. Some of the key provisions of the Electricity Act include:

- The unbundling of the SEBs into separate corporations for generation, transmission and distribution;
- Requiring open access to the T&D system;
- Exempting the construction, maintenance and operation of captive generating plants from the requirements of the Electricity Act, except for the provision that electricity sent to the grid from the captive generating plant is regulated in the same manner as the electricity sent

to the grid by a non-captive generating station;

- Introducing power trading as a distinct activity from power generation, transmission and distribution;
- Compulsory metering of all consumers, in order to improve accountability; and
- Provisions for minimizing the theft of power, including stringent penalties for electricity theft and allowing the appropriate ERC to appoint one of its members as an adjudicating officer to expeditiously deal with cases of power theft.

It is expected that many of these reforms will take time to implement. Some of the reforms, such as unbundling of SEBs, open access, and parallel distribution, involve significant administrative and legislative action. For more information about the Electricity Act, see the section titled "Key Industry Regulations and Policies" on page no.68 of this Red Herring Prospectus.

OTHER REGULATIONS

In addition to the above, the Company and its Subsidiaries would require to comply with other constructions and operating approvals, the details of which are provided in the section entitled "Government Approvals" on page no.245 of this Red Herring Prospectus.

Foreign Investment Regulation The industrial policy was formulated in 1991 to implement the Government's liberalisation programme and consequently industrial policy reforms relaxed industrial licensing requirements and restrictions on foreign investment. The procedure for investment in the electricity sector has been simplified for facilitating foreign direct investment. Investment in companies associated with electricity and infrastructure such as roads fall under the RBI automatic approval route for FDI/NRI/OCB investment up to 100 %.

Fiscal Regulations

Under the Foreign Trade (Development and Regulation) Act, 1992, the Central Government is empowered to periodically formulate the Export Import Policy or the EXIM Policy and amend it thereafter whenever it deems fit. All exports and imports would have to be in compliance to such EXIM Policy.

Environmental Regulations

The Company has to comply with the provisions of the Environmental Protection Act, 1986, Andhra Pradesh Forest Conservation Act, 1980, Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention and Control of Pollution) Act, 1981 Hazardous Waste (Management and Handling) Rules, 1989.

The Company is required to obtain and maintain statutory clearances relating to Pollution Control and Environment in relation to its power projects.

Price Mechanism

The EA 2003 provides protection for projects selected through competitive bidding and requires the Commissions to adopt tariffs as determined through the bidding process. Any risk that Commissions will not adhere to commissions to adopted tariffs in terms of signed PPA's would then be applicable to projects which have adopted the Memorandum of Understanding (MOU) route.

Modes of participation in power projects

GoI announced major policy reforms in October 1991 widening the scope of private sector participation in power generation. Particularly, significant aspect of the policy was the notification on two-part tariff guidelines which set out principles of tariff competition from private power sector companies. The two modes of participating in power projects is either through the MOU route or the Bidding route.

The initial batch of private sector power projects were awarded generally on the basis of negotiation between the SEB and a single developer ("MOU route").

MoU Route

The cost determination under the MOU route usually involves:

- determination of receivables of capital cost. The capital costs are required to be approved by a Central Electricity Authority (CEA), Government of India;
- approval of interest rates and local & foreign debt;
- finalizing the term of loans and/or or other debt;
- finalizing the extent of foreign exchange protection;
- fixing operating parameters within the prescribed ceilings;
- identifying Deemed Generation provisions;
- evaluating the extent of despatchability;
- evaluating the level of incentive payments;
- identifying change in law in terms of tax or any other matter;
- identifying the extent of working capital permissible;
- evaluating the premium on fuel prices for assured supply;
- identifying fuel supply and transportation risk and issues;
- evaluating escalations in operation and maintenance and insurance expenses permissible;
- evaluating the extent of maintenance of spares permissible; and
- rebates in respect of prompt payment.

The MOU route with a cost plus approach was initially adapted to attract investment. However, there were several complexities in calculating the above costs despite the capital cost of the project being frozen by the CEA.

This cost plus tariff mechanism is not ideally suited for competitive bidding as this would require bidding on every element of cost of generation which becomes difficult to verify and monitor over the life of the PPA. Further, the nature of costs for IPPs is very different from public sector power project costs and in the absence of complete knowledge of cost profile, it would be impossible to design a competitive bidding process based on cost plus approach that is fair to both sides thereby eliciting good investor response.

Gradually, the Government adopted a tariff based bidding process. The concept of bidding is discussed below.

Bid Route

Bidding essentially is based on bulk power tariff structure. The tariff structure recommends bid evaluation on the basis of levelised tariff for fixed cost components, escalable and non-escalable costs and certain operational parameters such as heat rate, auxiliary consumption, etc.

Under the bid route, the IPP sells its entire output to SEBs and does not trade directly. The revenue from operations of IPPs under the bid route is broken up into two streams:

- The fixed or capacity charge covering the payment received by the IPP for the generating capacity available to the SEB (irrespective of actual dispatch by SEB). This fixed or capacity charge also comprises components in respect of foreign exchange risk;
- The variable or energy charge, which comprises the fuel cost for the electricity generated and purchased by the SEB at actuals. The fuel cost is calculated on the heat rate over the life of the power project and the cost of the fuel.

INFRASTRUCTURE

The company has taken the following properties on lease.

- (i) Land at Bamboo Flat, Port Blair, A & N Islands

Land admeasuring 4.12 hectares in Bamboo Flat, Port Blair bearing survey nos. 634, 635, 636, 462 and 467 of Tehsildar Ferrargunj of South Andaman was allocated for the said power plant. In accordance with the terms of the competitive bid awarded to the Company, the Company entered into a 20 year land lease agreement with the A & N Administration on August 11, 1999. Under the said lease agreement the Company has to pay a token lease charge of Re. 1 per month to the A & N Administration.

- (ii) Registered office located at 8-2-293/82 Plot No. 1115, Road No. 54, Jubilee Hills, Hyderabad

The Company's registered office located at Jubilee Hills, Hyderabad has been taken on lease from A.K. Goyal (HUF). The said lease agreement expires on February 14, 2007 and can be renewed for a period of 11 months thereafter. Under the terms of the said lease agreement, the total consideration payable to A.K. Goyal (HUF) is Rs. 1,80,000/- per annum.

- (iii) Office located at C-70, Jetty Road, Junglighat Port, Port Blair

QUALITY INITIATIVES

The Company recognizes that quality consciousness is of paramount importance in the Industries it operates in. The top management is committed to the implementation of the quality policy.

The Company has received the Certification of ISO 9001: 2000 on the 8th December 2005 Certified by International Certifications Limited, Quality Registrar.

The Company strives to instill corporate values in its employees and ensure confidentiality and Security of information.

The Quality Policy of the Company is to achieve high level of Customer satisfaction through continual improvement for the effective implementation of Quality Management Systems.

HUMAN RESOURCE

The employee strength as on 31st March 2007 is 32 which comprises of Finance, Secretarial, and Administration.

Particulars	Strength
Managerial cadre	10

Staff	7
Workmen	15
Total	32

4. HISTORY AND CORPORATE STRUCTURE

The Company was originally incorporated as Suryachakra Power Corporation Limited on February 28, 1995 with registration no. 01-19554, in Hyderabad, Andhra Pradesh under the Companies Act, 1956 and obtained certificate of commencement of business on March 16, 1995. The Company was converted into a private limited company with effect from August 9, 2000. Pursuant to this, the name of the Company was changed to Suryachakra Power Corporation Private Limited. The Company was re-converted into a public limited company with effect from September 8, 2005 in terms of Section 31(1)/44 of the Companies Act, 1956. Pursuant to this, the name of the Company was changed to Suryachakra Power Corporation Limited. The Company was promoted by Dr. S.M. Manepalli and his associates.

Suryachakra had bagged the award to construct and operate a 20 MW Diesel based Power Plant in Andaman & Nicobar Islands by the A & N Administration. The project was awarded to Suryachakra in Competitive Bidding. Accordingly, PPA was signed by the Chief Secretary, Andaman & Nicobar Administration on behalf of President of India on 20th November 1997. This Power Station has to work as base load station and supply energy in the South Andaman i.e. Port Blair and nearby Villages.

It is the only company in the private sector to dedicate a thermal power plant in the union territory of Andaman and Nicobar Islands to the nation.

The A & N administration declared commercial operation date for the plant at Andaman and Nicobar with effect from April 01, 2003.

The Company has acquired 100% shareholding in the following three companies that are also into power generation.

1. Lahari Power & Steels Limited
2. South Asian Agro Industries Limited
3. MSM Energy Limited

Lahari, SAAIL and MSM have become wholly owned subsidiaries on November 26, 2005, November 21, 2005 and November 23, 2005 respectively.

Major Events

1. The contract for 20 MW Power Project on BOOM basis was awarded to SPCL vide letter no. EL/PL/1-43/95/4400 dated August 24, 1995.
2. Memorandum of Understanding was signed by SPCL with A & N Administration on February 13, 1996
3. PPA was entered into with A & N Administration on November 20, 1997.
4. SPCL entered into Operation & Maintenance contract with BSES Ltd.
5. Commercial operation of the Company started in April, 2003
6. The Company's operations were suffered for a period of 3 months due Tsunami during the month of December, 2004.
7. The company has acquired 100% shareholding in three companies i.e Lahari, SAAIL, MSM. on November 26, 2005, November 21, 2005 and November 23, 2005 respectively.
8. The company has been accredited with ISO 9001-2000 (December 8, 2005) certificate for the plant at Port Blair.
9. On December 07, 2005_ Caterpillar Power Ventures International (Mauritius) Limited has transferred its stake in favour of Kalyan Securities Limited one of the promoters of the Company.

Changes in registered office

From	To	With effect from
3-6-203/B, III floor, Behind Minerva Coffee shop Himayathnagar, Hyderabad-500 029	3-6-725, 1st Floor, Street No.11, Himayathnagar, Hyderabad – 500 029	December 20, 1997
3-6-725, 1st Floor, Street No.11, Himayathnagar, Hyderabad – 500 029	8 – 2 – 293/82, Plot No: 1115, Road No. 54, Jubilee Hills, Hyderabad – 500 033	July 01, 2005.

Main Objects

The Object Clause of the Memorandum of Association of the Company enables it to undertake its present and proposed activities. Furthermore, the activities the Company has been carrying out until now is in accordance with the objects of the Memorandum of Association. The objects of the Company that permit the Company's main operations are

1. To generate, harness, develop, accumulate, distribute and supply electricity by setting up thermal power plants by use of liquid, gaseous or solid fuels for the purpose of light, heat, motive power, and for all other purposes for which electric energy can be employed. To carry on and generate power supply either by hydro, thermal, gas, air, diesel oil or through renewable Energy sources such as solar, photo voltaic, windmill and or any other means. To transmit, distribute supply and sell such power either directly or through transmission lines and facilities of Central/State Governments or private companies or Electricity Boards to industries and to Central/State Governments, other consumers of electricity including for captive consumption for any industrial projects promoted by this Company or promoter companies, and generally to develop, generate, accumulate power at any other place or places and to transmit, distribute, sell and supply such power.
2. To construct, establish, operate, manage power stations, boiler houses, steam turbines, switch yards, transformer yards, sub-stations, transmission lines, accumulators, workshops and all such works necessary for generating, accumulating, distributing and supply of electricity. To construct, lay down, establish, fix, erect, equip and maintain power generating machinery, and all other types of Plant and Machinery, electrical equipment and cables, Computer and Control equipment, transmission lines, accumulators, fittings and apparatus in the capacity of principals, contractors or otherwise.
3. To carry on the business of consultants and contractors in setting up all types of plants for production of electrical energy and also to undertake research and development programmes in the field of electricity, electronics and other allied fields thereon.
4. To acquire concessions or licenses granted by or to enter into contracts with the Government of India or any State Government, Municipal or local authority, Company or person in India for the construction, operation and maintenance of any electric installation for the production, transmission or use of electric power for lighting, heating, signaling, telephonic traction, motive or any other purposes or for trade, industrial, manufacturing, or any other purposes as may be mutually agreed together with required movable and immovable facilities such as land, building, railway sidings, site or sites of Central/State Governments/ Electricity Boards as per the terms and conditions conducive to the interest of the Company and to pay therefore in terms of shares of the Company or in any other manner mutually decided and with the object aforesaid to enter into and to execute such agreements, guarantees, deeds and documents as may be proper, necessary or expedient.

5. To carry on the business of electrical, electronics, telecommunication, mechanical, civil and chemical engineers and contractors, suppliers of electricity for the purposes of light, heat, motive power or otherwise, and manufacture of and dealers in apparatus and things required for or capable of being used in connection with the generation, distribution, supply, accumulation and employment of electricity (including in the term electricity all power that may be directly or indirectly derived therefrom or may be incidentally hereafter discovered in dealing with electricity, solar energy, tidal power or any other natural resources), galvanism, magnetism or otherwise.
6. "1. To carry on the business of purchase and sale of all forms of electrical power, both conventional and non-conventional, and also to supply, import and export, function as a licensee and deal in all forms of electrical energy in all respects.

2. To plan, promote and take up necessary developmental work for the power sector, purchase power from generating companies and trade in an optimal manner.

3. To plan, promote, develop and establish an efficient, reliable power trading and distribution system, policies and procedures.

4. To engage in business of purchasing, procuring, selling, importing, exporting and trading all forms of electric power and ancillary services on commercial basis either individually or on joint venture basis."
7. To carry on the business of manufacturers, traders, dealers and exporters of all varieties of steel, steel products, sponge iron, aluminium, brass, copper and copper alloy, bimetal, lead, silver and all other ferrous and non-ferrous metal pipes, seamless or otherwise, tubes, sheets, rods, squares, strips, plates, coils, condensed steel, wires, ingots, circles and manufacturers of byproducts.
8. To carry on the business of mining of coal, use of coal for captive purpose, get allotment from ministry of coal. Acquisition/investment in part of full, joint ventures in offshore companies Import or Export, coal grading and other allied activities.
9. To carry on the business of mining iron ore, establishment of stronger steel, exploration Hydro Carbons/ fossil fuels etc., and other allied activities.
10. To carry on the business related to Bio fuels, Fossil fuels, Joint Venture investments in all related activities.
11. To carry on the business of drilling of on shore/off shore exploration for gas/oil, Exploration and drilling coal gasification buying/selling Trading, Import and Export etc., Laying gas pipelines for carrying LNG/Natural Gas/citi gas distribution.
12. To carry on supportive services like hiring acquisition of Drilling rigs, giving on rentals or long lease etc.,
13. Development of urban infrastructure projects, construction of bridges, flyovers, highways, either with private or government participation and to develop commercial complexes, developing of real estates, resorts etc.,

THE OBJECTS INCIDENTAL OR ANCILLARY TO THE ATTAINMENT OF THE MAIN OBJECTS ARE:

7. To acquire and undertake the whole or any part of the business property and liabilities of any person or Company carrying on any business which the Company is authorised to carry on or possessed or property suitable for the purpose of the Company.

Changes in Memorandum of Association since incorporation

Date of shareholder approval	Changes
September 30, 1998	The authorized share capital has been increased from Rs. 500 lakhs to 2500 lakhs
June 12, 2000	The Company was converted from Public limited company to Private Limited Company
March 28, 2005	A new clause 6 has been inserted in main objects clause.
May 28, 2005	The Company was converted from Private Limited Company to Public Limited Company
May 28, 2005	The authorized share capital has been increased from Rs. 2500 lakhs to 3000 lakhs
October 31, 2005	The authorized share capital has been increased from Rs. 3000 lakhs to 3600 lakhs
December 31, 2005	The authorized share capital has been increased from Rs. 3600 lakhs to 9000 lakhs
December 31, 2005	<p>The following new clauses 7,8,9,10,11 and 12 have been inserted in main objects clause.</p> <ol style="list-style-type: none"> 7. To carry on the business of manufacturers, traders, dealers and exporters of all varieties of steel, steel products, sponge iron, aluminium, brass, copper and copper alloy, bimetal, lead, silver and all other ferrous and non-ferrous metal pipes, seamless or otherwise, tubes, sheets, rods, squares, strips, plates, coils, condensed steel, wires, ingots, circles and manufacturers of byproducts. 8. To carry on the business of mining of coal, use of coal for captive purpose, get allotment from ministry of coal. Acquisition/investment in part of full, joint ventures in offshore companies Import or Export, coal grading and other allied activities. 9. To carry on the business of mining iron ore, establishment of stronger steel, exploration Hydro Carbons/ fossil fuels etc., and other allied activities. 10. To carry on the business related to Bio fuels, Fossil fuels, Joint Venture investments in all related activities. 11. To carry on the business of drilling of on shore/off shore exploration for gas/oil, Exploration and drilling coal gasification buying/selling Trading, Import and Export etc., Laying gas pipelines for carrying LNG/Natural Gas/citi gas distribution. 12. To carry on supportive services like hiring acquisition of Drilling rigs, giving on rentals or long lease etc.,
December 26, 2006	<p>Object Clause III C (3) (Other Objects) has been altered as under:</p> <p>3. Development of Urban Infrastructure projects, construction of bridges, flyovers, highways either with private or government participation and to develop commercial complexes, developing of real estates, resorts etc.,</p> <p>Insertion of new clause No. 11 in other objects</p> <p>11. To make any loan to any other body corporate give any</p>

	guarantee, or provide security in connection with loan made by any other person to or to any other person by any body corporate, provide guarantee to the lenders as security for lending to another body corporate including subsidiary companies, mortgage the assets of the company, pledge the shares of the Company, create security on the assets and/or substantial undertaking and acquire, by way of subscription, purchase or otherwise the securities of any other body corporate,
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Subsidiaries of the Company

The Company has following wholly owned subsidiaries

1. Lahari Power & Steels Limited

The company was originally incorporated in India as Lahari Organics Ltd. on May 4, 1995 in Hyderabad under the Companies Act, 1956 and obtained Certificate of Commencement of Business on May 26, 1995. The company has amended its object clause enabling it to undertake the business of power generation / distribution / supply and to carry on the business of manufacturers, traders and exporters of all varieties of steel and steel products. Consequent to which the name of the company was changed to Lahari Power and Steels Ltd. w.e.f. July 26, 2001.

Lahari is proposing to set up a 9.8 MW biomass based power plant at Madwa Village, Chhattisgarh at a total outlay of Rs. 3929.00 Lakhs, which is expected to commence commercial operation by July, 2007.

Line of activity

The Company main activity is power generation.

Board of Directors

The Board of Directors of Lahari consists of Mr. T. Sree Rama Krishnayya, Mr. M.Seshavatharam, Mr. K.B Trehan, Mr. K. Vijay Kumar and Mr. M. V. S. Nageswara Rao.and Dr. S.M. Manepalli

Shareholding Pattern as on March 31, 2007

Sl. No.	Name of the Shareholder	No. of Shares	Percentage
1.	Suryachakra Power Corporation Limited	14274000	99.58
2	Dr. S.M.Manepalli*	10000	0.07
3	Mrs. M. Mangatayaru*	10000	0.07
4	Mr. M. Seshavatharam*	10000	0.07
5	Mrs. M. Sunitha*	10000	0.07
6	Mrs. K. Ratna Harita*	10000	0.07
7	Mrs. T. Srilatha*	10000	0.07
	Total	14334000	100.00

*(holding shares under Section 187C of the Companies Act, 1956 on behalf of SPCL)

Summary of Project Cost

S.No.	Details	Amount Rs.lakhs
1	Land & Site Development	92.00
2	Civil Works	404.00
3	Plant & Machinery	2916.00
4	Misc. fixed assets	20.00

5	Preliminary and Pre-operative expenses	198.00
6	Interest during construction period	189.00
7	Margin for working capital	110.00
	Total	3929.00

Means of Finance

The project is proposed to be financed by a combination of Term loan and Promoter's Contribution as under:

S. No.	Particulars	Amount Rs. lakhs
1.	Promoter's Contribution	1434.00
2.	Term Loan	2495.00
	Total	3929.00

Promoters have already brought in their contribution and the term loan has been tied up fully.

The details of the loan are as under:

NAME OF THE BANK	FACILITY	AMOUNT SANCTIONED	SECURITY
State Bank of India, RAIPUR Branch (Consortium leader) (1.75% above SBAR)	Term Loan	Rs. 884.00 lakhs	On paripassu basis with other term lenders proposed. Primary: 1. First charge over entire movable fixed assets of the company including plant and machineries located at village Madwa near Champa, present and future. 2. Equitable mortgage of 27.22 acres of freehold land with erections thereon, existing and proposed, at village Madwa near Champa. Collateral 1. Equitable mortgage of land and hatchery construction thereon in the name of M/s Arunodaya Green Fuels Private Ltd (formerly known as Ushodaya Marine Products Private Limited) situated at village Ponnada Dt. East Godavari (A.P) area 1.76 acres valued at Rs 225 lakhs.

			<p>2. Pledge of all the shares of the company held by the promoters.</p> <p>3. Personal guarantee of Mr. Shri M. Seshavatharam & Shri T.S. Ramakrishnayya.</p> <p>4. Corporate guarantee of Arunodaya Green Fuels Private Limited (formerly known as Ushodaya Marine Products Private Ltd.)</p>
<p>State Bank of Hyderabad, Hyderabad</p> <p>(12.75% floating)</p>	Term Loan	Rs.884.00 Lakhs	<p>On paripassu basis with other term lenders proposed</p> <p>Primary</p> <p>1. Pledge of Plant and machinery of the proposed project, E.M. of land, free hold Factory land and property and building in the name of the company (net bloc as on 31.03.06 estimated at Rs. 4148 Lakhs.)</p> <p>Collateral</p> <p>1. Equitable mortgage of land and hatchery construction thereon in 0.88 acres situated at Ponnada,East Godavari district , Ap. Bearing no Kh. No.259/2 area of 1.76 acres valued at Rs.225 lakhs the name of M/s Arunodaya Green Fuels Private Limited (formerly known as Ushodaya Marine Products Private Ltd.)</p> <p>2. Equitable mortgage of land in the name of Shri M. Seshavatharam admeasuring 33.70 acres valued at Rs. 211 lakhs situated at village Guttinadeevi Dt. East</p>

			<p>Godavry (A.P)</p> <p>3. Pledge of the Unit's held by the promoter directors or 51% of the total paid up share capital, whichever is higher.</p> <p>4. Personal guarantee of Mr. Shri M. Seshavatharam worth Rs. 175 Lakhs. & Shri T.S. Ramakrishnayya worth Rs. 250 Lakhs.</p> <p>5. Corporate guarantee of M/s Arunodaya Green Fuels Private Limited (formerly known as Ushodaya Marine Products Private Ltd.) worth Rs 12 Lakhs as on 31.03.03</p>
<p>Andhra Bank Hyderabad</p> <p>(BMPLR + 0.25%+ 1.00at monthly rests)</p>	Term Loan	Rs. 727 Lakhs	<p>On paripassu basis with other term lenders proposed</p> <p>Primary Pari-passu first charge on the fixed assets of the company's proposed power plant at Madwa village, Chhattisgarh state</p> <p>Collateral 1) Equitable Mortgage of land of 1.76 acres and Hatchery constructed thereon, situated at Ponnada village, East Godavari District worth Rs 225 Lakhs belonging to M/s Arunodaya Green Fuels Private Limited (formerly known as Ushodaya Marine Products Ltd.) 2) Equitable Mortgage of land of 33.70acres situated at Guttindeevi village, East Godavari District worth Rs 211 Lakhs belonging to Mr. M. Seshavatharam (Director of Company) 3) Pledge of all shares of</p>

			the Promoter Directors in the Company.
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Status of the project (As on 31.03.07)

1	Nature of the project & Licensed capacity	Permission was received from CREDA for installation of 10 MW Biomass based Power generation project at Madwa village vide letter No : 6195 / Biomass / RSB / Creda / 2003 Raipur, dated 15.10.03
2	Installed capacity & Location	Proposing to set up 9.8 MW Biomass based Power plant at Madwa village, Janjgir- Champa District, Chhattisgarh State.
3	Land	Registration of private land admeasuring 27.22 Acres at Madwa village, Janjgir-Champa District has been done and possession taken.
4	Approvals / Licenses / Clearances	
	a) Permission under section 44(A) of the Electricity Supply Act, 1948 for installation and running of power generation plant	The Permission under Section 44 of Electricity Supply Act, 1948 is received from CSEB vide letter No : 02 – 02 / SE – I / 12 / 78.01 / 2230, Raipur dated : November 28, 2003
	b) Evacuation of power	CSEB has accorded permission for evacuation of power generated by company at 33 kv inter connection at Bhatapara 33 kv sub-station vide letter No : 02-02 / SE – I / 12 / 78.01 / 2230 dated : November 28, 2003
	c) Approval from Ministry of Industry	Obtained Ministry's IEM Acknowledgement No. 2766 / SIA / IMO / 2002 dated November 21, 2002 for generation and supply of Power by Non – Conventional Energy at Madwa Village, Janjagir – Champa District of Chhattisgarh State.
	d) Power purchase cum Wheeling agreement	The Company has signed Power purchase cum Wheeling agreement with C.S.E.B vide letter No: 02-02/SE-I/12/50.01/3275, Raipur dated : March 18, 2004. The PPA was revised on 20 th June, 2006
	e) Water, Air and Noise pollution Permission from Chhattisgarh Environment Conservation Board	Water, Air & Noise pollution clearance from Chhattisgarh State Environment Conservation Board, Raipur, is received vide letter No : 2765/TS/CECB/2004, Raipur dated : 20/07/2004
	f) Allotment of water of 720 cu mt per day from the Secretary, Water Resource Department	Permission to draw water of 720 cu mt per day from Hasdeo river was received from Water Resources Dept., Raipur vide letter No: 284, Raipur dated 15/02/2005.
	g) NOC from Gram Panchayat, Madwa village.	NOC is received
5	Project Implementation	<p>Civil works</p> <p>Black start generator room, staff residential quarters are completed. Water storage system and reservoir works are also completed. Civil foundations for boiler, turbine, ESP, fuel and ash handling system and chimney were completed. Boilers slab and turbo generator mezzanine floor, operation floor, boiler auxiliaries like FD and SA fan foundations are</p>

		completed. TG Deck slab, cooling tower raft completed and remaining basin work is in progress. Internal roads, control room and plant boundary wall is completed. Plant and Machinery All the orders for equipment, like boiler, steam turbo generator, cooling tower, electrical transformers, switch yard, Fuel & ash handling, water treatment plant, Air compressor, chimney, weigh bridge, LT package, SEMI EOT crane, DCS and pumps have been placed and major machinery received at site. Civil works are in advanced stage and erection of machinery is also in advanced stage.
6	Status of Financial Closure	Financial closure completed. State Bank of India, Commercial Branch, Koti, Hyderabad and State Bank of Hyderabad, Overseas Branch, Somajiguda, Hyderabad and Andhra Bank, Sultan Bazar Branch, Hyderabad, sanctioned the term loan.
7	Tentative Date of Commissioning of the Project	The project is expected to be commissioned by the end of July, 2007.

There has been a delay in implementation of its project as the company did not receive funds from the banks on time. State Bank of India, Commercial branch, Raipur had transferred its file to State Bank of India, Commercial Branch, Koti, Hyderabad which had re-appraised the proposal and then sanctioned the facilities. Andhra Bank had also revalidated the sanction. The first release of funds was received by the company in February, 2007.

Due to the reasons mentioned above, there has been a delay in implementation of the project.

Salient Features of the Power Purchase Agreement:

Lahari has entered into power purchase agreement with Chhattisgarh State Electricity Board for sale of 8.91 MW power to the Board round the clock. This agreement was entered on March 17, 2004 and later revised on July 20, 2006. The salient features of the revised PPA are as under:

- The PPA will remain in force for a period of 3 years from the date of its signing during which the Company shall start commercial operation failing which the PPA will be deemed as cancelled. After commercial operation of power plant the PPA shall remain in force up to financial year 2014-15 for purchase or sale of power to the Board.
- The Board will not be responsible for any damage to Biomass based power plant resulting from parallel operation of the Grid and the Chhattisgarh State Electricity Board shall not be liable to pay any compensation for such damages.
- The Chhattisgarh State Electricity Board shall arrange to make the payment of power purchase bills normally within 30 days after receipt of bill from the Company. In case payment by the Chhattisgarh State Electricity Board is delayed beyond 30 days, interest at the rate of 1% per month will be payable by the Board for the period beyond 30 days.
- This Agreement is subject to force majeure such as rebellion, mutiny, civil unrest, riot, strike, lockout, fire explosion, flood, cyclone, lightning, earthquake, war or other forces, accident or Act of God or other similar causes beyond control. This also includes the planned shut down for the maintenance of the system of both the parties as may be mutually agreed. Neither party shall be entitled to any claim compensation for damages in the event of force majeure and tripping of feeder on account of load regulatory measures including under frequency operations.

EPCC Contract

The company has entered into an agreement with M/s Ushodaya Energy & Project Consultants Pvt. Ltd. a company incorporated in Hyderabad On February 10, 2005

The salient features of the agreement are:

- Lahari has entrusted the work of Engineering, Procurement and Construction for turnkey execution of the 9.8 M.W Biomass based power plant proposed to be set up by it.
- The price of the EPCC contract shall be Rs. 3225 Lakhs, which is not subject to any escalation during the contract period
- The duration of the contract is 18 months from the date of financial closure in phases, which will be intimated by the company to the contractor
- The contractor shall pay the company liquidated damages of 0.5% of contract price for every week of delay subject to maximum of 5% of contract price.
- The contractor would guarantee the machinery and equipment to be free from defects in design, material or workmanship for a period of 12 months from the date of successful commissioning or 18 months from date of completion of dispatch of machinery and equipment, whichever period is shorter
- If at any time, any question or difference whatsoever, shall arise between Ushodaya Energy & Project Consultants and the company in relation to or in connection with or arising out of this Contract, both parties agree to resolve the same by mutual consultation. Failing resolution by mutual consultation, either party may give to the other a notice in writing of the existence of such question(s) /disputes(s)/ difference(s) and the same shall be referred to the arbitration of a single arbitrator, if agreed upon, otherwise to three Arbitrators, one each to be appointed by the company and Ushodaya Energy & Project Consultants and the third shall be appointed mutually by the two arbitrators appointed by the parties. The third arbitrator shall act as the presiding Arbitrator. The award of the said single Arbitrator or the three Arbitrators, as the case may be, shall be final and binding on both the parties. The arbitration proceedings shall be governed by the provisions of the Arbitration and Conciliation Act, 1996 and the rules framed there under and read with all statutory amendments and modifications thereof. The place of arbitration shall be Hyderabad and language shall be English.
- The company has agreed to pay the contract price to Ushodaya Energy & Project Consultants in the following manner for the execution of scope of work: (i) 10 % of the contract price as advance on signing of the MOU (ii) 10% of the Contract price against submission of plant layout, general arrangement drawing and Technical data sheets (iii) 10 % of Contract price against proof of placement of orders for critical components. (iv) 60% of the contract price on pro-rata basis, after completion of equipment and machinery and completion of erection as per mutually agreed billing schedule (v) 10% of the contract price after satisfactory completion of the performance guarantee tests, completion of defects list, delivery of the spares and submission of as built drawings against submission of the performance bank guarantee for the guarantee period.

2. South Asian Agro Industries Limited (SAAIL)

SAAIL was incorporated on May 26, 1995 in India under the Companies Act, 1956 at Hyderabad. It received the certificate of commencement of business on June 13, 1995. The company plans to set up a 9.8 MW Biomass based Power Generation Plant at Khajuri village, Balodabazaar Tehsil, Raipur District, Chhattisgarh.

Line of activity

The Company main activity is power generation.

Board of Directors

The Board of Directors of SAAIL consists of Mr. M.Seshavatharam, Mr. K.B. Trehan, Mr. V. Madhava Naidu, Mr. K.V.V.S.R Subrahmanyam, and Mr. K. Vijay Kumar.

Shareholding Pattern as on March 31, 2007

Sl. No.	Name of the Shareholder	No. of Shares	Percentage
1.	Suryachakra Power Corporation Limited	11960500	99.50
2.	Dr. S.M.Manepalli*	10000	0.0831
3.	Mrs. M. Mangatayaru*	10000	0.0831
4.	Mr. M. Seshavatharam*	10000	0.0831
5.	Mrs. M. Sunitha*	10000	0.0831
6.	Mrs. K. Ratna Harita*	10000	0.0831
7.	Mrs. T. Srilatha*	10000	0.0831
	Total	12020500	100

*(holding shares under Section 187C of the Companies Act, 1956 on behalf of SPCL)

Summary of Project Cost

S.No.	Details	Amount Rs.lakhs
1.	Land cost	80.00
2.	Civil Works	355.00
3.	Plant & Machinery	2750.00
4.	Misc. fixed assets	20.00
5.	Preliminary and Pre-operative expenses	175.00
6.	Technical Knowledge Fee	50.00
7.	Contingency	171.50
8.	Interest during construction period	223.00
9.	Margin for working capital	96.00
	Total	3920.50

Means of Finance

The project is proposed to be financed by a combination of Term loan and Promoter's Contribution in the ratio of 70:30.

S. No.	Particulars	Amount Rs. lakhs
1.	Promoters contribution	1170.50
2.	Term Loan	2750.00
	Total	3920.50

Promoters have already brought in their contribution and the term loan has been tied up fully.

The details of the loan are as under:

Name of the Bank	Facility	Amount sanctioned	Security
UCO Bank (0.50% over BPLR, at present 11.50% p.a. monthly rests)	Term Loan	Rs. 1375 Lakhs	On paripassu basis with other term lenders proposed Paripassu 1 st charge / EMTD over Factory land & buildings, plant

			& machineries and other fixed assets of the company, both present and future.
United Bank of India (0.75% over BPLR, at present 11.50% p.a. at monthly rests)	Term Loan Working Capital Loan	Rs. 1375 Lakhs Rs. 288 Lakhs	On paripassu basis with other term lenders proposed Paripassu 1 st charge / EMTD over Factory land & buildings, plant & machineries and other fixed assets of the company, both present and future.

Status of the Project (As on 30.04.07)

1	Nature of the project & Licensed capacity	Permission was received from CREDA for installation of 9.8 MW biomass based Power generation project at Dehajari village vide letter No : 5459/Biomass/RSB/Creda/ 2003 dated : 07.08.2003 Change of site from Dehajari village to Khajuri village, approval received from CREDA letter No.5092/CREDA/BM/RSB/2005-06, Raipur dated .07.02.06
2	Installed capacity & Location	Proposing to set up 9.8 MW Biomass based Power plant at Khajuri village, Balodabazar, Raipur District of Chhattisgarh State.
3	Land	24.57 Acres of land acquired
4	Approvals / Licenses / Clearances	
	a) Evacuation of power	CSEB has accorded permission for evacuation of power generated by the company at 33 kv inters connection at nearest 132/33 kv Khakurdi grid sub-station.
	b) Power purchase cum Wheeling agreement	The company has signed Power purchase cum Wheeling agreement with C.S.E.B vide letter No: 02-02/SE-I/12/56.01/3282, Raipur, dated: 18 th Mar 2004 which was later revised on 23 rd November, 2006 vide their letter no. 02-02/ACE – 1/12/56-01/2952 dated 23 rd November, 2006.
	c) Water, Air and Noise pollution Permission from Chhattisgarh Environment Conservation Board	Water, Air & Noise pollution clearance from Chhattisgarh Environment Conservation Board, Raipur is received for new site vide letter No : 2956/TS/CECB/2006, Raipur dated : 16/6/06
	d) Allotment of Coal Linkage	17,300 tpa (E & F Grade) of coal has been allotted from South Eastern Coal Fields Limited, Raigarh by Ministry of Coal, Govt. of India vide Letter No : 23014 / 9 / 2004 – CPD dated Dec 17, 04.

	e) NOC from Gram Panchayat	NOC is received
5	Project Implementation	<p>Plant and Machinery All the orders for equipment like Boiler, Steam turbo generator, cooling tower, Electrical transformers, switch yard, fuel & ash handling, water treatment plant, air compressor, chimney, weigh bridge, LT package, Semi EOT crane and pumps have been placed and major machinery has been received at site.</p> <p>Civil Works Civil works are in advanced stage and erection of machinery is also in advanced stage.</p>
6	Status of Financial Closure	Financial closure completed.
7	Present Status *	The project is expected to be commissioned by end of September 2007

* There has been a delay in implementation of the project as SAAIL had changed its location from Khasaria Project site to Baloda Bazar, Raipur Dist. to avoid competition for raw materials, as CREDA had permitted another Bio-mass project in the same vicinity. Fresh permissions and approvals were taken for the new site and since the company was using blasting method for conducting civil works as the land there was full of rock, which resulted in a delay in the implementation of the project.

Power Purchase Agreement

SAAIL has entered into a power purchase agreement with Chhattisgarh State Electricity Board for sale of 8.91 MW power to the Board. This agreement was entered on March 17, 2004 and later revised on November 23, 2006. The salient features of the agreement are as follows:

- The PPA will remain in force for a period of 3 years from the date of its signing during which the Company shall start commercial operation, failing which the PPA will be deemed as cancelled. After commercial operation of power plant the PPA shall remain in force for a period of 10 years for the purchase or sale of power to the Board.
- The Chhattisgarh State Electricity Board shall arrange to make the payment of power purchase bills normally within 30 days after receipt of bill from the Company. In case payment by the Board is delayed beyond 30 days, interest at the rate of 1% per month will be payable by the Board for the period beyond 30 days.
- This Agreement is subject to force majeure such as rebellion, mutiny, civil unrest, riot, strike, lockout, fire explosion, flood, cyclone, lightning, earthquake, war or other forces, accident or Act of God or other similar causes beyond control. This also includes the planned shut down for the maintenance of the system of both the parties as may be mutually agreed. Neither party shall be entitled to any claim compensation for damages in the event of force majeure and tripping of feeder on account of load regulatory measures including under frequency operations.
- The Chhattisgarh State Electricity Board will not be responsible for any damage to Biomass based power plant resulting from parallel operation of the Grid and the Board shall not be liable to pay any compensation for such damages.

EPCC Contract

The company has entered into an Engineering, Procurement and Construction contract with M/s Ushodaya Energy & Project Consultants Pvt. Ltd. On February 28, 2004. The highlights of the agreement are:

- The scope of the contractor would be the complete turnkey execution of the 9.8 M.W Biomass based power plant proposed to be set up by SAAIL.
- The all-inclusive price for the EPCC Contract of the machinery and equipment is Rs 3050 Lakhs which is not subject to any escalation during the contract period.
- The duration of the contract is 18 months from the date of financial closure in phases, which will be intimated by the company to the contractor
- The contractor shall pay the company liquidated damages of 0.5% of contract price for every week of delay subject to maximum of 5% of contract price.
- The contractor would guarantee the machinery and equipment to be free from defects in design, material or workmanship for a period of 12 months from the date of successful commissioning or 18 months from date of completion of dispatch of machinery and equipment, whichever period is shorter
- If at any time, any question or difference whatsoever, shall arise between Ushodaya Energy & Project Consultants and the company in relation to or in connection with or arising out of this Contract, both parties agree to resolve the same by mutual consultation. Failing resolution by mutual consultation, either party may give to the other a notice in writing of the existence of such question(s) /disputes(s)/ difference(s) and the same shall be referred to the arbitration of a single arbitrator, if agreed upon, otherwise to three Arbitrators, one each to be appointed by the company and Ushodaya Energy & Project Consultants and the third shall be appointed mutually by the two arbitrators appointed by the parties. The third arbitrator shall act as the presiding Arbitrator. The award of the said single Arbitrator or the three Arbitrators, as the case may be, shall be final and binding on both the parties. The arbitration proceedings shall be governed by the provisions of the Arbitration and Conciliation Act, 1996 and the rules framed there under and read with all statutory amendments and modifications thereof. The place of arbitration shall be Hyderabad and language shall be English.
- The company has agreed to pay the contract price to Ushodaya Energy & Project Consultants in the following manner for the execution of scope of work: (i) 10 % of the contract price as advance on signing of the MOU (ii) 10% of the Contract price against submission of plant layout, general arrangement drawing and Technical data sheets (iii) 10 % of Contract price against proof of placement of orders for critical components. (iv) 60% of the contract price on pro-rata basis, after completion of equipment and machinery and completion of erection as per mutually agreed billing schedule (v) 10% of the contract price after satisfactory completion of the performance guarantee tests, completion of defects list, delivery of the spares and submission of as built drawings against submission of the performance bank guarantee for the guarantee period.

3. MSM Energy Limited

MSM Energy was originally incorporated as Suma.com Private Limited on February 07, 2000. The company has obtained the certificate of business on February 17, 2000. With effect from November 27, 2000, the Company's name was changed to Suma Informatics Limited. With the objective of entering into power generation and allied activities, the Company has amended its main objects, consequent to which the name of the Company was changed to MSM Energy Limited with effect from September 26, 2003.

Line of activity

The Company main activity is power generation.

Board of Directors

The Board of Directors of M.S.M. Energy Ltd consists of Dr. S. M. Manepalli, Mr. M. Seshavatharam, Mr. G. G. Dalal, Mr. P.K. Bhattacharjee and Mr. K.B Trehan.

Shareholding Pattern as on March 31, 2007

S. No.	Shareholder Name	No. of Shares	Percentage
1.	Mr. M Seshavatharam *	100	Negligible
2.	Mr. L S Rao *	100	Negligible
3.	Mrs. K Ratna Haritha *	100	Negligible
4.	Dr. SM Manepalli *	100	Negligible
5.	Mrs. M Mangatayaru *	100	Negligible
6.	Mrs. M Sunitha *	100	Negligible
7.	Suryachakra Power Corporation Limited	5999400	99.99
	Total	6000000	100.00

* (holding shares under Section 187C of the Companies Act, 1956 on behalf of SPCL)

Project Cost

The detailed break up of the project cost is given as under.

(Rs. Lakhs)				
S.No.	Details	Parbhani	Amravati	Total
1	Land and Site development	50.00	50.00	100.00
2	Civil Works	425.00	425.00	850.00
3	Plant & Machinery	3275.00	3275.00	6550.00
4	Misc. fixed assets	20.00	20.00	40.00
5	Preliminary and Pre-operative expenses	452.00	452.00	904.00
6	Contingency	185.00	185.00	370.00
7	Margin for working capital	81.50	81.50	163.00
	Total Project Cost	4488.50	4488.50	8977.00

Means of Finance

Particulars	Amount in Rs.Lakhs
Debt	5984.00
Equity	2993.00
Total	8977.00

Notes

1) SPCL has invested a sum of Rs. 600.00 lakhs by way of equity in MSM and the balance amount of Rs.2393 lakhs is proposed to be invested out of the proceeds of the proposed issue.

2) MSM has already raised loans from Allahabad Bank, State Bank of Hyderabad and State bank

of India.

The terms of the loan are

Name of the Bank	Facility	Amount sanctioned	Security
State Bank of India	Term Loan	Rs. 2000 Lakhs	<p>On paripassu basis with other term lenders proposed</p> <p>Primary Paripassu 1st charge along with other term lenders, on the company's fixed assets (existing and proposed)</p> <p>Collateral</p> <p>1)EM of 140 acres of fresh water fish ponds situated at Bairava lanka near Kakinada belonging to Cocanada Fisheries Ltd.The valuation formalities are to be completed before commencement of disbursement of term loan.If the value of the property mentioned is less than 600 lakhs ,the company should offer additional securities to bridge the gap.</p> <p>2) Pledge of 30 % equity shares of the promoters on paripassu basis with consortium bankers.</p> <p>3) Personal guarantee of Dr. S.M.Manepalli and Mr. M. Seshavatharam.</p>
State Bank of Hyderabad	Term loan	Rs.1984 lakhs	<p>1.Primary: First charge on all the fixed assets of the Company on paripassu basis with other consortium bankers.</p> <p>2.Collateral: i). Pledge of 30% equity shares of</p>

			<p>promoters, valuing Rs. 9 crores on pari-passu basis with other consortium bankers.</p> <p>ii) Pari-passu equitable mortgage charge on lands Ac. 140.00 at Bhairavalanka, near Kakinada approximate value Rs. 6.00 crores in the name of M/s. Cocanada Fisheries Ltd. or any other equivalent security acceptable to the consortium.</p> <p>3. Guarantee:</p> <p>Corporate guarantee of M/s. Cocanada Fisheries Ltd., Rs. 0. 32 crores</p> <p>Personal guarantee of Dr. S.M. Manepalli and S Seshavatharam</p>
Allahabad Bank	Term loan	Rs.2000 lakhs	<p>1.Primary: First pari-passu charge on fixed assets of the Company on pari-passu basis with other bankers. Net block as on 31.3.2008 (after completion) will be Rs. 76.39 crore for both the projects.</p> <p>2.Collateral: Pledge of 30% equity shares of Promoters value will be Rs. 9 crores.</p> <p>3.Equitable mortgage of lands Ac. 140.00 (Fresh water fish ponds) at Bhairavalanka, near Kakinada approximate value is Rs. 5.50 to 6.00 crores in the name of M/s. Cocanada Fisheries Ltd. In</p>

			<p>case the value is less than Rs. 6.00 crores, the Company shall give additional securities to bridge the shortfall, if any.</p> <p>4. Personal guarantee: Personal guarantee of Directors: Dr. S.M. Manepalli and M.Seshavatharam</p> <p>5. Corporate guarantee of Cocanada Fisheries Ltd.</p> <p>Corporate guarantee of Surya Chakra Power Corporation Ltd.</p>
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Salient Features of the Power Purchase Agreement:

M/s. M. S. M. Energy Limited has entered into a power purchase agreement with Maharashtra Energy Development Agency (MEDA) as on October 7, 2006. This agreement was entered for sale of power from its Bio-mass based power project at Parbhani, Maharashtra. The salient features of the agreement are as follows:

- The Agreement shall remain in full force and effect until the 13th anniversary of the Commercial Operations Date, unless renewed or extended.
- Project holder will sell and deliver and MSEDCL will purchase and accept energy from the facility at the point of delivery, subject to the terms and conditions of this Agreement. MSEDCL will pay the Project holder for the energy as metered point. The Project holder undertakes not to sell any energy (committed to MSEDCL) to any other person barring the conditions mentioned in the Agreement.
- The tariff rate and structure for the project varies for each year.
- Each party shall be responsible for the acts of its employees and will indemnify, defend and hold other harmless from any and all claim damage or expenses arising out of or relating to:
 - An act of the indemnifying party employees and
 - Injury to or death of any of the indemnifying party's employees except if caused by the gross negligence of the other party which such employee is on the premises of the other party to this Agreement.
- No party shall be liable for any loss, damage or compensation whatsoever arising out of failure to carry out the terms of this Agreement, to the extent that such failure is due to Force Majeure events as specified below:
 1. Acts of God, but not limiting to lightning, drought, fire, explosion, earthquake, volcanic eruptions, landslide, flood, cyclone, typhoon, tornado, war, embargo, hurricane, tempest, famine, epidemic, plague or exceptionally adverse weather conditions which are in excess of the statistical measures for the last hundred (100) years, or
 2. Acts of war, invasion, armed conflict or act of foreign enemy, blockade, embargo; or
 3. Any event or circumstances of a nature analogous to any of the above.

Salient Features of the Power Purchase Agreement:

M/s. M. S. M. Energy Limited has entered into a power purchase agreement with Maharashtra Energy Development Agency (MEDA) on October 7, 2006. This agreement was entered for the sale of power from its Bio-mass project at Amravati, Maharashtra. The salient features of the agreement are as follows:

- The Agreement shall remain in full force and effect until the 13th anniversary of the Commercial Operations Date, unless renewed or extended.
- Project holder will sell and deliver and MSEDCL will purchase and accept energy from the facility at the point of delivery, subject to the terms and conditions of this Agreement. MSEDCL will pay the Project holder for the energy as metered point. The Project holder undertakes not to sell any energy (committed to MSEDCL) to any other person barring the conditions mentioned in the Agreement.
- The tariff rate and structure for the project varies for each year.
- Each party shall be responsible for the acts of its employees and will indemnify, defend and hold other harmless from any and all claim damage or expenses arising out of or relating to:
 - An act of the indemnifying party employees and
 - Injury to or death of any of the indemnifying party's employees except if caused by the gross negligence of the other party which such employee is on the premises of the other party to this Agreement.
- No party shall be liable for any loss, damage or compensation whatsoever arising out of failure to carry out the terms of this Agreement, to the extent that such failure is due to Force Majeure events as specified below:
 4. Acts of God, but not limiting to lightning, drought, fire, explosion, earthquake, volcanic eruptions, landslide, flood, cyclone, typhoon, tornado, war, embargo, hurricane, tempest, famine, epidemic, plague or exceptionally adverse weather conditions which are in excess of the statistical measures for the last hundred (100) years, or
 5. Acts of war, invasion, armed conflict or act of foreign enemy, blockade, embargo; or any event or circumstances of a nature analogous to any of the above.

Status of the Project located at Parbhani (As on March 31, 2007)

1	Land	The Company has acquired 18.38 Acres at Borawand village, Parbhani District of Maharashtra State which is on Parbhani and Ganga Khede Highway. Plant fencing work is in progress.
2	NOC under Section 44 from MSEB	As the Electricity Act, 2003 came into force, the NOC under Section 44 from Maharashtra State Electricity Board is not applicable. The Company has already signed Energy Purchase Agreement with Maharashtra State Electricity Distribution Corporation Limited (MSEDCL), which accepts grid connectivity.
3	Approval from Ministry of Industry	Approval from Ministry of Industry received vide their IEM Acknowledgement No. 3300 / SIA / IMO / 2005 dated 12 – 07 – 2005 for generation and supply of power by Non – conventional Energy at Borwanda Village, Parbhani District, Maharashtra State.
4	NOC from Pollution Control Board	The company has received the consent from Maharashtra Pollution Control Board and the same is submitted to Maharashtra Energy Development Agency (MEDA).

5	Statutory and Non – Statutory Clearances	The Company has received NOC from Health Inspector, Mines & Geology and Gram Panchayat.
6	Plant & Machinery	The Company has received Quotations from reputed suppliers of Critical Equipment viz., Boiler and Steam Turbine Generator etc. and evaluation is under process.
7	Financial Closure	Financial closure completed.
8	Coal	Application for coal allotment addressed to Ministry of Coal, Govt. of India sent to MEDA for their recommendation and onward transmission to the Ministry of Coal. Requisite fee was also paid.
9	Electrical	Approval of Single Line Diagram (SLD) from Electrical Inspector obtained.
10	Energy Purchase Agreement (EPA)	MSM has signed the EPA with Maharashtra State Electricity Distribution Corporation Limited (MSEDCL).
11	Expected date of Commissioning of the Project	It is expected to go for Commercial Operations by September 2008

Status of the Project located at Amravati (As on April 30, 2006)

1	Land	The Company has acquired 24.38 acres of land at Kholapur Village, Bathkuli Taluka, Amravati District which is on Amravati and Dhaniapur Highway. Plant fencing work is in progress.
2	Water Availability	MSM has applied to Maharashtra Jeevan Pratikaran Scheme for water supply for the project and obtained certificate of availability of water vide letter dated 28.02.06 from the office of the geological Scientist, Ground water and survey and development controller, Amravati.
3	Approval from Ministry of Industry	Approval from Ministry of Industry received vide Acknowledgement No. 3992 / SIA / IMO / 2005 dated 22 – 08 -2005 for generation and supply of power by Non – conventional Energy at Kholapur Village, Bathkuli Taluka, Amravati District, Maharashtra State.
4	NOC under Section 44 from MSEB	As the Electricity Act, 2003 came into force, the NOC under Section 44 from Maharashtra State Electricity Board is not applicable. The Company has already signed Energy Purchase Agreement with Maharashtra State Electricity Distribution Corporation Limited (MSEDCL), which accepts grid connectivity.
5	NOC from Pollution Control Board	MSM has received the consent from Maharashtra Pollution Control Board and the same is submitted to Maharashtra Energy Development Agency (MEDA).
6	Statutory and Non – Statutory Clearances	The Company has received NOC from Health Inspector, Mines & Geology and Gram Panchayat.

7	Plant & Machinery	MSM has received Quotations from suppliers of Critical Equipment viz., Boiler and Steam Turbine Generator etc. and evaluation is under process.
8	Financial Closure	Financial Closure Completed.
9	Coal	MSM has sent the letter addressed to Ministry of Coal, Govt. of India to MEDA for their recommendation and onward transmission. Requisite fee was also paid.
10	Electrical	Obtained approval of Single Line Diagram (SLD) from Electrical Inspector.
11	Energy Purchase Agreement (EPA)	MSM has signed the EPA with Maharashtra State Electricity Distribution Corporation Limited (MSEDCL) on 7 th October, 2006.
12	Expected date of Commissioning of the Project	The project is expected to be commissioned by end of August, 2008

Reasons for Delay

One of the terms and conditions of the term loan lenders is that the equity should be brought in upfront before the release of the term loan. SPCL intends to subscribe to the Equity from the proceeds of the IPO. Due to delay in the IPO, SPCL was not in a position to subscribe to the Equity Shares of MSM Energy, due to which the term lenders have not disbursed the aforesaid loans, leading to delay in project implementation.

Future Prospects

Biomass based energy as a source of electricity holds considerable promise because of its renewable nature and thereby conserve the fossil fuels whose reserves are limited. Apart from providing a much needed relief from power shortages, power based on biomass would also open up new avenues for employment in the rural areas, through collection, storage and handling of biomass materials.

Utilisation of abandoned biomass energy resources available in our country is being accorded high priority by the ministry of renewable energy. With the policy of privatization of power industry and liberalized schemes formulated by the Government of India and State Governments for setting up of biomass based power plants, the Company has decided to set-up biomass based power plants in Chattisgarh and Maharashtra.

Using the biomass as power generation reduces the carbon emissions. Most of the countries have committed to reducing their aggregate emissions to 5.2% below 1990 levels. To make the process cost effective, the protocol established the following mechanism called Clean Development Mechanism (CDM). The CDM provides opportunities for emissions reductions as well as sustainable developments in developing countries. The reduced amount of GHGs becomes credits called certified emission reductions (CERs) which are tradable and purchased by developing countries to help meet their emissions reductions targets. The biomass based power plants are eligible for carbon credits.

Shareholders Agreements

Salient Features of investment agreement dated December 7, 2005 entered into with Opulent Venture Capital Trust

An investment agreement has been entered into among Opulent Venture Capital Trust ("VC Investor"), the Company and the promoters group dated December 07, 2005 wherein VC

Investor agreed to subscribe 8,25,000 equity shares of the Company for cash at a premium of Rs.10/- each per share, aggregating to Rs. 1,65,00,000. The salient features of the agreement are as follows.

1. The promoters and the Company undertake to keep informed the VC Investor at all times , including after the IPO, on issues which are likely to affect the value of the VC Investor's shareholding. With out prejudice to the foregoing, it is agreed that the VC Investor's consent shall be required by the Company and the promoters at every general meeting of the shareholders for:
 - The issue of ordinary shares at such a price which is lower than the price at which ordinary have been allotted to the VC Investor.
 - The disposal , transfer, merger or acquisition of any part of the business into either a separate company, a subsidiary or to any other person.
 - Any guarantee or comfort letter issued by the Company and provided for the Promoters own account or in favour of any other person other than the guarantee given in the ordinary course of business in favour of banks/institutions etc.
 - Any transfer of shares by Promoters and their Affiliates which would reduce promoters shareholding before IPO below 51%
 - Any alteration to the rights of any class of shares
 - Ceasing or proposing to cease to carry on the business of the Company or taking steps to wind up the Company
 - Any liquidation or dissolution of the Company.
2. It has been mutually agreed upon by the company, the promoters and the VC investor that the proceeds from the VC investors' subscription to the fresh shares shall be used for the implementation of the project of the company
3. During the period of the VC Investors' shareholding in the company, the promoters shall control and hold minimum of 51% (before IPO) and minimum 40% (After IPO) of the issued and paid up capital of the company.
4. This agreement may be terminated at any time by mutual written agreement of the parties or by any party if there shall be any law or regulation that makes consummation of the Transactions illegal or otherwise prohibited or if consummation of the Transactions would violate any non- appealable final order, decree or judgement of any court or governmental body having competent jurisdiction
5. The agreement shall expire and be of no further force only upon completion of IPO & Listing or once the VC investor has disposed off all their shareholding in the company and has received full payment for the same, whichever is earlier
6. Each of the key promoter has warranted and undertaken to the VC investor that the minimum pricing in IPO will be Rs 20/- per share and incase the IPO price is finalized below Rs 20/- per share for whatever reason, the key promoters shall compensate the VC investor to the extent of 50 % of difference between Rs 20/- and the actual IPO price on the entire shareholding of the VC investor in either of the following ways:

- i Payment by the key promoters to the VC investor or
 - ii The key promoters shall transfer in favour of the VC investor such number of shares of the company held by the key promoter at no extra cost which will compensate the differential pricing on the entire share holding of the VC investor.
7. The company and the promoters have agreed that they shall at all time vote for the appointment of the VC investors' one Director in the general meeting as and when the VC Investor intimates the company with regard to the appointment of their Directors to the Board. However, the VC Investor would have the right to appoint the aforesaid one director on the Board of the Company only if the Company fails to come out with an IPO within nine months from the date of this agreement or on happening of the material breach of this Agreement.

Other agreements

1. Trust deed for setting up of a group gratuity scheme

The Company has entered into a trust deed dated October 15, 2005 with Dr. S M Manepalli, M. Seshavatharam and MVS Nageswara Rao (the "trustees") in connection with setting up of a group gratuity scheme for providing gratuity benefits to employees.

Under the agreement, the trustees have the authority to enter into a policy on death cum retirement gratuity. Contributions to the scheme will be made by the Company and on behalf of the Company; the trustees will make payment of gratuity, on termination of service on death or retirement of the member.

2. Lease agreement entered into with A & N Administration for the Land at A & N Islands.

Salient Features of Lease Agreement entered into with A & N administration for the Land at Bamboo Flat, Port Blair, A & N Islands

- The Company entered into a 20 year land lease agreement with the A & N Administration on August 11, 1999.
- Land admeasuring 4.12 hectares in Bamboo Flat, Port Blair bearing survey nos. 462, 467, 625, 634, 635 and 636 of Tehsildar Ferrargunj of South Andaman was allocated for the said power plant.
- Under the said lease agreement the Company has to pay a token lease charge of Re. 1 per month to the A & N Administration.
- The agreement is subject to extension for a similar period on the agreement of both parties.
- The Company can not sub-divide or sublet the demised land or the constructed without the prior consent, in writing of A & N administration.
- The Company shall not assign or transfer the demised land or any part of the demised land and/or the building/structure erected thereon without the previous permission of the A & N administration. However, the Company may mortgage the land in favour of financial institution up to the date of expiry this license with the prior permission in writing of the Deputy Commissioner, Andamans, under Andaman & Nicobar Islands land revenue & land reforms regulation 1966.
- The Company shall not use or allow to be used the land and/or structure thereon or any part thereof for any purpose other than power generation.
- If there is any breach of any of the terms and conditions and covenants herein on the part of the Company, A & N administration shall have right to re-enter into possession of land or any part thereof by giving a notice in writing three months time to remedy the breach.
- Should any dispute or difference arise touching or concerning the subject matter of this agreement or any covenant or clause contained herein, except as to matters that have been specifically provided for hereinbefore, the same shall be referred to a sole arbitrator appointed by Lieutenant Governor, Andaman and Nicobar Islands, whose

opinion and decision upon such dispute or difference shall be binding and conclusive on the parties concerned.

3. Lease of Registered Office premises (First Floor)

- The Company has entered into an agreement with Mr. A.K.Goyal, I.A.S (HUF) (hereinafter referred to as "Lessors") on February 10, 2007 for leasing of the first floor of the registered office premises of the Company located at 8-2-293/82/1115/1, Road No. 54, Jubilee Hills ,Hyderabad.
- The said lease shall commence from February 15, 2007 and shall be in force for the duration of 11 months i.e up to January 14, 2008. The lease may be renewed for a further period of 11 months with an increase on existing monthly rent subject to mutual concurrence.
- The Company shall pay to the lessors a monthly rent of Rs.15,000/- on or before 5th day of each month in advance during the period this lease in force.
- An interest free security deposit of Rs. 60,000 shall be paid by the lessee to the lessor which shall be refunded by the lessor to the lessee on expiry, termination or earlier determination of the lease agreement.
- The lessors shall be responsible for insurance of the demised premises.
- The lessee or lessor shall be entitled to terminate this lease deed before expiry of the agreed term or the extended term by giving due notice of not less than 2 (two) months in writing.
- Notwithstanding anything to the contrary containing in the lease agreement ,if during the lease period the Lessor proposes to sell, assign ,gift or otherwise transfer its rights in the Demised Premises or create any encumbrance in respect of Demised Premises in favour of any person including a company (hereinafter called "Proposed Lessor"), Lessor shall give 2(two) months written notice thereof to the lessee. On receipt of notice the lessee shall have the sole option to :a) Terminate this lease deed, or b) Attorn to the proposed lessor, except as provided in this clause, the lessor shall not sell, gift, transfer or otherwise encumber the Demised Premises during the lease period.

Lease of Registered Office premises (ground floor)

- The Company has entered into an agreement with Mr. A.K.Goyal, I.A.S (hereinafter referred to as "Lessors") on February 10, 2007 for leasing of the registered office premises of the Company located at 8-2-293/82/1115, Road No. 54, Jubilee Hills ,Hyderabad.
- The said lease shall commence from February 15, 2007 and shall be in force for the duration of 11 months i.e up to January 14, 2008. The lease may be renewed for a further period of 11 months with an increase on existing monthly rent subject to mutual concurrence.
- The Company shall pay to the lessors a monthly rent of Rs.8,000/- on or before 5th day of each month in advance during the period this lease in force.
- An interest free security deposit of Rs. 32,000 shall be paid by the lessee to the lessor which shall be refunded by the lessor to the lessee on expiry, termination or earlier determination of the lease agreement.

- The lessors shall be responsible for insurance of the demised premises.
- The lessee or lessor shall be entitled to terminate this lease deed before expiry of the agreed term or the extended term by giving due notice of not less than 2 (two) months in writing.
- Notwithstanding anything to the contrary containing in the lease agreement ,if during the lease period the Lessor proposes to sell, assign ,gift or otherwise transfer its rights in the Demised Premises or create any encumbrance in respect of Demised Premises in favour of any person including a company (hereinafter called "Proposed Lessor"), Lessor shall give 2(two) months written notice thereof to the lessee. On receipt of notice the lessee shall have the sole option to :a) Terminate this lease deed, or b) Attorn to the proposed lessor, except as provided in this clause, the lessor shall not sell, gift, transfer or otherwise encumber the Demised Premises during the lease period.

4 Salient Features of lease agreement dated February 10 ,2007 entered into between the Company and Prem Vihar Lawn and Garden Maintenance , represented by Mrs. Manju Goyal, Proprietor.

- The leasing party shall maintain the lawn in the premises at 8-2-293/82/1115,Road No. 54, Jubilee Hills , Hyderabad in a plot admeasuring 1566 sq. Yards on behalf of the lessee, for which the consideration will be Rs 22,000/- per month payable in advance on or before the fifth of the month
- An Advance of Rs 68000/- shall be paid by the lessee to the lessor which shall be refunded to the lessee on the day of the cancellation of the contract.
- This agreement shall be valid for a period of 11 months from February 15, 2007 to January 14, 2008 . A written notice of 2 (two) months shall be given for withdrawal of service by either party before the agreement period.

5. Lease of Andaman & Nicobar Office premises

The Company has entered into an agreement dated May 1, 2000 with Mr. R.K.Singh for lease of two flats in the first floor in the three storeyed house situated at Junglighat on survey site NO.173/2 .The salient features of the agreement are:

- The lessee will pay a rent of Rs. 3250 for each flat aggregating to Rs. 6500/- per month during the first two years of lease.Further the lessee has agreed to pay the lessor a yearly increment in rent at the rate of 10 % commencing from the third year,thus amounting to Rs 7150 during year three.
- The lessee has paid an amount of Rs. 19500 as interest free deposit as three months advance rent.
- The lease will remain in force for a period of three years from May 1 2000 to April 30,2003 after which the term of lease can be renewed provided the rent to be paid in the present lease is decided by either party with mutual discussion/finalization.
- The lessee shall not convert or use or occupy the said premises or any part thereof as godown or sublet it.

There has been no renewal of the agreement. However, the company is continuing as tenent in the said premises and has been paying the rent.

6. Power Purchase Agreement between OPG Energy Private Limited ("OPG") and M/s. Suryachakra Power Corporation Limited ("SPCL").

OPG will be selling to SPCL upto 7.5 MW for a period of one year commencing from May 1, 2007 and to continue upto April 30, 2008. The supply will be for 18 hrs to 22 hrs. The term of the agreement is one year commencing from May 1, 2007. SPCL will take only trading margin as determined by CERC. Transmission charges and transmission losses and operations charges upto the delivery point will borne by OPG and all transmission charges and transmission losses and operations charges beyond the delivery point will be borne by SPCL. SPCL will sell power only to distribution network/ SEBs. This Agreement is subject to force majeure such as act of war, arm conflict, blockade, revolution, riot, insurrection or civil commotion, terrorism, sabotage, line explosion or criminal damage. Act of God including cyclone, typhoon, floods, tidal wave, earthquake, land slides, epidemic or similar cataclysmic events. The expropriation or compulsory acquisition by any government or government agency of bulk supplied business of SPCL. Any curtailment/suspension/non-availability of transmission capacity by intervening SLDCs and/ or RLDCs

7. Memorandum of Understanding:

A Memorandum of Understanding (MOU) was entered on April 26, 2007 into by M/s. Lloyds Steel Industries Ltd and M/s. Suryachakra Power Corporation limited.

The MOU states the following points:

- M/s. Suryachakra Power Corporation through its group Companies is in the process of commissioning power plants in Chhattisgarh/ Maharashtra. These plants are expected to be commissioned from middle of July 2007, October 2007 and September 2008.
- M/s. Lloyds Steel Industries Ltd desires to enter into a long term contract for buying the power from the group companies of M/s. Suryachakra Power Corporation.
- This MOU is entered to sale the power of 40MW or what so ever is generated from this group Companies, @ Rs. 3.75/Kwh.
- The term is for three years.
- The MOU is subject to EPA to be entered separately.

Strategic Partners

The Company does not have any strategic Partner.

Financial Partners

The Company does not have any financial partners.

5. MANAGEMENT

Board of Directors

As per the Articles of Association the Company cannot have fewer than three directors or more than 12 directors. The Company currently has 8 (Eight) Directors.

The following table sets forth details regarding the Board of Directors:

Name, Designation, Age, Experience, Address, Qualification and Occupation	Date of Appointment in the Company and of expiration of term of office	Other Directorships
Mr. P. Visweswara Rao Chairman Non-Executive & Independent Director Age: 64 Years Experience: 41 Years # 1282, Jubilee Hills Road No. 64 Hyderabad 500 033 B.com, LL.B, IAS Professional	Date of Appointment: December 07, 2005 Date of Expiration: Liable to retire by rotation in 2009 AGM	1. Kakinada Special Economic Zone 2. Kakinada Refinery & Petro Chemicals Ltd. 3. Kakatiya Sugar and Power Company 4. L & T Pheonix Techno Park
Dr. S.M. Manepalli Managing Director Age: 56 Years Experience: 31 Years Plot No. 336, Road No. 23A Jubilee Hills Hyderabad 400 033 M.B.B.S. Industrialist	Date of Appointment: September 30, 2005 Date of Expiration: September 29, 2008	1. M.S.M. Energy Ltd. 2. Arunodaya Green Fuels Ltd (formerly known as Ushodaya Marine Products Pvt. Ltd.) 3. Suma Powergen Private Ltd. 4. Surya Powergen Private Ltd. 5. Kalyan Securities Ltd. 6. Mannepalli Investments Private Ltd. 7. Aasrit Securities Private Ltd. 8. Aasrit Agro Products Private Limited 9. Lahari Power and Steels Limited 10. Ayrus Infrastructure Investment Private Limited (OCB) 11. PT Suryachakra Plantations (OCB) 12. PT Manepalli Mines & Minerals (OCB)
Mr. M. Seshavatharam Non-Executive Director Age: 30 Years	Date of Appointment: February 28, 1995	1. Lahari Power & Steels Ltd. 2. South Asian Agro

<p>Experience: 11 Years Plot No. 336, Road No. 23A Jubilee Hills Hyderabad 400 033 Bachelor of Commerce Business</p>	<p>Date of Expiration: Liable to retire by rotation in 2008 AGM</p>	<p>Industries Ltd. 3. M.S.M. Energy Ltd. 4. Arunodaya Green Fuels Pvt Ltd (formerly known as Ushodaya Marine Products Private Ltd.) 5. Suma Powergen Private Ltd. 6. Surya Powergen Private Ltd. 7. Kalyan Securities Ltd. 8. Mannepalli Investments Private Ltd. 9. Aasrit Securities Private Ltd. 10. Aasrit Agro Products Private Ltd. 11. Ayrus Infrastructure & Investment Private Limited (OCB)</p>
<p>Mr. Mahesh Chand Non-Executive Director Age: 53 Years Experience: 30 Years 601, Sun Villa Co-op. Hsg. Society Plot No. 83, Sector-29 Vashi, Navi Mumbai 400 703 Bachelor of Engineering (Electricals) Business</p>	<p>Date of Appointment: May 03, 2005 Date of Expiration: Liable to retire by rotation in 2007 AGM</p>	<p>1. Nil</p>
<p>Mr. T. Sree Ramakrishnayya Non-Executive Director Age: 59 Years Experience: 39 Years 9-2-25, Devinilayam Near Burugunta Tank Mandapeta (East Godavri Dist) Andhra Pradesh 533 308 Bachelor of Commerce Business</p>	<p>Date of Appointment: May 08, 2004 Date of Expiration: Liable to retire by rotation in 2007 AGM</p>	<p>1. Lahari Power & Steels Ltd.</p>
<p>Mr. V. Madhava Naidu Non-Executive Director Age: 55 Years Experience: 29 Years 21, Ponnamman Koil Street Kottur, Chennai 600 085 Masters in Commerce Business</p>	<p>Date of Appointment: August 05, 1996 Date of Expiration: Liable to retire by Rotation in 2008 AGM</p>	<p>1. South Asian Agro Industries Ltd.</p>

Mr. P. K Bhattacharjee Non-Executive & Independent Additional Director Age: 68 years Experience: 37 years BG-149, Sector 2, Salt Lake, Kolkata – 700 091. M.A. (Economics), CAIIB Occupation - Consultant	Date of appointment May 22, 2007 Expiration: 2007 AGM	1. Kanco Enterprises Limited 2. Global Investment Trust Limited 3. Stesalit Limited 4. Cheviot Company Limited 5. SBI Home Finance Limited 6. Indian Infrastructure Equipment Limited 7. MSM Energy Limited 8. Kaushalya Infrastructure Development Corporation Limited 9. Kilburn Chemicals Limited 10. Dhanus Technologies Limited
Mr. K.B. Trehan Non-Executive & Independent Director Age: 66 Years Experience: 41 Years W1B- 101, Wellington Estate, DLF City – V, Gurgaon – 122 022, Haryana. Engineer Professional	Date of Appointment January 17,2006 Expiration: Liable to retire by rotation in 2009 AGM	1. Viraj Steel & Energy Limited 2. Monnet Mining Limited 3. M S M Energy Limited 4. South Asian Agro Industries Limited 5. Lahari Power & Steels Limited

Brief Profile of Directors

For profiles relating to Mr. P. Visweswara Rao and Dr. S.M.Manepalli, please refer to the details under General Information

Mr. K.B. Trehan is an engineer with 40 plus years of experience in mining, power steel and management areas. In the year 1994 – 95 he was presented the best manager's award. He was also awarded Mrs. Bala Tandon award for upgrading the quality of life of mine workers. He is ex-council member, MGMI. He is former member, Board of mining Exams (Coal) in India. He was also awarded the "Coal India Trophy" for the best project management in 1995.

Mr. Mahesh Chand is an Engineering graduate with 30 years of Experience in various Engineering and Power Projects and is presently working as Senior Vice President in Power Sector Company. He is also member of Indian Institute of Materials Management.

Mr. M. Seshavatharam is a graduate in commerce. He has been as Director of the Company since 1995 and has experience in installation and execution of power project.

Mr. T. Sree Rama Krishnayya is a B.Com graduate with business experience of 39 years. He has been the Secretary, East Godavari Rice Millers Association, Kakinada for a period of 12 years and worked as the Secretary of Almurur Taluka Rice Millers Association, Mandapeta, Andhra Pradesh for 16 years.

Mr. V. Madhava Naidu is a Post Graduate in Commerce with business experience of 16 years. He has been associated with the Company since its inception.

Mr. P.K Bhattacharjee is a Post Graduate in Economics. He has worked in different capacities with State bank of India and retired as Deputy Managing Director and Chief Financial Officer in the year 1999.

Details of Borrowing Powers

The Company at its first Annual General Meeting held on August 27, 1996 passed a resolution authorizing the Board of Directors pursuant to the provisions of section 293(1)(d) of the Companies Act, for borrowing from time to time any sums of money which together with the moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from Company's banker in ordinary course of business) may exceed the aggregate, for the time being, of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose provided that the total amount of moneys so borrowed by the Board shall not at any time exceed the limit of Rs. 12000 lakhs .

Compensation of Directors

No director, except the Managing Director is paid any remuneration or compensation other than reimbursement of traveling expenses incurred for the business of the Company. All directors except the Managing Director are paid sitting fees for attending Board Meeting/ Committee Meeting.

The Managing Director was appointed by members of the Company pursuant to the resolution passed at their extraordinary general meeting held on October 31, 2005 for a period of three (3) years with effect of September 30, 2005.

As per the resolution, the remuneration payable to the Managing Director is as follows:

- Salary of Rs. 300,000/- per month.
- Perquisites: up to and shall not exceed Rs. 50,000/- per month

Category A:

Rent free accommodation or house rent allowance at 30% of the basic salary

Explanation:

- The expenditure incurred by the Company on Gas, Electricity, Water and furnishing shall be valued as per the Income Tax Rules 1962 and shall be subject to a ceiling of 10% of the salary of the appointee.
- Medical Reimbursement: Expenses incurred for self and family subject to a ceiling of one month salary over a period of three years
- Leave travel concession for self and family once in year incurred in accordance with any rules specified by the Company
- Club fees subject to a maximum of 2 clubs. This will not include admission and life membership fee.
- Personal accident insurance the premium of which shall not exceed Rs. 4,000/- per annum.

Category B: The following perquisites shall not be included in the computation of ceiling on remuneration:

- The companies contribution towards pension scheme or super annuation fund together with provident fund not exceeding 25% of the salary wherein contribution towards Provident fund shall not exceed 12% of the salary. However, for the purpose of calculation of overall ceiling on perquisites, the

Company's contribution towards Provident fund, Superannuation Fund or annuity fund will not be included to the extent these either singly or put together or not taxable under the Income-Tax Act

- Gratuity payable should not exceed half a month's salary for each completed year of service.
- One month leave for 11 months of service on full pay and allowances as per the rules of the Company. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisite.

Category C:

- Provision for car for use in the Company's business and telephone at residence will not be considered as perquisites.
- Personal long distance calls on telephone and use of care for private purpose shall be billed by the Company to the Managing Director.

Corporate Governance

The provisions of the listing agreement to be entered into with the Stock Exchanges with regard to corporate governance will be applicable to the Company immediately upon filing the draft Red Herring Prospectus with SEBI. The company's board is currently comprising of 8 (Eight) directors. As the chairman of the Board is a non-executive director, more than one-third of the board are independent directors thereby complying with Clause 49 of the listing agreement with regard to broad basing of the Board. The Company has also complied with SEBI guidelines in respect of Corporate Governance with respect to constituting the committees such as Shareholding/Investor Grievance committee etc.

The Board of Directors of the Company comprises the following:

Name	Designation	Status
Mr.P. Visweswara Rao	Chairman	Independent Director
Dr. S. M. Manepalli	Managing Director	Executive Promoter Director
Mr. M .Seshavatharam	Director	Non-executive Promoter Director
Mr.P.K. Bhattacharjee	Director	Independent Additional Director
Mr.K.B. Trehan	Director	Independent Director
Mr.Mahesh Chand	Director	Independent Director
Mr.T. Sree Rama Krishnayya	Director	Non-Executive Director
Mr.V. Madhava Naidu	Director	Non-Executive Director

The Company believes in adopting the best corporate governance practices, based on the following principles in order to maintain transparency, accountability and ethics:

- Recognition of the respective roles and responsibilities of the management;
- Independent verification and assured integrity of financial reporting;
- Protection of shareholders' right and priority for investor relations; and
- Timely and accurate disclosure on all material matters concerning operations and performance of the Company.

(i) Audit Committee

The Audit Committee has been re-constituted by the Board of Directors of the Company in their meeting held on May 22, 2007. The reconstituted Audit Committee comprises of the following members:

Mr. P.K Bhattacharjee	:	Chairman
Mr. K.B.Trehan	:	Member
Mr. M.Seshavatharam	:	Member

Terms of reference of the Audit Committee:

- the said committee shall have discussions with the Auditors periodically about internal control systems, the scope of audit, including the observations of the auditors and review the half yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems;
- the said committee shall have authority to investigate into any matter in relation to the items specified in section 292A of the Companies Act or referred to it by the Board and for this purpose shall have full access to information contained in the records of the company and external professional advice if necessary.

(ii) Remuneration Committee

The Remuneration Committee was re-constituted by the Board of Directors at its meeting held on January 17, 2006. The re-constituted Remuneration Committee comprises of the following members:

Mr. P. Visweswara Rao	:	Chairman
Mr. T. Sree Ramakrishnayya	:	Member
Mr. V. Madhava Naidu	:	Member

The purpose of remuneration committee has been constituted include:

- To determine and recommend to the Board of Directors the remuneration package of Managing Director; and
- To approve in the event of loss or inadequate profits in any year the minimum remuneration payable to the Managing Director within limits and subject to the parameters as prescribed in Schedule XIII of the Companies Act, 1956

(iii) Shareholders / Investors Grievances Committee

The Shareholders/Investors Grievances Committee has been constituted by the Board of Directors of the Company in their meeting held on January 17, 2006. The Shareholders/Investors Grievances Committee comprises of the following members:

Mr. P. Visweswara Rao	:	Chairman
Mr. M. Seshavatharam	:	Member
Mr. T. Sree Ramakrishnayya	:	Member

The committee has powers to

- Looks into shareholders complaints like transfer of shares, non-receipts of balance sheet,
- Non-receipt of declared dividends.
- Approves issue of duplicate certificates and oversees and reviews matters connected with the transfer of securities.
- Oversees the performance of the registrars and transfer agents and recommended measures for overall improvement in the quality of investor services
- Affix or authorize fixation of the common seal of the Company to the share certificates; and
- Take on record all disclosures made in accordance with the SEBI (Prohibition of Insider Trading) Regulations, 1992 and the Draft Code of the Company formulated under the SEBI (Prohibition Insider Trading) Regulations, 1992. The Board has designated the Company Secretary as compliance officer.

Directors' shareholding in the Company

The Company's Articles of Association do not require its Directors to hold any Equity Shares. The following table details the shareholding of its Directors:

Name of Directors	Number of Equity Shares
Dr. S.M. Manepalli	1553751
Mr. M. Seshavatharam	877330
Mr. V. Madhava Naidu	12500

Interest of Directors

All the Directors may be deemed to be interested to the extent of the sitting fees payable to them for attending meetings of the Board or any committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them. Further, all Directors may also be deemed to be interested to the extent of Equity Shares held by them or that may be subscribed for and allotted to them out of the present Issue, if any. Some 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. The Promoters and certain Directors are also promoters/directors of the Subsidiaries of the Promoter Group Companies.

Except as stated in "Related Party Transactions" on page no. 143 of this Red Herring Prospectus, and to the extent of shareholding in the Company, the Promoters do not have any other interest in the Company's business. No stock options have been issued, vested or exercised by the Directors, since the Company has not instituted any such plan until date

Except as may be stated otherwise in this Red Herring Prospectus, the Company has not entered into any contract, agreement or arrangement during the preceding 2 years from the date of this Red Herring Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

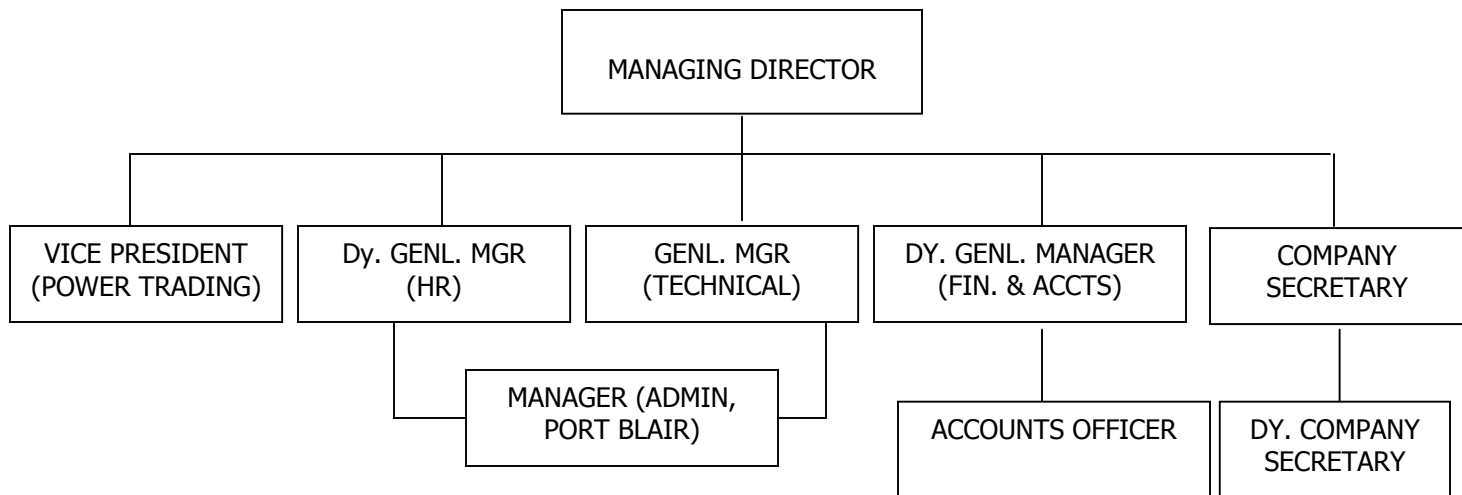
At present, the Company does not have any directors' and officers' insurance policy.

Changes in the Board of Directors of the company during the last three years

The changes in the Board of Directors of the company during the last three years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Mr. Terry R. Sears	June 30, 1999	December 09, 2005	Resigned
Mr. Todd F. Scott	June 30, 1999	December 09, 2005	Resigned
Mr. Robert C. Magan	July 25, 2000	December 09, 2005	Resigned
Mr. V.S. Murthy	July 25, 2000	April 03, 2005	Resigned
Mr. Paul J. Gaeto	January 01, 2003	December 09, 2005	Resigned
Mr. A.K. Jain	November 20, 2003	May 03, 2005	Resigned
Mr. T Sree Ramakrishnayya	May 08, 2004	-	Appointed
Mr. Mahesh Chand	May 03, 2005	-	Appointed
Mr. Supriya Gupta	September 30, 2005	May 17, 2007	Resigned
Mr. P.Visweswara Rao	December 7, 2005	-	Appointed
Mr. S.S. Dua	December 7, 2005	January 17, 2006	Resigned
Mr. K.B. Trehan	January 17, 2006	-	Appointed
Mr. P K Bhattacharjee	May 22, 2007	-	Appointed

Management Organization Structure



Key Managerial Personnel

S. No	Name and Designation	Age	Qualification	Functional responsibility	Experience (Years)	Gross Remuneration per annum (Rs. lakhs)	Date of Appointment	Details of Previous Employment
1.	Mr. K. Vijay Kumar, G.M. (Technical)	61 Years	Bachelor of Engineering (Electrical)	To look after O&M/procurement of fuel for the Bamboo Flat power plant	30Years	2.64	April 27, 2005	Worked in APSEB/ APGENCo. as Asst. Engineer to Superintending Engineer
2.	Mr. D.Radha Krishna V.P. – Power Trading	47 Years	B.E. (Electrical), LL.B., MBA	To augment Coal and Power business of the Company	23 Years	11.40	February 12, 2007	Worked for 6 ½ years in 3 companies viz., Quantum Fueltech Pvt Ltd, Deear Energy Ventures Pvt. Ltd and Deear Fossil Fuel Pvt. Ltd.
3.	Mr. D. Krishna Rao, Dy. General Manager (F&A)	42 Years	B. Com., A.C.A	Looking after finance and accounts matters	13 years	3.76	October 3, 1997	Worked in CONFRO Agros Limited as Finance Manager
4.	Mr. P.V. Subba Rao DGM - HR	57 Years	M.A., LL.B., PG Diploma in Public Administration and Management of Public Enterprise, P.G. Diploma in personal Management and Industrial Relations.	Looking after the HR and Administration activities of the company	27 Years	3.50	May 18, 2006	Worked for 3 ½ years as Senior manager HR and Administration in Minwool Rock Fibers Limited.
5.	Mr. B. Venkat Rama Reddy, Company Secretary	32 Years	B. Com., A.C.S , MBA	Secretarial matters	5 Years 6 months	4.50	April 26, 2007	Worked in LVS Power Limited, as Company Secretary
6.	Mr. L. Subrahmanyeswara Rao, Dy. Company Secretary	55 Years	B. A., Diploma in Commerce, C.S (Inter)	Looking after secretarial company matters and law	30 Years	2.84	November 10, 1998	Worked for 13 years in AP Electronic Development Corp. Limited, (AP State public Sector Undertaking) as Asst. Secretary.

None of the key managerial personnel are related to each other and the promoters and are permanent employees of the Company.

Shareholding of Key Managerial Personnel

None of the Key Managerial Personnel hold any Equity Shares of the Company.

Bonus or Profit Sharing Plan for Key Managerial Personnel

No portion of the compensation was paid pursuant to a bonus or profit sharing plan.

Changes in our Key Managerial Employees during the last three years

The changes in our Key Managerial Employees during the last three years are as follows:

Name	Date of appointment as Key Managerial Personnel	Whether continuing, if not, date of Cessation	Reason
Mr. K. Vijay Kumar	April 27, 2005	Continuing	Appointment
Mrs. V. Sreelatha	August 01, 2005	October 25, 2006	Resignation
Mr. R. Sreenivasa Rao	October 26, 2006	14 th February, 2007	Resignation
Mr. B. Venkat Rama Reddy	April 26, 2007	Continuing	Appointment
Mr. D. Radha Krishna	February 12, 2007	Continuing	Appointment
Mr. P.V. Subba Rao	May 18, 2006	Continuing	Appointment

Employee Stock Option/Stock Purchase Scheme

As on date the Company does not have any Employee Stock Option Scheme or Employee Stock Purchase Scheme.

Payment of benefit to officers of the Company

Neither any amount nor benefit was paid or given to officers of the Company in the two preceding years nor is it intended to be paid or given to any Promoter or Promoter Company except for the salary paid for the services rendered to the Company.

6. PROMOTERS

(i) Dr. S.M. Manepalli



Identification	Details
PAN	AFJPM9448N
Passport No.	A6473159
Voter ID Number	NA
Driving License Number	110036/HC/99, dt.14/10/1999
Bank Account No	State Bank of India, Old MLA Quarters,

	Hyderabad Bank Account No.: 10287275677
--	--

Dr. S.M. Manepalli hails from Agricultural & Business Family, Bhimavaram, West Godavari District, Andhra Pradesh and a qualified M. B. B. S., Doctor. He is engaged in Agriculture and Rice milling Business and operated 6 Rice Mills belonging to the family during 1974-87. He has served as President of Bhimavaram Rice & Oil Merchants Association during 1983-87. He also operated Deep-sea Foreign Fishing Vessels on Charter basis during 1987-92 and developed various International Business Connections.

Since 1992 he was engaged in Aqua-culture Business. During this period he was also engaged in Construction & Operation of Prawn/Fish Tanks, Hatchery, Feed Mill & Processing Plants which earned profits continuously from 1992 to 1996.

Inspired by the liberalization policies of Govt. of India, during 1995 he diversified into setting up Power Generation Plants following the Privatisation of Power Sector. He promoted Suryachakra Power Corporation Limited and extensively worked on Power projects and gained good experience in all aspects of Power Projects.

(ii) **Mr. M. Seshavatharam**



Identification	Details
PAN	ACQPM1290G
Passport No.	F1359356
Voter ID Number	NA
Driving License Number	NA
Bank Account No	State Bank of India, Old MLA Quarters, Hyderabad Bank Account No.: 10287230919

Mr. M. Seshavatharam hails from business community. He has to his credit varied business experience. He has gained experience particularly in power projects, agriculture, fresh water fish culture. He is the Director on the Board of M/s. Suryachakra Power Corporation Limited a company which established a 20Mw Independent Power Project at Port Blair in Andaman & Nicobar Islands. He is also a Director in various other Companies whose main business is generation of Power.

(iii) **Kalyan Securities Limited (KSL)**

Kalyan Securities Ltd was incorporated under the Companies Act on June 28, 1994 as an investment company and obtained certificate of commencement of business on August 31, 1994. The main object of KSL is to invest in infrastructure companies and to make loan and advances to the infrastructure companies only. As on March 31, 2007, KSL has invested Rs. 380 lakhs in the equity share capital of group companies. KSL was promoted by Dr S M Manepalli. The Board of Directors of KSL are Mr. M.Seshavatharam, Mrs. M. Mangatayaru, & Dr. S.M.Manepalli

KSL's shareholding pattern as on March 31, 2007 is as under:

S. No.	Name of the shareholder	No. of Shares	Percentage
1	J. Sai Tulasi Rao	10000	0.91
2	Arunodaya Green Fuels Private Limited (formerly known as Ushodaya Marine Products Private Limited)	540000	49.17
3	T. Srilatha	100	0.01
4	K. Ratna Haritha	100	0.01
5	M. Mangatayaru	158500	14.43
6	Dr. S. M. Manepalli	179200	16.32
7	M. Seshavatharam	160000	14.57
8	Y. N. Anjaneyulu	100	0.01
9	K. V. Prasada Rao	100	0.01
10	M. Naveen Babu	100	0.01
11	M. Sunitha	50000	4.55
	Total	1098200	100.00

Financial Highlights

(Rs. Lakhs)

Particulars	2004 – 05	2005-06	–2006-07
Income	0.42	0.48	0.54
PBIDT	0.05	(5.92)	(6.14)
PBT	0.05	(5.92)	(6.14)
PAT	0.04	(5.97)	(6.16)
Share Capital	109.82	109.82	109.82
Share Application Pending allotment	512.71	1798.71	1918.77
Profit & Loss Account	(23.81)	(29.78)	(35.94)
Net Worth	598.38	1878.75	1992.39
EPS (Rs.)	0.004	(0.54)	(0.56)
Dividend	Nil	Nil	Nil
Net Asset Value* (Rs.)	54.50	171.05	181.42

* Share application money was considered in computation of Net Asset Value.

The company is not listed in any Stock Exchange.

The Company is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and the company is not under winding up.

Identification	Details
Registration Number	01- 7801
PAN	AABCK0257D
Bank Account No	State Bank of India, Old MLA Quarters, Hyderabad Bank Account No.: 10287204162
Address of the Registered Office	3-5-944/A , Flat 101 to 103, Kubera Towers, Narayanaguda, Hyderabad- 29

(iv) Mannepalli Investments Private Limited (MIPL)

MIPL was incorporated on September 14, 2005 as an investment company to undertake all kinds of investment business. The Company was promoted by Dr. S.M. Manepalli and Mr. M. Seshavatharam. The Board of Directors of the Company are Dr S M Manepalli and Mr. M Seshavatharam.

Sl. No.		2005-06	2006-07
1.	Income	--	--
2.	PBIDT	(102.43)	(3.98)
3.	PBT	(102.44)	(3.99)
4.	PAT	(68.13)	(2.81)
5.	Share Capital	1.00	1.00
6.	Share application pending allotment	1478.83	1485.96
7.	P&L debit balance	(68.13)	(70.94)
8.	Miscellaneous expenditure to the extent not written off	2.03	1.52
9.	Net Worth	1409.67	1414.50
10.	EPS (Rs.)	(681.00)	(28.11)
11.	Dividend	--	--
12.	Net Asset Value (Rs.) *	14096.73	14144.99

* - Share Application money is being considered in computation of Net Asset value.

Shareholding pattern as on March 31, 2007

S. No.	Shareholders	No. of Shares	Percentage
1.	Dr S M Manepalli	5000	50
2.	M Seshavatharam	5000	50
	Total	10000	100

The company is not listed in any Stock Exchange.

The Company is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and the company is not under winding up .

Identification	Details
Registration Number	01-47463
PAN	AAECM5992Q
Bank Account No	State Bank of India, Old MLA Quarters, Bank Account No.30017484820
Address of the Registered Office	8 – 2 – 293/82, Plot No: 1115, Road No. 54, Jubilee Hills, Hyderabad – 500 033

Declaration

It is confirmed that the permanent account number, bank account details and passport numbers of Dr. S.M. Manepalli and Mr. M. Seshavatharam are being submitted to the Stock Exchanges, at the time of filing the Draft Red Herring Prospectus with them.

It is also confirmed that the permanent account numbers, bank account numbers, registration numbers of Kalyan Securities Limited and Manepalli Investments Private Limited along with the address of the RoC have been submitted to the Stock Exchanges at the time of filing of the Draft Red Herring Prospectus.

Other than what has been disclosed under the section "Legal and Other Information" appearing on page no. 213 of this Red Herring Prospectus:

- (a) there are no pending litigations/disputes/overdues/defaults to the financial institutions/Banks and instances of non-payment of statutory dues by the promoters and the companies/firms promoted by the Company.
- (b) there are no pending litigations, disputes, defaults etc., in respect of companies to which the promoters were associated in the past but are no longer associated.
- (c) there are no litigations against the promoters or directors involving violation of statutory regulations or a criminal case. There are no pending proceedings initiated for economic offences against the Directors, the promoters, companies and firms promoted by the promoters.
- (d) they have no outstanding litigations, disputes pertaining to matters likely to effect operations and finances of the Company including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII of the Companies Act, 1956.

Common Pursuits

Lahari, SAIL, MSM, Surya Powergen Private Limited and Suma Powergen Private Limited are engaged/propose to engage in Power Generation. Of these, first three Companies are wholly owned subsidiaries and others are group companies. Suryachakra Power is also into this activity. There is no conflict of interest (including related party transactions within the aforesaid group), as the subsidiaries companies have separate PPAs (except MSM which is yet to enter into PPA) and the other two companies are yet to commence operations.

Payment or benefit to promoters of the Company

No amount or benefit has been paid or given to the Company's Promoters and since the incorporation of the Company nor is intended to be paid or given to any Promoter except as their normal remuneration and /or reimbursements for services as Directors of the Company or otherwise in accordance with applicable laws.

Related Party Transactions to be taken from Financial Statements

Please refer to Page no. 143 under the heading Auditor's Report.

Currency of Presentation

In this Red Herring Prospectus all references to "Rupees" and "Rs" are to the legal currency of India.

Dividend Policy

The declaration and payment of dividends will be recommended by the Board of Directors and shareholders, in their discretion, and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial condition.

Neither the Company nor MSM Energy Limited has declared any dividends since their inception.

V. FINANCIAL STATEMENTS

1. AUDITOR'S REPORT

To
The Board of Directors
Suryachakra Power Corporation Limited
Hyderabad

Dear Sirs,

We have examined the annexed financial information of Suryachakra Power Corporation Limited ("the Company") for the five financial years ended 31st March, 2003, 2004 , 2005, 2006 and 2007. The financial information has been approved by the Board of directors of the Company for the purpose of disclosure in the Red Herring Prospectus ('the RHP') which has been prepared in accordance with the requirements of:

1. Part II of Schedule II of the Companies Act, 1956 ("The Act");
2. The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ("the SEBI guidelines") issued by the Securities and Exchange Board of India ('SEBI') in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments; and
3. The terms of reference received from the Company requesting us to carry out work, proposed to be included in the the RHP of the Company in accordance with its proposed Initial Public Offer ('IPO').

Financial Information as per the audited financial Statements

1. We have examined the attached restated summary statement of assets and liabilities of the Company as at 31st March, 2003, 2004, 2005, 2006 and 2007 which are set out in Annexure - I to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure - IV to this report.
2. We have examined the attached restated summary statement of profits and losses for the years ended 31st March, 2004, 2005, 2006 and 2007 which are set out in Annexure - II to this report. The company commenced commercial production during the year 2003-04. Hence, no Profit and Loss account has been prepared for the Financial Year ended 31st March, 2003. These profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure - IV to this report.
3. We have examined the attached restated summary statement of cash flows for the years ended 31st March, , 2003, 2004, 2005, 2006 and 2007 which are set out in Annexure - III to this report after making such adjustments and regrouping as in our opinion are appropriate.

Based on our examination of these summary statements, we confirm that:

- the impacts of changes in accounting policies adopted by the Company as at and for the year ended 31st March, 2007 have been adjusted with retrospective effect in the attached summary statements (see note 1 of annexure – IV);
- the prior period items have been adjusted in the summary statements in the years to which they relate;

- the extraordinary items have been disclosed separately in the summary statements; and
 - the summary statements have not been adjusted in respect of the matters of emphasis in the auditors' report on the financial statements as referred above, as the impact of such matters of emphasis is not presently ascertainable (see note 2 (a) of Annexure – IV).
 - There are no other qualifications (except above) in the Auditors' Reports, which require any adjustments to the summary statements.
4. The summary of significant accounting policies adopted by the Company pertaining to the audited financial statements as at and for year ended 31st March, 2007 are enclosed as Annexure - V to this report.
5. We have also examined the following financial information of the Company proposed to be included in the RHP as approved by you and annexed to this report:
- Details of Rates of dividend, as appearing in annexure - VI to this report;
 - Accounting ratios, as appearing in annexure - VII to this report;
 - Details of Other Income, as appearing in annexure - VIII to this report;
 - Details of Secured loans, as appearing in annexure - IX to this report;
 - Details of Unsecured loans, as appearing in annexure - X to this report;
 - Details of Investments, as appearing in annexure - XI to this report;
 - Details of Sundry Debtors, as appearing in annexure - XII to this report;
 - Details of Loans and Advances, as appearing in annexure - XIII to this report;
 - Details of Contingent liabilities, as appearing in annexure - XIV to this report;
 - Capitalisation Statement as at 31st March, 2007 as enclosed in Annexure - XV to this report;
 - Details of related party transactions, as appearing in annexure - XVI to this report;
 - Statement of tax shelters as enclosed in annexure - XVII to this report;
6. This report is intended solely for your information and for inclusion on the RHP in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for VISWESWARA RAO & ASSOCIATES
Chartered Accountants

(B.V. Krishna Rao)
Partner
Membership No. 207106
Place: Hyderabad
Date : 07-05-2007

ANNEXURE - I
STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED-SPCL

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
1. FIXED ASSETS :					
a) Gross Block	81.32	8098.26	8218.50	8514.32	8483.80
b) Less : Depreciation	27.82	689.52	1321.11	1967.44	2613.74
c) Net Block	53.50	7408.74	6897.39	6546.88	5870.06
d) Capital WIP including capital advances	6912.81	312.53	300.54	93.12	110.98
e) Incidental Expenses pending allocation	1250.23	0.00	0.00	0.00	0.00
Total	8216.54	7721.27	7197.93	6640.00	5981.04
2. INVESTMENTS	-	-	-	3235.45	3235.45
3. CURRENT ASSETS, LOANS AND ADVANCES :					
a) Inventories	120.86	213.15	256.63	384.52	531.04
b) Sundry Debtors	31.42	732.45	743.44	1250.70	1213.98
c) Cash and Bank Balances	26.14	333.90	97.09	159.80	77.76
d) Loans , Advances and other current assets	160.98	141.10	569.51	483.20	960.89
Total	339.41	1420.60	1666.67	2278.22	2783.67
4. LIABILITIES & PROVISIONS :					
a) Secured Loans	5393.92	5446.63	4739.78	5161.32	4470.49
b) Unsecured Loans	-	402.00	537.57	298.08	136.20
c) Current Liabilities and Provisions	524.42	592.09	696.89	504.43	1059.19
	5918.34	6440.72	5974.24	5963.83	5665.88
5. NET WORTH (1 + 2 + 3 - 4)	2637.60	2701.15	2890.36	6189.84	6334.28
NET WORTH REPRESENTED BY					
6. EQUITY SHARE CAPITAL	2318.79	2318.79	2318.79	4263.30	4263.30
7. SHARE APPLICATION MONEY	327.01	327.01	327.01	Nil	Nil
8. RESERVES AND SURPLUS	-	61.91	249.48	1976.71	2148.53
9. Miscellaneous Expenditure (to the extent not written off or adjusted)	8.20	6.56	4.92	50.17	77.55
10. NET WORTH (6 + 7 + 8 - 9)	2637.60	2701.15	2890.36	6189.84	6334.28

ANNEXURE - II

STATEMENT OF PROFITS AND LOSSES, AS RESTATED-SPCL

(Rs. Lakhs)

PARTICULARS	FOR THE YEARS ENDED			
	31.03.2004	31.03.2005	31.03.2006	31.03.2007
INCOME :				
Gross earnings from sale of energy	7001.05	6044.93	8740.96	9522.13
Less: Rebate & Penalties	181.23	148.99	213.72	240.06
	6819.82	5895.94	8527.24	9282.07
Other Income	22.23	19.38	151.81	209.20
T O T A L	6842.05	5915.32	8679.05	9491.27
EXPENDITURE :				
Consumption of Fuel	5383.51	4781.66	6984.29	7707.82
Staff Costs	32.85	32.87	55.37	78.62
Other Manufacturing Expenses	122.04	134.89	176.81	144.79
Administration expenses	98.44	106.97	121.46	104.12
Interest and Finance Charges	510.84	485.76	602.22	613.13
Depreciation	652.17	635.23	648.40	646.30
Preliminary expenses written off	1.64	1.64	1.64	1.64
T O T A L	6801.49	6179.02	8590.19	9296.42
Net Profit / Loss before tax, Extra-ordinary Items & Prior period adjustments	40.56	-263.70	88.86	194.85
Impact of Prior Period Adjustments	27.05	52.04	--	--
Net Profit / Loss before tax and Extra-ordinary Items	67.61	-211.66	88.86	194.85
Provision for Taxation				
- For Current Year (MAT)	5.70	-	8.51	21.27
- Fringe Benefit Tax	-	-	1.92	1.75
Net Profit / Loss after tax and before Extra-ordinary Items	61.91	-211.66	78.43	171.83
Extra-ordinary Items (net of tax)				
- Insurance Claims	-	399.23	31.30	--
Net Profit after Extra-ordinary Items	61.91	187.57	109.73	171.83
Balance carried forward, as restated	61.91	187.57	109.73	171.83

ANNEXURE - III

STATEMENT OF CASH FLOWS, AS RESTATED-SPCL

(Rs. Lakhs)

PARTICULARS	FOR THE YEARENDED				
	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
A) Cash Flow from Operating Activities					
Net Profit before tax and extraordinary items	-	67.61	-211.66	88.86	194.85
Adjustments for:					
1) Depreciation	-	652.17	635.23	648.40	646.30
2) Interest Income	-	-8.38	-12.85	-16.17	-51.89
3) Interest Expense	-	482.46	454.45	582.90	591.46
4) Miscellaneous Expenses Written off	-	1.64	1.64	1.64	1.64
5) Increase in Miscellaneous Expenses	-	-	-	-46.89	-29.03
6) Extra-ordinary Items before tax	-	-	416.82	34.18	0.00
Cash flows from operations before working capital changes	-	1195.50	1283.63	1292.92	1353.33
1) (Increase) / Decrease in Inventories	-120.86	-92.30	-43.47	-127.89	-146.53
2) (Increase)/Decrease in trade receivables	-31.42	-701.03	-10.99	-507.26	36.72
3) (Increase)/Decrease in loans & advances	-105.23	18.97	-427.50	88.55	-471.49
4) Increase / (Decrease) in current liabilities	-769.29	67.10	90.76	-185.64	550.39
5) Profit on sale of Fixed Assets	-	-	-1.55	-0.54	0.00
6) Income-tax & Fringe Benefit Tax paid	-2.15	-3.74	-4.65	-22.67	-24.84
Net cash flow from operating activities [A]	-1028.94	484.50	886.23	537.47	1297.58
B) Cash flow from Investing Activities:					
1) Purchase of Fixed Assets & Advances on Capital Account	-759.03	-156.91	-111.89	-90.47	12.65
2) Increase in Investments incl. Share application money	-	-	-	-3235.45	0.00
3) Proceeds on Sale of Fixed Assets	-	-	1.55	0.54	0.00
4) Interest received	13.74	7.91	13.04	16.46	51.89
Net cash used for Investing activities [B]	-745.29	-149.00	-97.30	-3308.92	64.54
C) Cash flow from Financing Activities:					
1) Increase / (Decrease) in Capital incl. Premium	-	-	-	3235.00	0.00
2) Increase / (Decrease) in Borrowings	1372.78	545.47	-564.25	107.53	-887.08
3) Interest Paid	-	-573.21	-461.49	-508.37	-557.08
Net cash flow from Financing Activities [C]	1372.78	-27.74	-1025.74	2834.16	-1444.16
Net Increase/(Decrease) in cash & cash equivalents [A+B+C]	-401.45	307.76	-236.81	62.71	-82.04
Cash & Cash equivalents at the beginning of the year	427.60	26.14	333.90	97.09	159.80
Cash & Cash equivalents at the end of the year	26.14	333.90	97.09	159.80	77.76
	-401.45	307.76	-236.81	62.71	-82.04

ANNEXURE - IV

NOTES TO SUMMARY STATEMENTS-SPCL

1) Notes on adjustments:

Gratuity: During the year ended 31st March 2006, the Company has changed its accounting policy to accrue gratuity liability on an actuarial basis in accordance with Accounting Standard 15 "Accounting for Retirement Benefits in the Financial Statements of Employers" instead of cash basis adopted in the previous years. Accordingly gratuity expenses have been recomputed in line with new accounting policy and adjustments have been made for the gratuity expense for the years ended 31st March 2004 & 2005 and adjustment for the affect of previous years has also been taken into accounting during the accounting year ended 31st March 2004 as the Company has commenced commercial operation in such accounting year.

2) Notes on non-adjustments:

The Company has been billing for the power generated and delivered to the Andaman & Nicobar Administration (A&NA) based on the provisional capital cost and ratios set out in the power purchase agreement. As the actual capital cost is subject to approval by the A&NA, the impact of adjustments on reimbursement of fixed charges is not ascertainable till the approval of the actual completed cost. Hence, no adjustments were made in the summary statements.

3) a) Impact of regroupings / adjustments / prior period items:

(Rs. Lakhs)

Particulars	For the year ended			
	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Profit after tax as per audited statement of accounts	37.12	196.00	172.36	125.55
Adjustments on account of :				
1) Prior Period Items	27.06	52.04	-79.10	--
2) Extra- Ordinary items	-	-60.21	10.46	49.75
2) Tax impact of Prior Period adjustments	-2.27	-0.26	6.01	-3.47
Net adjusted profit after tax	61.91	187.57	109.73	171.83

Insurance claim for loss of profit disclosed under other income for the year ended 31st March 2005 and 31st March 2006 have been regrouped under extra-ordinary items in the summary statements of profits and losses.

There are no changes to the accounting policies other than those mentioned above and also there are no other material notes to the auditor's report as at 31st March 2007, which has bearing on the financial status of the Company.

ANNEXURE - V

A. SIGNIFICANT ACCOUNTING POLICIES -SPCL

a) Basis of preparation of financial statements:

The financial statements have been prepared under the historical cost convention and in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant presentational requirements of the Companies Act, 1956.

All incomes, revenue expenses, assets and liabilities having material bearing on the financial statements are recognized on accrual basis, unless otherwise stated.

b) Revenue Recognition Policy:

Sale of Power to Andaman & Nicobar Administration is accounted as per the provisions contained in the Power Purchase Agreement (PPA). Sale Value includes both elements viz. variable charges and fixed charges as provided in the PPA.

c) Fixed Assets:

The gross block of Fixed Assets is stated at cost of acquisition or construction including any cost attributable to bringing the assets to their working condition for their intended use.

In the case of liabilities in respect of foreign currency loans obtained for acquisition of fixed assets, the variation in the liability arising out of the variation in exchange rates is adjusted to the cost of fixed assets.

d) Depreciation:

Depreciation on fixed assets is provided under "straight line method" on pro-rata at the rates prescribed by the Central Government vide Notification No. S.O. 265 (E) dated 27th March, 1994 issued under the Electricity (Supply) Act, 1948.

e) Foreign exchange transactions:

Foreign currency transactions are accounted at the exchange rates prevailing on the date of the transactions. Gains and losses, if any, at the year-end in respect of monetary assets and monetary liabilities are recognized in the Profit and Loss Account. Exchange differences arising on repayment of liabilities incurred for the purposes of acquiring fixed assets are adjusted with the carrying amount of the respective fixed assets.

f) Retirement benefits:

Annual contribution to gratuity fund is determined under group gratuity scheme with Life Insurance Corporation of India and the provision required is determined as per actuarial valuation carried out by LIC of India.

Contribution to provident fund is made at the pre-determined rate, to the appropriate authorities, and is charged to profit and loss account.

g) Borrowing Costs:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

h) Inventories:

Inventories are valued at the lower of cost and net realisable value.

i) Earning per share:

The company reports basic and diluted earnings per share (EPS) in accordance with the Accounting Standard – 20 issued by the Institute of Chartered Accountants of India. The Basic EPS has been computed by dividing the income available to equity shareholders by the weighted-average number of equity shares outstanding during the accounting period. Diluted earnings per Equity Share have been computed using the weighted average number of Equity Shares and dilutive potential Equity Shares outstanding during the period.

Deferred Taxation:

The company is carrying on the business of Power Generation. As per the existing laws as on the date of balance sheet and in view of the exemptions available to the company under the provisions of Income Tax Act, 1961, there is no effect to the company on account of computation of deferred tax as per the relevant accounting standard (AS-22) issued by The Institute of Chartered Accountants of India.

k) Segment Reporting:

The company has only one business segment and one geographical segment viz. Generation and Sale of Energy in Andaman & Nicobar Islands. In view of this, no further disclosures are required to be given in compliance with Accounting Standard – 17 issued by the Institute of Chartered Accountants of India.

l) Miscellaneous Expenditure:

Preliminary expenses / Share Issue Expenses are being written off over a period of 5 years from the date of commercial operations / date of transaction.

m) Expenditure during construction period:

Expenditure incurred on the Project during implementation are capitalized and apportioned to various assets on commissioning of the Project.

B. OTHER NOTES-SPCL

- 1) An amount of Rs.34.23 lakhs (Financial year 2005-06 Rs. 27.36 lakhs and Rs.12.91 lakhs totaling to Rs. 40.27 lakhs, Financial Year 2004-05 Rs.59.43 lakhs and Rs. 0.08 lakhs totaling to Rs. 59.51 lakhs and Financial Year 2003-04 Rs. 40.86 lakhs and Rs. 53.57 lakhs totaling to Rs. 94.44 lakhs) relating to current period has been withheld and deducted respectively by the A&N Administration due to various reasons and these amounts are included in the revenue.
- 2) One DG set of 5MW was suffered a major a break-down on 07-03 -2006. The company is having an industrial all risk insurance policy covering the loss of assets/property and loss of profit. The estimated revival cost of the DG set is Rs. 1301.09 Lakhs and received an amount on account payment of Rs. 433.48 Lakhs from insurance company. The company incurred an amount of Rs. 620.51 Lakhs upto 31-03-2007 on revival of the damaged DG set. As per the terms of the insurance policy, the claim will be settled after the deduction of 5% subject to a minimum of Rs. 5.00 Lakhs and maximum of Rs. 50.00 Lakhs. Accordingly, the amount receivable from the insurance company i.e. Rs. 137.03 Lakhs (net of amount received) is shown in other advances/receivables in the balance sheet and the deductible amount of Rs. 49.75 Lakhs (for FY 2005-06 0.25 lakhs) shown as extra ordinary item in profit and loss account. As the break down was occurred in the year 2005-06, the above loss is restated in the year 2005-06 in the restated financial statements.
- 3) 3) The company's plant in the Andaman & Nicobar Islands was affected by earth quake and Tsunami on 26-12-2006. The insurance claims were settled in 2005-06 and the final loss after the settlement of contractor's liabilities, unused material and disposal of scrap is 60.21 lakhs. Which was accounted in the year 2005-06. As the Tsunami was occurred occurred in the year 2004-05, the above loss is restated in the year 2004-05 in the restated financial statements.

ANNEXURE - VI

DETAILS OF RATES OF DIVIDEND-SPCL

The Company has not declared any dividend since its inception. The profits have been ploughed back into the operations.

ANNEXURE - VII

STATEMENT OF ACCOUNTING RATIOS-SPCL

(Rs. lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
Net Worth (Rs. Lakhs) (Excluding Share Application Money pending allotment)	2310.59	2374.15	2563.35	6189.84	6334.28
Restated Profit after Tax (Rs. Lakhs)	-	61.91	187.57	109.73	171.83
Weighted Average no. of equity shares outstanding during the year / period					
- For basic earnings per share	21960960	23187900	23187900	28860461	42632960
- For diluted earnings per share	23187900	23187900	26457960	30948752	42632960
Earnings Per Share (EPS) Rs. 10/- each					
- Basic Earnings per share (Rs.)		0.27	0.81	0.38	0.40
- Diluted Earnings per share (Rs.)		0.27	0.71	0.35	0.40
Return on Net Worth (%)		2.61%	7.32%	1.77%	2.71%
No. of Equity Shares outstanding	23187900	23187900	23187900	42632960	42632960
Net Assets Value per share of Rs. 10/- each	9.96	10.24	11.05	14.52	14.86

Formula:

Earning Per Share (Rs.) = Net Profit after Tax / No. of Equity Shares

Net Assets Value (Rs.) = Net Worth / No. of Equity Shares

Return on Net Worth (%) = Net Profit after Tax / Net Worth

ANNEXURE - VIII

DETAILS OF OTHER INCOME, AS RESTATED-SPCL

(Rs. Lakhs)

PARTICULARS		FOR THE YEAR ENDED			
		31.03.2004	31.03.2005	31.03.2006	31.03.2007
Interest Income	Recurring	8.39	12.86	16.17	51.89
Interest Income from A & N Administration	Non-recurring	-	-	50.82	63.32
Sale of scrap, waste oil etc.	Recurring	6.14	6.40	14.93	62.94
Consultancy Income	Non-Recurring	--	--	70.00	35.00
Profit / loss on exchange variation	Recurring	7.70	-1.43	-0.65	-2.95
Profit on Sale of Fixed Assets	Non-recurring	-	1.55	0.54	--
		22.23	19.38	151.81	209.20

The figures for the previous year ended 31st March 2003 have not been given as the interest earned / other incomes was credited to Incidental Expenditure during construction.

ANNEXURE - IX

DETAILS OF SECURED LOANS, AS RESTATED-SPCL

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
Term Loans					
- Rupee Loans					
State Bank of India (Kolkata)	1414.71	1129.43	992.53	865.25	728.18
State Bank of India (Kolkata) Corporate Loan	-	-	-	377.72	296.84
SREI Infrastructure Financial Ltd (DG# 2 Loan)	-	-	-	-	201.75
- Foreign Currency Loans					
State Bank of India (Frankfurt)	1651.70	1348.89	1208.24	1080.11	904.61
SREI Infrastructure Finance Limited	2095.97	1609.66	1428.98	1255.69	1042.46
Working Capital Loans					
State Bank of India (Kolkata) (O.D)	59.26	14.66	-	-	-
State Bank of India (Kolkata) (C.C)	172.28	1343.99	1110.03	1481.23	1105.10
State Bank of India (Kolkata) (C.C-SLC)	-	-	-	101.32	191.55
	5393.92	5446.63	4739.78	5161.32	4470.49

DETAILS OF SECURED LOANS OUTSTANDING AS ON 31-03-2007-SPCL

Particulars	Amount of Loan taken / sanctioned	Amount Outstanding	Rate of Interest	Repayment Terms	Securities Offered
Term Loans	(Rs. Lakhs)	(Rs. Lakhs)			
- Rupee Loans					
State Bank of India (Kolkata)	1369.00	728.18	15.25% (3% above SBT4)	40 quarterly installments starting from August 2002	First charge on all immovable assets, present and future, company's right, title & interest in the leasehold land / project documents. Second charge on current assets. Pledge of 79,37,388 shares held by promoters.
State Bank of India (Kolkata)	400.00	296.84	16.25% (3.5% above SBT4)	60 monthly installments starting from December 05	First charge on all immovable assets, present and future, company's right, title & interest in the leasehold land / project documents. Second charge on current assets. Pledge of 79,37,388 shares held by promoters.
Corporate Loan					
SREI Infrastructure Financial Ltd (DG# 2 loan)	400.00	201.75	13.50%	6 Monthly installments starting from March 2007	First charge on all immovable assets, present and future, company's right, title & interest in the leasehold land / project documents. Second charge on current assets. Personal guarantee of Dr. S.M. Mannepalli. Pledge of 2400000 shares held by promoters.
- Foreign Currency Loans					
State Bank of India (Frankfurt)	1636.10	904.61	2.85% above 6m Libor + 1% Letter of Comfort	40 quarterly installments starting from February 2003	First charge on all immovable assets, present and future, company's right, title & interest in the leasehold land / project

SREI Infrastructure Finance Limited	2108.64	1042.46	Charges 3.5% above 3m Libor	36 quarterly installments of USD 111500 & 37th installment of USD 446000 starting from June 2002	documents. Second charge on current assets. Pledge of 79,37,388 shares held by promoters. First charge on all immovable assets, present and future, company's right, title & interest in the leasehold land / project documents. Second charge on current assets. Pledge of 79,37,388 shares held by promoters.
Working Capital Loans					
State Bank of India (Kolkata) (C.C)	1523.91	1105.10	14.75%		First charge on all current assets, present & future and second charge on all fixed assets. Personal guarantee of Dr. S.M. Manepalli.
State Bank of India (Kolkata) (C.C-SLC)	227.63	191.55	15.75%		First charge on all current assets, present & future and second charge on all fixed assets. Personal guarantee of Dr. S.M. Manepalli.

There is no re-schedulement of any term loan in any of the financial year.

ANNEXURE - X

DETAILS OF UNSECURED LOANS, AS RESTATED-SPCL

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
From Promoters, Promoter Group & Group Companies of Promoters	-	-	-	-	61.92
From Other than Promoters, Promoter Group & Group Companies of Promoters	-	402.00	537.57	298.08	74.28
	0.00	402.00	537.57	298.08	136.20
Rate of Interest on promoter group loans	-	-	--	-	12%
Rate of Interest		9%	9% to 18%	18%	18%
Repayment		On demand	On demand	On demand	On demand
Risk Factors	They can be recalled at any time by the lenders.				

ANNEXURE - XI**DETAILS OF INVESTMENTS, AS RESTATED-SPCL**

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
Unquoted Investments In Subsidiary Companies	-	-	-	3235.45	3235.45
In Associate / Group Companies	-	-	-	-	-
Others	-	-	-	-	-
Total	-	-	-	3235.45	3235.45
Less: Provision for diminution in value of investments	-	-	-	-	-
Net Investment	-	-	-	3235.45	3235.45

Notes:

The above investments are in the following companies:

Lahari Power & Steels Limited	Rs. 1433.40 lakhs
South Asian Agro Industries Limited	Rs. 1202.05 lakhs
MSM Energy Limited	Rs. 600.00lakhs

The above amounts are excluding share application money pending allotment with the above companies.

ANNEXURE - XII**DETAILS OF SUNDRY DEBTORS (AGE-WISE ANALYSIS), AS RESTATED-SPCL**
(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				2007
	2003	2004	2005	2006	
Secured, considered good					
- Less than six months	-	698.20	743.44	1035.83	1193.14
- More than six months	-	34.25	-	-	-
Unsecured, considered good					
- Less than six months	31.42	-	-	-	-
- More than six months	-	-	-	214.87	20.84
	31.42	732.45	743.44	1250.70	1213.98

The Sundry Debtors as at 31.03.2007 are (1) Andaman & Nicobar Administration Rs.1193.14 lakhs and (2) The Oriental Insurance Company Limited Rs.20.84 lakhs.

None of the beneficiaries is related to promoters / relatives of promoters / Directors / Group Companies.

ANNEXURE - XIII**DETAILS OF LOANS AND ADVANCES, AS RESTATED-SPCL**

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
Unsecured, considered good Loans & Advances					
- to Group Companies	47.16	3.11	-	296.13	240.77
- to Others	72.93	54.01	123.82	66.23	411.21
Interest accrued but not due	-	0.47	0.29	-	-
Other Advances / Receivables	4.52	38.95	367.85	38.77	224.70
Share Application Money in Subsidiaries /					
Group Companies	-	-	-	4.50	4.50
Deposits	3.44	3.60	5.40	5.17	6.63
Advance income tax/Tax Deducted at Source	2.54	1.15	2.25	4.79	10.98
Pre-paid Expenses	30.39	39.81	69.89	67.61	62.10
	160.98	141.10	569.51	483.20	960.89

The Loan and Advances as at 31.03.2007 are inclusive of (a) Rs. 236.25 lakhs receivable from subsidiaries on account of loans (b) Rs. 4.52lakhs receivable from subsidiaries on account of recoverable expenses (c) Rs. 4.00 lakhs and Rs. 0.50 lakh paid to group companies Suma Powergen Private Limited and Surya Powergen Private Limited as share application money for allotment of shares.

Except as given above none of the beneficiaries is related to promoters / relatives of promoters / Directors / Group Companies.

Top ten beneficiaries of Loans and Advances as on 31.03.2007:

Beneficiary	Amount (Rs. Lakhs)
MSM Energy Limited	226.66
Ushodaya Energy and project consultants Pvt Ltd	195.71
Pandian Constructions	142.58
Advances for DG# 2 repair (net of amount received from insurance company)	125.62
Greyline Engineers and Constructions Pvt Ltd	71.91
Inidan Oil Corporation Limited	60.92
Lahari Power and Steels Ltd	14.11
Haldia Service Society	5.54
Suma Powergen Pvt Ltd	4.00
Good Will Governor Services	3.35

ANNEXURE - XIV

DETAILS OF CONTINGENT LIABILITIES, AS RESTATED-SPCL

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
Bank guarantee given to Andaman & Nicobar Administration	100.00	-	-	-	-
Contracts to be executed (excluding letter of credits opened) on capital accounts	40.60	43.27	45.09	-	-
Contracts to be executed on revival of plant damaged in the earthquake / tsunami	-	-	125.94		
Securities provided to the lenders of subsidiaries	-	-	-	1027.02	730.53
Contingent liability to A&N Administration towards liquidated damages for delay in commencement of commercial operations	-	-	-	315.70	315.70
Letter of Credit open with banks	-	-	-	-	402.20

ANNEXURE - XV**CAPITALIZATION STATEMENT AS AT 31st MARCH 2007-SPCL**

(Rs. Lakhs)

Particulars	Pre As 31.03.2007	Issue at Post Issue *
Borrowings		
Secured Loans	4470.49	
Unsecured Loans	136.20	
Less: Short Term Debts	2261.14	
Total Borrowings	2345.55	
Shareholders Funds		
Equity Share Capital	4263.30	
Reserves & Surplus	2148.53	
Less: Miscellaneous Expenditure to the extent not written off	77.55	
Total Shareholders' Funds	6334.28	
Debt / Equity Ratio	0.37:1	

* Shareholders' funds post issue can be calculated only on the conclusion of the book building process

Note: Short Term Debts are debts maturing within next one year

ANNEXURE - XVI

DETAILS OF RELATED PARTY TRANSACTIONS-SPCL

DETAILS OF THE LIST OF RELATED PARTIES AND NATURE OF RELATIONSHIPS

Particulars	Financial Year ended March 31, 2003	Financial Year ended March 31, 2004	Financial Year ended March 31, 2005	Financial Year ended March 31, 2006	Financial Year ended March 31 st 2007
Associates	<p>Reliance Energy Limited (Formerly BSES Limited)</p> <p>Caterpillar Commercial Private Limited</p> <p>Surya Powergen Pvt. Ltd.</p> <p>Ushodaya Marine Products Private Ltd.</p> <p>Cocanada Fisheries Ltd.</p>	<p>Reliance Energy Limited (Formerly BSES Limited)</p> <p>Caterpillar Commercial Private Limited</p> <p>Surya Powergen Pvt. Ltd.</p> <p>Caterpillar India Limited Cocanada Fisheries Ltd.</p>	<p>Reliance Energy Limited (Formerly BSES Limited)</p> <p>Caterpillar Commercial Private Limited</p> <p>Surya Powergen Pvt. Ltd.</p> <p>Caterpillar India Limited Cocanada Fisheries Ltd.</p> <p>Caterpillar Power Generation Systems</p>	<p>Reliance Energy Limited (Formerly BSES Limited)</p> <p>Caterpillar Commercial Private Limited</p> <p>Ushodaya Marine Products Private Ltd.</p> <p>Caterpillar India Limited Cocanada Fisheries Ltd.</p> <p>Caterpillar Power Generation Systems Kalyan Securities Ltd</p>	
Directors	<p>Dr. S.M. Manepalli</p> <p>Mr. V.S. Murthy</p>	<p>Dr. S.M. Manepalli</p> <p>Mr. V.S. Murthy</p>	<p>Dr. S.M. Manepalli</p> <p>Mr. V.S. Murthy</p>	<p>Dr. S.M. Manepalli</p> <p>Mr. V.S. Murthy</p> <p>Mr. M. Seshavatharam P. Vishveswar Rao</p> <p>Mr. Supriya Gupta</p> <p>Mr. K.B Trehan</p> <p>Mr. Mahesh Chand</p> <p>Mr. T. Sree Rama Krishnayya</p> <p>Mr. V. Madhava</p>	<p>Dr. S.M. Manepalli</p> <p>Mr. M. Seshavatharam P. Vishveswar Rao</p> <p>Mr. Supriya Gupta</p> <p>Mr. K.B Trehan</p> <p>Mr. Mahesh Chand</p> <p>Mr. T. Sree Rama Krishnayya</p> <p>Mr. V. Madhava</p>

Relatives & Associates of Directors				Krishnayya Mr. V. Madhava Naidu Mrs. K. Ratna Haritha Mrs. M Mangatayaru	Naidu
Key Management Personnel	Mr. D. Krishna Rao Mr. L.S. Rao	Mr. D. Krishna Rao Mr. L.S. Rao	Mr. D. Krishna Rao Mr. L.S. Rao	Mr. D. Krishna Rao Mr. L.S. Rao Mrs. V. Sreelatha Mr. K. Vijaya Kumar	Mr. D. Krishna Rao Mr. L.S. Rao Mrs. D. Radhakrishna Mr. K. Vijaya Kumar
Subsidiaries / Group Companies				Lahari Power & Steels Limited South Asian Agro Industries Limited MSM Energy Limited Suma Powergen Private Limited Surya Powergen Private Limited	Lahari Power & Steels Limited South Asian Agro Industries Limited MSM Energy Limited Suma Powergen Private Limited Surya Powergen Private Limited

**DETAILS OF TRANSACTIONS WITH RELATED PARTIES AND DETAILS OF
OUTSTANDING BALANCES-SPCL**

(Rs. Lakhs)

Particulars	Nature of Relationship	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Creditors for capital goods	Associates	453.08	475.62	449.62	301.45	-
Creditors for expenses	Associates	23.53	27.10	31.24	35.92	-
Creditors for Revival Works	Associates	-	-	-	19.29	-
Remuneration & allowances to Directors	Directors	0.16	-	0.04	-	1.78
Salaries	Key Management Personnel	-	-	-	0.69	1.22
Current Assets - Loans	Associates / Subsidiaries / Group Companies	47.16	3.11	-	296.13	236.25
Unsecured Loans	Promoter Directors	-	-	-	-	61.92
Advance for Supplies	Associates	-	-	-	19.31	-
Investments in Subsidiaries / Group Companies	Subsidiaries / Group Companies	-	-	-	3235.45	3235.45
Advance for Investments in Subsidiaries / Group Companies	Subsidiaries / Group Companies	-	-	-	4.5	4.5
Other Advances & Receivables	Subsidiaries / Group Companies	-	-	-	3.58	4.52

DISCLOSURE OF SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES-SPCL

Particulars	Nature of Relationship	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Loans granted	Subsidiaries	-	-	-	312.00	140.17
Loans Received back	-	-	-	-	-	228.00
Fixed Assets	Associates	381.95	22.54	13.77	-	-
Operation & Maintenance Exps	Associates	47.58	72.77	84.34	-	-
Purchase of spares & tools	Associates	-	40.04	97.87	81.84	-
Earthquake Revival Works	Associates	-	-	-	21.54	-
Remuneration & allowances to Directors	Director	8.56	20.23	20.42	26.18	38.59
Salaries	Key Management Personnel	5.06	5.39	6.04	11.83	15.68
Reimbursement of expenses	Subsidiaries/ Group Companies/ Associates	-	-	-	7.87	5.07
Sitting Fee	Directors	-	-	-	0.60	0.65
Subscription to / Purchase of shares	Subsidiaries / Group Companies / Directors	-	-	-	2647.53	-
Interest Income	Associates	6.32	0.25	0.30	4.04	36.04-
Unsecured Loans	Promoter Directors	-	-	-	-	60.00
Interest Expense	Promoter Directors	-	-	-	-	2.14

ANNEXURE - XVII

STATEMENT OF TAX SHELTERS-SPCL

PARTICULARS	FOR THE YEAR / PERIOD ENDED			
	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Rate of Income Tax	35.8750%	36.5925%	33.6600%	33.6600%
MAT Rate	7.6875%	7.8413%	8.4150%	11.2200%
A. Profit before tax and after extra-ordinary items	67.61	-211.66	88.86	194.85
Add: Extra-ordinary income before tax	-	416.82	34.18	-
Profit before tax and after extra-ordinary income	67.61	205.16	123.04	194.85
Income Tax on above profits	24.26	75.07	41.41	65.59
B. Permanent Differences / Adjustments				
Amount disallowed under the Act	1.34	-0.73	2.84	3.44
C. Timing Differences				
Difference between book depreciation & tax depreciation	-1045.08	-678.98	-28.00	65.67
Adjustments u/s 43B		23.98	11.71	-29.75
D. Prior period adjustments	-27.06	8.16	68.64	-49.75
E. Net Adjustment (B + C + D)	-1070.80	-647.57	55.19	-7.39
F. Income/ Loss	-1003.18	-442.41	178.23	184.45
Brought Forward loss adjusted during the year	-	-	-178.23	-184.45
G. Income / Loss as per Income Tax	-1003.18	-442.41	-	-
H. Taxable Income (Book Profit as per MAT)	40.56	213.32	191.68	145.10
Tax payable u/s 115JB as per Income				16.28
Tax returned	3.12	16.73	16.13	

Notes:

Pursuant to Power Purchase Agreement, tax liability is to be reimbursed by the Andaman & Nicobar Administration

As there is no taxable income under the Income Tax Act during the Assessment Year 2004-05 and 2005-06, 2006-07 and 2007-08, the Company has not opted for deduction u/s 80IA.

To

The Board of Directors

Lahari Power & Steels Limited

Hyderabad

Dear Sirs,

We have examined the annexed financial information of Lahari Power & Steels Limited ("the Company") for the five financial years ended 31st March, 2003, 2004, 2005, 2006 and 2007 being the last date to which the accounts of the Company have been made up. The financial information has been approved by the Board of directors of the Company for the purpose of disclosure in the Red Herring Prospectus ('the RHP') to be issued by the Suryachakra Power Corporation Limited which has been prepared in accordance with the requirements of:

1. part II of Schedule II of the Companies Act, 1956 ('The Act')
2. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the SEBI guidelines') issued by the Securities and Exchange Board of India ('SEBI') in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments and
3. the terms of reference received from the Company requesting us to carry out work, proposed to be included in the DRHP/RHP to be issued by the Suryachakra Power Corporation Limited in accordance with the proposed Initial Public Offer ('IPO') of that Company.

Financial Information as per the audited financial Statements

1. We have examined the attached restated Summary statement of assets and liabilities of the Company as at 31st March, 2003, 2004, 2005, 2006 and 2007 which are set out in Annexure - I to this report after making such adjustments and regrouping as in our opinion are appropriate and more fully described in the significant accounting policies and notes appearing in Annexure - III to this report.
2. No Profit and Loss Account has been prepared for the above years/period as the company is still in the construction stage and has not commenced commercial operations. The Expenditure incurred from the date of incorporation has been grouped under the head 'Pre-operative expenditure' and carried forward pending capitalisation/allocation.
3. We have examined the attached restated summary statement of cash flows for the years ended 31st March 2003, 2004, 2005, 2006 and 2007 which are set out in Annexure - II to this report after making such adjustments and regroupings as in our opinion are appropriate.

These summary statements for the years ended 31st March, 2003, 2004 are based on the

financial statements of those years, which have been audited by M/s. K S S Gangadhar & Co., Chartered Accountants.

Based on our examination of these summary statements, we confirm that:

- The accounting policies have been consistently applied by the company and are consistent with those used in the previous years.
 - there are no extraordinary items, which need to be disclosed separately in the summary statements; and
 - there are no qualifications in the auditors reports, which require any adjustments to the summary statements.
4. We have also examined the following financial information of the Company proposed to be included in the RHP to be issued by the Suryachakra Power Corporation Limited as approved by you and annexed to this report:
- Details of Rates of dividend, as appearing in annexure - IV to this report;
 - Details of Secured loans, as appearing in annexure - V to this report;
 - Details of Unsecured loans, as appearing in annexure - VI to this report
 - Details of Loans and Advances, as appearing in annexure - VII to this report;
 - Details of Contingent liabilities, as appearing in annexure - VIII to this report;
5. This report is intended solely for your information and for inclusion in the RHP/ Prospectus in connection with the proposed IPO of the Suryachakra Power Corporation Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for VISWESWARA RAO & ASSOCIATES
Chartered Accountants

(B.V. Krishna Rao)
Partner
Membership No. 207106
Place: Hyderabad
Date : 01-05-2007

ANNEXURE - I

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED-LAHARI

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
1. FIXED ASSETS :					
a) Gross Block	0.23	31.86	39.19	64.56	100.97
b) Less : Depreciation	0.09	0.18	0.47	1.26	2.76
c) Net Block	0.14	31.68	38.72	63.30	98.21
d) Capital WIP including advances paid on capital works	8.61	316.95	954.78	1759.38	2593.52
e) Pre-operative expenditure pending allocation	11.50	37.16	91.80	221.31	418.36
Total	20.25	385.79	1085.30	2043.99	3110.09
2. INVESTMENTS	-	-	-	-	-
3. CURRENT ASSETS, LOANS AND ADVANCES :					
a) Inventories	-	-	-	-	-
b) Sundry Debtors	-	-	-	-	-
c) Cash and Bank Balances	0.50	0.95	6.76	1.42	10.04
d) Loans , Advances and other current assets	2.34	3.30	59.69	2.20	9.29
Total	2.84	4.25	66.45	3.62	19.33
4. LIABILITIES & PROVISIONS :					
a) Secured Loans	-	-	-	-	1029.16
b) Unsecured Loans	-	-	600.00	600.00	614.11
c) Current Liabilities and Provisions	0.20	2.85	4.78	16.17	54.71
	0.20	2.85	604.78	616.17	1697.98
5. NET WORTH (1 + 2 + 3 - 4)	22.89	387.19	546.97	1431.44	1431.44
NET WORTH REPRESENTED BY					
6. Equity Share Capital	13.07	199.97	386.87	1433.40	1433.40
7. Share application money	10.28	189.18	162.06	-	-
8. Reserves and Surplus	-	-	-	-	-
9. Miscellaneous Expenditure to the extent not written off or adjusted	0.46	1.96	1.96	1.96	1.96
10. NET WORTH (6 + 7 + 8 - 9)	22.89	387.19	546.97	1431.44	1431.44

ANNEXURE - II
STATEMENT OF CASH FLOWS, AS RESTATED-LAHARI

(Rs. Lakhs)

PARTICULARS	FOR THE YEAR ENDED 31st MARCH / PERIOD ENDED				
	2003	2004	2005	2006	2007
A) Cash Flow from Operating Activities					
Net Profit before tax and after extraordinary items & prior period adjustments	-	-	-	-	-
Adjustments for:					
1) Depreciation	-	-	-	-	-
2) Interest Income	-	-	-	-	-
3) Interest Expense	-	-	-	-	-
4) Miscellaneous Expenses Written off	-	-	-	-	-
5)4) Increase in Miscellaneous Expenses	-	-1.50	-	-	-
Cash Flow from Operations before Working Capital changes	-	-1.50	-	-	-
1) (Increase)/ Decrease in Inventories	-	-	-	-	-
2)_ (Increase)/ Decrease in trade receivables	-	-	-	-	-
3) (Increase)/ Decrease in loans & advances	-0.74	-0.96	-56.39	57.49	-7.08
4) Increase / (Decrease) in current liabilities	-1.37	2.65	1.93	11.38	38.54
5) Profit on sale of Fixed Assets	-	-	-	-	-
5)					
Net cash flow from operating activities [A]	-2.11	0.19	-54.46	68.87	31.46
B) Cash flow from Investing Activities:					
1) Purchase of Fixed Assets & Advances on Capital Account	-7.55	-365.54	-699.51	-958.69	-1066.10
2) Increase in Investments	-	-	-	-	-
3) Proceeds on sale of Fixed Assets	-	-	-	-	-
4) Interest Received	-	-	-	-	-
Net cash used for Investing activities [B]	-7.55	-365.54	-699.51	-958.69	-1066.10
C) Cash flow from Financing Activities:					

1) Increase / (Decrease) in Capital	9.95	365.80	159.78	884.47	-
2) Increase / (Decrease) in Borrowings	-	-	600.00	-	1043.26
3) Interest Paid	-	-	-	-	-
Net cash flow from Financing Activities [C]	9.95	365.80	759.78	884.47	1043.26
Net Increase/ (Decrease) in cash & cash equivalents [A+B+C]	0.29	0.45	5.81	-5.35	8.62
Cash & Cash equivalents at the beginning of the year	0.21	0.50	0.95	6.76	1.42
Cash & Cash equivalents at the end of the year	0.50	0.95	6.76	1.42	10.04
	0.29	0.45	5.81	-5.35	8.62

ANNEXURE - III

SIGNIFICANT ACCOUNTING POLICIES AND NOTES

a) Basis of preparation of financial statements:

- i) The financial statements have been prepared under the historical cost convention and in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant presentational requirements of the Companies Act, 1956
- ii) All the expenses, assets and liabilities items having material bearing on the financial statements are recognized on accrual basis.

b) Fixed Assets

Fixed assets are stated at cost including related incidental expenses less depreciation.

c) Depreciation

Depreciation has been provided on Straight Line Method as per the rates and manner specified in schedule XIV to the Companies Act, 1956.

d) Miscellaneous Expenditure:

The preliminary expenses will be amortised over a period of five years from the year in which commercial activities begin.

e) Expenditure during construction period:

Expenditure incurred on the project during implementation will be capitalized in proportion to the prime assets as on the date of commencement of commercial operations.

f) Other notes:

- i) No Profit & Loss account has been prepared as no commercial activities were started as on the Balance Sheet date
- ii) The company has given an amount of Rs.7,55,000 as advance for acquiring land at Kaparathi village, Chityal Mandal, Nalgonda District in the previous years and also it has spent an amount of Rs.1,06,375 towards development of the land. The land lord refused to register the land in the name of the company. Hence the company has filed a suit in the court of Second Additional District Judge at Nalgonda, Andhra Pradesh for specific performance as per the agreement. The Hon'ble Court has given the judgment for return of the advance paid within 2 years in four half yearly payments. On failure to pay any instalment amount, the company is at liberty to recover the due amount with interest @12% per annum from the date of default. However, the land lord obtained stay from the hon,ble High Court of Andhra Pradesh and the company has filed a petition for vacation of the stay order, which is pending.

- g) Expenditure on employees in respect of remuneration of not less than Rs.24,00,000/-per annum if employed throughout the year or Rs.2,00,000/- per month if employed for part of the year is Nil

h) Deferred Tax :

The company is setting up power project, which is under implementation, and as there are no commercial operations during the period, no profit and loss account has been prepared and provision for deferred tax is not applicable.

i) Earnings Per share

The Accounting Standard 20 "Earnings Per Share" issued by The Institute of Chartered Accountants of India is not applicable, as the commercial operation of the Company's power generation projects have not commenced.

j) Related Party Transactions:

Details of the list of related parties and nature of relationships

(Rs.lakhs)

Particulars	Financial Year ended March 31, 2006	Period ended March 31, 2007
Board of Directors	a) T.Sri Ramakrishnayya (Managing Director) b) M. Seshavataram c) C) K.B. Trehan d) K. Vijaya Kumar e) M.V.S Nageshwar Rao	a) T.Sri Ramakrishnayya (Managing Director) b) M. Seshavataram c) C) K.B. Trehan d) K. Vijaya Kumar e) M.V.S Nageshwar Rao f) Dr. S.M Manepalli
Holding / Group Companies	a) Suryachakra Power Corporation Limited b) South Asian Agro Industries Ltd c) MSM Energy Limited	Suryachakra Power Corporation Limited b) South Asian Agro Industries Ltd c) MSM Energy Limited d) Asrit Agro Products Pvt Ltd

Transactions with related parties

(Rs.lakhs)

Particulars	Nature of Relationship	March 31, 2006	March 31, 2007
Remuneration	Managing Director and Director	3.08	7.80
Sitting fees	Directors	-	0.08
Unsecured Loan taken		---	140.17
Repayment of Unsecured loan		-----	130.00
Interest on unsecured loan		----	5.08

Reimbursement of expenses	Holding Company	1.24	1.24
Share Application Money / Equity Share Capital		1063.76	-----
Reimbursement of expenses	Group companies	-----	0.72

Details of Related Parties outstandings
(Rs.lakhs)

Particulars	Nature of Relationship	March 31, 2006	march 31, 2007
Directors remuneration	Directors	1.51	2.99
Loan	Holding Company	-	14.11
Equity share capital	Holding Company	1433.40	1433.40

k) Segment Reporting:

The company is in the processes of setting up of bio-mass power project. As the said project is in implementation stage the Accounting Standard – 17 “Segment Reporting” issued by the Institute of Chartered Accountants of India is not applicable.

ANNEXURE IV

DETAILS OF RATES OF DIVIDENDS-LAHARI

The Company is still in construction stage and has not commenced commercial operations.

ANNEXURE V

DETAILS OF SECURED LOANS, AS RESTATED-LAHARI

(Rs. Lakhs)

	As at 31 st March				
Particulars	2003	2004	2005	2006	2007
Term Loans					
Rupee Loans					
- State Bank of India	-	-	-	-	412.09
- State Bank of Hyderabad	-	-	-	-	278.13
- Andhra Bank	-	-	-	-	338.94
Total	-	-	-	-	1029.16

Details of Secured Loans outstanding on 31.03.2007

(Rs. In lakhs)

Particulars	Amount Loan taken	Amount outstanding	Rate of interest	Repayment terms	Securities offered
Term Loan - Rupee Loans					
State Bank of India	412.09	412.09	13.25% (at BPLR +1.00%)	Repayment in 93 monthly instalments commencing from November 2007	Pledge of Plant and Machinery of the proposed project and EM of 27.22 acres freehold factory land and building bearing Kh. Nos. 458/1, 408, 459/2, 391 and 417/1, at village Madwa Distt. Jangir – Champa in the name of the Company. The securities are on paripassu basis to all consortium member banks. The loan is personally guaranteed by two directors and corporate guarantee of two companies.
State Bank of Hyderabad	278.13	278.13	12.5% (at BPLR+0.50%)	Repayment in 93 monthly installments commencing from November 2007	Pledge of plant and machinery of the proposed project and EM of 27.22 acres freehold factory land and building bearing Kh. Nos.478/1, 408, 459/2, 391 and 417/1 at village Madwa District, Janjgir – champa in the name of the Company. The loan is personally guaranteed by two directors and corporate guarantee of two companies.
Andhra Bank	338.94	338.94	12.75% (At BPLR +0.50%)	Repayment in 93 monthly installments commencing from November 2007	Pari passu first charge on the fixed assets of the Company's proposed power plant at Madwa village, Jangir Champa District, Chattisgarh State. The loan is personally guaranteed by two Directors and corporate guarantee of two companies.

Annexure VI

DETAILS OF UNSECURED LOANS, AS RESTATED-LAHARI

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
From Promoters, Promoter Group & Group Companies of Promoters	-	-	-	-	14.11
From Other than Promoters, Promoter Group & Group Companies of Promoters	-	-	600.00	600.00	600.00
	-	-	600.00	600.00	614.11
Rate of Interest			11.5% p.a.	12.5% p.a.	13.25% and 13.5% p.a.
Repayment			On demand	On demand	On demand

ANNEXURE VII**STATEMENT OF LOANS AND ADVANCES, AS RESTATED-LAHARI**

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
Unsecured, considred good					
Loans & Advances					
- to Group Companies	-	-	55.69	-	-
- to Others	-	-	-	-	-
Other Advances / Receivables	2.34	3.30	3.72	1.68	5.53
Deposits	-	-	0.28	0.52	3.76
	2.34	3.30	59.69	2.20	9.29

Top Ten Beneficiaries of Loans and Advances as on 31.03.2007

Beneficiary	Amount (Rs. Lakhs)
Deposits	3.76
Travel & Other Advances	3.40
Prepaid expenses	2.13
Total	9.29

ANNEXURE VIII**STATEMENT OF CONTINGENT LIABILITIES, AS RESTATED-LAHARI**

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
Commitment for capital works (net of advances)	-	-	-	1438.00	631.48
LC opened for Capital works					US \$7.56
	-	-	-		

To
The Board of Directors
South Asian Agro Industries Limited
Hyderabad

Dear Sirs,

We have examined the annexed financial information of South Asian Agro Industries Limited ("the Company") for the five financial years ended 31st March, , 2003, 2004, 2005, 2006 and 2007. The financial information has been approved by the Board of directors of the Company for the purpose of disclosure in the Red Herring Prospectus ('the /RHP')/ Prospectus to be issued by the Suryachakra Power Corporation Limited which has been prepared in accordance with the requirements of:

- 1 part II of Schedule II of the Companies Act, 1956 ("The Act")
- 2 the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ("the SEBI guidelines") issued by the Securities and Exchange Board of India ('SEBI) in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments and
- 3 the terms of reference received from the Company requesting us to carry out work, proposed to be included in the RHP/ Prospectus to be issued by the Suryachakra Power Corporation Limited in accordance with the proposed Initial Public Offer ('IPO') of that Company.

Financial Information as per the audited financial Statements

1. We have examined the attached restated Summary statement of assets and liabilities of the Company as at 31st March, 2003, 2004, 2005, 2006 and 2007 which are set out in Annexure - I to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure - III to this report.
2. No Profit and Loss Account has been prepared for the above years/period as the company is still in the construction stage and has not commenced commercial operations. The Expenditure incurred from the date of incorporation has been grouped under the head 'Pre-operative expenditure' and carried forward pending capitalisation /allocation.
3. We have examined the attached restated summary statement of cash flows for the period / years ended 31st March, 2003, 2004, 2005, 2006 and 2007 which are set out in Annexure - II to this report after making such adjustments and regroupings as in our opinion are appropriate.

Based on our examination of these summary statements, we confirm that:

- The accounting policies have been consistently applied by the company and are consistent with those used in the previous years.
- there are no extraordinary items, which need to be disclosed separately in the summary statements; and
- there are no qualifications in the auditors' reports, which require any adjustments to the summary statements.

4. We have also examined the following financial information of the Company proposed to be included in the /RHP/Prospectus to be issued by the Suryachakra Power Corporation Limited as approved by you and annexed to this report:

- Details of Rates of dividend, as appearing in annexure - IV to this report;
- Details of secured loans, as appearing in annexure - V to this report;
- Details of unsecured loans, as appearing in annexure - VI to this report;
- Details of loans and advances, as appearing in annexure - VII to this report;
- Details of contingent liabilities, as appearing in annexure - VIII to this report;

5. This report is intended solely for your information and for inclusion in the RHP/Prospectus in connection with the proposed IPO of the Suryachakra Power Corporation Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for VISWESWARA RAO & ASSOCIATES
Chartered Accountants

(B.V. Krishna Rao)
Partner
Membership No. 207106
Place: Hyderabad
Date : 07-05-2007

ANNEXURE - I
STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED-SAIL

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
1. FIXED ASSETS :					
a) Gross Block	-	0.80	11.02	28.66	38.19
b) Less : Depreciation	-	0.03	0.18	0.70	2.22
c) Net Block	-	0.77	10.84	27.96	35.97
d) Capital WIP Including Advances paid on capital works	-	252.92	152.30	1883.09	3387.47
e) Pre-operative Expenditure pending allocation	7.94	28.27	51.00	153.94	492.36
Total	7.94	281.96	214.14	2064.99	3915.80
2. INVESTMENTS	-	-	-	-	-
3. CURRENT ASSETS, LOANS AND ADVANCES :					
a) Inventories	-	-	-	-	-
b) Sundry Debtors	-	-	-	-	-
c) Cash and Bank Balances	0.82	2.80	48.41	6.32	20.86
d) Loans , Advances and other current assets	5.57	0.89	365.22	2.32	7.00
Total	6.39	3.69	413.63	8.64	27.86
4. LIABILITIES & PROVISIONS :					
a) Secured Loans	-	-	-	867.99	2664.49
b) Unsecured Loans	-	-	40.47	-	-
c) Current Liabilities and Provisions	0.32	2.42	3.20	5.57	79.10
	0.32	2.42	43.67	873.56	2743.59
5. NET WORTH (1 + 2 + 3 - 4)	14.01	283.23	584.10	1200.07	1200.07
NET WORTH REPRESENTED BY					
6. Equity Share Capital	5.98	199.98	393.98	1202.05	1202.05
7. Share Application Money	8.51	85.23	192.10	-	-
8. Reserves and Surplus	-	-	-	-	-
9. Miscellaneous Expenditure to the extent not written off or adjusted	0.48	1.98	1.98	1.98	1.98
10. NET WORTH (6 + 7 + 8 - 9)	14.01	283.23	584.10	1200.07	1200.07

ANNEXURE - II
STATEMENT OF CASH FLOWS, AS RESTATED-SAIL

(Rs. Lakhs)

PARTICULARS	FOR THE YEAR ENDED 31st MARCH				
	2003	2004	2005	2006	2007
A) Cash Flow from Operating Activities					
Net Profit before tax and after extraordinary items & prior period adjustments		-	-	-	
Adjustments for:					
1) Depreciation	-	-	-	-	-
2) Interest Income	-	-	-	-	-
3) Interest Expense	-	-	-	-	-
4) Miscellaneous Expenses Written off	-	-	-	-	-
5) Increase in Miscellaneous Expenses	-	-1.50	-	-	-
Cash Flow from Operations before working capital changes	-	-1.50	-	-	-
1) (Increase)/ Decrease in Inventories	-	-	-	-	-
2) (Increase)/ Decrease in Trade Receivables	-	-	-	-	-
3) (Increase)/ Decrease in loans & advances	-0.72	4.68	-364.33	362.90	-4.68
4) Increase / (Decrease) in current liabilities	0.02	2.10	0.78	2.36	73.54
5) Profit on sale of Fixed Assets	-	-	--	-	-
6) Income Tax and Fringe Benefit Tax Paid	-	-	-	-	-
Net cash flow from operating activities [A]	-0.70	5.28	363.55	365.26	68.86
B) Cash flow from Investing Activities:					
1) Purchase of Fixed Assets & Advances on Capital account	-4.68	-274.02	67.82	1850.84	1850.81
2) Increase in Investments	-	-	-	-	-
3) Proceeds on sale of Fixed Assets	-	-	-	-	-
4) Interest Received	-	-	-	-	-
Net cash used for Investing activities [B]	-4.68	-274.02	67.82	1850.84	1850.81
C) Cash flow from Financing Activities:					
1) Increase / (Decrease) in Capital	6.15	270.72	300.87	615.96	-
2) Increase / (Decrease) in Borrowings	0.00	0.00	40.47	827.52	1796.50
3) Interest Paid	-	-	-	-	-
Net cash flow from Financing Activities [C]	6.15	270.72	341.34	1443.48	1796.50
Net Increase/(Decrease) in cash & cash equivalents [A+B+C]	0.77	1.98	45.61	-42.09	14.55
Cash & Cash equivalents at the beginning of the year	0.05	0.82	2.80	48.41	6.31
Cash & Cash equivalents at the end of the year	0.82	2.80	48.41	6.32	20.86
	0.77	1.98	45.61	-42.09	14.55

ANNEXURE - III

SIGNIFICANT ACCOUNTING POLICIES AND NOTES -SAAIL

a) Basis of preparation of financial statements:

- i) The financial statements have been prepared under the historical cost convention and in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant presentational requirements of the Companies Act, 1956
- ii) All the expenses, assets and liabilities items having material bearing on the financial statements are recognized on accrual basis.

b) Fixed Assets

Fixed assets are stated at cost including related incidental expenses less depreciation.

c) Depreciation

Depreciation has been provided on Straight Line Method as per the rates and manner specified in schedule XIV to the Companies Act, 1956.

d) Miscellaneous Expenditure:

The preliminary expenses will be amortised over a period of five years from the year in which commercial activities begin.

e) Expenditure during construction period:

Expenditure incurred on the project during implementation will be capitalized in proportion to the prime assets as on the date of commencement of commercial operations.

f) Other Notes:

- i) No Profit & Loss account has been prepared as no commercial activities were started as on the Balance Sheet date
 - ii) The company has given an amount of Rs.3,11,000 as advance for acquiring land at Kaparathi village, Chityal Mandal, Nalgonda District in the previous years and also it has spent an amount of Rs.37,400 towards development of the land. The land lord refused to register the land on the name of the company. Hence the company has filed a suit in the court of Second Additional District Judge at Nalgonda for specific performance as per the agreement and deposited the balance consideration amount of Rs. 1,08,150/- in the Court. The Hon'ble Court has given the judgment directing the vendor to register the land in favour of the company within six months and draw the balance consideration amount deposited by the company in the Court. However, the land lord went on appeal in the High Court of Andhra Pradesh and obtained stay. The company has filed a petition for vacation of the stay which is still pending.
- g) Expenditure on employees in respect of remuneration of not less than Rs.24,00,000/-per annum if employed throughout the year or Rs.2,00,000/- per month if employed for part of the year is Nil

h) Deferred Tax:

The company is setting up power project, which is under implementation, and as there are no commercial operations during the period, no profit and loss account has been prepared and provision for deferred tax is not applicable.

j) Earnings per Share

The Accounting Standard 20 "Earnings Per Share" issued by The Institute of Chartered Accountants of India is not applicable, as the commercial operation of the Company's power generation projects have not commenced.

i. Related Party Transactions:

Details of the list of related parties and nature of relationships

(Rs.lakhs)

Particulars	Financial Year ended March 31, 2006	Period ended March 31, 2007
Board of Directors	a) M. Seshavataram (Managing Director) b) K. Vijaya Kumar c) K.V.S.S.R. Subramaniam d) V.Madhava Naidu e) K.B. Trehan	a) M. Seshavataram (Managing Director) b) K. Vijaya Kumar c) K.V.S.S.R. Subramaniam d) V.Madhava Naidu e) K.B. Trehan
Holding / Group Companies	a) Suryachakra Power Corporation Limited b) Lahari Power and Steels Ltd c) MSM Energy Limited d) Ushodaya Marine Products Private Ltd.	a) Suryachakra Power Corporation Limited b) Lahari Power and Steels Ltd c) MSM Energy Limited

Details of transactions with related parties

(Rs.lakhs)

Particulars	Nature of Relationship	March 31, 2006	March 31, 2007
Remuneration	Managing Director and Director	7.20	12.00
Equity Share Capital	Holding Company	1076.77	-
Reimburement of expenses	Holding Company	2.46	1.24
Interest paid	Group Company	2.94	-
Interest Received	Group Company	1.00	-
Sitting fees	Directors	-	0.04

Details of Related Parties outstandings
(Rs.lakhs)

Particulars	Nature of Relationship	March 31, 2006	march 31, 2007
Remuneration	Managing Director	0.73	0.92
Equity share capital	Holding Company	1202.05	1202.05

I) Segment Reporting:

The company is in the processes of setting up of bio-mass power project. As the said project is in implementation stage the Accounting Standard – 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India is not applicable.

ANNEXURE - IV
DETAILS OF RATES OF DIVIDENDS-SAIL

The Company is still in construction stage and has not commenced commercial operations.

ANNEXURE - V
DETAILS OF SECURED LOANS, AS RESTATED-SAIL

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
Term Loans					
- Rupee Loans					
UCO Bank	-	-	-	434.01	1330.92
United Bank of India	-	-	-	433.98	1333.57
	-	-	-	867.99	2664.49

Details of Secured Loans outstanding on 31-03-2007 -SAIL

(Rs. lakhs)

Particulars	Amount Loan taken	Amount Outstanding	Rate of Interest	Repayment Terms	Securities offered
Term Loans					
- Rupee Loans					

UCO BANK	1330.92	1330.92	13.25% (At BPLR +0.5%)	Repayment in 24 equal quarterly installments, from Jan 2008 after the moratorium period of 2 years.	paripassu 1st charge /EMTD over factory land & buildings, plant & machinery and other fixed assets of the company both present and future.
UNITED BANK OF INDIA	1333.57	1333.57	13.25% (At BPLR +0.75%)	Repayment in 24 equal quarterly installments, from Dec 2008 after the moratorium period of 3 years.	First charge /equitable mortgage of factory land and buildings, plant & machineries and other fixed assets of the company both present and future, on paripassu basis with other term lender.

ANNEXURE - VI

DETAILS OF UNSECURED LOANS, AS RESTATED-SAIL

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
From Promoters, Promoter Group & Group Companies of Promoters	-	-	40.47	-	-
From Other than Promoters, Promoter Group & Group Companies of Promoters	-	-	-	--	-
	-	-	40.47	-	-
Rate of Interest	-	-	12.00%	-	-
Repayment			On demand	-	-
Risk Factors					

ANNEXURE - VII

STATEMENT OF LOANS AND ADVANCES, AS RESTATED-SAIL

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
Unsecured, considered good					
Loans & Advances - to Group Companies	-	-	20.21	-	-
- to Others	4.57	-	341.65	-	-
Interest accrued but not due	-	-	0.06	-	-
Other Advances / Receivables	0.99	0.88	2.08	0.49	3.91
Share Application Money in Subsidiaries / Group Companies	-	-	-	-	-
Deposits	0.01	0.01	0.85	0.93	1.51
Advance income tax/Tax Deducted at Source	-	-	-	0.57	0.02
Pre-paid Expenses	-	-	0.37	0.03	1.56
	5.57	0.89	365.22	2.32	7.00

Beneficiaries of Loans and Advances as on 31.03.2007

Beneficiary	Amount (Rs. Lakhs)
Travel & Other Advances	3.91
Prepaid Expenses	1.56
Deposits	1.51
Tax Deducted at Source	0.02
Total	7.00

ANNEXURE - VIII**STATEMENT OF CONTINGENT LIABILITIES, AS RESTATED-SAIL**

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
Commitment for capital works (net of advances)	-	-	-	1190.00	-
	-	-	-	1190.00	-

To

The Board of Directors
M.S.M Energy Limited
Hyderabad

Dear Sirs,

We have examined the annexed financial information of M.S.M Energy Limited ("the Company") for the five financial years ended 31st March, 2003, 2004, 2005, 2006 and 2007. The financial information has been approved by the Board of directors of the Company for the purpose of disclosure in the Draft Red Herring Prospectus ("the DRHP") / Red Herring Prospectus ('the RHP') to be issued by the Suryachakra Power Corporation Limited which has been prepared in accordance with the requirements of:

1. part II of Schedule II of the Companies Act, 1956 ("The Act')
2. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ("the SEBI guidelines") issued by the Securities and Exchange Board of India ('SEBI) in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments and
3. the terms of reference received from the Company requesting us to carry out work, proposed to be included in the RHP/Prospectus to be issued by the Suryachakra Power Corporation Limited in accordance with the proposed Initial Public Offer ('IPO') of that Company.

The company is formerly known as Suma Informatics Limited and carried operations in software development. During the financial year 2004-05 the company has discontinued the software operations and moved to develop power projects, accordingly changed the name to M.S.M. Energy Limited and also changed its main objects clause in the memorandum of association on 24.09.2003

Financial Information as per the audited financial Statements

1. We have examined the attached restated Summary statement of assets and liabilities of the Company as at 31st March, 2003, 2004, 2005, 2006 and 2007 which are set out in Annexure - I to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure - IV to this report.

2. We have examined the attached restated summary statement of profits and losses (relating to the Software operations) for the years ended 31st March, 2003, 2004, 2005, 2006 and 2007 which are set out in Annexure – II to this report. These profits / losses have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure – IV to this report. No Profit and Loss Account has been prepared for the year ended 31st March 2006 and 2007 as the company is in the construction stage in respect of power generation business and has not commenced commercial operations in such business. The expenditure incurred in respect of power projects for the period

ended 31st March, 2005, 2006 and 2007 has been grouped under the head 'Pre-operative expenditure' and carried forward pending capitalization/allocation.

5. We have examined the attached restated summary statement of cash flows for the years ended 31st March, 2003, 2004, 2005, 2006 and 2007 which are set out in Annexure - III to this report after making such adjustments and regroupings as in our opinion are appropriate.

The summary statements for the years ended 31st March, 2003 and 2004 are based on the financial statements of those years, which have been audited by M/s. Mogili Sridhar & Co., Chartered Accountants.

Based on our examination of these summary statements, we confirm that:

- The accounting policies have been consistently applied by the company and are consistent with those used in the previous years.
- there are no extraordinary items, which need to be disclosed separately in the summary statements; and
- there are no qualifications in the auditors reports, which require any adjustments to the summary statements.

6. We have also examined the following financial information of the Company proposed to be included in the DRHP/RHP to be issued by the Suryachakra Power Corporation Limited as approved by you and annexed to this report:

- Details of Rates of dividend, as appearing in annexure - V to this report;
- Details of Unsecured Loans , as appearing in annexure – VI to this report;
- Details of Loans and Advances, as appearing in annexure - VII to this report;
- Details of Contingent liabilities, as appearing in annexure - VIII to this report;

7. This report is intended solely for your information and for inclusion in the RHP/Prospectus in connection with the proposed IPO of the Suryachakra Power Corporation Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

ANNEXURE - I**STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED-MSM**

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
1. FIXED ASSETS :					
a) Gross Block	32.44	32.44	32.44	54.81	84.78
b) Less : Depreciation	10.13	13.74	17.34	21.25	25.67
c) Net Block	22.31	18.70	15.10	33.56	59.11
d) Capital WIP Including Advances paid on capital works	-	-	78.00	794.31	599.30
e) Pre-operative Expenditure pending allocation	-	-	7.43	71.90	164.74
Total	22.31	18.70	100.53	899.77	823.15
2. INVESTMENTS	-	-	-	-	-
3. CURRENT ASSETS, LOANS AND ADVANCES :					
a) Inventories	-	-	-	-	-
b) Sundry Debtors	-	-	-	-	-
c) Cash and Bank Balances	0.61	1.13	0.20	0.33	2.21
d) Loans , Advances and other current assets	21.03	20.72	3.23	4.04	11.81
Total	21.64	21.85	3.43	4.37	14.02
4. LIABILITIES & PROVISIONS :					
a) Secured Loans	-	-	-	-	-
b) Unsecured Loans	-	-	-	296.13	222.14
C) Current Liabilities and Provisions	4.20	3.69	2.65	8.14	15.08
	4.20	3.69	2.65	304.27	237.22
5. NET WORTH (1 + 2 + 3 - 4)	39.75	36.86	101.31	599.87	599.95
NET WORTH REPRESENTED BY					
6. Equity Share Capital	11.30	11.30	101.52	600.00	600.00
7. Share application money	41.62	41.62	-	--	-
8. Reserves & Surplus	-2.84	-9.07	0.18	0.18	0.18
9. Miscellaneous Expenditure to the extent not written off or adjusted	10.33	6.99	0.39	0.31	0.23
10. NET WORTH (6 + 7 + 8 - 9)	39.75	36.86	101.31	599.87	599.95

ANNEXURE - II
STATEMENT OF PROFITS AND LOSSES AS RESTATED-MSM

(Rs. Lakhs)

PARTICULARS	FOR THE YEAR ENDED 31st MARCH		
	2003	2004	2005
INCOME :			
Income from operations	12.77	2.51	8.65
Other Income	0.01	-	0.12
TOTAL	12.78	2.51	8.77
EXPENDITURE :			
Operating & administrative expenses	5.57	2.29	0.35
Financial charges	0.02	0.01	-
Depreciation	3.60	3.60	0.30
Miscellaneous Expenditure			
Written off	3.34	3.34	0.08
Loss on sale of car	-	-	-
TOTAL	12.53	9.24	0.73
Net Profit before tax and Extra-ordinary Items	0.25	(6.73)	8.04
Provision for Taxation			
- For Current Year (MAT)	0.02	-	2.33
- For deferred tax liability	4.03	(0.50)	(3.53)
Net Profit before extraordinary items	(3.80)	(6.23)	9.24
Extra-ordinary Items (net of tax)	-	-	-
Net Profit after Extra-ordinary Items	(3.80)	(6.23)	9.24
Balance carried forward, as restated	(3.80)	(6.23)	9.24

ANNEXURE - III
STATEMENT OF CASH FLOWS, AS RESTATED-MSM

(Rs. Lakhs)

PARTICULARS	FOR THE YEAR ENDED 31st MARCH / PERIOD ENDED				
	2003	2004	2005	2006	2007
A) Cash Flow from Operating Activities					
Net Profit before tax and after extraordinary items & prior period adjustments	-3.80	-6.23	9.24	-	-
Adjustments for:					
1) Depreciation	3.60	3.61	3.60	-	-
2) Interest Income	-	-	-	-	-
3) Interest Expenses	-	-	-	-	-
4) Miscellaneous Expenses					
Written off	3.34	3.34	0.08	0.08	0.08
5) Increase in Miscellaneous Expenses	-	-	6.53	-	-
Cash flows from operations before working capital changes	3.14	0.72	19.45	0.08	0.08
1) (Increase) / Decrease in Inventories	-	-	-	-	-
2) (Increase)/ Decrease in trade receivables	-	-	-	-	-
3) (Increase)/ Decrease in loans & advances	0.00	0.31	17.49	-0.81	-7.77
4) Increase / (Decrease) in current liabilities	3.40	-0.51	-1.04	5.49	6.94
5) Profit on sale of Fixed Assets	-	-	-	-	-
6) Income-tax & Fringe Benefit tax paid	-	-	-	-	-
Net cash flow from operating activities [A]	6.54	0.52	35.90	4.76	-0.75
B) Cash flow from Investing Activities:					
1) Purchase of Fixed Assets & Advances on Capital account	-	-	-85.43	-799.24	76.62
2) Increase in Investments	-	-	-	-	-
3) Proceeds on Sale of Fixed Assets	-	-	-	-	-
4) Interest received	-	-	-	-	-
Net cash used for Investing activities [B]	0.00	0.00	-85.43	-799.24	76.62
C) Cash flow from Financing Activities:					
1) Increase / (Decrease) in Capital	-6.70	0.00	48.60	498.48	-
2) Increase / (Decrease) in Borrowings	0.00	0.00	0.00	296.13	-73.99

3) Interest Paid	-	-	-	-	-
Net cash flow from Financing Activities [C]	-6.70	0.00	48.60	794.61	-73.99
Net Increase/ (Decrease) in cash & cash Equivalents [A+B+C]	-0.16	0.52	-0.93	0.13	1.88
Cash & Cash equivalents at the beginning of the year	0.77	0.61	1.13	0.20	0.33
Cash & Cash equivalents at the end of the year	0.61	1.13	0.20	0.33	2.21
	-0.16	0.52	-0.93	0.13	1.88

ANNEXURE - IV
SIGNIFICANT ACCOUNTING POLICIES AND NOTES -MSM

- a) Basis of preparation of financial statements:
- i) The financial statements have been prepared under the historical cost convention and in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant presentational requirements of the Companies Act, 1956
 - ii) All the expenses, assets and liabilities items having material bearing on the financial statements are recognized on accrual basis.
- b) Fixed Assets
Fixed assets are stated at cost including related incidental expenses less depreciation.
- c) Depreciation
Depreciation has been provided on Straight Line Method as per the rates and manner specified in schedule XIV to the Companies Act, 1956.
- d) Retirement benefits
Provision for gratuity, leave encashment and superannuation liability will be accounted on payment basis.
- e) Miscellaneous Expenditure:
The preliminary expenses will be amortised over a period of five years from the year in which commercial activities begin.
- f) Expenditure during construction period:
Expenditure incurred on the project during implementation will be capitalized in proportion to the prime assets as on the date of commencement of commercial operations.
- g) Other notes:
- i) Taxation
Provision for current income tax is made on the basis of the taxable income under the Income Tax Act, 1961.
As the company has diversified into power projects and considering the circumstances there will not be any timing differences between taxable income and accounting income. Hence no provision for deferred tax has been made and the opening deferred tax liability was adjusted in the reserves and surplus.
 - ii) No profit and loss account has been prepared for the years 2005-06 and 2006-07 as the company is in the construction stage in respect of power projects business and has not commenced commercial operations in such business.
- h) Expenditure on employees in respect of remuneration of not less than Rs.24,00,000/-per annum if employed throughout the year or Rs.2,00,000/- per month if employed for part of the year is Nil
- .
- i) Earnings Per Share:
- The Accounting Standard 20 "Earnings Per Share" issued by The Institute of Chartered Accountants of India is not applicable, as the commercial operation of the Company's

power generation projects have not commenced.

j) Related Party Transactions:

Details of the list of related parties and nature of relationships

(Rs.lakhs)

Particulars	Financial Year ended March 31, 2006	Period ended March 31, 2007
Board of Directors	a) M. Seshavataram b). Dr. S.M. Manepalli f) G.G. Dalal g) P.K. Bhattacharjee h) K.B. Trehan	a) M. Seshavataram (Managing Director) b). Dr. S.M. Manepalli i) G.G. Dalal j) P.K. Bhattacharjee K.B. Trehan
Holding / Group Companies	a) Suryachakra Power Corporation Limited b) Lahari Power and Steels Ltd c) South Asian Agro Industries Limited	a) Suryachakra Power Corporation Limited b) Lahari Power and Steels Ltd c) South Asian Agro Industries Limited

Details of transactions with related parties

(Rs.lakhs)

Particulars	Nature of Relationship	March 31, 2006	March 31, 2007
Sitting fees	Directors	0.08	0.20
Repayment of loan	Holding Company	-	98.00
Loan taken	Holding Company	312.00	-
Interest on Unsecured loans	Holding Company	4.04	30.96
Reimburement of expenses	Holding Company	4.17	1.50
Share Application Money/Equity Share Capital	Holding Company	502.50	-

Details of Related Parties outstandings

(Rs.lakhs)

Particulars	Nature of Relationship	March 31, 2006	March 31, 2007
Loan	Holding Company	296.13	222.14
Reimbursement of expenses	Holding Company	3.58	4.52
Equity share capital	Holding Company	600.00	600.00

l) Segment Reporting:

The company is in the processes of setting up of bio-mass power projects. As the said projects are in implementation stage the Accounting Standard – 17 “Segment Reporting” issued by the Institute of Chartered Accountants of India is not applicable.

ANNEXURE - V**DETAILS OF RATES OF DIVIDENDS-MSM**

The Company has not declared any dividends since its inception.

Annexure – VI**DETAILS OF UNSECURED LOANS AS RESTATED**

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
From Promoters, Promoter Group & Group Companies of Promoters	-	-	-	296.13	222.14
From Other than Promoters, Promoter Group & Group Companies of Promoters	-	-	-	-	-
	-	-	-	296.13	222.14
Rate of Interest	-	-	-	13.25% p.a.	13.25% p.a.
Repayment			-	On demand	On demand

ANNEXURE - VII

STATEMENT OF LOANS AND ADVANCES, AS RESTATED-MSM

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
Unsecured, considered good					
Loans & Advances					
- to Group Companies	-	-	-	-	-
- to Others	20.21	19.90	2.41	3.19	10.96
Interest accrued but not due	-	-	-	-	-
Other Advances / Receivables	-	-	-	-	-
Share Application Money in Subsidiaries / Group Companies	-	-	-	-	-
Deposits	0.82	0.82	0.82	0.85	0.85
Advance income tax/Tax Deducted at Source	-	-	-	-	-
Pre-paid Expenses	-	-	-	-	-
	21.03	20.72	3.23	4.04	11.81

Top ten beneficiaries of Loans and Advances as on 31.03.2007

Beneficiary	Amount (Rs. Lakhs)
Zenith Energy Consultancy	5.01
Cethar Consultancy Engineers pvt. Ltd	3.70
Det Norskee Veritas AS	1.35
Travel and other advances	0.90
Deposits	0.85
	11.81

ANNEXURE - VIII**STATEMENT OF CONTINGENT LIABILITIES, AS RESTATED-MSM**

(Rs. Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
Commitment for capital works (net of advances)	-	-	-	6306.00	6500.00
TOTAL	-	-	-	6306.00	6500.00

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES, AS RESTATED (INCLUDING SUBSIDIARIES) FOR THE PERIOD ENDED 31st March, 2006 and 31st March, 2007.

To
The Board of Directors
Suryachakra Power Corporation Limited
Hyderabad

Dear Sirs,

We have examined the consolidated financial information of Suryachakra Power Corporation Limited and its subsidiaries, Lahari Power & Steels Limited, South Asian Agro Industries Limited and MSM Energy Limited (here in after referred to as "The Group") as at 31st March, 2006 and 2007 annexed to this report which have been prepared in accordance with the requirements of:

- a. Part II of Schedule II to the Companies Act, 1956 ('the Act');
- b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the SEBI Guidelines') issued by the Securities and Exchange Board of India ('SEBI') in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments; and
- c. the terms of reference received from the Company requesting us to carry out work, proposed to be included in the Red Herring Prospectus (RHP)/ Prospectus of the Company in accordance with its proposed Initial Public Offer ('IPO').

Consolidated Financial Information as per audited consolidated financial statements

1. We have examined the attached restated summary statement of consolidated assets and liabilities of the Group as at 31st March, 2006 and 2007 and the attached restated summary statement of consolidated profits and losses and the attached restated summary statement of consolidated cash flows for the period ended on that date ('Summary Statements') [Annexure I, II and III to this report] as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes on adjustments appearing in Annexure IV to this report. The Summary Statements for the period ended 31st March, 2006 and 2007 are based on the consolidated financial statements of the period, which have been audited by us.
2. We report that the consolidated financial statements have been prepared by Suryachakra Power Corporation Limited's Management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements issued by The Institute of Chartered Accountants of India and on the basis of separate audited financial statements of Suryachakra Power Corporation Limited and its subsidiaries included in the consolidated financial statements.

Based on our examination of these summary statements, we confirm that:

- There are no changes in Accounting policies;
- The prior period items have been adjusted in the summary statements in the years which they relate;
- Extraordinary items has been separately disclosed in the summary statements; and
- The summary statements have not been adjusted in respect of the matters of emphasis in the auditors' report on the financial statements as referred above, as

the impact of such matters of emphasis is not presently ascertainable (see note 3 (a) of Annexure – IV).

3. The summary of significant accounting policies adopted by the Group pertaining to the audited financial statements for the period ended 31st March, 2007 are enclosed as part of Annexure IV to this report.
4. We have examined the statement of accounting ratios and annexed to this report as appearing in Annexure – V.
5. This report is intended solely for your information and for inclusion in the offering memorandum in connection with specific Public Offer of equity shares of the Company and is not be used, referred to or distributed for any other purpose without our prior written consent.

for VISWESWARA RAO & ASSOCIATES

Chartered Accountants

(B.V. Krishna Rao)

Partner

Membership No. 207106

Place: Hyderabad

Date : 07-05-2007

ANNEXURE – I

STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES, AS RESTATED

(Rs. Lakhs)		
PARTICULARS	As at 31.03.2006	As at 31.03.2007
1. FIXED ASSETS :		
a) Gross Block	8662.36	8707.74
b) Less : Depreciation	1990.66	2644.39
c) Net Block	6671.70	6063.35
d) Capital WIP Including Advances paid on capital account	4529.90	6691.27
e) Pre- operative Expenses pending allocation	443.11	1035.38
Total	11644.71	13790.00
2. INVESTMENTS	-	-
3. CURRENT ASSETS, LOANS AND ADVANCES :		
a) Inventories	384.52	531.04
b) Sundry Debtors	1250.70	1213.98
c) Cash and Bank Balances	167.86	110.88
d) Loans , Advances and other current assets	192.06	784.22
Total	1995.14	2604.12
4. LIABILITIES & PROVISIONS :		
a) Secured Loans	6029.31	8164.14
b) Unsecured Loans	898.08	736.21
b) Current Liabilities and Provisions	530.73	1203.56
	7458.12	10103.91
5. NET WORTH (1 + 2 + 3 - 4)	6181.73	6290.21
NET WORTH REPRESENTED BY		
6. EQUITY SHARE CAPITAL	4263.30	4263.30
7. RESERVES AND SURPLUS	1972.85	2108.64
8. Miscellaneous Expenditure to the extent not written off or adjusted	54.42	81.73
9. NET WORTH (6 + 7 - 8)	6181.73	6290.21

ANNEXURE – II

STATEMENT OF CONSOLIDATED PROFITS AND LOSSES, AS RESTATED

(Rs. Lakhs)		
PARTICULARS	Year ended 31.03.2006	Year ended 31.03.2007
INCOME :		
Gross earnings from sale of energy	8740.96	9522.13
Less: Rebate & Penalties	213.73	240.06
	8527.23	9282.07
Other Income	147.78	173.16
T O T A L	8675.01	9455.23
EXPENDITURE :		
Consumption of Fuel	6984.29	7707.82
Staff Cost	55.37	78.62
Other manufacturing Expenses	176.81	144.79
Administration expenses	121.46	104.12
Interest and Finance Charges	602.22	613.13
Depreciation	648.40	646.30
Preliminary expenses written off	1.64	1.64
T O T A L	8590.19	9246.42
Net Profit before tax & Extra-ordinary Items	84.82	158.81
Provision for Taxation		
- For Current Year (MAT)	8.51	21.27
- Fringe Benefit Tax	1.92	1.75
Net Profit after tax and before Extra-ordinary Items	74.39	135.79
Extra-ordinary Items (net of tax)		
- Insurance Claims	31.30	--
Net Profit After Taxation	105.69	135.79
Balance carried forward, as restated	105.69	135.79

ANNEXURE – III

STATEMENT OF CONSOLIDATED CASH FLOWS, AS RESTATED

(Rs. Lakhs)

PARTICULARS	Year ended 31.03.2006	Year ended 31.03.2007
A) Cash Flow from Operating Activities		
Net Profit before tax and extra-ordinary items	84.82	158.81
Adjustments for:		
1) Depreciation	648.40	646.30
2) Interest Income	-12.13	-15.85
3) Interest Expense	582.90	591.46
4) Miscellaneous Expenses Written off	1.64	1.64
5) Increase in Miscellaneous Expenses	-46.89	-28.95
6) Extra-ordinary Items before tax	34.18	-
Cash flows from operations before working capital changes	1292.92	1353.41
1) (Increase) / Decrease in Inventories	-127.89	-146.53
2) (Increase)/Decrease in trade receivables	-507.26	36.72
3) (Increase)/Decrease in loans & advances	-171.59	-551.40
4) Increase / (Decrease) in current liabilities	-608.01	669.72
5) Profit on sale of Fixed Assets	-0.54	-
6) Income-tax & Fringe Benefit tax paid	-22.67	-24.66
Net cash flow from operating activities [A]	-145.05	1337.26
B) Cash flow from Investing Activities:		
1) Purchase of Fixed Assets & Advances on Capital Account	-2598.29	-2791.59
2) Payments for net assets acquired of subsidiaries, net of cash	-1493.26	-
3) Proceeds on Sale of Fixed Assets	0.54	-
4) Interest received	12.43	15.85
Net cash used for Investing activities [B]	-4078.58	-2775.74
C) Cash flow from Financing Activities:		
1) Increase / (Decrease) in Capital incl. Premium	3235.00	-
2) Increase / (Decrease) in Borrowings	1567.77	1938.58
3) Interest Paid	-508.37	-557.08
Net cash flow from Financing Activities [C]	4294.40	1381.50
Net Increase/(Decrease) in cash & cash equivalents [A+B+C]	70.77	-56.98
Cash & Cash equivalents at the beginning of the year	97.09	167.86
Cash & Cash equivalents at the end of the year	167.86	110.82
	70.77	-56.98

ANNEXURE – IV

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES TO THE RESTATED CONSOLIDATED FINANCIAL STATEMENTS

1. Principles of consolidation

The Consolidated financial statements relate to Suryachakra Power Corporation Limited (Parent Company) and its subsidiary companies (The Group). The consolidated financial statements have been prepared on the following basis:

- i) The financial statements of the Parent Company and its subsidiary companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses, if any, as per Accounting Standard 21, Consolidated Financial Statement issued by The Institute of Chartered Accountants of India.
- ii) The list of subsidiary companies, which are included in the consolidation and the parent company's holding therein is as under :

Name of the Subsidiary Companies	Country of Incorporation	% of ownership As at 31.03.2007
1. Lahari Power & Steels Limited	India	100%
2. South Asian Agro Industries Limited	India	100%
3. MSM Energy Limited	India	100%

- iii) As far as possible, the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other event in similar circumstances and are presented to the extent possible, in the same manner as the parent company's separate financial statements.

2. Statement of significant accounting policies to the consolidated financial statements

a) Basis of preparation of financial statements:

- i The financial statements have been prepared under the historical cost convention and in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant presentational requirements of the Companies Act, 1956.
- ii All incomes, revenue expenses, assets and liabilities having material bearing on the financial statements are recognized on accrual basis, unless otherwise stated.

b) Revenue Recognition Policy:

Sale of Power to Andaman & Nicobar Administration is accounted as per the provisions contained in the Power Purchase Agreement (PPA). Sale Value includes both elements viz. variable charges and fixed charges as provided in the PPA

c) Fixed Assets:

- i The gross block of Fixed Assets is stated at cost of acquisition or construction including any cost attributable to bringing the assets to their working condition for their intended use.
 - ii In the case of liabilities in respect of foreign currency loans obtained for acquisition of fixed assets, the variation in the liability arising out of the variation in exchange rates is adjusted to the cost of fixed assets.
- d) Depreciation:
- Depreciation on fixed assets of the parent company is provided under "straight line method" on pro-rata at the rates prescribed by the Central Government vide Notification No. S.O. 265 (E) dated 27th March, 1994 issued under the Electricity (Supply) Act, 1948.
- Depreciation on fixed assets of the subsidiaries is provided on straight line method on pro-rata basis in accordance with the rates prescribed under Schedule XIV of the Companies Act, 1956 and added to Incidental expenses pending allocation since commercial operation of the projects have not commenced.
- e) Foreign exchange transactions:
- Foreign currency transactions are accounted at the exchange rates prevailing on the date of the transactions. Gains and losses, if any, at the year / period-end in respect of monetary assets and monetary liabilities are recognized in the Profit and Loss Account. Exchange differences arising on repayment of liabilities incurred for the purposes of acquiring fixed assets are adjusted with the carrying amount of the respective fixed assets.
- f) Retirement benefits:
- For Parent Company
- i. Annual contribution to gratuity fund is determined under group gratuity scheme with Life Insurance Corporation of India and the provision required is determined as per actuarial valuation carried out by LIC of India.
 - ii. Contribution to provident fund is made at the pre-determined rate, to the appropriate authorities, and is charged to profit and loss account.
- For Subsidiary Companies
- i) Provision for gratuity and superannuation is accounted on payment basis.
- g) Borrowing Costs:
- Borrowing costs that are attributable to the acquisition of construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.
- h) Inventories:
- Inventories are valued at the lower of cost and net realisable value and duly certified by the management.
- i) Deferred Taxation:
- The company is carrying on the business of Power Generation. As per the existing laws as on the date of balance sheet and in view of the exemptions available to the company under the provisions of Income Tax Act, 1961, there is no effect to the company on account of computation of deferred tax as per the relevant accounting standard (AS-22) issued by The Institute of Chartered Accountants of India.
- k) Miscellaneous Expenditure:

Preliminary expenses / Share Issue Expenses are being written off over a period of 5 years from the date of commercial operations / date of transaction.

l) Expenditure during construction period:

Expenditure incurred on the Project during implementation are capitalized and apportioned to various assets on commissioning of the Project.

3. Other Notes:

- a) The parent company has been billing for the power generated and delivered to the Andaman & Nicobar Administration (A&NA) based on the provisional capital cost and ratios set out in the power purchase agreement. As the actual capital cost is subject to approval by the A&NA, the impact of adjustments on reimbursement of fixed charges is not ascertainable till the approval of the actual completed cost. Hence, no adjustments were made in the summary statements.

ANNEXURE - V

STATEMENT OF ACCOUNTING RATIOS

PARTICULARS	AS at 31.03.2006	As at 31.03.2007
Net Worth (Rs. Lakhs) (Excluding Share Application Money pending allotment)	6181.73	6290.21
Restated Profit after Tax (Rs. Lakhs)	105.69	135.79
Weighted Average no. of equity shares outstanding during the year / period		
- For basic earnings per share	28860461	42632960
- For diluted earnings per share	30948752	42632960
Earnings Per Share (EPS) Rs. 10/- each		
- Basic Earnings per share (Rs.)	0.37	0.32
- Diluted Earnings per share (Rs.)	0.34	0.32
Return on Net Worth (%)	1.71%	2.16%
No. of Equity Shares outstanding	42632960	42632960
Net Assets Value per share of Rs. 10/- each	14.50	14.75

Formula:

1. Earning Per Share (Rs.) = Net Profit after Tax / No. of Equity Shares
2. Net Assets Value (Rs.) = Net Worth / No. of Equity Shares
3. Return on Net Worth (%) = Net Profit after Tax / Net Worth

Information as Per Clause 6.10.2.5 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000

We have examined the financial information with respect to M.S.M. Energy Limited, required as per Clause 6.10.2.5 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000. A portion of the Proposed Public Issue proceeds amounting to Rs. 2393 lakhs will be utilized towards investment in equity of M.S.M. Energy Limited a wholly owned subsidiary of Suryachakra Power Corporation Limited , for setting up of two 10 MW Bio-mass based power plants.

As per sub clause (a) of clause 6.10.2.5 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 the financial information of M.S.M. Energy Limited for the last five financial years is enclosed in Annexure I & II to this report.

As per sub clause (b) of clause 6.10.2.5 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 we here by state that the shares going to be acquired by Suryachakra Power Corporation Limited in M.S.M. Energy Limited will be additional shares to be allotted only. As the M.S.M. Energy Limited is a 100 % wholly owned subsidiary of Suryachakra Power Corporation Limited and there will not be any change in the interest of holders of the other shares and all the assets and liabilities will be added line by line to the assets and liabilities of Suryachakra Power Corporation Limited as per AS-21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. However, we have consolidated the financial information of Suryachakra Power Corporation Limited and M.S.M. Energy Limited for the last five financial years and enclosed in the Annexure III & IV to this report.

for **Visweswara Rao & Associates**
Chartered Accountants

(Mahidhar.S.G)
Partner
Membership No. 216463

ANNEXURE-I**MSM ENERGY LIMITED
STATEMENT OF ASSETS AND LIABILITIES**

(Rupees in Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
1. FIXED ASSETS :					
a) Gross Block	32.44	32.44	32.44	54.81	84.78
b) Less : Depreciation	10.13	13.74	17.34	21.25	25.67
c) Net Block	22.31	18.70	15.10	33.56	59.11
d) Capital WIP Including Advances paid on capital works	-	-	78.00	794.31	599.30
e) Preoperative expenditure pending allocation	-	-	7.43	71.90	164.74
Total	22.31	18.70	100.53	899.77	823.15
2. INVESTMENTS	-	-	-	-	-
3. CURRENT ASSETS, LOANS AND ADVANCES :					
a) Inventories	-	-	-	-	-
b) Sundry Debtors	-	-	-	-	-
c) Cash and Bank Balances	0.61	1.13	0.20	0.33	2.21
d) Loans , Advances and other current assets	21.03	20.72	3.23	4.04	11.81
Total	21.64	21.85	3.43	4.37	14.02
4. LIABILITIES & PROVISIONS :					
a) Secured Loans	-	-	-	-	-
b) Unsecured Loans	-	-	-	296.13	222.14
c) Current Liabilities and Provisions	4.20	3.69	2.65	8.14	15.08
	4.20	3.69	2.65	304.27	237.22
5. NET WORTH (1 + 2 + 3 - 4)	39.75	36.86	101.31	599.87	599.95
NET WORTH REPRESENTED BY					
6. EQUITY SHARE CAPITAL	11.30	11.30	101.52	600.00	600.00
7. SHARE APPLICATION MONEY	41.62	41.62	-	-	-
8. RESERVES AND SURPLUS	-2.84	-9.07	0.18	0.18	0.18
9. Miscellaneous Expenditure to the extent not written off or adjusted	10.33	6.99	0.39	0.31	0.23
10. NET WORTH (6 + 7 + 8 - 9)	39.75	36.86	101.31	599.87	599.95

ANNEXURE-II**MSM ENERGY LIMITED
STATEMENT OF PROFITS AND LOSSES**

(Rupees in Lakhs)

PARTICULARS	FOR THE YEAR ENDED 31st MARCH		
	2003	2004	2005
INCOME :			
Income from Operations	12.77	2.51	8.65
Other Income	0.01	-	0.12
T O T A L	12.78	2.51	8.77
EXPENDITURE :			
Operating & administrative expenses	5.57	2.29	0.35
Financial charges	0.02	0.01	-
Depreciation	3.60	3.60	0.30
Miscellaneous expenditure written off	3.34	3.34	0.08
T O T A L	12.53	9.24	0.73
Net Profit before tax and Extra-ordinary Items	0.25	(6.73)	8.04
Provision for Taxation			
- For Current Year (MAT)	0.02	-	2.33
- For deferred tax liability	4.03	(0.50)	(3.53)
Net Profit before Extra-ordinary Items	(3.80)	(6.23)	9.24
Extra-ordinary items (net of tax)	-	-	-
Net Profit after Extra-ordinary items	(3.80)	(6.23)	9.24

No Profit and Loss Account has been prepared for the years ended 31st March, 2006 and 2007 as the company is in the construction stage in respect of power generation business and has not commenced commercial operations in such business.

ANNEXURE - III
CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(Rupees in Lakhs)

PARTICULARS	AS AT 31st MARCH				
	2003	2004	2005	2006	2007
1. FIXED ASSETS :					
a) Gross Block	113.76	8130.70	8250.94	8569.13	8568.58
b) Less : Depreciation	37.95	703.26	1338.45	1988.69	2639.41
c) Net Block	75.81	7427.44	6912.49	6580.44	5929.17
d) Capital WIP Including Advances paid on capital account	6912.81	312.53	378.54	887.43	710.28
e) Pre-operative Expenses pending allocation	1250.23	0.00	7.43	67.86	129.74
Total	8238.85	7739.97	7298.46	7535.73	6769.19
2. INVESTMENTS	-	-	-	2635.45	2635.45
3. CURRENT ASSETS, LOANS AND ADVANCES :					
a) Inventories	120.86	213.15	256.63	384.52	531.04
b) Sundry Debtors	31.42	732.45	743.44	1250.70	1213.98
c) Cash and Bank Balances	26.75	335.03	97.29	160.13	79.97
d) Loans , Advances and other current assets	182.01	161.82	572.74	187.54	746.04
Total	361.04	1442.45	1670.10	1982.89	2571.03
4. LIABILITIES & PROVISIONS :					
a) Secured Loans	5393.92	5446.63	4739.78	5161.32	4470.49
b) Unsecured Loans	---	402.00	537.57	298.09	136.20
c) Current Liabilities and Provisions	528.62	595.78	699.54	509.00	1069.75
d) Interest of other shareholders (Including Share Application Money)	52.92	52.92	101.52	0.00	0.00
	5975.46	6497.33	6078.41	5968.41	5676.44
5. NET WORTH (1 + 2 + 3 - 4)	2624.43	2685.09	2890.15	6185.66	6299.23
NET WORTH REPRESENTED BY					
6. EQUITY SHARE CAPITAL	2318.79	2318.79	2318.79	4263.30	4263.30
7. SHARE APPLICATION MONEY	327.01	327.01	327.01	0.00	0.00
8. RESERVES AND SURPLUS	-2.84	52.84	249.66	1972.84	2113.71
9. Miscellaneous Expenditure to the extent not written off or adjusted	18.53	13.55	5.31	50.48	77.78
10. NET WORTH (6 + 7 + 8 - 9)	2624.43	2685.09	2890.15	6185.66	6299.23

ANNEXURE - IV
CONSOLIDATED STATEMENT OF PROFITS AND LOSSES

(Rupees in Lakhs)

PARTICULARS	FOR THE YEAR ENDED 31st MARCH				
	2003	2004	2005	2006	2007
INCOME :					
Gross earnings from sale of energy / operations	12.77	7003.56	6053.58	8740.96	9522.13
Less: Rebate & Penalties	-	181.23	148.99	213.72	240.06
	12.77	6822.33	5904.59	8527.24	9282.07
Other Income	0.01	22.23	19.50	147.77	178.25
TOTAL	12.78	6844.56	5924.09	8675.01	9460.32
EXPENDITURE :					
Consumption of Fuel	-	5383.51	4781.66	6984.29	7707.82
Generation, administration and other expenses	5.57	255.62	275.08	353.64	327.53
Interest and Finance Charges	0.02	510.85	485.76	602.22	613.13
Depreciation	3.60	655.77	635.53	648.40	646.30
Preliminary expenses written off	3.34	4.98	1.72	1.64	1.64
TOTAL	12.53	6810.73	6179.75	8590.19	9296.42
Profit / Loss before Tax, Extra-ordinary Items & Prior period adjustments	0.25	33.83	-255.66	84.82	163.90
Prior Period Adjustments	-	27.05	52.04	-	-
Profit / Loss before tax and Extra-ordinary Items	0.25	60.88	-203.62	84.82	163.90
Provision for Taxation					
- For Current Year (MAT)	0.02	5.70	2.33	8.51	21.27
- For Deferred Tax	4.03	(0.50)	(3.53)	-	-
- Fringe Benefit Tax	-	-	-	1.92	1.75
Profit / Loss after tax and before Extra-ordinary Items	(3.80)	55.68	(202.42)	74.39	140.88
Extra-ordinary Items (Net of Tax)					
- Insurance Claims	-	-	399.23	31.30	-
Net Profit after Extra-ordinary Items	(3.80)	55.68	196.81	105.69	140.88

NOTE: M.S.M. Energy Limited had become the wholly owned subsidiary of Suryachakra Power Corporation Limited during the month of November,2005 and the above figures does not include the other wholly owned subsidiaries of Suryachakra Power Corporation Limited.

2. FINANCIAL INFORMATION OF GROUP COMPANIES/OTHER VENTURES PROMOTED BY THE PROMOTERS

1. Cocanada Fisheries Limited (Formerly Suryachakra Seafoods Limited) (CFL)

Constitution	Limited Company
Details of incorporation	CFL was originally incorporated as Suryachakra Seafoods Private Limited on March 11, 1987 and converted into a public limited company on July 29, 1992. With effect from November 24, 2003, its name was changed to Cocanada Fisheries Limited
Board of Directors	B.P. Vijaya Rao, T. Upendar & J.Sai Tulasi Rao
Nature of activities	Aqua & Fish Culture

Shareholding Pattern as on March 31, 2007

Category Code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares (Pre-Issue)	
					As a Percentage of (A + B)	As a Percentage of (A+B+C)
(A)	Shareholding of promoter and promoter group					
(1)	Indian					
(a)	Individuals/HUF (Promoters)	12	351620		42.05	42.05
(b)	Central Government/State Government(s)					
(c)	Bodies Corporate					
(d)	Financial Institutions/Banks					
(e)	Any other (Specify)					
	Sub-Total (A) (1)					
(2)	Foreign					
(a)	Individuals (Non Resident Individuals/Foreign Individuals)	162	16370	3550	1.96	1.96
(b)	Bodies Corporate					
(c)	Institutions					
(d)	Any Other (Overseas Corporate Body)					
	Sub-Total (A) (2)					
	Total Shareholding of Promoter and promoter group (A) = (A)(1)+ (A)(2)					
(B)	Public Shareholding					
(1)	Institutions					
(a)	Mutual Funds/UTI	1	20000	20000	2.39	2.39
(b)	Financial Institutions/Banks					
(c)	Central Government/State Government(s)	1	25000		2.99	2.99
(d)	Venture Capital Funds					
(e)	Insurance Companies					
(f)	Foreign institutional investor					
(g)	Foreign Venture Capital Investors					
(h)	Any Other					
	Sub Total (B)(1)					
(2)	Non Institutions					
(a)	Other Bodies Corporate	56	115970	7070	13.87	13.87
(b)	Individuals- I Individual shareholders holding nominal					

	share capital up to Rs 1 lakh					
(c)	Any other (Public)	11705	307230	42960	36.74	36.74
	Sub Total (B)(2)					
	Total Public shareholding (B)= (B)(1) + (B)(2)					
	Total (A) + (B)					
(C)	Shares held by Custodians and against which Depository Receipts have been issued					
	Grand Total (A) + (B) + (C)	11937	836190	55580	100.00	100.00

Financial Highlights

		(Rs. Lakhs)		
Sl. No.	Particulars	2004 – 05	2005-06	2006-07
1.	Sales	2.23	2.73	3.53
2.	Other Income	6.40	8.53	12.83
3.	PBIDT	1.43	628.05	(0.93)
4.	PBT	(43.96)	587.47	(37.74)
5.	PAT	(43.96)	653.67	(92.59)
6.	Share Capital	836.19	83.62	83.62
7.	Reserves & Surplus	2.41	2.41	2.41
8.	Profit and loss account(debit balance)	(1460.05)	(53.81)	(146.40)
9.	Deffered tax liability	81.56	15.30	70.14
10.	Miscellaneous expenditure(to the extent not written off)	-	-	
11.	Net Worth	(621.45)	32.22	(60.37)
12.	EPS (Rs.)	(0.53)	78.17	(11.07)
13.	Dividend	Nil	Nil	Nil
14.	Net Asset Value (Rs.)	-	3.85	--

Stock Market Data & Investor Complaints

The Company's shares are presently listed on Hyderabad Stock Exchange Limited and there has been no trading in the shares of the company since July 27, 2000. Further, there are no investor complaints pending against the company as on March 31, 2007.

Non-compliances and Penalties

The Company has not complied with various clauses of the listing agreement with the Hyderabad Stock Exchange Limited.

Bombay Stock Exchange Limited, Mumbai has served a show cause notice to the Company on August 26, 2003 as why the company should not be delisted and the Company failed to reply to the said show cause notice. Subsequently, Bombay Stock Exchange Limited, Mumbai had delisted the company with effect from January 14, 2004.

SEBI vide its letter No.CFD/DCR/RC/TO/26660/04 dated November 29, 2004 has issued adjudicating notice with regard to non-compliance with Regulation 6(2) and 6(4) for 1997 and 8(3) for 1999 to 2002 of SEBI (SAST) Regulations 1997, levying a penalty of Rs.1,50,000/- on the Company. The company has not made any payment against the penalty levied by SEBI.

Other Information

Cocanada Fisheries Ltd had applied to the High Court of Andhra Pradesh for the Reduction of Share Capital as there were no business operations due to the Supreme Court ban on aqua

business. Hence it was decided to reduce its capital against carry forward losses in terms of section 100 of the Companies Act.

The Reduction of Capital has been done from the existing Capital of Rs.8,36,19,000 to Rs.83,61,900. The Court vide its Order dated January 04, 2006 sanctioned the Reduction of Capital.

2. Kalyan Marine & Agro Products Ltd (Formerly Kalyan Seafoods Limited) (KMAPL)

Constitution	Limited Company
Details of of Incorporation	KMAPL was originally incorporated as Kalyan Seafoods Private Limited on March 11, 1987 and converted into a public limited company on April 10, 1992. With effect from July 17, 1995, its name was changed to Kalyan Marine & Agro Products Limited
Board of Directors	Mr. T. Upendar, Mr. T. Bhaskara Rao & Mr J.Sai Tulasi Rao.
Nature of activities	Aqua & Fish Culture

Shareholding Pattern as on March 31, 2007

Category Code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in de materialized form	Total shareholding as a percentage of total number of shares (Pre-Issue)	
					As a Percentage of (A + B)	As a Percent age of (A+B+C)
(A)	Shareholding of promoter and promoter group					
(1)	Indian					
(a)	Individuals/Hindu undivided Family	68	50680	---	14.05	
(b)	Central Government/State Government(s)	1	34480	---	9.56	9.56
(c)	Bodies Corporate					
(d)	Financial Institutions/Banks					
(e)	Any other (Specify)					
	Sub-Total (A) (1)					
(2)	Foreign					
(a)	Individuals (Non Resident Individuals/Foreign Individuals)					
(b)	Bodies Corporate					
(c)	Institutions					
(d)	Any Other (Overseas Corporate Body)					
	Sub-Total (A) (2)					
	Total Shareholding of Promoter and promoter group (A) = (A)(1)+ (A)(2)					
(B)	Public Shareholding					
(1)	Institutions					
(a)	Mutual Funds/UTI	1	3080	---	0.85	0.85
(b)	Financial Institutions/Banks					
(c)	Central Government/State Government(s)					
(d)	Venture Capital Funds					
(e)	Insurance Companies					
(f)	Foreign institutional investor					
(g)	Foreign Venture Capital Investors					
(h)	Any Other					

	Sub Total (B)(1)					
(2)	Non Institutions					
(a)	Other Bodies Corporate	5	950	----	0.26	0.26
(b)	Individuals- I Individual shareholders holding nominal share capital up to Rs 1 lakh					
(c)	Any other (Public)	17433	271550		75.28	75.28
	Sub Total (B)(2)					
	Total Public shareholding (B)= (B)(1) + (B)(2)					
	Total (A) + (B)					
(C)	Shares held by Custodians and against which Depository Receipts have been issued					
	Grand Total (A) + (B) + (C)	17508	360740		100.00	100.00

Financial Highlights

		(Rs. Lakhs)		
Sl. No.		2004 – 05	2005-06	2006-07
1.	Sales	2.42	3.47	3.31
2.	Other Income	1.51	6.15	4.05
3.	PBIDT	(1.57)	135.07	(1.14)
4.	PBT	(19.64)	119.13	(14.80)
5.	PAT	(19.64)	144.89	(26.64)
6.	Share Capital	363.87	36.07	36.07
7.	Reserves & Surplus	6.50	9.63	9.63
8.	Profit and loss account(debit balance)	(591.83)	(122.28)	(148.91)
9.	Deffered tax liability	48.14	22.38	34.22
10.	Net Worth	(221.46)	(76.57)	(103.22)
11.	EPS (Rs.)	(0.54)	40.16	(7.38)
12.	Dividend	Nil	Nil	Nil
13.	Net Asset Value (Rs.)	-	-	--

Stock Market Data and status of Investor Complaints

The Company's shares are presently listed on Hyderabad Stock Exchange Limited and there has been no trading in the shares of the company on Hyderabad Stock Exchange since July 27, 2000. Further there are no investor complaints pending against the company as on March 31, 2007.

Non-compliances and Penalties

The Company has not complied with various clauses of the listing agreement with the Hyderabad Stock Exchange Limited.

Bombay Stock Exchange Limited, Mumbai has served a show cause notice to the Company on August 23, 2003 as why the company should not be delisted and the Company failed to reply to the said show cause notice. Subsequently, Bombay Stock Exchange Limited, Mumbai had delisted the company with effect from April 20, 2004.

SEBI vide its letter No.CFD/DCR/RC/TO/26660/04 dated November 29, 2004 has issued adjudicating notice with regard to non-compliance with Regulation 6(2) and 6(4) for 1997 and 8(3) for 1999 to 2002 of SEBI (SAST) Regulations 1997, levying a penalty of Rs.1,50,000/- on the Company. The company has not made any payments against the penalty levied by SEBI.

Other Information

KMAPL had applied to the High Court of Andhra Pradesh for the Reduction of Share Capital as there were no business operations due to the Supreme Court ban on aqua business. Hence it was decided to reduce its capital against carry forward losses in terms of Section 100 of the Companies Act.

The Reduction of Capital has been done from the existing Capital of Rs.3,60,74,000 to Rs. 36,07,400. The Court vide its Order dated January 04, 2006 sanctioned the Reduction of Capital.

3. Surya Powergen Private Limited (SPPL)

Constitution	Private Limited Company
Details of Incorporation	SPPL was incorporated on January 10,2001
Board of Directors	Dr. S. M. Manepalli & Mr. M.Seshavatharam
Nature of activities	Generation of Power.

Shareholding Pattern as on March 31, 2007

Sl. No.	Name of the Shareholder	No. of Shares	Percentage
1.	Dr. S. M. Manepalli	5000	50.00
2.	M. Seshavatharam	5000	50.00
		10000	100.00

Financial Highlights

No Profit & Loss account has been prepared as the company is yet to commence production.

(Rs. Lakhs)				
Sl. No.		2004 – 05	2005-06	2006-07
1.	Sales	-	-	-
2.	Other Income	-	-	-
3.	PBIDT	-	-	-
4.	PBT	-	-	-
5.	PAT	-	-	-
6.	Share Capital	1.00	1.00	1.00
7.	Share application money pending allotment	17.91	20.81	20.81
8.	Reserves & Surplus	-	-	-
9.	Miscellaneous expenditure(to the extent not written off)	0.28	0.28	0.28
10.	Net Worth	18.62	21.52	21.53
11.	EPS (Rs.)	-	-	-
12.	Dividend	Nil	Nil	Nil
13.	Net Asset Value (Rs.)	186.27	215.22	215.30

The company is not listed in any Stock Exchange.

4. Suma Powergen Private Limited (SPGPL)

Constitution	Private Limited Company
Details of incorporation	SPGPL was incorporated on January 05, 2001

Board of Directors	Dr. S. M. Manepalli, Mr. M. Seshavatharam & Mr. K. Vijaya Kumar
Nature of activities	Generation of Power

Shareholding Pattern as on March 31, 2007

Sl. No.	Name of the Shareholder	No. of Shares	Percentage
1.	Mr. M Seshavatharam	100	0.25
2.	Dr S M Manepalli	100	0.25
3	Mr. J Sai Tulasi Rao	10000	24.87
4.	Mrs. K Vijaya	10000	24.88
5	Mr. T Upendar	10000	24.87
6.	Mr. A Venkateswara Rao	10000	24.88
	Total	40200	100.00

Financial Highlights

No profit & Loss account has been prepared as the company is yet to commence production.

(Rs. lakhs)

Sl. No.		2004 – 05	2005-06	2006-07
1.	Sales	-	-	--
2.	Other Income	-	-	--
3.	PBIDT	-	-	--
4.	PBT	-	-	--
5.	PAT	-	-	--
6.	Share Capital	4.02	4.02	4.02
7.	Share application pending allotment	152.33	160.93	162.48
8.	Reserves & Surplus	-	-	-
9.	Miscellaneous expenditure to the extent not written off	1.79	1.79	1.79
10.	Net Worth	154.56	163.16	164.71
11.	EPS (Rs.)	-	-	-
12.	Dividend	Nil	Nil	Nil
13.	Net Asset Value (Rs.)	384.48	405.87	409.73

The company is not listed in any Stock Exchange.

5. Arunodaya Green Fuels Private Limited (AGFL)

Constitution	Private Limited Company
Details of incorporation	AGFPL was incorporated as Ushodaya Marine Products Limited on June 24, 1994. With effect from August 29, 2002 its name was changed to Ushodaya Marine Products Private Limited. Subsequently its name was again changed to Arunodaya Green Fuels Private Limited with effect from March 13, 2007.
Date of Commencement of business	August 31, 1994
Board of Directors	Dr. S.M. Manepalli, Mr. M. Seshavtharam, Mrs. M. Sunitha and Mrs. K. Ratna Haritha and A.P. Chaudhri

Nature of Activities	Marine products and prawn hatchery.
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Shareholding pattern as on March 31, 2007:

S. No.	Shareholders	No. of Shares	Percentage
1.	Mr J Sai Tulasi Rao	100	0.02
2.	Mrs. M Ratna Haritha	25200	5.35
3.	Mr. L Subrahmanyeswara Rao	10100	2.15
4.	Mrs. M Mangatayaru	47500	10.09
5.	Mrs. T Srilatha	23800	5.05
6.	Dr S M Manepalli	246200	52.27
7.	Mr. M Seshavatharam	118100	25.07
	Total	471000	100.00

Financial Highlights

		(Rs. lakhs)		
Sl. No.		2004 – 05	2005-06	2006-07
1	Sales	20.47	7.96	-
2	Other Income	-	28.41	2.92
3	PBIDT	3.60	10.84	(3.28)
4	PBT	1.31	6.93	(5.20)
5	PAT	1.31	7.53	(5.56)
6	Share Capital	47.10	47.10	47.10
7	Share application money pending allotment	258.92	251.55	305.55
8	Profit & Loss (Debit balance)	(32.52)	(24.99)	(30.55)
9	Net Worth	273.48	273.66	322.09
10	EPS (Rs.)	0.10	1.60	(1.18)
11	Dividend	Nil	Nil	Nil
12	Net Asset Value* (Rs.)	58.06	58.10	68.38

* Share application money was considered in computation of Net Asset Value.
The company is not listed in any Stock Exchange.

6. Aasrit Securities Private Limited (ASPL)

Constitution	Private Limited Company
Details of incorporation	ASPL was incorporated on December 27, 2005
Board of Directors	Dr. S.M. Manepalli & Mr. M. Seshavtharam
Nature of Activities	Investment business

Shareholding pattern as on March 31, 2007

S. No.	Shareholders	No. of Shares	Percentage
1.	Dr S M Manepalli	5000	50.00
2.	Mr. M Seshavatharam	5000	50.00
	Total	10000	100.00

Financial Information:

Sl. No.		2005-06	2006-07
1.	Income	-	-

2.	PBIDT	(0.78)	(1.11)
3.	PBT	(0.78)	(1.11)
4.	PAT	(0.69)	(0.91)
5.	Share Capital	1.00	1.00
6.	Share application pending allotment	147.90	147.90
7.	Reserves & Surplus	0.69	1.60
8.	Miscellaneous expenditure to the extent not written off	2.07	1.55
9.	Net Worth	146.14	145.75
10.	EPS (Rs.)	(6.90)	(9.06)
11.	Dividend	Nil	Nil
12.	Net Asset Value (Rs.)	1461.40	1457.53

7. Aasrit Agro Products Private Limited (AAPPL)

Constitution	Private Limited Company
Details of Incorporation	AAPPL was incorporated on July 15, 2004
Board of Directors	Dr. S.M. Manepalli, Mr. M. Seshavtharam and A.P. Chaudhri
Nature of Activities	Cultivation of agricultural products

Shareholding pattern as on March 31, 2007

S. No.	Shareholders	No. of Equity Shares	Percentage
1.	Mr. T. Upendar	5000	7.14
2.	Mr. A. Venkateswsar Rao	5000	7.14
3.	Dr. S.M. Manepalli	10000	14.29
4.	Mr. M. Seshavatharam	10000	14.29
5.	Mrs. M. Mangatayaru	10000	14.29
6.	Mrs. M. Sunitha	10000	14.29
7.	Mrs. K. Ratna Haritha	10000	14.29
8.	Mrs. T. Srilatha	10000	14.29
	Total	70000	100.00

No profit and loss account has been prepared as no commercial activity has started as of the date of Balance Sheet.

Financial Highlights

Sl. No.		2005-06	2006-07
1.	Sales	--	--
2.	Other Income	--	--
3.	PBIDT	--	--
4.	PBT	--	--
5.	PAT	--	--
6.	Share Capital	1.00	7.00
7.	Share application pending allotment	7.83	66.51
8.	Reserves & Surplus	--	24.00
9.	Miscellaneous expenditure to the extent not written off	0.36	0.36
10.	Net Worth	8.47	97.15

11.	EPS (Rs.)	--	--
12.	Dividend	Nil	Nil
13.	Net Asset Value (Rs.)	84.70	138.78

Sick Companies/BIFR proceedings

There are no sick companies or BIFR proceedings initiated against any of the aforesaid Group Companies or is under winding up.

Struck off from the Register of Registrar of Companies

None of the Group Companies have been struck off from the Register of the relevant Registrar of Companies.

The promoters have not disassociated from any of the companies/firms during last 3 years.

Common pursuits:

Lahari, SAAIL, MSM, Surya Powergen Private Limited and Suma Powergen Private Limited are engaged/propose to engage in Power Generation. Of these, first three Companies are wholly subsidiaries and others are group companies. Suryachakra Power is also into this activity. There is no conflict of interest (including related party transactions within the aforesaid group), as the subsidiaries companies have separate PPAs (except MSM which is yet to enter into PPA) and the other two companies are yet to commence operations .

Changes in Accounting Policies in the last three years

There has been no change in accounting policies in the last three years other than those mentioned in Annexure IV of the Auditors Report (SPCL).

3. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

Investors should read the following discussion on our financial condition and results of operations together with our restated and consolidated financial statements prepared in accordance with paragraph B(1) of part II of Schedule II to the Companies Act and SEBI guidelines, including schedules, annexure and notes thereto and the reports thereon, which appear in this Red Herring Prospectus. Indian GAAP and US GAAP differ in certain material respects. Unless otherwise stated the financial information used in this section is derived from the Company's audited financial statements as restated.

Our fiscal/Financial year ends on 31st March of every year as such all references to a particular fiscal year are to the 12 month period ended 31st March of that year.

Overview

The Company was incorporated as Suryachakra Power Corporation Limited on February 28, 1995 in Hyderabad, Andhra Pradesh to undertake power generation business.

Pursuant to a competitive bid floated by the A & N Administration in 1995 for establishing a thermal based power plant at Bamboo Flat, Port Blair, A & N Islands the Company was adjudged the successful bidder and awarded the contract to establish and operate a 20 MW Diesel Generating Power House under Section 18 (A) of Supply Act on a BOOM basis. **It is the only company in the private sector to dedicate thermal power plant in the Union territory of Andaman & Nicobar.**

The A & N administration declared commercial operation date with effect from April 01, 2003. The installed capacity of the company is 20 MW of which the said power plant is currently operating at approx. 62% of its capacity thus providing electricity to the city of Port Blair and surrounding places. During the year 2006-07, the company has generated 1088.913 lakhs Kwh power with a net sale value of 9282.07 lakhs.

The company has entered into a PPA agreement with the A & N administration. As per this agreement the entire power produced by the company subject to a minimum PLF of 68.49 % would be purchased by the government.

The Company's three subsidiaries, Lahari Power and Steels Limited, South Asian Agro Industries Limited and MSM Energy Limited are in the process of setting up bio-mass based power plants at various locations in the states of Chhattisgarh and Maharashtra.

SURYACHAKRA GROUP Power Plants

S.No.	Company	capacity	Location	Type of fuel
1	Suryachakra Power Corporation Limited	20 MW	Port Blair, A&N Islands	HSD Oil
2	Lahari Power & Steels Limited	9.8MW	Madawa Village, Champa – Janjgir Dt, Chhattisgarh state	Biomass
3	South Asian Agro Industries Limited	9.8 MW	Baloda Bazar, Raipur Dt., Chhattisgarh state	Biomass
4	MSM Energy Limited	10 MW	Borwand, Parbhani Dt., Maharashtra state	Biomass
5	MSM Energy Limited	10 MW	Kholapur, Amravati Dt., Maharashtra state	Biomass

Power Trading

In view of the recent Government decision providing for trading of power as a separate activity and seeing potential for power trading in India in coming years, SPCL has decided to diversify into power trading business.

The main purpose of power trading business is to provide opportunities to generators for optimally utilizing existing power facilities, while allowing bulk customers to plan their power purchase portfolios in a reliable and cost-effective manner through an organized market. A power trading transaction offers complementary benefits to both the seller and the buyer. Power has conventionally been viewed as a commodity; While there may not be any significant barriers to entry in the business, the Company believes that its experience in setting up and operating power plant would place it in a better league, as trading is essentially a knowledge driven business.

SPCL is aggressively looking for CPPs / IPPs across the country having surplus power available with them for sale so that it can enter into MoUs with such CPPs / IPPs and consumers for purchase and sale of power. The company has already signed a PPA agreement with OPG Energy Pvt. Limited and a MoU with Llyods Steel for supply of power.

Key Factors influencing the results of operations

Tariff and Payment mechanism - The tariffs of the company are fixed as per the relevant PPA and the revenues are primarily derived from the generation and sale of power under this tariff mechanism. The Tariff for Andaman & Nicobar project requires that the company operates at or above a PLF of 68.49 % to recover all the fixed charges. If the company operates above 68.49 % PLF, the company is entitled to incentive payment.

Availability of Fuel – The results of operations are affected by the availability of fuels like HSD, Biomass etc.

Tenure of PPA - All power plants are run on long-term PPAs which expire over a period of 10 to 15 years. On the expiry of these PPAs, if these plants are not bought out as per the terms of PPAs the Company and / or the Subsidiaries, as the case may be, continue to operate these plants, substantial capital investments would be required to be made in these plants in order to earn future commercial benefits from them. The Company cannot ensure you that it would be able to raise capital for funding these refurbishments on attractive terms or at all. In addition, the Company may not be able to obtain the anticipated benefit from the capital investments made by it in these plants. If any of these events occur, the Company's results of operations may be adversely affected.

Competition – Despite the fact that the company is not affected by competition in the short term due to its off take arrangements under its PPA, its results of operations could be affected by competition in power sector in India in the future. The company expects competition to intensify due to possible new entrants in the market, existing competitors further expanding their operations and thereby affecting the company's entry into new markets wherein it has to compete with well established power companies.

Regulatory and Significant accounting changes – The company is regulated by various policies of the Central and State government. The generation of Power in the private sector gained momentum with the recent policy announcements of the Government of India. The Electricity Act, 2003 opened up new opportunities by allowing open access in Power transmission and distribution. The Government of India's initiatives for facilitating private investments in the power sector are likely to create a favorable business climate for the company.

Cost Overruns - If the company's subsidiaries are unable to complete the projects as scheduled they will incur significant cost overruns thereby results of operations could be adversely affected.

General Economic and Business Conditions - As the company operates in India, it would be affected by general economic conditions in the country and in particular by factors affecting power demand and consumption. India's GDP has been and will continue to be of importance in determining the company's operating results and future growth.

Natural Calamities like earthquakes, floods and other unforeseen events beyond the company's control may effect the plant operations. However, the company brought the plants under insurance coverage including the loss of profit.

(Rs.In Lakhs)

<i>AS ON</i>	31.03.2004	31.03.2005	%	31.03.2006	%	31.03.2007	%
			Increase/ Decrease		Increase/ Decrease		Increase/ Decrease
INCOME :							
Gross earnings from sale of energy	7001.05	6044.93	-13.66%	8740.96	44.60%	9522.13	8.94%
Less: Rebate & Penalties	181.23	148.99	-17.79%	213.72	43.45%	240.06	12.32%
	6819.82	5895.94	-13.55%	8527.24	44.63%	9282.07	8.85%
Other Income	22.23	19.38	-12.82%	151.81	683.33%	209.2	37.80%
T O T A L	6842.05	5915.32	-13.54%	8679.05	46.72%	9491.27	9.36%
EXPENDITURE :							
Consumption of Fuel	5383.51	4781.66	-11.18%	6984.29	46.06%	7707.82	10.36%
Staff Costs	32.85	32.87	0.06%	55.37	68.45%	78.62	41.99%
Other Manufacturing Expenses	122.04	134.89	10.53%	176.81	31.08%	144.79	-18.11%
Administration expenses	98.44	106.97	8.67%	121.46	13.55%	104.12	-14.28%
Interest and Finance Charges	510.84	485.76	-4.91%	602.22	23.97%	613.13	1.81%
Depreciation	652.17	635.23	-2.60%	648.4	2.07%	646.3	-0.32%
Preliminary expenses written off	1.64	1.64	--	1.64	--	1.64	0.00%
T O T A L	6801.49	6179.02	-9.15%	8590.19	39.02%	9296.42	8.22%
Profit / Loss before Extra-ordinary Items & Prior period adjustments			-550.15%		66.30%		119.28%
	40.56	-263.7		88.86		194.85	
Extra-ordinary Items (before tax impact)	-	455.74	--	31.30	-93.13%	-	0.00%
Profit after Extra-ordinary Items before prior period adjustments				120.16	-37.43%		62.16%
	40.56	192.04	373.47%			194.85	
Prior period adjustment	27.05	42.14	55.79%	--	--	-	0.00%
Profit before taxation	67.61	234.18	246.37%	120.16	-48.69%	194.85	62.16%
Provision for taxation	5.7	--	--	10.43	--	23.02	120.71%
Profit after taxation	61.91	234.18	278.26%	109.73	-53.14%	171.83	56.59%

Comparison for FY 2003-2004 to 2004-2005

Sales

Sales have decreased from Rs. 7001.05 lakhs to Rs.6044.93 lakhs in the year 2004-05 compared to the preceding financial year, a decrease of 13.66%. This can be attributed to the fact that the plant was affected by earthquake and Tsunami on 26-12-2004 in South Andaman of Andaman & Nicobar Islands. The plant was partially damaged and shut down from 26-12-2004. Thus the commercial operations were shut from 26-12-2004 to 31-3-2005, except meager generation during the testing of plant leading to decrease in sales as compared to the previous year.

Manufacturing expenses

The manufacturing expenses have gone down from Rs.5383.51 lakhs to Rs.4781.66 lakhs, a decrease of 11.18% over the previous year. This can be attributed to the corresponding decrease in sales from Rs. 7001.05 lakhs to Rs.6044.93 lakhs, which attributes to a decrease of 13.66%. Manufacturing expenses as a percentage of sales has increased from 76.89 % to 79.10 %.

Administrative & Selling Expenses

Administrative & Selling Expenses has increased from Rs.253.33 lakhs to Rs.274.73 lakhs, an increase of 8.45 %. This increase can be attributed to an increase in Insurance charges from Rs 36.38 lakhs to Rs 52.73 lakhs. Also, there has been an increase in registration and filing fee from Rs 1.022 lakhs to Rs 3.399 lakhs. Because of the above mentioned reasons, the administrative expenses as a percentage of sales has increased from 3.71 to 4.66%

Interest and Finance charges

Interest and Finance charges have decreased from Rs.510.84 to Rs.485.76, a decrease of 4.91%. This is attributable to repayment of secured loans to the tune of Rs 706.85 lakhs

Profit after Tax

Profit after Tax has increased from 61.91 lakhs to 234.18 lakhs in the year 2004-05 compared to the preceding financial year, an increase of 278.26%. However, the profit before extraordinary items and prior period adjustments has been decreased from 40.56 lakhs to -263.7 lakhs. The increase in profit after tax can be attributed to the extraordinary item of Rs.455.74 lakhs net of tax. This extraordinary item is the realisation of insurance claim for loss of profits during the period December 26, 2004 to March 31, 2005 from Oriental Insurance Company Limited.

Comparison for Financial Year 2004-05 to 2005-06

Sales

Sales have increased from Rs. 6044.93 lakhs to Rs.8740.96 lakhs compared to the preceding financial year, an increase of 44.60% over the previous year.

Manufacturing expenses

The manufacturing expenses have gone up from Rs. 4781.66 lakhs to Rs. 6984.29 lakhs, an increase of 46.06% over the previous year. This can be attributed to the corresponding increase in sales.

Administrative & Selling Expenses

Administrative & Selling Expenses have also gone up from Rs.274.73 lakhs to Rs. 353.64 lakhs, an increase of 28.73% over the previous year.

Interest and Finance charges

Interest and finance charges increased from Rs. 485.76 lakhs to Rs.602.22 lakhs an increase of 23.97% over the previous year. This could be attributed to increase in secured loan as well as working capital loans.

Profit after Tax

Profit after Tax has decreased from Rs. 234.18 lakhs to Rs. 109.73 lakhs, a decrease of 53.14% compared to the previous year.

However, the profit before extraordinary items and prior period adjustments has increased from Rs. -263.70 lakhs to Rs.88.86 lakhs. The increase in profit before extraordinary items and prior period adjustments can be attributed to the efficiency in operations. But the decrease in profit after tax is mainly because of decrease in extraordinary item that contributed to the profit after tax during the year 2004-05.

Comparison for Financial Year 2005-06 to 2006-07

Sales

Sales have increased from Rs.8527.24 lakhs to Rs.9282.07 lakhs compared to the preceding financial year, an increase of 8.86% over the previous year.

Manufacturing expenses

The manufacturing expenses have gone up from Rs. 6984.29 lakhs to Rs. 7707.82 lakhs, an increase of 10.36% over the previous year. This can be attributed to the corresponding increase in sales.

Administrative & Selling Expenses

Administrative & Selling Expenses have come down from Rs.327.53 lakhs to Rs. 353.64 lakhs, an decrease of 7.97% over the previous year.

Interest and Finance charges

Interest and finance charges increased from Rs. 602.22 lakhs to Rs.613.13 lakhs an increase of 1.81% over the previous year. This could be attributed to increase in interest rates.

Profit after Tax

Profit after Tax has decreased from Rs. 109.73 lakhs to Rs. 171.83 lakhs, a decrease of 56.59% compared to the previous year.

However, the profit before extraordinary items and prior period adjustments has increased from Rs. 88.86 lakhs to Rs.194.85 lakhs. The increase in profit before extraordinary items and prior period adjustments can be attributed to the efficiency in operations.

Information required as per clause 6.10.5.5 of SEBI (DIP) Guidelines.

Unusual or infrequent events or transactions

There are no unusual or infrequent events or transactions that have taken place except the Tsunami that had occurred on 26th December, 2004.

There are no significant economic changes that materially affected or likely to affect income from continuing operations.

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 stated in this Red Herring Prospectus, no known trends and uncertainties are envisaged from continuing operations.

Future changes in relationships between costs and revenues in case of events such as future increase in labour or material cost or prices that will cause material change are known.

There are no such changes in relationship between cost and revenues.

Total turnover of each major industry segment in which the company operated.

The Company operates only in one industry segment.

Status of any publicly announced new products or business segment.

The company has entered into the following MOUs

- a) On February 20, 2006, the company has entered into a MOU with Ushodaya Energy & Project Consultants Private Ltd. and Zecon Engineering Berhad with a view to jointly develop urban development projects. The parties have agreed to develop projects jointly, exchange information pertaining to the same and co-operate from the initial development activities till the completion of the project and later also in the commercial operations. Regarding the equity participation, as well as other terms and conditions and modalities i.e setting up of a SPV etc., a separate set of agreements will be entered into at an appropriate time. This MOU shall be valid for a period of two years commencing from the date of execution.
- b) On October 13, 2005, the company has entered into a MOU with India Power Corporation Ltd and SREI Infrastructure Finance Ltd. with a view to work together to develop the 1000MW gas based power plant project near KG basin proposed by the company. The parties have agreed to develop the project jointly, exchange information pertaining to the same, and co-operate from the initial development activities till the completion of the project and later also in the commercial operation. Regarding the equity participation, as well as other terms and conditions and modalities i.e setting up of a SPV etc., a separate set of agreement will be entered into at an appropriate time. This MOU shall be valid for a period of three years commencing from the date of execution
- c) On May 4, 2006, the company has entered into a MOU with Ushodaya Energy & Project Consultants Private Limited and United Group Infrastructure (M) Sdn Bhd with a view to work together to take up water treatment and waste water treatment for both Municipal and Industrial. The parties have agreed to develop projects jointly, exchange information pertaining to the same and co-operate from the initial development activities till the completion of the project and later also in the commercial operations. Regarding the equity participation, as well as other terms and conditions and modalities i.e setting up of a SPV etc., a separate set of agreements will be entered into at an appropriate time.

Other than the above, the Company has not publicly announced any new products or segments.

The extent to which the company's business is seasonal

The Company's business is not seasonal.

Any significant dependence on a single or few suppliers or customers

As described in section titled "Risk Factors" on page no.ix of this Red Herring Prospectus, the Company depends on Indian Oil Corporation for supply of HSD and the Company supplies power solely to the department of electricity of A & N administration.

Competitive conditions

For details of competitive conditions please refer to Section titled, "Business Overview" on page no. 2 of this Red Herring Prospectus.

Significant developments after March 31, 2007 that may affect the future results of the Company

There are no circumstances that have arisen since the date of the last financial statements as disclosed in the Red Herring Prospectus and which materially and adversely affect or are likely to affect the business or profitability of the company or the value of its assets and earnings per share of the company.

VI. LEGAL AND OTHER INFORMATION

1. OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigations, suits, criminal or civil prosecutions, potential disputes, labour disputes, bargains and demands, investigations, Central / State Government claims or inquires proceedings or tax liabilities, overdue to banks/financial institutions, defaults against banks/financial institutions, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part I of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company or its subsidiaries or its Group Companies or its promoters or its directors and no defaults of non-payment of statutory dues against the Company including under the excise, customs, sales tax, income tax and service tax and no disciplinary action has been taken by SEBI or any stock exchanges against the Company save and except the following.

Against the Company

There is no outstanding litigation against the Company.

Notice

The Company has received a notice dated November 18, 2002 from the A & N Administration for payment of liquidated damages at the rate of 0.5% per week at a maximum of 5% till the date of completion of the project, as there has been a delay in commissioning the power plant at Bamboo Flat, Port Blair, A&N Islands.

The Company has replied to the notice vide letters dated November 27, 2002 and June 24, 2003 stating that they are not liable to pay any liquidated damages as the delay had occurred due to force majeure and delays on account of lack of evacuation of power facility and other lapses by the A & N Administration itself.

The A & N Administration has replied to the Company's reply vide letters dated December 2, 2003 and December 10, 2003, reiterating their position that delay had been caused and the amount of liquidated damages payable by the Company amounts to Rs. 3,15,70,000/-.

1. Litigation involving Criminal Offences: Nil
2. Litigation/Disputes involving Securities related offences, including penalties imposed by SEBI or any other securities market regulator in India or abroad: Nil
3. Litigation involving Statutory and other offences, including penalties imposed by any regulatory authority in India or abroad (Present or past): Nil
4. Litigation involving Civil and Economic Offences: Nil
5. Litigation in relation to labour laws, and employee related cases: Nil
6. Litigation involving revenue authorities (customs/excise/sales tax/income tax/service tax): Nil
7. Litigation involving customers/suppliers/agents: Nil

8. Litigation in the nature of winding up petitions/ liquidation/ bankruptcy / closure filed by / against the company: Nil

Non payment of statutory dues or dues to Banks / Institutions: Nil

Overdue interest/ principal as on current date: Nil

There have been no defaults and there are no overdues in respect of bonds, debentures and fixed deposits (placed through public or private placement) and arrears in respect of cumulative preference shares or any other liabilities as on current date.

Further, there are no litigations/disputes/penalties or any proceedings known to be contemplated by government authorities.

The Company does not owe sum exceeding Rs. 1 lac outstanding for more than 30 days to small scale undertakings.

There are no litigations against any other company whose outcome could have materially adverse effect on the position of the Company.

Against the Subsidiaries

- (i) South Asian Agro Industries Limited

Appeal No./ Case No.	Complainant / Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under consideration	Nature of Case	Current Status
A.S. No. 740/2002	Jalla Lakshmaiah	M/s. South Asian Agro Industries Limited. (SAAIL)	High Court, Hyderabad	-	SAAIL entered in to a sale cum possession agreement for purchase of land to the extent of 10.04 acres in the year 1995 with the vendor Mr. Jalla Lakshmaiah. As per the terms of the agreement, SAAIL was to pay the balance consideration amount within 6 months and get the land registered in its name lest the advance paid by SAAIL gets	This appeal is pending at High Court, Hyderabad

					<p>forfeited. Even though SAAIL informed the vendor to come for registration the vendor failed to comply and take the balance within the scheduled time. SAAIL approached the Senior Civil Judge's Court at Nalgonda seeking directions from the Court for registration of the land. The court passed an order on February 21, 2002 directing the vendor to register the land within six months and draw the balance consideration amount deposited by SAAIL in the court.</p> <p>Aggrieved by the orders of the District Court, the vendors approached the High Court of AP and obtained stay on the orders of the lower Court. SAAIL filed petition in the High Court of AP for vacation of the stay orders, which is still pending for disposal.</p>	
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(ii) Lahari Power & Steels Ltd

Appeal No. / Case No.	Complainant / Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration	Nature of Case	Current Status
O. S. No. 807/2002	K. Joga Reddy & Others	M/s. Lahari Organics Limited, (now Lahari Power & Steels Ltd)	High Court, Hyderabad	-	Lahari entered in to a sale agreement for purchase of land to the extent of 30.37 acres in the year 1995 with the vendor Mr. K. Joga Reddy. As per the terms of the agreement, Lahari had to pay the balance consideration amount within 6 months and get the land registered in its name lest the advance paid by Lahari gets forfeited. However, the vendors failed to register the land. Lahari approached the IIInd Additional Dist Judge Nalgonda seeking directions from the Court for registration	This Petition is pending at High Court, Hyderabad

					<p>of the land. The Court passed orders on January 31, 2002 directing the vendor to refund the advance amount within two years, in four equal half yearly payments, with interest.</p> <p>Aggrieved by the orders of the District Court, the vendors approached the High Court of AP and obtained stay on the orders of the lower Court. Lahari filed a petition in the High Court of AP for vacation of the stay orders, which is still pending for disposal.</p>	
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Against the Promoters

App eal No./ Case No.	Date d	Complainan t/ Applicant	Respon dents	Name & Address of the Court/ Arbitration Panel	Amou nt under consid eration	Nature of case	Current status
37/2 000	-	Marine Products Exports Development Authority, Cochin (MPEDA)	Dr. S.M. Manepalli & 3 others (Suryach akra Seafoods Ltd. (now Cocanada Fisheries Limited)	District Court, Ernakulam	Rs. 68,56,5 75	Dr. S.M. Manepalli and 3 others (Mr. B.P. Vijaya Rao, Mrs. S.N.V. Padmavath y and Suryachakr a Seafoods Ltd.) entered into Financial Collaboratio n Agreement (FCA) with MPEDA on October 18, 1993 for subscribing to the equity share capital of Suryachakr a Seafoods Ltd. As per the terms and conditions of FCA, the promoters of Suryachakr a Seafoods Ltd. have to buy back the shares invested by MPEDA, within 5 years. The promoters failed to do	Pending at District Court Ernakulam.

						so. MPEDA initiated arbitrations proceeding s against the promoters and an award was passed by the arbitrator directing the promoters to pay an amount of Rs. 68,56,575/- to MPEDA for buying back of the shares. The promoters challenged the Award in the District Court at Ernakulam and the case is pending for disposal.	
1/03	17.04 .03	Marine Products Exports Development Authority	Dr. S.M. Manepalli & Others (Kalyan Marine & Agro Products Limited)	District Court Ernakulam	Rs. 1,27,66 ,100	The Promoters (Dr. S.M. Manepalli, Mr. Seshavatharam) and Kalyan Marine & Agro Products Limited entered into financial collaboration agreement with MPEDA on	Pending at District Court, Ernakulam

						<p>March 5, 1993 for subscribing to the equity share capital of Kalyan Marine & Agro Products Limited. As per the terms and conditions of FCA, the promoters of Kalyan Marine & Agro Products Limited have to buy back the shares invested by MPEDA, within 5 years. The promoters failed to do so. MPEDA initiated arbitrations proceeding s against the promoters and an, award was passed by the arbitrator directing the promoters to pay an amount of Rs. 1,27,66,100/- to MPEDA for buying back of the shares.</p>	
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						The promoters challenged the Award in the District Court at Ernakulam and the case is pending for disposal	
S.No. 812 of 1991 and I.A. No. 1221 of 1998	28.04 .98	IFCI	Late Sri M. Seshavatharam and others	City Civil Court, Hyderabad	Rs. 1,61,14 ,186	The suit was filed by IFCI against M. Seshavatharam and V. Nookaji for recovery of a loan amount along with interest amounting to Rs. 1,61,14,186/-. The loan was taken by Mr. M. Seshavatharam and V. Nookaji in their capacity as promoters and directors of the company. The family partition took place in the year 1971 through a registered partnership deed. Mr. M. Seshavatharam died in 1991 and the legal	The case has been transferred to the Debt Recovery Tribunal. No notices have been received from the Debt Recovery Tribunal till date.

						representative, Dr. S. M. Manepalli was brought on record. The matter is pending and is being contested on the ground that the debt is not binding on the legal representative as he had separated from the family prior to the loan being taken.	
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Against Promoter Group Companies

Appeal No. / Case No.	Dated	Complainant / Applicant	Respondents	Name & Address of the Court / Arbitration Panel	Amount under consideration	Nature of case	Current status
66/94	20.10.94	The Revenue Divisional Office, Amalapuram. The AP Industrial Infrastructure Corporation Ltd.	Suryachakra Seafoods Ltd., (now Cocanada Fisheries Ltd.)	Senior Civil Judge Amalapuram	-	Suryachakra Seafoods Ltd. purchased land to the extent of 92 acres and 118-43 acres in the year 1992 from some of the land owners. The Govt in the Department of Revenue took action to dispossess	Stay petition is Pending at High Court, Hyderabad O.S is pending at, Amalapuram

						<p>Suryachakra Seafoods Ltd. from the lands. Suryachakra Seafoods Ltd. filed a case in the Court at Amalapuram for declaration of the title to itself. While the case was pending for disposal, the Regional Divisional Officer of Amalapuram, East Godavari District, AP issued proceedings to take possession of the said lands from Suryachakra Seafoods Ltd.</p> <p>Suryachakra Seafoods Ltd. approached the High Court of A.P seeking stay order on the proceedings of the Regional Divisional Officer, which is also pending for</p>	
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						disposal.	
2004	2004	Sridevi Hatcheries	Ushodaya Marine Products Private Limited (Now known as Arunodaya Green Fuels Private Limited)	17 th Metropolitan Magistrate City Civil Criminal Court at Hyderabad.	Rs. 7,69,000	Ushodaya Marine Products Private Limited (Now known as Arunodaya Green Fuels Private Limited) leased out its hatchery to M/s Sridevi Hatcheries, Kakinada, and the lessor failed to pay the lease rentals and failed to honour the cheques for Rs.3,84,000 /- and Rs.3,85,000 /- issued by them. Ushodaya Marine Products Private Limited filed a case against them under the Negotiable Instruments Act. The case is pending for disposal.	Next hearing on October 09, 2006

Litigation against Promoters:

Other than what has been disclosed above there are no pending litigations in which the promoters are involved. Except as disclosed no defaults have been made to the financial institutions/ banks, non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares by the promoters and the companies/ firms promoted by the promoters.

Further, there are no cases of pending litigations, defaults, etc. in respect of companies/ firms/ ventures with which the promoters were associated in the past but are no longer associated.

Further, there are no litigations against the promoter involving violation of statutory regulations or alleging criminal offence.

There are no Pending proceedings initiated for economic offences against the promoters, companies and firms promoted by the promoters

There are no pending litigations, defaults, non payment of statutory dues, proceedings initiated for economic offences/ civil offences (including the past cases, if found guilty). Further, no disciplinary action was taken by the SEBI/ stock exchanges against the promoters and their other business ventures (irrespective of the fact whether they are companies under the same management with the issuer company as per section 370 (1B) of the Companies Act, 1956).

Against Directors of the Company

(i) Against T. Sree Rama Krishanayya

Appeal No./ Case No.	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration	Nature of Case	Current Status
OS – 53 of 1999	Lanka Narayana Rao & Others	T. Sree Rama Krishanayya & others	District Court, Rajahmundry	No monetary involvement	The case is related to the dispute of ownership and partnership of Sree Ramadas Ricemill, Mandapeta (East Godavari District), A.P. Mr. T. Sree Rama Krishnayya is one of the registered owners / partner of Sri Ramadas Rice Mill. Mr. T. Sree Rama Krishnayya is also the Managing Partner of Shri Rama Krishna Enterprises, Mandapeta, the lessee who is doing Rice Milling	Pending at District Court, Rajahmundry, Andhra Pradesh.

					Business, being authorized with a lease deed entered into, by all the partners. Both the suits involved in respect of the extent of partnerships as all belong to HUF. Both the plaintiffs and defendants of both the suits, belong to one extended family.	
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Other than what has been disclosed above, there are no pending litigations against the directors involving violation of statutory regulations or alleging criminal offence.

There are no pending proceedings initiated for economic offences against the directors.

There are no past cases in which penalties were imposed by the concerned authorities on the issuer company or its directors.

There are no pending litigations, defaults, non payment of statutory dues, proceedings initiated for economic offences/ civil offences (including the past cases, if found guilty), any disciplinary action taken by the SEBI / stock exchanges against the issuer company or its Directors: Nil

The promoters, their relatives (as per Companies Act, 1956), issuer, group companies, directors, associate companies are not detained as willful defaulters by RBI/ government authorities and there are no violations of securities laws committed by them in the past or pending against them.

Notices

(i) Against Cocanada Fisheries Limited

Cocanada Fisheries Limited, a promoter group company, had on July 31, 1995 entered into a hire purchase agreement with M/s. Lloyds Finance Limited, a non-banking finance company, for the sum of Rs. 50.31 lakhs which in turn was secured by a letter of guarantee by Dr. S.M. Manepalli dated August 8, 1995.

Upto 1999, Cocanada Fisheries Limited paid the rentals totaling to Rs. 26.16 lakhs to the lenders. Pursuant to the order passed by the Supreme Court in 1996 *inter alia* banning aquaculture companies from carrying on shrimp farming, the said company's business was adversely affected and has not been operational since 1997.

Consequently, the company has been unable to repay the amounts due and payable under the said hire purchase agreement, for which it has received notices from M/s. Lloyds Finance Limited for payment of the outstanding amount of Rs. 24.16 lakhs along

with interest.

Status: Lloyd finance limited vide their letter dated 8 August, 2006 has stated that it has withdrawn cases under Section 138 of the Negotiable Instrument Act against Cocanada Fisheries Limited. Further, Lloyd Finance Limited has issued a no dues certificate dated 8th August, 2006, stating that Cocanada Fisheries Limited has paid all the amounts due to them in full and final settlement. However, the order copy from the court is still pending.

(ii) *Against Kalyan Marine & Agro Products Limited*

Kalyan Marine & Agro Products Limited, a promoter group company, had on March 25, 1997 entered into a hire purchase agreement with M/s. Lloyds Finance Limited, a non-banking finance company, for the sum of Rs. 26.53 lakhs. Pursuant to the order passed by the Supreme Court in 1996 *inter alia* banning aquaculture companies from carrying on shrimp farming, the said company's business was adversely affected and has not been operational since 1997. – in the hard copy the presentation is different

Consequently, the company has been unable to repay the amounts due and payable under the said hire purchase agreement, for which it has received notices from M/s. Lloyds Finance Limited for payment of the outstanding amount of Rs. 26.53 lakhs along with interest.

Following various hearings with the special committee, the special committee has on April 24, 2006 directed M/s. Coconada Fisheries Limited and M/s. Kalyan Marine & Agro Products Limited to pay actual sum plus overdue interest being a sum of Rs. 40,00,000/- as full and final settlement of the Rs. 50,68,414/- actual sum owing to M/s. Lloyds Finance Limited. The companies have been directed to pay the full and final settlement amount on or before July 31, 2006. A token amount of Rs. 1,00,000/- was paid on the April 24, 2006 itself. The remaining sum has to be paid over May, June and July 2006 with a minimum sum of Rs. 5,00,000/- being payable every month. In the event that the companies fail to make the full and final payment by July 31, 2006, the entire original liability shall stand restored and status quo shall be maintained and Dr. S.M. Manepalli as the guarantor for the said hire purchase agreements shall be liable.

Status: Lloyd Finance Limited vide their letter dated 8th August, 2006 has stated that it has withdrawn cases under Section 138 of the Negotiable Instrument Act against Kalyan Marine & Agro Products Limited. Further, Lloyd Finance Limited has issued a no dues certificate dated 8th August, 2006, stating that Kalyan Marine & Agro Products Limited has paid all the amounts due to them in full and final settlement. However, the order copy from the court is still pending.

Notices from SEBI / stock exchanges

(i) *Against Cocanada Fisheries Limited (Formerly Suryachakra Seafoods Ltd.)*

- ***Delisting from the BSE***

On August 26, 2003, the BSE issued a show cause notice to Suryachakra Seafoods Ltd. informing the said company that trading in the company's securities have been suspended w.e.f. May 19, 1997 due to non-compliance with the listing agreement. The company was given 21 days to reply to the said show cause notice failing which it would take action against the company which shall include but not be limited to delisting of the company. The company replied to the said show cause notice by a letter dated September 8, 2003. The company subsequently in response to the public notice issued by the BSE in the Business Standard on November 14, 2003 addressed another letter dated December 8,

2003 informing the BSE of the Supreme Court ban on aqua culture which in turn had affected the company's business severely. The company further requested the BSE not to delist the company. The BSE vide its letter dated January 19, 2004 informed the company, that the company had failed to reply to the show cause notice and that the company has been delisted from the BSE w.e.f. January 14, 2004.

- *Violation of Takeover Regulations*

By a letter dated November 29, 2004, the SEBI directed Cocanada Fisheries Limited to pay a sum of Rs. 1,50,000/- as penalty for violating Regulations 6 and 8 of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 since the company failed to submit the documents as required. In response to the said letter, the company addressed a letter dated December 21, 2003 informing SEBI of the company's state of affairs following the ban on aqua culture by Supreme Court.

(ii) Kalyan Marine & Agro Products Limited

- *Delisting from the BSE*

On August 21, 2003, the BSE issued a show cause notice to Kalyan Marine & Agro Products Ltd. informing the said company that trading in the company's securities have been suspended w.e.f. May 19, 1997 due to non-compliance with the listing agreement clauses. The company was given 21 days to reply to the said show cause notice failing which it would take action against the company which shall include but not be limited to delisting of the company. The company replied to the said show cause notice vide its letter dated September 8, 2003. BSE vide its letter dated April 29, 2004 informed the company, that the company had failed to reply to the show cause notice and the public notice issued by the BSE on April 20, 2004 in the Financial Express and thus, the company has been delisted from the BSE w.e.f. April 20, 2004.

- *Violation of Takeover Regulations*

By a letter dated November 29, 2004, the SEBI directed Kalyan Marine & Agro Products Ltd. to pay a sum of Rs. 1,75, 000/- as penalty for violating Regulations 6 and 8 of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 since the company failed to submit the documents as required. In response to the said letter, the company addressed a letter dated December 21, 2004 informing SEBI of the company's state of affairs following the ban on aqua culture by Supreme Court.

No disciplinary action/investigation has been taken by the Securities and Exchange Board of India (SEBI)/Stock Exchanges against the Company, its Directors, Promoters and their other business ventures (irrespective of the fact whether or not they fall under the purview of Sec 370 (1B) of the Companies Act, 1956.

The Company, promoters, directors or any of the Company's Associates or Group companies or other ventures of the promoters and companies with which the directors of the Company are associated as directors or promoters have not been prohibited from accessing the capital markets under any order or direction passed by SEBI and no penalty has been imposed at any time by any of the regulators in India or abroad.

Material developments since the last balance sheet

There are no material developments which have occurred since the date of the last financial statements disclosed (i.e. January 31, 2006) in this Red Herring Prospectus, the Board of Directors are not aware of any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or the value of their consolidated assets or their liability to pay their material liabilities within the next 12 months other than as disclosed in the Red Herring Prospectus.

The Draft Red Herring Prospectus (DRHP) of the Company was filed on June 1, 2006 by two Book Running Lead Managers (BRLMs) namely Karvy Investor Services Limited (KISL) and SREI Capital Markets Limited. Subsequently, KISL vide their letter dated 5th June, 2007 opted out from the issue due to scheduling of the Issue. KISL has vide their letter dated June 8, 2007, confirmed that they along with SREI Capital Markets Limited will continue to be responsible for the disclosures made in the DRHP filed with SEBI on 1st June, 2006. The other BRLM namely SREI Capital Markets Limited continues to be associated with the Issue as a BRLM.

2. GOVERNMENT APPROVALS/ LICENSING ARRANGEMENTS

In view of the approvals listed below, the Company can undertake this Issue and its current business activities and no further major approvals from any Government authority/ RBI are required to continue those activities.

Approvals for the Company

The Company requires various approvals to carry on its business. The approvals that the Company requires include the following:

(i) *Certificates from Registrar of Companies*

Date of approval	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval
February 28, 1995	Registrar of Companies, Andhra Pradesh	01-19554 of 1994-95	Companies Act	Certificate of Incorporation
March 16, 1995	Registrar of Companies, Andhra Pradesh		Companies Act	Certificate of commencement of business
August 9, 2000	Registrar of Companies, Andhra Pradesh		Companies Act	Conversion from public to private company and change of name to Suryachakra Power Corporation Private Limited
September 8, 2005	Registrar of Companies, Andhra Pradesh		Companies Act	Conversion from private to public company and change of name to Suryachakra Power Corporation Limited

(ii) *Approvals for power plant at A & N Islands*

Date of approval	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Validity
September 14, 1994	Ministry of Petroleum and Natural Gas, GoI	21017/7/1994		Fuel linkage clearance	
May 4, 1994	Director General of Meteorology , GoI	EMU-01934/South Andaman		Environmental Clearance	
May 10, 1994	Andaman & Nicobar Administration Secretariat.	Notification no. 50/94/F. No. 4-1(21)/93-Power(01)		Compliance of section 29 of the Electricity Supply Act, 1948 for 20 MW DG Power House.	
July 18, 1994	Office of the Superintending Engineer, Construction Circle No.1	WS/5-1/RCD/94/915/1915		Water availability certificate.	
September 19, 1994	Central Water Commission, GoI	12/14.83-UT/401		No objection for clearing scheme from water availability angle for DG Power & Colony.	
November 20, 1995	Secretariat for Industrial approvals, Entrepreneurial Assistance Unit, Ministry of Industry GoI	5787/SIA/IMO/95		Manufacture of Power Generation Proposed capacity- 20 MW	
November 20, 1997	Andaman & Nicobar Administration Secretariat.	4-2(2)/96-Power (DI)		Techno Economic clearance for 20 MW power house at bamboo flat	
April 9, 1999	Ministry of Petroleum & Natural Gas, GoI	No. P-21017/7/94-Dist	-	Allocation of 24000 MTPA of HSD for 4x5 MW	-

				Diesel Power Station	
January 31, 2000	Secretariat, A&N Administration	4-2(2)/99-Power		Outstanding bottle necks – for starting project work	
February 22, 2000	Office of the executive Engineer Road Construction Division, A.P. W.D, Wimberlygun g	WS/DB/RCD/99 /488	-	Transfer of clearances – availability of water for 20MW Power Plant at Bamboo flat.	
March 15, 2001	Office of the Deputy Commissioner, District of Andamans	Order no. 302		To construct a pump house and connected pipe line into the sea for carrying sea water for cooling purposes	
January 11, 2002 Renewed vide letter dated 16 th February, 2007	Department of Explosives, Ministry of Commerce & Industry, GoI	P-12(1)35	Form "XIII" under Petroleum rules, 1976	Petroleum Class 'B' installation at Bambooflat, A&N Islands – Licence to store 2170 Kilo Litres petroleum in installation.	31 st December 2009
February 6, 2003	Central Electricity Authority, GoI	CEI/4/7-8(A&N)/DG/2003/427-29		Final approval for commercial operation of 20MW	-
April 1, 2003	Office of the Superintending Engineer, Electricity Department, Andaman & Nicobar Administration	EL/PL/1-43(b)/2003/1375	–	Declaration of Provisional COD of 20MW IPP Power House, Bamboo flat.	
August 5,	Airports	AAI/20012/323	-	NOC for	

2003	Authority of India	/1994-ARI		chimney for power plant	
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(iii) Other government approvals

Date of approval	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Validity
November 20, 1995	Secretariat for Industrial Approvals, Ministry of Industry	5787/SIA/IMO/95	Industrial Policy	Approval for generation of power	-
March 15, 2000	Joint DGFT, Ministry of Commerce, GoI	IEC No. 0999010484	Foreign Trade Policy	Certificate of Importer Exporter Code	No date of expiry
February 13, 2002 Renewed vide letter dated January 8, 2007	Chief Inspector of factories	ANF/2/2001	Factories Act, 1948	Factory licence to use premises situated at Bamboo Flat as a factory employing not more than 50 persons.	Valid till December 31, 2007
February 22, 2006	Central Electricity Regulatory Commission	No. 19/ Trading / CERC	Electricity Act, 2003	License to trade in electricity as an electricity trader in India (except Jammu & Kashmir)	February 21, 2031

(iv) Environment related approvals

Date of approval	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Validity
September 9, 1994	Conservator of Forests	325/129		NOC from Forest Department for	

				power evacuation at Bambooflat. Clearance from Conservator of Forests, Forest Department.	
May 28, 1999	Ministry of Environment & Forests, GoI			NOC for transferring environmental clearance in favour of SPCL.	
May 25, 2001	Ministry of Environment & Forests, GoI	J-13011/21/93-IA.II (T)		NOC for use of seawater and for laying a pipeline from sea to the plant.	
June 2, 2005 Renewed vide letter dated July 20, 2006	Pollution Control committee, Andaman & Nicobar Administration	10-16-PCC/SCPCP L/2003/2782	Environmental Pollution Act, 1986	Renewal of consent to operate 20MW DG based power plant at Bamboo Flat	One year

(v) *Approvals from tax authorities*

Date of approval	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Validity
April 09, 1999	Income Tax Department	AACCS8126J	Income Tax Act	Permanent Account Number	Valid until cancelled

January 12, 2000	Deputy Commissioner, Sales tax, Port Blair	882/2000	Central Sales Tax Act, 1956	Registration as a dealer under CST Act.	Valid until cancelled
January 11, 2001	Office of the Municipal Council, Port Blair	15-76/Oct/2000-2001/(R)5026	Under Clause (3 (iii) (g) of the existing Municipal Council Octroi Bye-Laws	Exemption from payment of Octroi for installation or expansion of industries outside municipal area.	
May 23, 2002	Income Tax Department	HYDS04392D	Income Tax Act	TAN	Valid until cancelled

(vi) Other certifications / applications

- a) The Company has been certified ISO 9001:2000 for its power plant at Bamboo Flat, Port Blair, A & N Islands vide certificate number I15606.05. This registration is valid upto November 29, 2008.

Approvals for Lahari Power and Steels Limited

(i) Certificates from Registrar of Companies

Date of approval	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval
May 4, 1995	Registrar of Companies, Andhra Pradesh	01-20207 of 1995 - 96	Companies Act	Certificate of incorporation as Lahari Organics Limited
May 26, 1995	Registrar of Companies, Andhra Pradesh		Companies Act	Certificate of commencement of business
July 26, 2001	Registrar of Companies, Andhra Pradesh		Companies Act	Change of name to Lahari Power & Steels Limited

(ii) Approvals for bio-mass based power plant at Chhattisgarh

Date of approval	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Validity
November	Secretariat	2766/SIA/IM	NIC Code	Generation	-

21, 2002	for Industrial Assistance, Ministry of Commerce & Industry, GoI	O/2002		and Supply of power by non-conventional energy at Janjgir, Akaltara, Champa, Chhattisgarh Capacity :10 MW	
February 13, 2003	Chhattisgarh State Renewable Energy Development Agency	3423/Biomass/RSB/Creda/02-03	Energy Law	Setting up of 10MW Biomass based thermal power plant at Akaltara in Janjgir-Champa Dist.	-
February 13, 2003	Chhattisgarh State Renewable Energy Development Agency	3434/Biomass/RSB/Creda/02-03	Sec. 44 of electricity (Supply) Act, 1948	CREDA's approval for installation of 10MW Rice Husk based power generation project at Akaltara	-
May 31, 2003	Chhattisgarh State Electricity Board, Daganiya, Raipur.	02-02/SE-I/12/78-01/512	Sec. 44 of Indian Electricity (Supply) Act, 1948	Permission for installation & running of 10MW power generator based on rice husk at village Akaltara, Dist. Champa-Janjgir.	-
September 4, 2003	Madwa Gram Panchayat, Champa			NOC for setting up 10 MW biomass power generation	

				plant	
October 15, 2003	Chhattisgarh State Renewable Energy Development Agency	6195/Biomass/RSB/Creda/2003	Energy Law	Permission for change of location from Akaltara Dist. Janjgir to Madwa, Dist. Janjgir.	-
November 28, 2003	Chhattisgarh State Electricity Board, Daganiya, Raipur.	02-02/SE-I/12/78.01/2230	Sec. 44 of Electricity (Supply) Act, 1948	Permission for installation & running of 10Mw power generator based on rice husk at village Akaltara, Dist. Champa-Janjgir-revision of permission, shift of site from Akaltara to Mandwa.	
December 4, 2003	Department of Industrial Policy & Promotion Secretariat of Industrial Assistance (Public Relation and Complaints Section) Ministry of Industry Govt. of India	No. 2766/SIA/IMO/2002	Industrial Law	Corrections made to IEM dated 21.11.2002-change of location village Akaltara, Champa to village Mandawa, Champa	-
July 20, 2004	Chhattisgarh Environment Conservation Board,	2765/TS/CEC B/2004	Water (Prevention and Control of Pollution) Act 1974 & Air	Permission to establish the proposed Biomass based 9.8 Megawatt	-

			(Prevention and Control of Pollution) Act, 1981	Power plant at village Madwa, District- Janjgir- Champa	
December 17, 2004	Ministry of Coal, GoI	No. 23014/9/2004-CPD	-	Approval of 17300 TPA (E&F Grade from SECL/ Raigarh	
February 15, 2005	Water Dept., Chhattisgarh	284		Permission for drawing of water upto 720 cu.mt. per day from Hardeo river.	
January 31, 2006	Chhattisgarh State Electricity Board (CSEB)	No. 02-02/ACE-I/12/78-01/42957		Approval from CSEB for evacuation of power.	
	Gram Panchayat, Madwa		NOC for setting up 10 MW Biomass based power Generation plant in the village of Madwa.		

(iii) Approvals from tax authorities

Date of approval	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Validity
July 26, 2001	IT Department	AAACL 8513A	Income Tax Act	PAN Registration	Valid till cancellation
July 26, 2001	IT Department	HYDLO0904B	Income Tax Act	TAN Registration	Valid till cancellation
March 14, 2005	Central Tax Authority	110627050S	Central Sales Tax Act	Registration	Valid till cancellation.

Approvals for South Asian Agro Industries Ltd.

(i) Certificates from Registrar of Companies

Date of approval	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval
May 26, 1995	Registrar of Companies, Andhra Pradesh	01-20481 of 1995 – 96	Companies Act	Certificate of Incorporation
June 13, 1995	Registrar of Companies, Andhra Pradesh		Companies Act	Certificate of commencement of business

(ii) Approvals for bio-mass based power plant at Chhattisgarh

Date of approval	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Validity
November 21, 2002	Secretariat for Industrial Assistance, Ministry of Commerce & Industry, GoI	2765/SIA/IM O/2002	NIC	4390: Generation & Supply of power by non conventional energy. Proposed capacity: 10 MW	
February 13, 2003	Chhattisgarh State Renewable Energy Development	3436/Creda/2 002-03	Energy Law	CREDA's approval for installation of 10MW	-

	Agency			Rise Husk based power generation project at Champa.	
May 31, 2003	Chhattisgarh State Electricity Board, Daganiya, Raipur.	02-02/SE-I/12/56-01/513	Sec., 44 of Indian Electricity (Supply Act), 1948	Permission for installation & running of 10MW power generator based on rice husk at village Kothari District Korba.	
August 8, 2003	Chhattisgarh State Renewable Energy Development Agency	Ref: 5459/Biomass/RSB/Creda/2003	Energy Act	Permission for change of site for 10MW Rice husk based power project from Champa to district Raigarh	-
October 14, 2003	Gram Panchayat, Dehjari, Raigarh			NOC for setting up 9.8 MW biomass based power generation plant in the village of Dehjari	
January 22, 2004	Chhattisgarh State Electricity Board, Daganiya, Raipur.	02-02/S-EI/12/56.01/2784	Sec., 44 of Electricity (Supply) Act, 1948	Permission for installation & running of 10Mw power generator based on rice husk at village	

				Dehajari, Dist, Raigarh.	
July 20, 2004	Chhattisgarh Environment Conservation Board,	2769/TS/CEC B/2004	Water (Prevention and Control of Pollution) Act 1974 & Air (Prevention and Control of Pollution) Act, 1981	Permission to establish the proposed Biomass based 9.8 Megawatt Power plant	-
December 7, 2005	Gram Panchayat, Dhabadeeh, Raipur			NOC for installation of electric power plant by M/s. South Asian Agro Industries Ltd.	
June 16, 2006	Chhattisgarh Environment Conservation Board, Raipur	2956/TS/CEC B/2006	Water (Prevention and Control of Pollution) Act 1974 & Air (Prevention and Control of Pollution) Act, 1981	Permission to establish 10 MW Biomass Based Power Plant at Khasara Nos. 574, 576- 583, 588/1, 2, 3, Patwari Halka No. 2, Village- Khajuri, Tehsil- Baloda Bazar, District – Raipur.	
February 7, 2006	Chhattisgarh State Renewable Energy Development Agency	Ref: 5092/ CREDA/BM/R SB/2005-06	Energy Act	Permission for change of site for 10MW Rice husk based power project from	-

				District Raigarh to Village Khajuri, District Raipur	
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(iii) Approvals from tax authorities

Date of approval	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Valid ity
April 23, 1999	Income tax department	AACCS8140C	Income tax Act	PAN Registratio n	Valid till cancellati on
April 23, 1999	Income Tax Departmen t	HYDSO 840 2C	Income Tax Act	TAN registration	Valid till cancellati on
March 14, 2005	Central Tax Authority	11061360C	Central Sales Tax Act	Registratio n	Valid until cancell ed

Approvals for MSM Energy Ltd.

(i) Certificates from Registrar of Companies

Date of approval	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval
February 7, 2000	Registrar of Companies, Andhra Pradesh	01-33475 of 1999 - 2000	Companies Act	Certificate of Incorporation as Suma.com Limited
February 17, 2000	Registrar of Companies, Andhra Pradesh		Companies Act	Certificate of commencement of business
November 27, 2000	Registrar of Companies, Andhra Pradesh		Companies Act	Change of name to Suma Informatics Limited
September 26, 2003	Registrar of Companies, Andhra Pradesh		Companies Act	Change of name to MSM Energy Ltd.

(ii) Approvals for bio-mass based power plant at Parbhani District, Maharashtra

Date of approval	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Validity
January 18, 2006	Maharashtra Pollution Control Board	Bo/PCI-II/ROAD/EIC No. AD-0314-05/E/CC- 36	Water (Prevention and Control of Pollution) Act 1974 & Air (Prevention and Control of Pollution) Act, 1981	Consent to establish a Electricity Generation (Biomass-based Power Project) for 71.20 MKwh	Upto commissioning of the Unit.
January 18, 2006	Executive Engineer, Jaikwadi Project, Division II, Parbhani			Permission for digging bore well and wells in the area	-
July 25, 2006	Government of Maharashtra, Environment Department	ENV(NOC)-2006/624/CR 87/TC-II		Environment clearance for the 10MW Electricity generation Biomass-based Power Project), at Gat No. 54 & 129, Village- Borwand.	
-	Gram Panchayat, Parbhani			NOC for setting up 10MW Biomass based power	

				project in Tad-Pangari Village by M. S. M. Energy Ltd.	
March 7, 2006	Directorate of Bhuvigyan and Minerals/ Mining			NOC for mining for minerals.	

MEDA Approval & reference of the Biomass Power Plant	In-principle clearance for setting up of 10MW biomass based power project in Parbhani District was issued by MEDA in their Letter No : PGN/BPP-044/2005-06/1083 dated : 22 nd Feb 2006 MEDA has vide their letter no.PGN/BPP-009-A/2005-06/1642 dated 16 th March 2006 enclosed draft agreement between MEDA and the project promoter to obtain the final consent for setting up the project.
Acknowledgement from SIA	Acknowledgement from SIA vide letter no. 3300/SIA/IMO/ 2005: 12 th July, 2005 for generation and supply of power by non-conventional energy.
Maharashtra Pollution Control Board	Consent for setting-up of power plant under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, and under Section 21 of the Air (Prevention and Control of Pollution) Act, 1991 vide letter no.BO/PCI-II/ROAD/EIC No.AD-0314-05/E/CC-36 dated 18 th January, 2006.

Approvals for bio-mass based power plant at Amravati District, Maharashtra

Date of approval	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Validity
January 18, 2006	Maharashtra Pollution Control Board	BO/PCI-II/ROAM/EIC No. AM-0413-05/E/CC- 37	Water (Prevention and Control of Pollution) Act 1974 & Air (Prevention and Control of Pollution) Act, 1981	Consent to establish a Electricity Generation (Biomass-based Power Project) for 10 MW	Upto commissioning of the Unit.
March 7, 2006	Directorate of Bhuvigyan and Minerals/ Mining			NOC for mining for minerals.	

March 28, 2006	Mandal Officer, Kholapur			NOC from MRO for mining works	
May 19, 2006	Maharashtra State Electricity Distribution Company Ltd.	No. SE/O&M/Amt / T/ 37293		Intimation that the grid connectivity for evacuation of power having capacity of 10MW is feasible.	
July 25, 2006	Government of Maharashtra, Environment Department	ENV(NOC)-2006/623/CR 88/TC-II		Environment clearance for the Generation of 10MW power (Biomass-based Power Project), at Gat No. 88, 145, Village-Kholapur.	
September 5, 2005	Gram Panchayat, Kholapur			NOC for setting up 10 MW Biomass based power project in Kholapur Village.	
September 12, 2006	Zilla Parishad, Health Dept.	Lr. No. 6530/06		NOC from the Health department.	
September 29, 2006	Office of the Executive Engineer			NOC for setting up 10 MW Biomass based power project in Kholapur Village.	

MEDA Approval & reference of the Biomass Power Plant	<p>In-principle clearance for setting up of 10MW capacity grid connected biomass based power project in Amravati District was issued by MEDA in their Letter No: PGN/BPP-044/2005-2006/1083 dated 22nd February 2006.</p> <p>MEDA has vide their letter no PGN/BPP/009-A/2005-06/1642 dated</p>
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	16 th March 2006 enclosed draft agreement between MEDA and the project promoter to obtain the final consent for setting up the project.
Acknowledgement from SIA	Acknowledgement from SIA vide letter no. 3992/SIA/IMO/ 2005: 22 nd August, 2005 for generation and supply of power by non-conventional energy.
Maharashtra Pollution Control Board	Consent for setting-up of power plant under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, and under Section 21 of the Air (Prevention and Control of Pollution) Act, 1991 vide letter no.B0/PCI-II/ROAM/EIC No.AM-0413-05/E/CC-37 dated 18 th January, 2006.

Approvals from tax authorities

Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Validity
Income Tax Department	AAECS6141H	Income Tax Act	PAN Registration	Valid till cancellation
Income Tax department	HYDSO4067A	Income tax Act	TAN Registration Number	Valid till cancellation

Approvals that are yet to be applied for / Applied for, in case of subsidiary companies.

1. For South Asian Agro Industries Limited

S. No.	Approval Pending	Authority	Status
(i)	Permission for installation & running of biomass based power plant	Chhattisgarh State Renewable Energy Development Agency	Applied for. Permission under process
(ii)	Water, Air and Noise Pollution Permission	Chhattisgarh State Environment Conservation Board, Raipur	Applied for
(iii)	For using the ground water to draw water from nearby river/canal	State Ground Water Board / State Irrigation authorities	Applied for
(iv)	Approval for the electrical equipment installation	State Chief Electrical Inspector	Will be processed and applied for during project execution stage
(v)	Approval for the establishment of power plant	State Chief Inspector of Factories	Will be processed and applied for during project execution stage
(vi)	Approval for the layout & buildings of the power plant	State Town Planning Dept.	Will be processed and applied for during project execution stage
(vii)	For installation & operation of the boiler & pressure part components	State Chief Inspector of Boilers	Will be processed and applied for during project execution stage
(viii)	Approval required for the fire fighting systems	Tariff Advisory Committee	Will be processed and applied for during project execution stage

2. For M.S.M. Energy Limited

(a) Biomass power plant at Parbhani

S. No.	Approval Pending	Authority	Status
(i)	Energy Purchase cum Wheeling Agreement	Maharashtra State Electricity Distribution Company Limited, Mumbai	Draft Energy Purchase cum Wheeling Agreement is under preparation
(ii)	Land clearance to establish Biomass power plant	State nodal agency	To be applied
(iii)	NOC from Mines & Geology Department	Mining Office (Collectorate's office), Parbhani / Technical Officer (Mines & Geology Department), Nagpur	Applied for
(iv)	Coal Linkage	Coal Ministry, GoI	Applied for
(v)	Approval for the electrical equipment installation	State Chief Electrical Inspector	Will be processed and applied for during project execution stage
(vi)	Approval for the establishment of power plant	State Chief Inspector of Factories	Will be processed and applied for during project execution stage
(vii)	Approval for the layout & buildings of the power plant	State Town Planning Department	Will be processed and applied for during project execution stage
(viii)	For installation & operation of the boiler & pressure part components	State Chief Inspector of Boilers	Will be processed and applied for during project execution stage
(ix)	Approval required for the fire fighting systems	Tariff Advisory Committee	Will be processed and applied for during project execution stage
(x)	Clearance required for installation of chimney	Airport Authorities	Will be processed and applied for during project execution stage

(b) Biomass power plant at Amravati

S. No.	Approval Pending	Authority	Status
(i)	Clearance for setting up 10 MW biomass based power plant	Maharashtra Electricity Development Agency, Pune	In-principal approval obtained. Final clearance certificate awaited
(ii)	Energy Purchase cum Wheeling Agreement	Maharashtra State Electricity Distribution Company Limited, Mumbai	Draft Energy Purchase cum Wheeling Agreement is under preparation
(iii)	Land clearance to establish Biomass power plant	State nodal agency	To be applied

(iv)	NOC from Mines & Geology Department	Mining Officer, Amravathi / Technical Officer (Mines & Geology Department), Nagpur	Applied for
(v)	Clearance for availability of water required for the power plant	State Irrigation Department / State Ground Water Survey Department	To be applied
(vi)	Coal Linkage	Coal Ministry, GoI	Applied for
(vii)	Approval for the electrical equipment installation	State Chief Electrical Inspector	Will be processed and applied for during project execution stage
(viii)	Approval for the establishment of power plant	State Chief Inspector of Factories	Will be processed and applied for during project execution stage
(ix)	Approval for the layout & buildings of the power plant	State Town Planning Department	Will be processed and applied for during project execution stage
(x)	For installation & operation of the boiler & pressure part components	State Chief Inspector of Boilers	Will be processed and applied for during project execution stage
(xi)	Approval required for the fire fighting systems	Tariff Advisory Committee	Will be processed and applied for during project execution stage
(xii)	Clearance required for installation of chimney	Airport Authorities	Will be processed and applied for during project execution stage

It must be specifically understood that the Central/State Government or RBI does not take any responsibility for financial soundness of the statements made by the Company

VII. OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Present Issue

The Issue has been authorized pursuant to a resolution by the Board of Directors of the Company adopted at its meeting held on July 27, 2005 and by a special resolution adopted pursuant to section 81(1A) of the Companies Act at the extra ordinary general meeting of the shareholders of the Company held on December 31, 2005.

Prohibition by SEBI

The Company, its Directors, its Promoters, the Directors of the Promoter Companies and persons in control of the Promoters, the subsidiaries, the associates, the group companies, companies promoted by Promoters and companies or entities with which the Company's Directors are associated as Directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Eligibility for the Issue

The Company is eligible for the issue in accordance with clause 2.2.2 of the SEBI (DIP) Guidelines as explained under:

The issue is being made through the book building process with at least 50% of the issue size being allotted to QIBs failing which the subscription monies will be refunded; and

The minimum post issue face value of the capital of the Company shall be Rs. 1000 lakhs.

Further, in accordance with Clause 2.2.2A, the Company shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000 in number.

SEBI Disclaimer Clause

AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY THE 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 RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER VIZ., SREI CAPITAL MARKETS LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE 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 AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER ARE 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 VIZ., SREI CAPITAL MARKETS LIMITED. HAS FURNISHED TO SEBI, A DUE DILIGENCE

CERTIFICATE DATED JUNE 07, 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 IN CONNECTION WITH THE FINALISATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
- 2. ON THE BASIS OF SUCH EXAMINATION AND DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

WE CONFIRM THAT:

- (A) THE 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 SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- (C) THE DISCLOSURES MADE IN THE 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 RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.**
- 4. WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

WE CERTIFY THAT WRITTEN CONSENTS FROM THE PROMOTERS HAVE BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE 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 ROC IN TERMS OF SECTION 60B OF THE ACT. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WOULD BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE FINAL PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT."

THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY AND FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF

THE ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS.

General Disclaimer

The Company, its directors and the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information including the Company's website, www.suryachakra.in would be doing so at his or her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in terms of the Memorandum of Understanding entered into between the BRLM and the Company and the Underwriting Agreement to be entered into between the Underwriters and the Company.

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

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised 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 authorised under their constitution to hold and invest in shares) and to NRIs, FIIs and FVCIs registered with SEBI.

This 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 this Red Herring Prospectus comes is required to inform him or herself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Hyderabad only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI. Accordingly, the Equity Shares, represented thereby may not be issued or sold, directly or indirectly, and this 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 this 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.

Disclaimer clause of CRISIL

A CRISIL IPO grading is a one-time exercise and reflects CRISIL's current opinion on the fundamentals of the graded equity issue in relation to other listed equity securities in India. A CRISIL IPO grading is neither an audit of the issuer by CRISIL nor is it a credit rating. Every CRISIL IPO grading is based on information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the

information on which the grading is based. A CRISIL IPO grading is not a recommendation to buy / sell or hold the graded instrument; it does not comment on the market price or suitability for a particular investor.

CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of CRISIL IPO gradings.

Disclaimer Clause of Bombay Stock Exchange Limited

The BSE vide its letter no. LIST/SMG/SM/2006 dated 2nd November, 2006, has given permission to the Company to use BSE's name in this Red Herring Prospectus as the stock exchanges on which the Company's securities are proposed to be listed. The BSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company.

The BSE does not in any manner:-

- i) warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; or
- ii) warrant that this Company's securities will be listed or will continue to be listed on the BSE; or
- iii) take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company; and it should not for any reason be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE 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.

Filing

A copy of the Red Herring Prospectus along with the documents required to be filed under Section 60B of the Companies Act would be delivered for registration to the Registrar of Companies, Kendriya Sadan, Sultan Bazar, Koti, Hyderabad- 500 195, Andhra Pradesh. A copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with the RoC. A copy of this Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Plot No. C4-A, G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400 051.

Listing

Applications has been made to BSE (Designated Stock Exchange) for permission to deal in and for an official quotation of the Equity Shares of the Company. BSE will be the designated Stock Exchange.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by BSE, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after the Company becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of Issue Closing Date, whichever is earlier), then the Company shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Company with the assistance of BRLM shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at BSE is taken within seven working days of finalisation and adoption of the basis of allotment for the Issue.

Consents

Consents in writing of the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company, Escrow Collection Bankers, the Book Running Lead Manager, Registrars to the Issue and Legal Advisor to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Andhra Pradesh as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

M/s. Visweswara Rao & Associates, the auditors of the Company have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the Registrar of Companies.

M/s. Visweswara Rao & Associates, the auditors of the Company have given their written consent to the tax benefits accruing to the Company and its members in the form and context in which it appears in this Red Herring Prospectus and such consent has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the Registrar of Companies.

Expert Opinion

Except as stated in the section titled "Financial Statements" and "General Information" beginning on page 123 and 6 of this Red Herring Prospectus respectively, the Company has not obtained any expert opinions.

Expenses of the Issue

The expenses of the Issue inclusive of brokerage, fees payable to the BRLM, Syndicate Members, fees of Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, fees payable to the Registrars to the Issue, and other miscellaneous expenses is estimated to be approximately Rs. [●] lakhs.

All cost and expenses relating to the Issue including costs relating to road shows, hotel and travel expenses of the Company's and BRLMs personnels etc. would be borne by the Company.

The estimated issue expenses are as under.

Particulars	Amount	% of total issue expenses	% of total issue size
Issue Management	[●]	[●]	[●]
Registrars fees	[●]	[●]	[●]
Printing of Stationery	[●]	[●]	[●]
Legal Fee	[●]	[●]	[●]
Advertising and marketing expenses	[●]	[●]	[●]
Underwriting Commission	[●]	[●]	[●]
Brokerage and Selling commission	[●]	[●]	[●]
Other expenses	[●]	[●]	[●]
Total	[●]	[●]	[●]

Fees Payable to Book Running Lead Manager

The total fees payable to the Book Running Lead Manager will be as per the Letter of Engagement dated March 02, 2006, a copy of which is available for inspection at the registered office of the Company.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding dated December 31, 2005 between the Company and the Registrar, a copy of which is available for inspection at the registered office of the Company.

The Registrar will be reimbursed for all relevant out-of-pocket expenses including cost of stationery, postage, stamp duty, communication expenses. Adequate funds will be provided by the Company to the Registrar to the Issue to enable them to send refund orders or allocation advice by registered post / under certificate of posting, wherever required.

Underwriting Commission, Brokerage and Selling Commission

The underwriting commission and selling commission for the Issue is as set out in the Syndicate Agreement amongst the Company, the BRLM and the Syndicate Member. The underwriting commission shall be paid as set out in the Underwriting Agreement based on the Issue Price and the amount underwritten as stated in paragraph "Underwriting Agreement" on page no.11 of this Red Herring Prospectus.

Previous Rights and Public Issues

The Company has not made any rights or public issue since its inception.

Details of capital issue made during last three years in regard to the issuer company and other listed companies under the same management within the meaning of section 370(1)(B) of the Companies Act, 1956.

There have been no capital issues during last three years either by the Company or any other listed company under the same management within the meaning of Sec. 370(1) (B) of the Act.

Promise v/s Performance

The Company has not made any rights or public issues in the past.

However, the following companies promoted by the promoters of the Company have come out with public issue in the years 1993 and 1994 respectively.

Kalyan Sea Foods Limited (Now Kalyan Marine and Agro Limited)

Kalyan Sea Foods Limited came out with its initial public offer of 27,52,500 equity shares of Rs. 10/- each for cash at par aggregating to Rs.275.25 lakhs on October 12, 1993. The objects of the issue were

- i) to part finance the cost of project for setting up of fresh water prawn hatchery, grow out ponds for tiger prawn, feed mill, Ice plant and operation of mini-stern trawlers (mechanized boats)
- ii) to augment long term resources
- iii) to meet the expenses of the issue.

The projected date of completion of the project was November, 1993, but the actual date of completion was February 1995.

Projections Vs Actuals

Particulars	1993-94				1994-95				(Rs. lakhs) 1995-96			
	Projections	Actuals	Deviation	Deviation (%)	Projections	Actuals	Deviation	Deviation (%)	Projections	Actuals (15 months annualised)	Deviation	Deviation (%)
Income	478.28	173.15	(305.13)	(63.80)%	558.50	376.18	(182.32)	(32.64)%	631.00	569.37	(61.63)	(9.77)%
Expenditure	411.11	137.14	(273.97)	(66.64)%	471.49	329.66	(141.83)	(30.08)%	534.02	498.32	(35.70)	(6.69)%
Profit before tax and interest	67.17	36.01	(31.16)	(46.39)%	87.01	46.52	(40.49)	(46.53)%	96.98	71.05	(25.93)	(26.74)%
Profit after tax and interest	50.37	27.30	(23.07)	(45.80)%	76.21	45.04	(31.17)	(40.90)%	86.18	37.54	(48.64)	(56.44)%
Equity Capital	367.00	349.09	(17.91)	(4.88)%	367.00	363.72	(3.28)	(0.89)%	367.00	363.87	(3.13)	(0.85)%
E.P.S	1.37	0.78	(0.59)	(43.07)%	2.07	1.23	(0.84)	(40.58)%	2.34	1.03	(1.31)	(55.98)%
Cash earning	1.87	0.93	(0.94)	(50.27)%	2.37	1.64	(0.73)	(30.80)%	2.64	1.63	(1.01)	(38.26)%
Dividend	-	-	-	-	20%	--	(20%)	(100.00)%	20%	--	(20%)	(100.00)%
Book Value	10.92	10.06	(0.86)	(7.88)%	11.01	11.52	0.51	4.63%	11.37	--	--	--

Reasons for variations

With the attack of virus to the aquaculture operations, the entire aquaculture industry had received a serious set back in the year 1994-95. Due to this set back, the company's operations were affected inspite of a crop holiday announced by MPEDA. As a result the company was not able to achieve targeted performance for the year under consideration. Further, the construction of Feed Mill was delayed due to change in the location. Further delay in supply of drawings and equipments and other procedural hurdles has delayed in obtaining various sanctions. The delay in receipt of allotment money was also one of the main reasons for delay in implementing the project in time.

Suryachakra Sea Foods Limited (Now Cocanada Fisheries Limited)

Suryachakra Sea Foods Limited (now Cocanada Fisheries Limited) came out with its initial public offer of 53,01,050 equity shares of Rs. 10/- each aggregating to Rs. 530.11 lakhs on March 07,1994. the objects of the issue were

- i) To finance the cost of project for setting up a farm of 72 acres of water spread area, a feed mill plant with a capacity of 1800 MT per annum and an ice plant.
- ii) To meet the expenses of the issue.

The projected date of completion of the project was March 1994, but the actual date of completion was February 1997.

Particulars	1993-94				1994-95				(Rs. Lakhs) 1995-96			
	Projections	Actuals	Deviation	Deviation (%)	Projections	Actuals	Deviation	Deviation (%)	Projections	Actuals (15 months annualised)	Deviation	Deviation (%)
Income	1580.02	441.41	(1138.61)	(72.06)%	2562.72	1270.18	(1292.55)	(50.44)%	2646.11	1185.89	(1460.22)	(55.18)%
Expenditure	1088.70	353.82	(734.88)	(67.50)%	2114.91	989.06	(1125.85)	(53.23)%	2183.28	990.63	(1192.65)	(54.63)%
Profit before tax and interest	491.32	87.60	(403.72)	(82.17)%	447.81	281.12	(166.69)	(37.22)%	462.83	195.26	(267.56)	(57.81)%
Profit after tax and interest	410.52	58.58	(351.94)	(85.73)%	358.51	203.17	(155.34)	(43.33)%	377.23	115.31	(261.92)	(69.43)%
E.P.S	4.90	1.44	(3.46)	(70.61)%	4.28	2.43	(1.85)	(43.22)%	4.51	1.38	(3.13)	(69.40)%
Cash earning	5.27	1.81	(3.46)	(65.65)%	5.13	3.14	(1.99)	(38.79)%	5.23	2.20	(3.03)	(57.93)%
Book Value	15.18	10.83	(4.35)	(28.66)%	17.40	11.34	(6.06)	(34.83)%	19.97	--	(19.97)	(100.00)%
Equity	836.40	406.04	(430.36)	(51.45)%	836.40	836.19	(0.21)	(0.03)%	836.40	836.19	(0.21)	(0.03)%

Reasons for variations

The Company projected its turnover from its Farm, Feed Mill and Trading Division. Due to delay in receipt of the Public Issue proceeds, the construction of feed mill could not be taken up in the year 1994-95 which resulted in non-commencement of commercial production and consequently reduction in turnover. Moreover, trading operations were not encouraging due to high price of raw-shrimps in the open market. This had also contributed to the variation in the turnover. There was an epidemic which affected the aquaculture operations during the financial year 1994-95.

Outstanding Debenture or Bond Issues

As of date, the Company does not have any outstanding debenture or bond issues.

Outstanding Preference Shares

As of date, the Company does not have any outstanding preference shares.

Stock Market Data

This being the first public issue by the Company, no stock market data is available.

Capitalisation of Reserves or Profits

The Company has not capitalized its reserves or profits at any time since its inception.

Issues Otherwise than for Cash

The Company has not issued any Equity Shares for consideration other than cash.

Mechanism for Redressal of Investor Grievances of the Company

The agreement executed between the Registrar to the Issue and the Company, provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of intimation to successful applicants, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances. All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of shares applied for, amount paid on application and the collection center where the application was submitted.

Disposal of Investor Grievances

The Company estimates that the average time required by the Company or the Registrar to the Issue for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Company or the Registrar will seek to redress these complaints as expeditiously as possible.

The Company has appointed Mr. B. Venkat Rama Reddy as the Compliance Officer and he may be contacted in case of any pre-Issue or post Issue related query. He can be contacted at: 8 – 2 – 293/82, Plot No: 1115, Road No. 54, Jubilee Hills, Hyderabad – 500 033, telephone number: +91 40 2355 0597 / 98, fax number: +91 40 2354 1339, email: ipo@suryachakra.com.

Kalyan Marine and Agro Limited and Cocanada Fisheries Limited, the two listed companies in the group have constituted Investors Grievance Committee(s) for the redressal of routine investor grievances which is redressed within seven working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, both Kalyan Marine and Agro Limited and Cocanada Fisheries Limited seeks to redress these complaints as expeditiously as possible.

There are no complaints received by Cocanada Fisheries Limited and Kalyan Marine and Agro Products Limited as on date.

Changes in Auditors during the Last Three Years and Reasons thereof

There has been no change in the auditors of the Company in the last three years.

Revaluation of Assets during the Last Five Years

The Company has not revaluated its assets during the last five years.

VIII. ISSUE INFORMATION

1. TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Company's Memorandum and Articles, the terms of this Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advice and other documents/ certificates that may be executed in respect of 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 of securities issued from time to time by SEBI, GoI, Stock Exchanges, RBI, RoCs and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Present Issue

The Issue has been authorized pursuant to a resolution by the Board of Directors of the Company adopted at its meeting held on July 27, 2005 and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act at the Extra Ordinary General Meeting of the shareholders of the Company held on December 31, 2005.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of Memorandum and Articles of Association of the Company and shall rank *pari passu* in all respects with the existing Equity Shares of the Company including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by the Company after the date of Allotment.

Mode of payment of dividend

The Company shall pay dividend to the shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each are being offered in terms of this Red Herring Prospectus at a price band of Rs. 17 at the lower end Rs. 20 at the higher end per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws.

Compliance with SEBI Guidelines

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to receive notice, annual reports, attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;

- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles of Association.

For a detailed description of the main provisions of the Company's Articles relating to voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see "Main Provisions of Articles of Association of the Company" on page no. 298 of this Red Herring 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. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialised form for all investors.

Since trading of the Equity Shares of the Company will be in dematerialised mode, the tradable lot is one Equity Share. Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum allotment of 300 Equity Shares to the successful bidders.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Hyderabad, India.

Nomination Facility to the Investor

In accordance with section 109A of the Companies Act, the sole or first bidder, along with other joint bidders, 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 transmitted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- 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 dematerialized mode, there is no need to make a separate nomination with the Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the net issue to the public, including devolvement of Underwriters within 60 days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act, 1956.

If the number of allottees in the proposed Issue is less than 1,000 allottees, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after the Company becomes liable to pay the amount, the Company shall pay interest at the rate of 15% per annum for the delayed period.

Withdrawal of the Issue

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime including after the Bid/ Issue Closing Date, without assigning any reason thereof.

Arrangements for Disposal of Odd Lots

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is one share. Therefore there is no possibility of odd lots.

Letters of Allotment or Refund Orders

The Company shall give credit to the beneficiary account with depository participants within 2 working days of finalization of the basis of allotment of Equity Shares. In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares will 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;
- Refunds shall be made in the following manner:
 - In case of applicants residing in any of the centres specified by the SEBI – by crediting of refunds to the bank accounts of applicants through electronic transfer of funds by using ECS (Electronic Clearing Service), Direct Credit, RTGS (Real Time Gross Settlement) or NEFT (National Electronic Funds Transfer), as is for the time being permitted by the Reserve Bank of India;
 - In case of other applicants – by despatch of refund orders by registered post, where the value is Rs. 1500/- or more, or under certificate of posting in other cases, (subject however to postal rules); and
 - In case of any category of applicants specified by the SEBI – crediting of refunds to the applicants in any other electronic manner permissible under the banking laws for the time being in force which is permitted by the SEBI from time to time.

- The 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 are not dispatched and/or demat credits are not made to investors within the 15 day prescribed time period as mentioned above (or if, in a 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 the date of the closure of the issue.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Restriction on Transfer and Transmission of Shares

Nothing contained in the Articles of the Company shall prejudice any power of the Company to refuse to register the transfer of any share.

No fee shall be charged for sub-division and consolidation of share certificates (physical form), debenture certificates and detachable warrants and for sub-division of letters of allotment and split, consideration, renewal and pucca transfer receipts into denomination corresponding to the market units of trading.

Application by Non Residents/NRIs/FIIs

There is no reservation for Non Residents, NRIs, FIIs and FVCIs and all Non Residents, NRI, FII and FVCIs will be treated on the same basis as other categories for the purpose of allocation.

As per the policy of the RBI, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (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 of benefit of, "U.S. Persons" (as defined in the Regulation S of the Securities Act), except pursuant to any exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

ISSUE STRUCTURE

Public Issue of 3,40,00,000 Equity Shares of face value Rs. 10/- each at a price of Rs. [•] for cash at a premium of Rs. [•] per Equity Share aggregating Rs. [•] lakhs is being made through the 100% Book Building Process:

	Employees	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Upto 4,00,000 Equity Shares	At least 1,68,00,000 Equity shares	Up to 50,40,000 Equity shares or net issue less allocation to QIB bidders and Retail bidders	Up to 1,17,60,000 Equity shares or net issue less allocation to QIB bidders and Non-institutional bidders
Percentage of Issue Size available for allocation	Upto 1.18% of this Issue Size	At least 50% of the Net Issue to the Public, (of which 5% shall be available for Mutual Funds) *	Up to 15% of Net Issue to the Public*	Up to 35% of Net Issue to the Public *
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate 5% to Mutual Funds on proportionate basis. Balance to QIBs including mutual funds	Proportionate	Proportionate
Minimum Bid	300 Equity Shares and thereafter in multiples of 300 Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 300 Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs 1,00,000 and in multiples of 300 Equity Shares thereafter.	300 Equity Shares and in multiples of 300 Equity Share thereafter
Maximum Bid	Such number of Equity shares so as to ensure that the bid size does not exceed 4,00,000 Equity Shares	Not exceeding the size of the Net Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Net Issue Subject to applicable limits	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 1,00,000
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialised form
Trading Lot	One Equity share	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Eligible employees being permanent employees or the directors of the Company (or its	Public financial institutions, as specified in section 4A of the Companies Act: scheduled	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and	Individuals (including NRIs and HUFs in the name of karta) applying for Equity Shares such that the Bid

	Employees	QIBs	Non-Institutional Bidders	Retail Individual Bidders
	subsidiaries), who are Indian nationals based in India and is physically present in India on the date of submission of the Bid-cum-Application Form. In addition, such person should be an employees or directors during the period commencing from the date of filing of the Red Herring Prospectus with RoC up to the Bid/Issue closing date. Promoter directors are not eligible to be treated as eligible employees	commercial banks, mutual funds, foreign institutional investor 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. 2500 Lakhs and pension funds with minimum corpus of Rs. 2500 Lakhs in accordance with applicable law.	trusts	Amount does not exceed Rs. 100,000 in value.
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid-cum-Application Form to the Member of Syndicate	Margin Amount applicable to QIB Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate	Margin Amount applicable to Non-institutional Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate	Margin Amount applicable to Retail Individual Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate
Margin Amount	Full Bid Amount on Bidding	Atleast 10% of the Bid Amount	Full Bid Amount on bidding	Full Bid Amount on bidding

- * Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in any category except QIBs, would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of the Company, BRLM and subject to applicable provisions of SEBI Guidelines.

The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Employees of the Company, will be added back to the Net Issue to the public.

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

If there is undersubscription in QIB portion, the issue is deemed to be failed and entire money received will be returned to the investors.

2. ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process under clause 2.2.2 of SEBI Guidelines, wherein at least 50% of the Net Issue to the public shall be allotted on a proportionate basis to QIBs of which 5% is reserved for mutual funds and the balance will be available for all QIBs including Mutual Funds. Further, up to 15% shall be available for allotment on a proportionate basis to Non-Institutional Bidders and up to 35% shall be available for allotment on a proportionate basis to the Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price within price band.

Bidders are required to submit their Bids through the members of the Syndicate. Further, QIB Bids can be submitted only through Syndicate Members. In case of QIB Bidders, the Company in consultation with the BRLM may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same shall be provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the 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 allottees only in the dematerialised form. Bidders will not have the option of Allotment of Equity Shares in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this 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 allotment of Equity Shares, dispatch of CAN, and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in this Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid Cum Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Eligible Non residents, NRIs or FIIs applying on a repatriation basis	Blue
Eligible Employees	Pink

Who can Bid?

1. Indian nationals resident in India who are major, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: ABC Hindu Undivided Family applying through ABC, where ABC is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
4. FIIs registered with SEBI on repatriation basis or on non-repatriation basis
5. Indian Mutual Funds registered with SEBI;
6. Indian Financial Institutions, scheduled commercial banks, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines, as applicable).
7. Venture Capital Funds registered with SEBI;
8. Foreign Venture Capital Investors registered with SEBI;
9. State Industrial Development Corporations;
10. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ Societies and who are authorised under their constitution to hold and invest in Equity Shares;
11. Eligible non-residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
12. Scientific and/ or Industrial Research Organisations authorised to invest in Equity Shares.
13. Insurance companies registered with the Insurance Regulatory and Development Authority;
14. Provident funds with minimum corpus of Rs. 2500 lakhs and who are authorised under their constitution to hold and invest in Equity Shares;
15. Pension funds with minimum corpus of Rs. 2500 lakhs and who are authorised under their constitution to hold and invest in Equity Shares; and
16. Multilateral and bilateral development financial institutions.
17. Any other QIBs permitted to invest in the issue under applicable laws and regulations

Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Note: The BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation. However, associates and affiliates of the BRLM & Syndicate Members may subscribe for Equity Shares in the issue, including in the QIB portion and Non-institutional portion where the allocation is on proportionate basis

In terms of the regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the FIIs may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

Application by Mutual Funds

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds

No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights. These limits would have to be adhered to by the Mutual Funds for investment in the Equity Shares.

In case of a Mutual Fund, a separate bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple bids provided that the bids clearly indicate the scheme concerned for which the bid has been made.

Under the SEBI guidelines, 5% of the QIB portion has been specifically reserved for Mutual Funds.

Application of NRIs

Bid cum Application forms have been made available for NRIs at the Registered office of the Company and at the office of members of the Syndicate and Registrar to the issue.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) Account shall use the form meant for Resident Indians (white in colour). All instruments accompanying bids shall be payable in Mumbai.

Application by FIIs

As per current regulations, the following restrictions are applicable for investment by FIIs:

No single FII can hold more than 10% of the post-issue paid-up capital of the Company. In respect of an FII investing in the Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company in case such sub-account is a foreign corporate or an individual

As of now, the aggregate FII holding in the Company cannot exceed 24% of the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date no such resolution has been recommended to the shareholders of the Company for adoption.

Bids by NRIs or FIIs on Repatriation basis

Bids and revision to bids must be made:

- On the 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.
- In a single or joint names (not more than three).
- Bids by NRIs for a Bid amount of up to less than Rs 1,00,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid amount of more than or equal to Rs. 1,00,000 would be considered under Non-Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity shares and in multiples of 300 Equity Shares thereafter so that the Bid amount exceeds Rs. 1,00,000; for further details. Please refer to the sub-section titled "Maximum and Minimum Bid size" on page no. 268 of this Red Herring Prospectus.
- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Financial Institutions but not in the names minors, firms or partnerships, foreign nationals or their nominees or OCBs.
- 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 payable upon submission of the Bid-cum-Application Form or Revision form 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 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 or conversion of foreign currency.

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations 2000, prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25 % of the Company's paid-up capital. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100 % of the Company's paid-up equity capital.

The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modifications or changes in applicable laws or regulations, which may happen after the date of this Red Herring 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 any laws or regulations.

Maximum and Minimum Bid Size

For Retail Individual Bidders

The Bid must be for a minimum of [300 Equity Shares and in multiples of 300 Equity Shares thereafter, subject to maximum Bid amount of Rs. 1,00,000. In case of revision of Bids, the Retail bidders have to ensure that the Bid amount does not exceed Rs. 1,00,000. In case the maximum Bid amount is more than Rs. 1,00,000, due to revision of the Bid or revision of the Price Band or on exercise of the option, then the same would be considered for allocation under the Non-Institutional Bidders category. The cut-off option is an option available only to the Retail Individual Bidders indicating their agreement to bid and purchase the 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, so as to ensure that the minimum Bid amount exceeds Rs.1,00,000. Above this minimum Bid Amount, the Bid should be in multiples of 300 Equity Shares. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under the existing SEBI guidelines a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision of 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 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 price band, bids by Non-Institutional bidders who are eligible in the Retail portion would be considered for allocation under the Retail portion. Non-Institutional bidders and QIBs are not allowed to bid at 'Cut-off'.

For Bidders in the Employee Reservation Portion: The Bid by Eligible Employees must be for a minimum of 300 Equity Shares and in multiples of 300 Equity Shares thereafter. The maximum Bid in this portion cannot exceed 4,00,000 Equity Shares. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs. 100,000 may bid at "Cut-off".

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 Red Herring Prospectus

Information for the Bidders

- (a) The Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/ Issue Opening Date.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- (c) Any investor (who is eligible to invest in the Equity Shares of the Company) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from the Registered Office of the Company or from any of the BRLM or Syndicate Members.
- (d) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-

- Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.
- (e) Investors who are interested in subscribing to the Company's Equity Shares should approach the BRLM or Syndicate Members or their authorised agent(s) to register their Bid.

Method & Process of Bidding

- (a) The 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 newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated. This advertisement shall be in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement
- (b) Investors who are interested in subscribing for the Company's Equity Shares should approach any of the BRLM, or Syndicate Member or their authorised agent(s) to register their Bid
- (c) The Bidding Period shall be open for atleast 3 working days and not more than 7 working days. In case the price band is revised, the revised price band will be published in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated and the Bidding period will be extended for a further period of three days, subject to the total Bidding period not exceeding 10 working days. 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
- (d) 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 entitled "Bids at Different Price Levels" on page no. 271 of this Red Herring Prospectus) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid
- (e) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Build up of the Book and Revision of Bids" on page no. 275 of this Red Herring Prospectus.

- (f) The BRLM and the Syndicate Members will enter each bid option into the electronic bidding system as a separate Bid and generate a TRS, for each price and demand option and give the same to the Bidder. Bidders should make sure that they ask for a copy of the computerized TRS for every Bid Option from the Syndicate Member. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form
- (g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- (h) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the section titled "Terms of Payment and Payment into Escrow Account" on page no. 273 of this Red Herring Prospectus.

Bids at Different Price Levels

- (a) The Price Band has been fixed at Rs. 17 to Rs. 20 per Equity Share of Rs.10 each, Rs. 17 being the Floor Price and Rs. 20 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re. 1.
- (b) In accordance with SEBI Guidelines, the Company, in consultation with the BRLM, can revise the Price Band during the Bidding period, in which case the Issue will be kept open for a period of three days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially and as disclosed in this Red Herring Prospectus. In addition to this, the cap on the Price Band should not be more than 20% of the floor price of the Price Band.
- (c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of ten working days. Any revision in the Price Band and the revised Bidding / Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate Members and the Bidding Period shall be extended for a further period of three days, subject to the total bidding period not exceeding 10 days.
- (d) 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.
- (e) 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 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.
- (f) Retail Individual Bidders or eligible employees 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 or eligible employees 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 or eligible employees (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price),

Retail Individual Bidders or eligible employees who bid at cut-off price shall receive the refund of the excess amounts from the Escrow Account/ refund account(s).

- (g) In case of an upward revision in the Price Band announced as above, the Retail Bidders or eligible employees who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band(such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 1,00,000/- for Retail Bidders or Rs. 1,00,000/- for Eligible Employees, if the Bidder wants to continue to bid at Cut-off Price),with the Syndicate Member to whom the original bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 1,00,000 for retail Bidders or for Eligible Employees the Bid will be considered for allocation under the Non-Institutional portion in terms of this 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 downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
- (h) In case of downward revision in the Price Band announced as above, Retail Bidders or eligible employees who have bid at Cut-Off Price could either revise their Bid or the excess amount at the time of bidding would be refunded from the Escrow Account/ refund account(s).
- (i) In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application shall remain 300 Equity Shares irrespective of whether the Bid Amount payable on such Minimum Application is not in the range of Rs. 5,000/- to Rs. 7,000/-.

Option to Subscribe

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only. Bidders **will not have** the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Escrow Mechanism

Escrow Account for the Issue

The Company 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 for the Issue 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 as per the terms of the Escrow Agreement with the Company. Payments of refunds to the Bidders shall also be made from the Escrow collection Banks as per the terms of the Escrow Agreement with the company and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar to the Issue and BRLM, and Syndicate Members to facilitate collection from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

In case of Non-institutional Bidders and Retail Individual Bidders, each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his Bid in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph "Payment Instructions on page no.285 of this Red Herring Prospectus) and submit the same to the members of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash and Stock invest shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account or Refund Account with the Bankers to the Issue, as applicable. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment to the Bidders.

In case of QIBs, each QIB shall, with the submission of the bid cum application form draw a cheque or demand draft for 10% of the maximum amount of his bid in favour of the Escrow account of the Escrow collection bank. The balance amount shall be payable for the allocated Equity Shares no later than the date specified in the CAN, which shall be subject to a minimum period of two days from 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 application of the Bidder is liable to be rejected and the margin amount will be refunded.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which and the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

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 on-line connectivity to each city where the Bids are accepted
- (b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges
- (c) Aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all

- bidding centers. 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 online system:
- Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form);
 - Investor Category – Employee, Individual, Corporate, NRI, FII, or Mutual Fund, etc;
 - Numbers of Equity Shares bid for;
 - Bid price;
 - Bid-cum-Application Form number;
 - Amount paid upon submission of Bid cum Application form; and
 - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or to the Company
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind
- (g) The members of the Syndicate have the right to review the Bid. The Syndicate Members have right to reject a bid received from a QIB at the receipt of Bids. However, a Syndicate Members shall disclose the reason for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders, bids under the Employee Reservation Portion and Retail Individual Bidders, Bids shall not be rejected except on the technical grounds listed on page no. 288 in the Red Herring 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, and 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 the Company, its promoters, its management or any scheme or project of the Company
- (i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or

approved by BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on BSE

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 an on-line basis. Data would be uploaded on a regular basis.
- (b) The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three 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 of the Price Band disclosed in this Red Herring Prospectus
- (c) Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper and also indicating the change on the relevant websites and the terminals of the members of the Syndicate
- (d) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis
- (e) 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
- (f) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. The Bidder must complete his or her Bid cum Application Form, the details of all the options in his or her Bid cum Application Form or earlier Revision Form and revisions for all the options as per his 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 in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate
- (g) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form
- (h) 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

- (i) 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**
- (j) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLM based on the physical book shall be final and binding to all concerned.

Price Discovery and Allocation

- (a) After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss pricing strategy with the Company.
- (b) The Company in consultation with the BRLM shall finalise the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful QIB Bidders. The allocation will be decided based on the quality of the Bidder determined broadly based by the size, price and time of the Bid.
- (c) The allocation for QIBs would be at least 50% of Net Issue to the Public on a proportionate basis, out of which 5% shall be reserved for Mutual funds and the balance shall be available to both QIBs and Mutual Funds. The allocation to Non-Institutional Bidders would be up to 15% of the Net Issue to the public and allocation for Retail Individual Bidders will be up to 35% of the Net Issue to the public on proportionate basis, subject to valid Bids being received at or above the Issue Price.
- (d) Under subscription, if any, in the Non-Institutional Portion and / or Retail Portion, would be allowed to be met with spill over of demand from any of the other categories, at the sole discretion of the Company and BRLM. However, if the aggregate demand by mutual funds is less than 8,40,000 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. Any under subscription in equity shares reserved for allocation to eligible employees would be treated as a part of the Net Issue to the public and allocated in accordance with the basis of allotment described in the section titled "Basis of Allotment" on page no. 292 of this Red Herring Prospectus.
- (e) Allocation to QIBs, Non-Residents, FIIs and NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by the RBI while granting permission for Allotment of Equity Shares to them.
- (f) The BRLM, in consultation with the Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date, without assigning any reason thereof. QIB Bidders shall not be allowed to withdraw their bid after the Bid/Issue Closing Date.
- (h) The allotment details shall be put on the website of the Registrar to the Issue.

Notice to QIBs: Allotment Reconciliation

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 may 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, 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, for any increased allocation of Equity Shares. The 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 supercede in entirety the earlier CAN.

Signing of Underwriting Agreement and RoC Filing

- (a) The 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, the Company will update and file the 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 the RoC

The Company will file a copy of the Prospectus with the Registrar of Companies, Kendriya Sadan, Sultan Bazar, Koti, Hyderabad, Andhra Pradesh in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Announcement of Pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on the Draft Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines in an English National Daily with wide circulation, one Hindi National Newspaper and a regional language Newspaper with wide circulation.

Advertisement regarding Issue Price and Prospectus

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated. This advertisement, in addition to the information (in the format and containing the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines), that has to be set out in the statutory advertisement shall indicate the Issue Price along with a table showing the number of Equity Shares. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note (CAN)

- (a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLM or

Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the issue. The approval of the basis of allotment 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 SPCL retail public shareholders and retail and non-institutional bidders. However, investors should note that the Company shall ensure that the date of allotment of the Equity Shares to all investors in this issue shall be done on the same date.

- (b) The BRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed to be valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account of the Company at the time of bidding shall pay in full the amount payable into the Escrow Account of the Company by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account of the Company at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account of the Company. The despatch 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 to be allotted to such Bidder.
- (d) The issuance of CAN is subject to "Allotment Reconciliation and Revised CAN".

Designated Date and Allotment of Equity Shares

- (a) The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders' depository account. Allotment of the Equity Shares to the allottees would be made within two working days of the date of Allotment.
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be offered 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.
- (c) After the funds are transferred from the Escrow Account to the Public issue Account on the Designated Date, the Company would allot the Equity Shares to the allottees. The Company would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees' depository accounts within two working days from the date of allotment. In case the Company fails to make allotment within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.
- (d) 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;
- (b) Ensure that the Bid is only within the Price Band;
- (c) Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour) or Eligible Employee Bid Cum Application Form (pink in colour), as the case may be;
- (d) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be transferred in the dematerialized form only;
- (e) Ensure that the DP account is activated;
- (f) 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, 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;
- (g) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- (h) Ensure that you have been given a TRS for all your Bid options; and
- (i) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS
- (j) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.
- (j) Ensure that the Bid Cum Application Form Number is mentioned on the reverse of the Cheque/Demand Draft.
- (k) Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T Act where the maximum Bid for Equity Shares by 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 PAN Card(s) or a communication from the Income Tax authority indicating allotment of PAN along with the application for the purpose of verification of the number, with the Bid cum Application Form. In case you do not have a PAN, ensure that you provide a declaration in Form 60 prescribed under the I.T Act along with the application.

Don'ts:

- (a) Do not Bid for lower than the minimum Bid size;
- (b) Do not Bid/ revise Bid to a price that is less than the Floor of the Price Band or higher than the Cap of the Price Band;
- (c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- (d) Do not pay the Bid amount in cash;
- (e) Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
- (f) Do not bid at Cut-off price for Non-institutional and QIB Bidders;
- (g) A Bid from any investor should not exceed the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws or regulations.
- (h) Submit Bids accompanied by Stockinvest
- (i) Do not submit the GIR number instead of the PAN as the bid is liable to be rejected on this

ground.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM, or Syndicate Members.

Bids and Revisions of Bids

Bids and revisions to Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRI or FII or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis and pink colour for eligible employees).
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, the Bid cum Application Form and Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- (c) For Retail Individual Bidders, the Bids must be for a minimum of 300 Equity Shares and in multiples of 300 thereafter subject to a maximum Bid Amount of Rs. 1,00,000.
- (d) For Non Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 300 Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (e) For Eligible Employees, the Bid must be for a minimum of 300 Equity Shares and shall be in multiples of 300 Equity Shares thereafter. The maximum Bid in this portion cannot exceed 4,00,000 Equity Shares.
- (f) In single name or in joint names (not more than three).
- (g) Thumb impressions and signatures other than in the languages specified in the Eight Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his or her official seal.

Bids by Employees

1. Bids by Eligible Employees shall be made only in the prescribed Bid-cum-Application Form or Revision Form, (i.e., pink colour form).
2. Eligible Employees should mention their Employee ID at the relevant place in the Bid-cum-Application Form.
3. Only Eligible Employees, who are Indian Nationals based in India and are physically present in India on the date of submission of the Bid-cum-Application Form and such person is an employee or Director during the period commencing from the date of filing of the Red Herring Prospectus with the RoC up to the Bid/Issue Closing Date would be eligible to apply in this Issue under the Employee Reservation portion on a competitive

basis.

4. The sole/first Bidder should be an Eligible Employee. 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 in the same sequence in which they appear in the Bid-cum-Application Form.
5. Eligible Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under this category.
6. Eligible Employees who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. Eligible Employees should ensure that such Bids (whether at Cut-Off or not) should not exceed Rs.100,000, failing which such Bids may be rejected.
7. The maximum Bid in this category should not exceed 4,00,000 Equity Shares.
8. If the aggregate demand in this category is less than or equal to 4,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Any under-subscription in Equity Shares reserved for Eligible Employees would be treated as part of the Net Offer to the Public and allotment shall be in accordance with the basis of allotment described in the section titled "Basis of Allotment" on page no. 292 of this Red Herring Prospectus.
9. If the aggregate demand in this category is greater than 4,00,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 300 Equity Shares. For the method of proportionate basis of allotment, refer to section titled "Basis of Allotment" on page no. 292 of this Red Herring Prospectus.
10. Bidding at Cut-off is allowed only for Eligible Employees whose Bid Price is less than or equal to Rs. 1,00,000.

Bidder's Bank Account Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Company shall have any responsibility and undertake any liability for the same.

Bidders Depository Account Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds to the Bidders.

Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLM or the registrar or the Escrow Collection Banks nor the Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID-CUM-APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID-CUM-APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders 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 for any other purpose by the Registrar to the Issue. By signing the Bid-cum-Application Form, the 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.

In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid-cum-Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither 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, which 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.

The 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.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, 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 a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, 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 by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, 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 by provident funds with minimum corpus of Rs.2500 lakhs and pension funds with 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 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 by mutual fund registered with SEBI, Venture Capital Fund registered with SEBI and Foreign Venture Capital investor registered with SEBI, 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.

The 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 that we may deem fit, in consultation with the BRLM.

The Company, in its absolute discretion, reserves 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 orders and mailing of the refund order / CANs / allocation advice, the demographic details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use demographic details as given in the Bid-cum-Application Form instead of those obtained from the Depositories.

Bids by NRIs, FIIs, FVCIs registered with SEBI on a repatriation basis

- NRI, FIIs and FVCI Bidders to comply with the following: Individual NRI Bidders can obtain the Bid-cum-Application Forms from our Registered Office at 8 – 2 – 293/82, Plot No: 1115, Road No. 54, Jubilee Hills, Hyderabad 500 033 or from members of the Syndicate or the Registrar to the Issue.
- NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allotment.

- 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 colour).

Bids and revision to Bids must be made:

- On the Bid-cum-Application Form or the Revision Form, as applicable, (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three).
- **By NRIs** – For a minimum of 300 Equity Shares and in multiples of 300 thereafter subject to a maximum Bid amount of Rs.1,00,000 for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs.1,00,000 would be considered under Non Institutional Category for the purposes of allocation. For further details see "Maximum and Minimum Bid Size" on page no. 268 of this Red Herring Prospectus.
- **By FIIs** – for a minimum of such number of Equity Shares and in multiples of 300 that the Bid Amount exceeds Rs. 1,00,000. For further details see section titled "Maximum and Minimum Bid Size" on page no.268.
- In the names of individuals or in the names of FIIs or in the names of FVCIs, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCBs.
- 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 payable upon submission of the Bid cum Application Form or Revision Form 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/speed 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 will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

The Company does not require approvals from FIPB or RBI for the transfer of Equity Shares in this Issue to eligible NRI's, FIIs, FVCIs registered with SEBI and multilateral and bilateral institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non-Residents, NRIs, FIIs and FVCIs and all Non-Residents, NRIs, FIIs and FVCIs applicants will be treated on the same basis with other categories for the purpose of allocation.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (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 of benefit of, "U.S. Persons" (as defined in the Regulation S of the Securities Act), except pursuant to any exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in United States to 'qualified institutional buyers' as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and

sales occur.

Payment Instructions

The Company shall open an Escrow Account(s) with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account to the Issue:

- i. The Bidders for whom the applicable margin 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 members of the Syndicate.
- ii. In case no Margin Amount has been paid by the Bidders during the Bidding Period, on receipt of the CAN, an amount equal to the Issue Price multiplied by the Equity Shares allocated to the Bidder or the balance amount, in case the Margin Amount is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
- iii. The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:

:

In case of Resident Retail and Non - Institutional Bidders	Escrow Account – SPCL Public Issue - R”
In case of Non-Resident Retail and Non - Institutional Bidders	Escrow Account – SPCL Public Issue – NR”
In case of resident QIBs	“Escrow Account – SPCL Public Issue – QIB - R”
In case of Non-resident QIBs	“Escrow Account – SPCL Public Issue – QIB - NR”
Incase of Eligible Employees	“Escrow Account – SPCL Public Issue – Eligible Employees”

- a. 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 Non-Resident Ordinary (NRO) Account of Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.
- In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance.

Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to Special Rupee Account.

- iv. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of the Company.
- v. The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders until Designated Date.
- vi. 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 Issue Account with the Bankers to the Issue.
- vii. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque or demand draft drawn on any Bank (including a Co-Operative Bank), which is situated at, and is a member of or sub-member of the banker's clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash / Stockinvest / Money Orders / Postal Orders will not be accepted.

Payment by Stockinvest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn with immediate effect. Hence, payment through stockinvest would not be accepted in this Issue.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the BRLM or Syndicate Member at the time of submitting the Bid. Each member of the Syndicate may, at its sole discretion, waive the requirement of payment at the time of submission of Bid-cum-Application Form and Revision Form, provided however that for QIB Bidders the Syndicate Member shall collect the QIB margin and deposit the same in the specified Escrow account.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the BRLM or Syndicate Member will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. Bids made by Eligible Employees both under employee reservation portion as well as in the net offer to the public shall not be treated as multiple bids.

The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all portion.

Procedure for Application by Mutual Funds

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 name of scheme concerned for which the Bid has been made. The application made by the asset management companies or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.

The Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

PAN Number

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 Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the 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 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), 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), 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 License (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 vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.

Company Right to Reject Bids

The Syndicate Members have right to reject a Bid received from QIB at the receipt of the Bids. However, the Syndicate Members shall disclose the reasons for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders and Retail Individual Bidders and Eligible Employees, the Company and the BRLM have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on among others on the following technical grounds:

- a. Amount paid doesn't tally with the highest number of Equity Shares bid for;
- b. Bank account details (for refund) are not given;
- c. Age of First Bidder not given;
- d. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- e. PAN not given if Bid is for Rs. 50,000 or more or Copy of Form 60 or Form 61 as required not given;
- f. Bids for lower number of Equity Shares than specified for that category of investors;
- g. Bids at a price less than lower end of the Price Band;
- h. Bids at a price more than the higher end of the Price Band;
- i. Bids at cut-off price by Non-Institutional and QIB Bidders;
- j. Bids for number of Equity Shares which are not in multiples of (●);
- k. Category not ticked;
- l. Multiple bids as defined in this Red Herring Prospectus;
- m. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- n. Bid-cum-Application Form does not have the stamp of the BRLM, or Syndicate Members;
- o. Bid-cum-Application Form does not have Bidder's depository account details;
- p. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum-Application Form

- q. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations.
- r. Bids accompanied by money order/postal order/cash/Stockinvests;
- s. Signature of sole and / or joint bidders missing;
- t. Bids by OCBs;
- u. In case no corresponding record is available with the Depositories that matches the parameters namely, names of the Bidders (including the sequence of names of joint holders), the depository participant's identity (DP ID).
- v. Bids by U.S residents or US persons other than "qualified institutional buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.
- w. Bids under Employee reservation portion for more than 4,00,000 Equity Shares.
- x. In case of bids under Power of Attorney or by limited Companies, Corporate, trust etc. relevant documents are not submitted.

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 between the Company and the Depositories:

An agreement dated **21st May, 2007** with NSDL, the Company and Karvy Computershare Private Limited

An agreement dated **25th May, 2007** with CDSL, the Company and Karvy Computershare Private Limited

All bidders can seek allotment only in dematerialised mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- a. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b. 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.
- c. 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.
- d. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e. Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.

- f. If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- g. 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.
- h. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i. The trading of the Equity Shares of the Company would be in dematerialised form only for all investors.

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, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque/ draft number and issuing bank thereof.

The company has appointed Mr. B. Venkat Rama Reddy, Company Secretary as Compliance Officer. He can be contacted at Suryachakra Power Corporation Limited, 8 – 2 – 293/82, Plot No: 1115, Road No. 54, Jubilee Hills, Hyderabad – 500 033. Tel: +91 40 2355 0597 / 98, Fax: +91 40 2354 1339; e-mail: ipo@suryachakra.com.

The Investors can contact the Compliance Officer in case of any pre-issue or post-issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account, refund orders, etc.

Procedure and Time Schedule for Allotment of Equity Shares and Disposal of Applications and Application Money

The Company reserves, at its absolute and uncontrolled discretion and without assigning any reason thereof, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. The Company will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. The company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not despatched and/ or dematerialized credits are not made to investors within two working days from the date of allotment.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of section 68A of the 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."

Disposal of Applications and Application Money

The company shall ensure dispatch of allotment advice or refund orders and giving of benefit to the Beneficiary Account with Depository Participants and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. We shall ensure the dispatch of refund orders, if any, of value up to Rs.1,500/-, "Under Certificate of Posting", and dispatch of refund orders above Rs.1,500/-, if any, by Registered Post or Speed Post at the sole or First Bidder's sole risk.

The Company shall put in its best efforts to ensure that all steps for 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 are taken within seven working days of finalisation of the basis of allotment.

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 dematerialised form within 15 days of the Bid/Issue Closing Date;
- The Company would ensure dispatch of refund orders within 15 days of the Bid/Issue Closing Date; and
- The 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/ECS credits are not made and/or demat credits are not made to investors within the 15 days time prescribed above.

The company shall provide adequate funds required to the Registrar to the Issue for dispatch of refund orders or allotment advice.

Refunds will be made by cheque, pay orders or demand drafts drawn on a bank appointed by us as a refund banker 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.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the record of the Bidder.

Interest on Refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched/ ECS credit is not made within 15 days from the Bid/Issue Closing Date 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.

Basis of allotment

A. For Retail 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 to the public, less allotment to Non Institutional and QIB Bidders, shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 1,17,60,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 1,17,60,000 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of (•) Equity Shares. For the method of proportionate basis of allotment, 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 Net Issue to the public, less allotment to QIBs and Retail Portion, shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 50,40,000 Equity Shares at or above the Issue Price, full allotment shall be made to Non Institutional Bidders to the extent of their demand.

In case the aggregate demand in this category is greater than 50,40,000 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of 300 Equity Shares. For the method of proportionate basis of allotment refer below.

C. For QIBs

- Atleast 50% of the Net Issue to the Public i.e. 1, 68,00,000 shares shall be allotted to QIBs of which 5% is reserved to Mutual Funds i.e 8,40,000 Equity Shares and balance shares will be available for allocation to all QIBs including Mutual Funds on proportionate basis.
- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.

- Allotment shall be undertaken in the following manner:
 - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB portion shall be determined as follows:
 - I. In the event that Mutual Fund bids exceed 5% of the QIB portion, allocation to Mutual funds shall be done on a proportionate basis for up to 5% of the QIB portion.
 - II. In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the issue price.
 - III. Equity Share remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for allotment to all QIBs as set out in (b) below;
 - (b) In the second instance allotment to all QIBs shall be determined as follows:
 - I. In the event that the oversubscription 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 up to 95% of the QIB portion.
 - II. 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.
 - III. Undersubscription 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.
- The aggregate allotment to QIB bidders shall not be less than 1,68,00,000 Equity Shares.

D. For Employee Reservation portion

- Only Eligible Employees are eligible to apply under the Employee Reservation Portion.
- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 4,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 4,00,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 300 Equity Shares. For the method of proportionate basis of allotment, refer below.
- The unsubscribed portion, if any, out of the Equity Shares in the Employee Reservation Portion will be added to the categories of Non Institutional Bidders and Retail Bidders, in a proportion to be determined by the Company in consultation with the BRLM.

Procedure and Time Schedule for Allotment of Equity Shares

The Syndicate Members have the right to reject the Bid received from QIB at the time of receipt

of the Bids. However, the Syndicate Members shall disclose the reasons for not accepting the Bid to the Bidder. In case of Non- Institutional Bidders and Retail Individual Bidders, the Company has a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. The Company will ensure allotment/transfer of the Equity Shares within 15 days from the Bid/Issue Closing Date, and the Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched and/ or demat credits are not made to investors within two working days from the date of allotment.

Method of Proportionate Basis of Allotment

In the event of the Issue being over-subscribed, the basis of allotment to Retail and Non Institutional Bidders shall be finalized by the company, in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner. The allocation shall be made in multiples of one share, on a proportionate basis as explained below subject to minimum allocation being equal to the (●):

- a. The subscription for each portion will be computed separately.
- b. Bids which are eligible for pure proportionate allotment as provided in the SEBI (DIP) Guidelines, 2000, shall be those which have applied for minimum shares arrived at by multiplying the minimum shares to be allotted by the number of times, the category is subscribed. Allotment to such bidders will be calculated as shares applied for divided by the number of times the category is subscribed.
- c. If the pure proportionate allotment to a Bidder is a number that is more than minimum allotment lot but is not a multiple of one (which is the marketable 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. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- d. The balance of the bids will be those, which will not be directly entitled for allotment of minimum shares. Such bidders will be allotted shares by a drawal of lots in a fair manner to ensure that each successful bidder (determined by drawal of lot) gets the minimum number of shares to be allotted.
- 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 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.

Mode of making refunds

The Company shall make refunds to applicants using the following modes

- (a) In case of applicants residing in 1)Ahmedabad 2) Bangalore 3) Bhubaneshwar 4) Kolkata 5) Chandigarh 6) Chennai 7) Guwahati 8) Hyderabad 9) Jaipur 10) Kanpur 11) Mumbai 12)

Nagpur 13) New Delhi 14) Patna 15) Thiruvanthapuram any of the centres specified by SEBI, the refunds shall be credited to the bank accounts of applicants through electronic transfer of funds by using Electronic Clearing Service (ECS) Direct Credit, Real Time Gross Settlement (RTGS) or National Electronic Funds Transfer (NEFT) , as is for the time being permitted by the Reserve Bank of India.

- (b) In case of other applicants – by dispatch of refund orders by registered post , where the value is Rs. 1500/- or more, or under certificate of posting in other cases, (subject however to postal rules) and
- (c) In case of any category of applicants specified by SEBI- crediting of refunds to the applicants in any other electronic manner permissible under the banking laws for the time being in force which is permitted by SEBI from time to time.

Dispatch of Refund Orders

The Company shall make refunds to applicants in case of oversubscription using the following modes.

- (a) In case of applicants not residing in any of the centres specified by the SEBI, the refunds shall be credited to the bank accounts of applicants through electronic transfer of funds by using Electronic Clearing Service (ECS) Direct Credit, Real Time Gross Settlement (RTGS) or National Electronic Funds Transfer (NEFT), as is for the time being permitted by the Reserve Bank of India.
- (b) In case of other applicants – by dispatch of refund orders by registered post , where the value is Rs. 1500/- or more, or under certificate of posting in other cases, (subject however to postal rules) and
- (c) In case of any category of applicants specified by SEBI- crediting of refunds to the applicants in any other electronic manner permissible under the banking laws for the time being in force which is permitted by SEBI from time to time.

Interest in case of delay in Dispatch of Allotment Letters/Refund Orders in case of Public Issues

The Company agrees that allotment of securities offered to the public shall be made not later than 15 days after the closure of the public issue. The Company further agrees that it shall pay interest at rate of 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants or if, in a 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 the date of closure of the Issue. However, applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement shall not be entitled for the said interest.

Refund orders shall be payable at par at all centres where Bidding terminals were set up to receive Bids from Bidders.

Undertaking by the Company

The Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;

- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to this Issue by the Issuer;
- 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 the issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within the specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Red Herring Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.

Utilization of Issue proceeds

The Board of Directors of the Company Certify that:

- all monies received out of the Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilized out of Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised; and
- details of all unutilised monies out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The company shall not have recourse to the Issue proceeds until approval for trading of Equity Shares from all the stock exchanges where listing is sought is received.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the industrial policy of Government of India, or the Industrial Policy 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, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India ("FIPB") and the RBI. Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to

residents.

The transfer of Equity Shares of NRIs, FIIs, and Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the Government of India or RBI while granting such approvals.

SECTION IX. MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

SHARE CAPITAL

7. Capital

The Authorised Share Capital of the Company shall be the Capital as specified in clause V of the Memorandum of Association. The company shall have power to increase, consolidate, sub-divide, realize or otherwise alter its Share Capital, subject to the provisions of the Act and these Articles.

8. Increase of capital by the Company and how carried into effect

The Company at its general meeting may, from time to time, by special resolution, increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Act and these Articles, any shares of the originals or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the directors shall determine; and in particular; such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company, and with a right of voting at General Meeting of the company in conformity with Sections 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Articles, the Directors shall comply with the provisions of Section 97 of the Act.

9. New Capital same as Existing Capital

Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the original capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and instalments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

10. Redeemable Preference Shares

Subject to the provisions of Section 80 of the Act the Company shall have the power to issue preference shares which are, or at the option of the Company are liable, to be redeemed and the special resolution authorizing such issue shall prescribe the manner, terms and conditions of their issue and redemption.

11. Cumulative Convertible Preference Shares

The Company shall have the power to issue cumulative convertible preference shares subject to the special resolution authorizing such issue which shall prescribe the manner, terms and conditions of their issue and conversion.

12. Restriction on allotment

The Board shall observe the restrictions on allotment contained in Sections 69 and 70 of the Act, as the case may be and shall cause to be made the returns as to allotment according to Section 75 of the Act.

13. Shares under the control of Directors

Subject to the provisions of these Articles and of the Act, the shares (including any shares forming part of any increased capital of the Company) shall be under the control of the Directors who may allot or otherwise dispose of the same to such persons in such proportion, on such terms and conditions and at such times as the directors think fit subject to the sanction of the Company in general meeting by special resolution and with full power, to give any person the option to call for or be allotted shares of any class of the Company either (subject to the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount and such option being exercisable for such time and for such consideration as the Board thinks fit, provided that option or right to call on shares shall not be given to any person except with 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 allotment of further shares, then subject to the provisions of Section 81 (1A) of the Act, the Board shall issue such shares in the manner set out in Section 81 (1) of the Act, save that if any persons shall exercise that right to renounce all or any of the shares offered to him in favour of any other person the Board shall have the right to accept or subject, without assigning any reason therefore, any such person in whose favour the said renouncement shall be made either in respect of any of the shares included in such renouncement. The Board shall cause to be filed the returns as to allotment provided for in Section 75 of the Act.

14. Further Issue of Shares

1. 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 unissued capital or out of the increased share capital then:

(a) 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.

(b) 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.

(c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour 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 favour any member may, renounce the shares offered to him.

(d) 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.

2. 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.

(a) If a special resolution to that effect is passed by the company in General Meeting, or

(b) 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.

3 Nothing in sub-clause (C) of (1) hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or

4 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:

(i) To convert such debentures or loans into shares in the company; or

(ii) To subscribe for shares in the company (whether such option is conferred in these Articles or otherwise) 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:

(a) 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

(b) 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.

14. (A) Shares at the Disposal of the Directors

Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that opinion or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.

15. Directors may allot shares as fully paid-up.

The Board of Directors may allot and issue shares of the Company as payment or part-payment for any property purchased by the company or in respect of goods sold or transferred or machinery or appliances supplied or for services rendered to the company in or about the formation of the company or the acquisition and or in the conduct of its business; and any shares which may be so allotted may be issued as fully/partly paid up shares and if so issued shall be deemed as fully/partly paid up shares.

To remunerate (by cash or otherwise or by other assets or by allotment of fully or partly paid shares or shares credited as fully or partly paid up or in any other manner) any persons, firms, associations or companies for services rendered or to be rendered in rendering technical aid and advice, granting licenses or permissions for the use of patents, trade secrets, trade marks, processes and in acting as trustees for debenture holders or debenture stock holders of the company or for subscribing or agreeing to subscribe subscriptions whether absolutely or conditionally or for procuring or agreeing to procure subscriptions whether absolute or conditional for any shares, debentures, or debenture stocks, or other securities of the Company or of any company promoted by this company or for services rendered in or about the formation or promotion of the company or any company promoted by this introducing any property or business to the company or in or about the conduct of the business of this company or for guaranteeing payments of such debenture stocks or other securities and any interest thereon.

16. Restriction on allotment

- a) The Directors shall in making the allotments duly observe the provisions of the Act.
- b) The amount payable on application on each share shall not be less than 5% of the nominal value of the share.
- c) Nothing therein contained shall prevent the Directors from' issuing fully paid up shares either on payment of the entire nominal value thereof in cash or in satisfaction of any outstanding debt or obligation of the company.

17. Rights to convert loans into capital

Notwithstanding anything contained in sub-clause (c) above, but subject, however, to Section 81 (3) of the Act, the Company may increase its subscribed capital on exercise of an option attached to the debentures or loans raised by the Company to convert such debentures or loans into shares or to subscribe for shares in the company.

18. Allotment on application to the acceptance of shares

Any application signed by or on behalf of an applicant for shares in the Company followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these articles, and every person who thus or otherwise accepts any shares and whose name is on the register, shall, for the purpose of these articles, be a Member.

19. Returns or allotments to be made or Restrictions on allotment

The Board shall observe the restrictions as to allotment of shares to the public contained in Sections 69 and 70 of the Act, and shall cause to be made the returns as to allotment provided for in Section 75 of the Act.

20. Money due on shares to be a debt to the company

The money (if any) which the Board shall, on the allotment of any shares being made by them require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by them, shall immediately on the inscription of the name of allottee in the Register of Members as the name of the holder of such shares become a debt due to and recoverable by the company from the allottee thereof, and shall be paid by him accordingly.

21. Member or heir to pay unpaid amounts

Every member or his heirs, executors or administrators shall pay to the company the portion of the capital represented by his share or shares which may, for the time being remain unpaid thereon, in such amounts, at such time or times, and in such manner, as the Board shall, from time to time, in accordance with the company's regulations, require or fix for the payment thereof.

22. Alteration of Capital

The Company may in General Meeting alter the conditions of its Memorandum as follows:

- a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.
- b) Sub-divide its shares or any of them into shares of smaller amounts than originally fixed by the Memorandum, subject nevertheless to the provisions of the Act and of these Articles.
- c) Cancel shares which at the date of such General Meeting have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

23. Power to issue preference shares

Subject to the provisions of Section 80 of the Act, the company shall have the powers to issue preference shares which are or at the option of the company are liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and conditions of such redemption.

24. Modification of Rights attached to Shares

- a) If at any time 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 any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Act, and whether or not the Company is being wound up, be varied with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the issued shares of that class.
- b) To every such separate meeting, the provisions of these regulations relating to general meetings shall apply mutatis mutandis.

25. Reduction of Capital

The Company may, subject to the provisions of Sections 78, 80 and 100 to 105 (both inclusive) of the Act, from time to time by special resolution, reduce its capital, any Capital Redemption Reserve Account and Share Premium Account in any manner for the time being authorised by law, and in particular, capital may be paid off on the footing that it may be called up again or otherwise.

This Article is not to derogate from any power the Company would have if it were omitted.

SHARE AND DEBENTURE CERTIFICATES

26. Register and Index of Members

The Company shall cause to be kept a Register and Index of Members in accordance with sections 150 and 151 of the Act.

27. Branch Register of Members

The Company shall be entitled to keep in any State or Country outside India a Branch Register of members resident in that State or Country.

28. Shares to be numbered progressively and subdivided under certain circumstances

The shares in the capital shall be numbered progressively according to their several denominations, and except in the manner hereinbefore mentioned, no share shall be sub-divided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.

29. Issue of New Certificate in place of one defaced, lost or destroyed:

If any certificate be worn out, defaced, mutilated, or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the company, a new certificate may be issued in lieu thereof and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, an a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificates under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

The provision of this Article shall mutatis mutandis apply to debentures of the company.

30. Rules to issue share certificates

The rules under 'The Companies (Issue of share certificate) Rules, 1960' shall be complied within the issue, reissue, renewal of share certificates and the form, sealing and signing of the certificates and records of the certificates issued shall be maintained in accordance with said rules. The company shall keep ready share certificates for delivery within 2 months after allotment.

31. Responsibilities to maintain records

The Managing Director of the Company for the time being or if the Company has no Managing Director, every Director of the company shall be responsible for maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates.

32. Acceptance of Shares

Any application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the Register of Members shall, for the purpose of these Articles, be a member.

33. Deposit and call etc, to be a debt payable immediately

The money (if any) which the Board shall on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by them, shall immediately on the inscription of the name of the allottee in the Register of Members as the name of the holder of such share, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

34. Installments on Shares to be duly paid

If by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by instalment, every such instalment shall when due be paid to the Company by the person who, for the time being and from time to time shall be the registered holder of the share or his representative.

35. Liability of Members

Every member, or his heirs, executors or administrators, shall pay to the Company the portion of the capital represented by his share or shares which may for the time being, remain unpaid thereon, in such amounts, at such time or times and in such manner as the Board shall, from time to time, in accordance with the Company's regulations, require or fix for the payment thereof.

36. Share Certificates

a) Limitation of Time For Issue of Certificates

Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in the name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the

conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons the company shall not be borne to

- b) Subject to the provisions of the Companies (Issue of Share Certificate) Rules 1960 and any amendment thereof for the time being in force, every such certificate shall be issued under the seal of the Company, which shall be affixed in the presence of and signed by:
 - i) two directors or persons acting on behalf of the directors under a duly registered power of attorney, and
 - ii) the secretary or some other person appointed by the Board for the purpose, provided that if the composition of the Board of directors permits, at least one of the aforesaid two directors shall be a person other than managing director or whole-time director, if any, of the Company.
- c) Any two or more joint allottees of a share shall, for the purpose of this Article, be treated as a single member and the certificate of any share, which may be the subject of joint ownership, may be delivered to any one of such joint owners on behalf of all of them. Particulars of every share certificate issued shall be entered in the Register of Members against the name of the person to whom it has been issued, indicating the date of issue. For any further certificate the Board shall be entitled, but shall not be bound, to prescribe a charge not exceeding rupee one.

The Company shall comply with the provisions of section 113 of the Act.

- d) A director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as engraving in metal or lithography, but not by means of a rubber stamp, provided that the directors shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.
- e) Notwithstanding anything contained In the Articles of Association of the Company, the directors of the Company may, in their absolute discretion, refuse sub-division of share certificates or debenture certificates into denominations of less than the marketable lots except where such sub-division is required to be made to comply with statutory provisions or any order of a competent Court of Law.

37. Renewal of share certificate

- a) No certificate of any share or shares shall be issued either in exchange for those which are sub-divided or consolidated or in replacement of those which are defaced, torn, or old, decrepit, worn out, or where the cages on the reverse for recording transfers have been duly utilised, unless the certificate in lieu of which it is issued is surrendered to the Company.
- b) When a new share certificate has been issued in pursuance of clause (a) of this Article, it shall state on the face of it and against the stub or counterfoil to the effect that it is "issued in lieu of Share Certificate No..... sub-divided/replaced/on consolidation of shares".
- c) If a share certificate is lost or destroyed a new certificate in lieu thereof shall be issued only with the prior consent of the Board upon proof thereof to the satisfaction of directors on such indemnity as. the directors deem adequate and on payment of any such sums not exceeding

that permitted under the Act and other relevant enactments prevailing at the time of such issue, as also out-of-pocket expenses incurred by the Company in investigating evidence, as the Board thinks fit.

- d) When a new share certificate has been issued in pursuance of clause (c) of this Article, it shall state on the face of it and against the stub or counterfoil to the effect that it is "duplicate issued in lieu of Share Certificate No.....".The word "Duplicate" shall be stamped or punched in bold letters across the face of the share certificate.
- e) Where a new share certificate has been issued in pursuance of clause (b) or clause (c) of this Article, particulars of every such share certificate shall be entered in a Register of Renewed and Duplicate Certificate indicating against the names of the persons to whom the certificate is issued, the number and date of issue of the share certificate in lieu of which the new certificate is issued and the necessary change indicated in the Register of Members by suitable cross reference in the "Remarks" column.
- f) Notwithstanding anything contained in The Articles of Association of the Company, the directors of the Company may, in their absolute discretion, refuse sub-division of share certificates or debenture certificates into denominations of less than the marketable lots except where such sub-division is required to be made to comply with statutory provisions or any order of a competent Court of Law.
- g) Notwithstanding anything contained in the Articles of Association of the Company, the Board of directors may at their discretion charge and recover the stamp duty payable on share certificates issued arising out of splitting or consolidation or renewal or issue of duplicate certificate and such payments should be made by the shareholder receiving the certificate prior to the issue of the share certificate.
- h) All blank forms to be used for issue of share certificates shall be printed and the printing shall be done only on the authority of a resolution of the Board. The blank forms shall be consecutively machine numbered and the forms and the blocks, engravings, facsimiles and hues relating to the printing of such forms shall be kept in the custody of the secretary or of such other person as the Board may appoint for the purpose; and the secretary or the other person aforesaid shall be responsible for rendering an account of these forms to the Board.
- i) The Managing Director of the Company for the time being or, if the Company has no Managing Director, every director of the Company shall be responsible for the Maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates except the blank forms of share certificates referred to in sub-article
- j) All books referred to in sub-article (i) shall be preserved in good order permanently.

37 (A). DEMATERIALIZATION OF SECURITIES

- (1) Notwithstanding anything contained in these Articles, the shareholders/debenture holders of the Company shall be entitled to dematerialize its existing shares, debentures and other securities, rematerialise its securities held in the Depository and the Company shall offer fresh shares, debentures and other securities for subscription in a dematerialized form pursuant to the Depositories act and the rules framed there under, if any.
- (2) Every person subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with a Depositor.

- (3) The share in the capital shall be numbered progressively according to their several denominations. Provided that the provisions relating to progressive numbering shall not apply to the shares of the Company which are dematerialized or may be dematerialized in future or issued in future in dematerialized form. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.
- (4) Every person subscribing to shares, debentures or other securities offered by the Company shall have the option to receive such shares, debentures or securities in physical form or to hold the same with a Depository in dematerialized form. Such a person who is the Beneficial owner of the securities can at any time opt out of a depository, if permitted and in the manner provided by law and the Company shall, in the manner and within the time prescribed, issue to the Beneficial owner the required Certificates.
- (5) In case of transfer of shares, debentures and other marketable securities, where the Company has not issued any certificate and where such shares, debentures or securities are being held in an electronic and fungible form by a Depository, the provisions of the Depositories Act shall apply.
- (6) If the shares of the Beneficial owner are held with a Depository, the Company shall intimate such Depository, the details of allotment of the security, and on receipt of the information, the depository shall enter in its records, the names of the allottees as the Beneficial owner of the security.
- (7) (i) A Depository shall be deemed to be the registered owner of the securities of the securities for the purposes of effecting transfer of ownership of security on behalf of the Beneficial Owner.

(ii) Save as otherwise provided in (i) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it. Such voting rights shall be vested with the Beneficial owner of the shares of the company.
- (8) Beneficial owner deemed as absolute owner. Save as herein otherwise provided, the Company shall be entitled to treat the persons whose name appears as the Beneficial owner of the shares, debentures and other securities in the records of the Depository as the absolute owner thereof as regard receipt of dividends or bonus on shares, interest/premium on debentures and other securities and repayment thereof or for service of notices and all or any other matters connected with the Company and accordingly the Company shall not (except as ordered by the Court of competent jurisdiction or as by law required) be bound to recognize any benami trust or equity or equitable, contingent or other claim to or interest in such shares, debentures or other securities as the case may be, on the part of any other person whether or not it shall have express or implied notice thereof but the Board shall be entitled at their sole discretion to register any share in the joint names of any two or more persons or the survivors or the survivors of them.
- (9) Notwithstanding anything in these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.
- (10) The Company shall cause to keep a Register and Index of Members and Register and Index of Debenture holders in accordance with Section 151 and 152 of the Act respectively, and the Depositories Act, with details of shares and debentures held material and dematerialized forms in any media as may be permitted by law including in any form of electronic media.

Notwithstanding anything in these Articles to the contrary, the Register and Index of Beneficial owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be the Register and Index of Members for the purposes of the Act. The Company shall have the power to keep in any state or country outside India a branch of register of Members resident in the state or country.

- (11) Notwithstanding anything contained in these Articles to the contrary, the Register and Index of Beneficial owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be the Register and Index of Debenture holders for the purposes of the Act.
- (12) Nothing contained in Section 108 of the Act or these Articles shall apply to the transfer of shares, debentures or other securities effected by the transferor or transferee, both of whom are entered as Beneficial owners in the records of the Depository, provided that in respect of the shares, debentures and other securities held by the Depository on behalf of a Beneficial owner, Sections 153, 153A, 153B, 187B, 187C and 372A of the Act, shall not apply.
- (13) Issue of Certificates, if required, in the case of dematerialized shares/ debentures/ other securities and rights of Beneficial owner of such shares/debentures/other securities. Notwithstanding anything contained in these Articles, certificate, if required, for dematerialized share, debenture and any other security shall be issued in the name of the Depository and all the provisions contained in these Articles in respect of the rights of a member/debenture holder of the Company shall *mutatis mutandis* apply to the Depository as if it were a Member/debenture holder/security holder excepting that and notwithstanding that the Depository shall have been registered as the holder of a dematerialized share, debenture and any other security, the person who is the Beneficial owner of such shares, debentures and other securities shall be entitled to all the rights (other than those set out in these Articles) available to the registered shares, debentures and other securities, in the Company as set out in the other provisions of these Articles.
- (14) If a Beneficial owner seeks to opt out of a Depository in respect of any security, the Beneficial owner shall inform the Depository accordingly.

The Depository shall on receipt of information as above make appropriate entries in its records and shall inform the Company.

The Company shall within thirty (30) days of the receipt of intimation from the Depository and on fulfillment of such conditions and payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial owner or the transferee as the case may be.

- (15) Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares in physical form subject to the provisions of the Depository Act.
- (16) Notwithstanding anything in the Act, or these Articles where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

LIEN

56. Company's lien on Share / Debentures:

The Company shall have a first and paramount lien upon all the shares/ debentures (Other than fully paid-up shares/debentures) 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/debentures 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 bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.

57. Enforcement of lien by sale

For the purpose of enforcing such lien as aforesaid, the directors may sell the shares subject thereto in such manner as they shall think fit but no sale shall be made;

- a) unless a sum in respect of which the lien exists is presently payable: and
- b) until a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists and as is presently payable, has been given to the registered holder for the time being of the share or to the person entitled thereto by transmission, and default shall have been made by him in payment of the sum payable as aforesaid for seven days after such notice.

58. Application of proceeds of sale

The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the persons entitled to the shares at the date of the sale.

FORFEITURE OF SHARES

59. Board to have right to forfeit the shares

If any member fails to pay the whole or any part of any call or instalment or any money due in respect of shares either by way of principal or interest on or before the day appointed for the payment of the same or any such extension thereof as aforesaid. the Board may at any time thereafter, during such time as the call or instalment or any part thereof or other moneys remain unpaid or a judgment or decree in respect thereof remains unsatisfied in whole or in part, give notice to such member or on the person if any, entitled to the share by transmission, requiring him to pay the same together with any interest that may have accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of such non-payment.

60. Form and terms of Notice

The notice aforesaid shall name a day (not being less than fourteen days from the date of notice) and a place or places on and at which the money (including the interest and expenses as

aforesaid) is to be paid. The notice shall also state that in the event of the non-payment of such money at or before the time and at the place appointed, the shares in respect of which the money is owing will be liable to be forfeited.

61. Claims against the company to extinguish on forfeiture

The forfeiture of a share involves extinction, at the time of the forfeiture, of all interests in an all claims and demands against the company, in respect of the shares and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.

62. Shares to be forfeited in default of payment

If the requirements of any such notice as aforesaid are not complied with, every or any share in respect of which such notice has been given may, at any time thereafter, but before payment of all calls or instalments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.

63. Notice of forfeiture to the Member and entry in register

When any share have been so forfeited, notice of forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by an omission or neglect to give such notice or to make any such entry as aforesaid.

64. Forfeited share to be property of the Company and may be sold etc.

Any share so forfeited shall be deemed to be the property of the Company, and may be sold, reallocated, or otherwise disposed of either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

65. Member still liable to pay calls owing at the time of forfeiture and interest

Any member whose shares have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, on demand, all calls, instalments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture, together with the interest thereon from the time of the forfeiture until payment, at such rate per annum as the Board may determine, and the Board may enforce the payment thereof, if it thinks fit, but shall not be under any obligation to do so.

66. Effect of forfeiture

The forfeiture of a share shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demands against the Company, in respect of the share and all other rights incidental to the share, except only such of those rights as by those Articles are expressly saved.

67. Evidence of forfeiture

A declaration in writing that the declarant is a director or secretary of the Company and that certain shares in the Company have been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares.

68. Validity of sale under Articles 57 and 64

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the Register of Member in respect of the shares sold. 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 and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

69. Cancellation of share certificate

Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect, and the directors shall be entitled to issue a duplicate new certificate or certificates in respect of the said shares to the person or persons entitled thereto.

70. Power to annul forfeiture

The Board may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

TRANSFER AND TRANSMISSION OF SHARES AND DEBENTURES

71. Register of Transfers

The Company shall maintain a "Register of Transfers" and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

72. Transfer not to be registered except on production of instrument of transfer

- a) The instrument of transfer shall be in writing and in such form as may be prescribed under relevant provisions of the Act in that behalf. The Company shall not charge any fee for registration of the transfer of shares.
- b) Every instrument of transfer shall be in respect of only one class of shares.
- c) The Company shall not register a transfer of shares in the Company unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and or on behalf of the transferee in the prescribed form and in accordance with the requirements of Section 108 of the Act has been delivered to the Company along with the certificate relating to the shares, or if no such certificate is in existence, along with the letter of allotment of the shares. Provided that where on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board of directors that the instrument of transfer, signed by or on behalf of the transferee has been lost. the Company may register the transfer on such terms as to indemnity as the Board may think fit; Provided further that nothing in this Article shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares in the Company has been transmitted by operation of law.

73. No transfer to persons of unsound mind

No share shall in any circumstances be transferred to any infant, insolvent or person of unsound mind, except fully paid shares through a legal guardian.

74. Closure of Register of Members or Debenture holders

The Board shall have power, on giving not less than seven days notice by advertisement in a newspaper circulating in the district in which the registered office of the Company is situated as required by Section 154 of the Act, to close the transfer books, Register of Members or Register of Debenture holders of the Company for such period of time not exceeding in the whole 45 days in each year (but not exceeding 30 days at a time) as they may determine.

75. Directors may refuse to register transfer

Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, 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 transferor notice of the refusal to register such transfer provided that registration of 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 when the company has a lien on the shares. Transfer of shares / debentures in whatever lot shall not be refused.

76. Notice of refusal to be given to transferor and transferee

If the Company refuses to register the transfer of any share or transmission of any right therein the Company shall within one month from the date on which the instrument of transfer or intimation of transmission was lodged with the Company send notice of refusal to the transferee and transferor or the person giving intimation of the transmission, as the case may be, and thereupon the provisions of Section 111 of the Act or any statutory modification of the said provisions for the time being in force and subject to Section 22A of the Securities Contracts (Regulation) Act, 1956 or any statutory modification of the said provisions for the time being in force, shall apply.

77. Application for Transfer

- a) An application for the registration of transfer of the shares in the Company may be made either by the transferor or the transferee.
- b) where, in the case of partly paid shares, an application for registration is made by the transferor, the transfer shall not be registered unless the Company gives notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.

78. Instrument of transfer to be executed by transferor and transferee

Every instrument of transfer shall be signed both by or on behalf of the transferor and the transferee and transferor shall be deemed to remain the holder of such share until the name of the transferee shall have been entered in the Register of Members in respect thereof.

79. Custody of instrument of transfer

The instrument of transfer shall after registration be retained by the Company and shall remain in its custody. All instruments of transfer which the directors may decide to register shall on demand be returned to the person depositing the same. The directors may cause to be destroyed all transfer deeds lying with the Company for a period of ten years or more.

80. Instrument of Transfer

The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

81. Executing transfer instrument

Every such instrument of transfer shall be executed both by the transferor and the transferee and the transferor shall be deemed to remain holder of the shares until the name of the transferee is entered in the register of members in respect thereof. The instrument of transfer shall be in respect of only one class of shares and should be in the form prescribed under the Act.

82. Board's right to refuse to register

The Board of Directors may refuse, whether in pursuance of any power of the company under the Articles or otherwise to register the transfer of or the transmission by the operation of law of the right to, any shares or interest of a member in, or debentures of the company, the Company shall within two months from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to the company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be.

83. Transfer of partly paid shares

Where in the case of partly paid shares, an application for registration is to be made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.

84. Death of one or more joint holders of shares

In case of the death of any one or more of the persons named in the Register of Members as the joint holders of any share, the survivor or survivors shall be the only persons recognised by the Company as having any title to or interest in such share, 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.

85. Title of shares of deceased holder

The executors or administrators of a deceased member or the holder of a Succession Certificate in respect of the shares of a deceased member (not being one or two or more joint holders) shall be the only persons whom the Company will be bound to recognise as having any title to the share registered in the name of such member and the Company shall not be bound to recognize such executors or administrators or holders unless such executors, administrators or holders shall have first obtained Probate or letters of administration or Succession Certificate, as the case may

be from a duly constituted Court in India provided that the directors may, at their absolute discretion, dispense with production of probate, letter of administration or succession certificate upon such terms as to indemnity or otherwise as they think fit and may enter the name of the person who claims to be absolutely entitled to the shares standing in the name of a deceased members, as a member. The Company shall not charge any fee for registration of any power of attorney, probate, letter of administration or similar document.

86. Transmission clause

Subject to the provisions of the Act, this Article and Articles 84 and 85 any person becoming entitled to any share in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these Articles, may, with the consent of the directors (which they shall be under no obligation to give) and upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the directors may require, and upon giving such indemnity as the directors may require, either be registered as a member in respect of such shares or elect to have some person nominated by him and approved by the directors registered as a member in respect of such shares provided that if such person shall elect to have his nominee registered, he shall testify his election by executing in favour of his nominee an instrument of transfer in accordance with these Articles, and until he does so he shall not be free from any liability in respect of such share. This clause is hereinafter referred to as the "Transmission Clause".

87. Refusal to register in case of transmission

The directors shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee as if he were the transferee named in the case of a transfer of shares presented for registration.

87. (A) Board may require evidence of transmission

Every transmission of a share shall be verified in such manner as the directors may require, and the company may refuse to register any such transmission until the same be so verified, or until or unless an indemnity be given to the company with regard to such registration which the Board at their discretion shall consider sufficient; Provided nevertheless that there shall not be any obligation on the company or the Board to accept any indemnity.

88. The company is not liable for disregard of notice prohibiting registration of transfer

The company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares made or purported to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the same shares, notwithstanding that the company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice or referred to it in any book, or attended or given effect to any notice which may have been given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do though it may have been entered or referred to in some book of the company, but the company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto, if the directors shall so think fit.

89. Rights of successors

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 shares, except that he shall not, before being registered as a member in respect of the shares, be entitled to exercise any right conferred by membership in relation to meetings of the company; provided that the directors shall, at the time, give notice requiring any such person to elect either to be registered himself or to transfer the shares, and if the notice is not complied with within ninety days the directors may thereafter withhold payment of all dividends, bonus or other moneys payable in respect of the shares until the requirements of the notice have been complied with.

90. Transfer and Transmission of Debentures

The provisions in Articles 71 to 90 shall apply mutatis mutandis to transfer and transmission of debentures as if the words "share", "shareholder" and Register of Members had been substituted in these regulations by the words "Debentures", "Debenture holders" and "Register of Debenture Holders".

91. Rights on transmission

A person entitled to a share by transmission shall, subject to the right of the Board to retain such dividends or money as hereinafter provided, be entitled to receive and may give discharge for any dividends or other moneys payable in respect of the share.

92. Instrument of transfer to be stamped

Every instrument of transfer shall be presented to the company duly stamped for registration accompanied by such evidence as the Board may require to prove the title of the transferor his right to transfer the shares and every registered instrument of transfer shall remain in the custody of the company until destroyed by order of the Board.

93. Share Certificates to be surrendered

Before the registration of a transfer, the certificate or certificates of the share or shares to be transferred must be delivered to the company along with (save as provided in Section 108) properly stamped and executed instrument of transfer.

94. No Fee on Transfer or Transmission

No fees shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

95. Company not liable to notice of equitable rights

The company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the company may have had notice of such equitable rights or referred thereto in any books of the company and the company shall not be bound by or required to regard or attend to or give effect to any notice which may be given to it of any equitable rights, title to interest or be under any liability whatsoever for refusing or neglecting to do so, though it may have been entered or

referred to in some book of the company but the company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

BORROWING POWERS

101. Borrowing Powers

Subject to the provisions of Sections 292, 293 and 58A of the Act, and these Articles and without prejudice to the other powers conferred by these Articles, the directors shall have power from time to time at its discretion to accept deposits from members, either in advance of calls or otherwise, and generally raise or borrow or secure the payment of any sum or sums of money for the purpose of the Company.

102. Payment or repayment of borrowed moneys

The payment and repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board of directors may think fit, by resolutions passed at a meeting of the Board (but not by circulation) and in particular, by the issue of bonds, debentures or debenture stock of the Company by a mortgage or charge upon all or any part of the property of the Company (both present and future) including its uncalled capital for the time being.

103. Securities may be assignable free from equities

Debentures, debenture stock, bonds or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

104. Borrowing

- a) The Board of Directors may from time to time but with such consent of the Company in General Meeting as may be required under the Act raise any moneys or sums of money for the purpose of the Company provided that the moneys to be borrowed by the Company apart from temporary loans obtained from the Company's bankers in the ordinary course of business shall not without the sanction of the Company at a General Meeting exceed the aggregate of the paid up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose and in particular, but subject to the provisions of Section 292 of the Act, the Board may from time to time at their discretion raise or borrow or secure the payment of any such sum of money for the purpose of the Company, by the issue of debentures perpetual or otherwise including debentures convertible into shares of this or any other Company or perpetual annuities and in security of any such money so borrowed, raised or received mortgage, pledge or charge, the whole or any part of the property, assets or revenue of the Company present or future, including its uncalled capital by special assignment or otherwise or to transfer or convey the same absolutely or in trust and to give the lenders powers of sale and other powers as may be expedient and to purchase redeem or pay off any such securities. Provided that every resolution passed by the Company in General Meeting in relation to the exercise of the power to borrow as stated above shall specify the total amount upto which moneys may be borrowed by the Board of Directors.
- b) The Directors may by a resolution at a meeting of the Board delegate the above power to borrow money otherwise than on debentures to a Committee of Directors or the Managing Director, if any, within the limits prescribed.

- c) Subject to the provisions of the above sub-clause, the Directors may, from time to time, at their discretion, raise or borrow or secure the repayment of any sum or sums of money for the purpose of the Company, at such time and in such manner and upon such terms and conditions in all respects as they think fit. and in particular, by promissory notes or by opening current accounts or by receiving deposits and advances with or without security or by the issue of bonds, perpetual or redeemable debentures (both present and future) including its uncalled capital for the time being or by mortgaging or charging or pledging any lands, buildings, goods or other property and securities of the Company, or by such other means as they may seem expedient.

105. Terms of issue of debenture:

Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and condition as to redemption, surrender, drawing, allotment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

106. Assignment of debentures

Such debentures, debenture-stock bonds or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

107. Debenture Directors

Any Trust Deed for securing debentures or debenture stock may if so arranged provide for the appointment from time to time by the trustee thereof or by the holders of debentures or debenture-stock of some person to be a Director of the Company and may empower such trustee or holders of debentures or debenture stock from time to time to remove any director so appointed. A Director appointed under this Article is herein referred to as a "Debenture Director" and the Debenture Director means a Director for the time being in office under this Article. A debenture director shall not be bound to hold any qualification shares and shall not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provision shall have effect notwithstanding any of the other provisions herein contained.

108. Register of Charges, Mortgages etc. to be kept

The Board shall cause a proper Register to be kept in accordance with the provisions of section 143 of the Act of all mortgages, debentures and charges specifically affecting the property of the Company, and shall cause the requirements of Sections 118, 125 and 127 to 144 (both inclusive) of the Act in that behalf to be duly complied with, so far as they are required to be complied with by the Company.

109. Register and Index of Debenture holders

The Company shall, if at any time it issues debentures, keep a Register and Index of Debenture holders in accordance with section 152 of the Act. The Company shall have the power to keep in any state or country outside India a branch register of Debenture holders resident in that state or country.

110. Subsequent assignees of uncalled capital

Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same, subject to such prior charge and shall not be entitled, by notice to the shareholders or otherwise, to obtain priority over such prior charge.

111. Mortgage of uncalled capital

If any uncalled capital of the Company is included in or charged by any mortgage or other security, the directors shall subject to the provisions of the Act and these Articles, make calls on the members in respect of such uncalled capital in trust for the person in whose favour such mortgage of security is executed.

112. Indemnity may be given

Subject to provisions of the Act and these Articles, if the directors or any of them or any other person shall incur or be about to incur any liability whether as principal or surety for the payment of any sum primarily due from the Company, the directors may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the directors or person so becoming liable as aforesaid from any loss in respect of such liability.

113. Powers to be exercised by Board only at Meeting

- a) The Board of Directors shall exercise the following powers on behalf of the Company and the said powers shall be exercised only by resolutions passed at the meeting of the Board:
 - (i) Power to make calls on shareholders in respect of moneys unpaid on their shares;
 - (ii) Power to issue debentures;
 - (iii) Power to borrow moneys otherwise than on debentures;
 - (iv) Power to invest the funds of the Company;
 - (v) Power to make loans.
- b) The Board of Directors may by a meeting delegate to any committee of the Directors or to the Managing Director the Powers specified in sub-clauses (iii), (iv) and (v) above.
- c) Every resolution delegating the power set out in sub-clause (iii) above shall specify the total amount upto which moneys may be borrowed by the said delegate.
- d) Every resolution delegating the power referred to in sub-clause (iv) above shall specify the total amount, upto which the funds may be invested and the nature of the investments which may be made by the delegate.
- e) Every resolution delegating the power referred to in sub-clause (v) above shall specify the total amount upto which the loans may be made by the delegate the purposes for which the loans may be made and the maximum amount of loans which may be made for each such purpose in individual cases.

VOTES OF MEMBERS

146. Members in arrears not to vote

No member shall be entitled to vote either personally or by proxy at any general meeting or meeting of a class of shareholders, either upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the company has, and has exercised, any right of lien.

147. Number of votes to which member entitled

- a) Subject to the provisions of these articles and with out prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the company, every member shall be entitled to be present, audio speak and vote at such meeting. Every member present in person or by proxy shall on a show of hands have one vote and upon a poll the voting right shall be in proportion to his share of the paid up equity share capital of the company.
- b) On a poll, a member having more than one vote, or his proxy or other person entitled to vote for him need not use all his votes in the same way.
- c) Provided, however, if any preference shareholder be present at any meeting of the company, save as provided in clause (b) of sub-section (2) of Section 87 he shall have a right to vote only on resolutions placed before the meeting which directly affect the rights attached to his preference shares.

148. Casting of votes by a Member entitled to more than one vote

On a poll taken at a meeting of the company, a member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

149. Vote of member of unsound mind or who is a minor

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 committee or other legal guardian, or by proxy of such committee or other legal guardian. If any shareholder be a minor, the vote in respect of his share or shares shall be by his guardian, or any one of his guardians, if more than one, to be selected in case of dispute by the chairman of the meeting.

150. Votes of joint members

If there be joint registered holders of any shares, any one of such persons may vote at any meeting or may appoint another person (whether a member or not) as his proxy in respect of such shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the meeting and, if more than one of such joint holders be present at any meeting, that one of the said persons so present whose name stands higher on the Register shall alone be entitled to speak and to vote in respect of such shares but the other or others of the joint holders shall be entitled to be present at the meeting. Several executors or administrators of a deceased member in whose name shares stand shall for the purpose of these articles be deemed joint holders thereof.

151. Voting in person or by proxy

Subject to the provisions of these articles, votes may be given either personally or by proxy. A body corporate being a member may vote either by proxy or by a representative duly authorized in accordance with Section 187 of the Act and such representative shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual member.

152. Votes in respect of shares of deceased and insolvent member

Any person entitled under the Transmission Clause (Article 86) to transfer any shares may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that atleast forty-eight hours before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote he shall satisfy the directory of his right to transfer such sharps and give such indemnity (if any) as the Directors may require unless the directors shall have previously admitted his right to vote at such meeting in respect thereof.

153. Appointment of proxy

Every proxy (whether a member or not) shall be appointed in writing under the hand of the appointer or his attorney, or if such appointer is body corporate under the common seal of such corporation, or be signed by an officer or any attorney duly authorised by it, and any committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the meetings.

154. Corporate members

Any corporation which is a member of the company may, by resolution of its Board of Directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the company and the said person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could have exercised if it were an individual member of the company.

155. Proxy either for specified meeting or for period

An instrument of proxy may appoint a proxy either for the purpose of a particular meeting specified in the instrument and any adjournment thereof or it may appoint for the purpose of every meeting of the company, or of every meeting to be held before a date specified in the instrument and every adjournment of any such meeting.

156 Votes by members present or by proxy

A member present either in person or by proxy shall be entitled to vote both on show of hands and on a poll.

157. Deposit of instrument of appointment

- a) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the office of the Company or such places as may be specified for that

purpose in the notice convening the meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. Such deposit shall be made not later than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.

- b) Notwithstanding that a power of attorney or other authority has been registered in the records of the Company, the Company may give notice in writing addressed to the member or the holder of the attorney given at least fourteen days before the meeting requiring him to produce the original power of attorney or authority and unless the same is thereupon deposited with Company not less than forty-eight hours before the time fixed for the meeting the attorney shall not be entitled to vote at such meeting unless the directors in their absolute discretion excuse such non-production and deposit.

158. Form of proxy

Every instrument of proxy whether for a specified meeting or otherwise shall, as nearly circumstances will admit, be in any of the forms set out in Schedule IX of the Act.

159. Proxy to be sent with notice

The proxy form shall be sent along with the notice convening any general meeting, to all the shareholders. Where the meeting pertains to debenture holders, proxy forms shall be sent to all the debenture holders.

160. Custody of the instrument

If any such instrument of appointment be confined to the object of appointing an attorney proxy it shall remain permanently or for such time as the directors may determine, in the custody of the Company, and if embracing other objects, a copy thereof, examined with the original shall be delivered to the Company to remain in its custody.

161. Inspection of Proxies

Every member entitled to vote at a meeting of the Company according to the provisions of these articles on any resolution to be moved thereat shall be entitled during the period beginning twenty-four hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect the proxies lodged at any time during the business hours of the Company, provided not less than three days notice in writing of the intention so to inspect is given to the Company.

162. Validity of votes given by proxy notwithstanding death of member

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or of any power of attorney under which such proxy was signed, or the transfer of the share in respect of which the vote is given provided that no intimation in writing of the death or insanity, revocation or transfer should have been received at the office before the meeting.

163. Time for objection to vote

No objection shall be made to the validity of any vote, except at the meeting or poll at which such vote shall be tendered, and every vote whether given personally or by proxy, not disallowed at such meeting or poll, shall be deemed valid for all purposes of such meeting or poll whatsoever.

164. Chairman of the meeting to be the judge of the validity of every vote

The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

DIRECTORS

165. Number of Directors and First Director

a) Number of Directors

Unless otherwise determined by a general meeting of the Company and subject to the provisions of section 252 of the Act, the number of directors (excluding alternate directors) shall not be less than three and not more than twelve.

b) The first Directors of the Company shall be:

1. Dr. S. M. MANEPALLI
2. Mrs. M. MANGATAYARU
3. Mr. M. SESHAVATHARAM

166. Nominee Directors and terms of their office

Notwithstanding anything to the contrary contained in these Articles so long as any moneys remain owing by the Company to the, Industrial Development Bank of India (IDBI), Industrial Finance; Corporation of India (IFCI), ICICI Limited, The Industrial Reconstruction Corporation of India (IRCI), Life Insurance Corporation of India (LIC), Unit Trust of India (UTI), General Insurance Company (GIC), National Assurance Company Limited (NIC), The Oriental Fire and General Insurance Company (OFGI), The New India Assurance Company ,(UI), SREI International Finance Limited, State Bank of India or any other scheduled. Nationalized or a Commercial bank recognized by Reserve Bank of India or a State Financial Corporation or any other Financial Institution owned or controlled by Central Government or a State Government or the Reserve Bank of India or by two or more of them or by the Central Government or State Government by themselves (each of the above is herein after in this Article referred to as "the Corporation") out of any loans/debenture assistance granted by them to the Company or so long as the Corporation holds or continues to hold the Debenture/Shares in the Company as a result of underwriting on by direct subscription or private placement, or so long as any liability of the Company arising out of any guarantee finished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time,, any person or persons as a Director or Directors, whole time or non-whole time (which Director, is/are herein after referred to as "nominee Director/s") on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or her/their place/s.

The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such nominee Director/s shall not be liable to retirement by rotation of Directors. The Company agrees that if to the Board of Directors of the Company as constitutes or proposes to constitute any management committee or other committee (s) it shall, if so required by the Corporation include the nominee Director as a member such management committee or other committee (s). Subject as aforesaid, the nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation and so long as the Corporation holds or continues to hold debentures/shares in the Company as a result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the guarantee is outstanding and the nominee Director/s so appointed in exercise of the said power shall ipso facto vacated such office immediately the moneys owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold Debentures/shares in the Company or on the satisfaction of the liability of the Company arising out of the guarantee furnished by the Corporation.

The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of Meetings of the Committee of which the Nominee Director/s is/are member/s as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes.

The Nominee Director/s shall be entitled to the same sitting fees, commission, remuneration and expenses as are applicable to other Directors of the Company. The Company shall pay the sitting fees and other-expenses to the Nominee Director/s directly, but the commission, remuneration or other monies and fees to which the Nominee Director/s is/are entitled shall accrue to the Corporation and shall accordingly be paid by the Company directly to the Corporation.

Provided that if any such Nominee Director/s is an officer of the Corporation the sitting fees, in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.

Any expenses that may be incurred by the Corporation or such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or. as the case may be, to such Nominee Director/s.

Provided also that in the event of the Nominee Director/s being appointed as whole time Director/s, such Nominee Director/s shall exercise such powers and duties as may be approved by the Corporation and have such rights as are usually exercised or available to a whole time director in the management of the affairs of the Company. Such whole time director/s shall be entitled to receive such remuneration, fees, commission, and monies as may be approved by the Corporation.

167. Provision to appoint Debenture Directors

If it is provided by the trust deed, secured or otherwise, in connection with any issue of debentures of the Company, that any person or persons shall have power to nominate a director of the Company, then in the case of any and every such issue of debentures, the person or persons having such power may exercise such power from time to time and appoint a Director

accordingly. Any director so appointed is herein referred to as "Debenture Director". A debenture director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director may be appointed in his place.

168. Appointment of Alternate Director

- (A) The Board may appoint an alternate director to act for a director (hereinafter called "the original director") during his absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held. An alternate director so appointed shall not hold office as such for a period longer than that permissible to the original director in whose place he has been appointed and shall vacate office if and when the original director returns to the state in which meetings of the Board are ordinarily held. If the term of office of the original director is determined before he so returns to the State aforesaid, any provision for the automatic reappointment of retiring directors in default of another appointment shall apply to the original director and not to the alternate director.
- (B) Each party shall be entitled to propose names of alternate Directors to be appointed for their respective Nominee Directors. The alternate Director shall be entitled to participate and vote at the meetings of the Board in the absence of the Original Directors.

169. Additional Directors

Subject to the provisions of Sections 260 and 264, the Board shall have power at any time and from time to time to appoint any other qualified person to be an additional director, but so that the total number of directors shall not at any time exceed the maximum fixed under article 165. Any such additional director shall hold office only up to the date of the next annual general meeting.

170. Casual vacancies

Subject to the provisions of Sections 262 and 264 of the Act, the Board shall have power at any time and from time to time to appoint any other qualified person to be a director, to fill a casual vacancy. Any person so appointed shall hold office only up to the date up to which the director in whose place he is appointed would have held office if it had not been vacated by him.

171. Qualification shares

A Director shall not be required to hold any qualification shares.

172. Remuneration of Directors

- a) Subject to the provisions of the Act, a director, who is neither in the whole time employment nor a Managing Director or all such directors collectively, maybe paid remuneration either:
 - i) by way of monthly, quarterly, or annual payment with the approval of the Central Government; or
 - ii) by way of commission if the Company by a special resolution authorises such payment.

Such remuneration, if payable collectively to more than one directors, shall be divided amongst the directors in such proportion and manner as the Board may from time to time determine, and in default of such determination shall be divided among the Directors as they may mutually decide.

- b) A director for attending a meeting of the Board or committee thereof shall be entitled to a fee at such rate as may be permitted by the provisions of the Companies Act, 1956, provided that the Company may in general meeting decide that a director shall not be entitled to any sitting fee for attending meetings of the Board or committee thereof for a specified period or otherwise.

173. Traveling expenses incurred by Director not a bonafide resident or by Director going out on Company's business

The Board may allow and pay to any director who is not a bonafide resident of the place where the meetings of the Board are ordinarily held and who shall come to such place for the purpose of attending any meeting, such sum as the Board may consider fair compensation for traveling, boarding, lodging and other expenses, in addition to his fee for attending such meeting as specified above; and if any director be called upon to go or reside out of the ordinary place of his residence on the Company's business, he shall be entitled to be paid and reimbursed any traveling or other expenses incurred in connection with business of the company.

174. Special remuneration for extra services rendered by a Director

If any director is called upon to perform extra services or special exertion or efforts either as a director or as a member of any committee formed by the Directors, the Board may arrange with such director for such special remuneration for such extra services or special exertion or effort either by a fixed sum or otherwise as may be determined by the Board and the said remuneration may be either in addition to or in substitution for the remuneration otherwise provided.

Such services shall include services rendered by a Director in signing the Share Certificates or Debenture Certificates.

175. Director/s may act notwithstanding vacancy

The continuing director/s may act notwithstanding any vacancy in their Board, but so that. Subject to the provisions of the Act, if the number falls below the minimum above fixed and notwithstanding the absence of a quorum, the continuing director/s may act for the purpose of increasing the number of directors to be fixed for the quorum or for summoning a general meeting of the company.

176. When the office of Director to become vacant

Subject to Sections 283 (2) and 314 of the Act, the office of a director shall become vacant if :

- a) he is found to be of unsound mind by a court of competent jurisdiction; or
- b) he applies to be adjudicated as insolvent: or
- c) he is adjudged an insolvent-, or
- d) he fails to pay any call made on him in respect of shares of the company held by him, whether alone or jointly with others, within six months from the date fixed for the payment of such call unless the Central Government has. by notification in the Official Gazette removed the disqualification incurred by such failure, or
- e) he absents himself from three consecutive meetings of the directors or from all meetings of the directors for a continuous period of three months, whichever is longer, without leave of absence from the Board; or
- f) he becomes disqualified by an order of the Court under Section 203 of the Act; or

- g) he is removed in pursuance of Section 284. or
- h) he (whether by himself or by any person for his benefit or on his account), or any firm of which he is a partner, or any private company of which he is a director, accepts a loan, or any guarantee or security for a loan, from the company in contravention of Section 295 of the Act; or
- i) he acts in contravention of Section 299 of the Act; or
- j) he is convicted by a Court of an offence involving moral turpitude and is sentenced in respect thereof to imprisonment for not less than six months; or
- k) having been appointed a director by virtue of his holding any office or other employment in the company, he ceases to hold such office or other employment in the Company; or
- l) he resigns his office by a notice in writing addressed to the Company.

177. Resignation

Subject to the provisions of the Act a Director may resign his office at anytime by notice in writing addressed to the Company or to the Board of Directors.

178. Directors may contract with Company

- a) Except with the consent of the Board of Directors of the Company, a director of the Company or his relative, a firm in which such director or relative is a partner, any other partner in such a firm. or a private company of which the director is a member or director shall not enter into any contract with the Company.
 - i) for the sale, purchase or supply of any goods, materials or services; or
 - ii) for underwriting the subscription of any shares in, or debentures of the Company.
- b) Nothing contained in sub-clause (i) of clause (a) shall affect :
 - i) the purchase of goods and materials from the Company, or the sale of goods and materials to the Company, by any director, relative, firm, partner or private company as aforesaid for cash at prevailing market prices; or
 - ii) any contract or contracts between the Company on the one side and such Director, relative, firm, partner or private company on the other for sale, purchase or supply of any goods, materials and services in which either the Company or the director, relative, firm, partner or private company, as the case may be regularly trades or does business provided that such contract or contracts do not relate to goods and materials the value of which or services the cost of which, exceed five thousand rupees in the aggregate in any year comprised in the period of the contract or contracts.
- c) Notwithstanding anything contained in sub-clauses (a) and (b) of the article, a director, relative, firm, partner or private company as aforesaid may, in circumstances of urgent necessity, enter, without obtaining the consent of the Board, into any contract with the Company for the sale, purchase or supply of any goods or materials or services, even if the value of such goods or cost of such services exceeds five thousand rupees in the aggregate in any year comprised in the period of the contract; but in such a case, the consent of the Board shall be obtained at a meeting within three months of the date on which the contract was entered into.
- d) Every consent of the Board required under this article shall be accorded by a resolution passed at a meeting of the Board and not otherwise and the consent of the Board required under sub-clause (a) of this article shall not be deemed to have been given within the meaning of that sub-clause unless the consent is accorded before the contract is entered into or within three

months of the date on which it was entered into.

- e) If the consent is not accorded to any contract under this article, anything done in pursuance of the contract shall be voidable at the option of the Board.

179. Disclosure of interest

- a) Every director of the Company, who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into, by or on behalf of the Company, shall disclose the nature of his concern or interest at a meeting of the Board of Directors in the manner set out in section 299 of the Act.
- b) Nothing in sub-clause (a) of this Article shall apply to any contract or arrangement entered into or to be entered into between the Company and any other Company, where any of the Directors of the Company or two or more of the Directors together holds or hold not more than two per cent of the paid-up share capital in the other Company.

180. General notice of interest

A general notice given to the Board by the director to the effect that he is a director or member of a specified body corporate or is a member of specified firm and is to be regarded as concerned or Interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm. shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made. Any such general notice shall expire at the end of the financial year in which it is given but may be renewed for a further period of one financial year at a time by a fresh notice given in the last month of the financial year in which it would have otherwise expired. No such general notice, and no renewal thereof, shall be of effect unless it is given at a meeting of the Board or the director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

181. Interested Directors not to participate or vote in Board's proceedings

No director shall, as a director, take any part in the discussion of, or vote on any contract or arrangement entered into, by or on behalf of the Company, if he is in any way, whether directly or indirectly, concerned or interested in such contract or arrangement; nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void; PROVIDED, however, that nothing herein contained shall apply to:

- a) any contract of indemnity against any loss which the Directors, or any one or more of them, may suffer by reason of becoming or being sureties or a surety for the Company;
- b) any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the director consists solely:
 - i) In his being :
 - a) a director of such company; and
 - b) the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such director by the company; or
 - ii) in his being a member holding not more than 2 per cent of its paid-up share capital.

182. Register of contracts in which Directors are interested

The Company shall keep a register in accordance with section 301(1) of the Act and shall within the time specified in section 301 (2) of the Act enter therein such of the particulars as may be relevant having regard to the application thereto of section 297 or section 299 of the Act as the case may be. The Register aforesaid shall also specify, in relation to each director of the Company, the names of the bodies corporate and firms of which notice has been given by him under section 299. The Register shall be kept at the office of the Company and shall be open to inspection at such office, and extracts may be taken therefrom and copies thereof may required by any member of the Company to the same extent, in the same manner, and on payment of the same fee as in the case of the Register of Members of the Company and the provisions of section 163 of the Act shall apply accordingly.

183. Directors may be Directors of Companies promoted by the Company

A director may be or become a director of any Company promoted by the Company, or in which may be interested as a vendor, shareholder, or otherwise, and no such director shall be accountable for any benefits received as director or shareholder of such Company except in so far as section 309(6) or section 314 of the Act maybe applicable.

184. Vacation of office of Director

The Office of a Director shall be deemed to have been vacated under the circumstances enumerated under Section 283 of the Act.

185. Equal power to Directors

Except as otherwise provided in these Articles, all the Directors of the Company shall have in all matters equal rights and privileges and be subject to equal obligations and duties in respect of the affairs of the company.

DIVIDEND

222. Division of profits and dividends in proportion to amount paid-up

- a) The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these articles and subject to the provisions of these articles shall be divisible among the members in proportion to the amount of capital paid-up or credited as paid-up on the shares held by them respectively.
- b) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

223. The Company in general Meeting may declare a dividend

- a) The Company in general meeting may declare dividends to be paid to members according to their respective rights and interest in profits.
- b) No dividends shall exceed the amount recommend by the Board, but the Company in general meeting may declare a smaller dividend.

224. Reserve Funds

The Board may before recommending any dividends set aside out of the profits of the Company such sums as it thinks proper as a reserve or reserves which shall at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalising dividends and pending such application, may, at the like discretion either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as a Board may, from time to time think fit.

225. Dividends only to be paid out of profits

- a) No dividend shall be declared or paid by the Company for any financial year except out of its profits arrived at in the manner set out in section 205 of the Act and the declaration of the director's as to the amount of the net profits of the Company shall be conclusive.
- b) The board may also carry forward any profits which it may think prudent not to divide, without setting them aside as a reserve.
- c) Where owing to inadequacy or absence of profits in any year, the Company proposes to declare dividend out of the accumulated profits earned by it in previous years and transferred to reserves, such declaration of dividend shall not be made except in accordance with such rules as may be made in that behalf by the Government, and where any such declaration is not in accordance with such rules, it shall not be made except with the previous approval of the Government.

226. Interim dividend

The Board may, from time to time pay to the members such interim dividend as in their judgment the position of the Company justifies.

227. Capital paid-up in advance at interest not to earn dividend

Where capital is paid in advance of calls such capital may carry interest but shall not in respect thereof confer a right to dividend or participate in profits.

228. Retention of dividends until completion of transfer under Articles 85 and 86.

Subject to the provisions of the Act the Board may retain the dividends payable upon shares in respect of which any person is, under Articles 85 and 86 entitled to become a member, or which any person under those articles is entitled to transfer, until such person shall become a member in respect of such shares or shall duly transfer the same.

229. Dividend etc. to joint holders

Any one of several persons who are registered as the joint holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends or bonus or other moneys payable in respect of such shares.

230. No member to receive dividend whilst indebted to the company and company's right of reimbursement there at

No member shall be entitled to receive payment of any interest or dividend in respect of his share of shares, whilst any money may be due or owing from him to the Company in respect of such shares or shares or otherwise howsoever, either alone or jointly with any other person or persons; and the Board may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company

231. Transfer of shares must be registered

A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer

232. Time and manner of payment of dividend

- a) The Company shall pay the dividend to the shareholder entitled to its payment, within forty-two days from the date of the declaration unless;
 - i) where the dividend could not be paid by reason of the operation of any law;
 - ii) where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with;
 - iii) where there is a dispute regarding the right to receive the dividend;
 - iv) where the dividend has been lawfully adjusted by the Company against any sum due to it from the shareholder; or
 - v) where for any other reason the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.
- b) A dividend may be paid by cheque or warrant or by a pay slip or receipt having the force of a cheque or warrant sent through the post to the registered address of the member or person entitled or in case of joint holders to that one of them first named in the Register of Members. Every such cheque or warrant shall be made payable to the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transmission or for any dividend loss to the members or person entitled thereto by the forged endorsement of any cheque or warrant or the signature of any pay slip or receipt or the fraudulent recovery of the dividend by any other means.

233. No interest on unpaid dividends

Subject to the provisions of the Act, no unpaid dividend shall bear interest as against the Company.

234. Set off of dividend and call

Any general meeting declaring a dividend may, on the recommendation of the directors, make a call on the members of such amount as the meeting fixes but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the member, be set off against the calls.

235. Unpaid or Unclaimed Dividend:

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 of SURYACHAKRA POWER CORPORATION 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.

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of three years from the date of such transfer, shall be transferred by the company to the general revenue account of the Central Government. A claim to any money so transferred to the general revenue account may be preferred to the Central Government by the shareholders to whom the money is due.

No unclaimed or unpaid dividend shall be forfeited by the Board.

236. Rights to Dividend, rights shares to be held in abeyance pending registration of transfer of shares.

Where any instrument of transfer of shares has been delivered to the Company for registration and the transfer of such shares has not been registered by the Company, it shall notwithstanding anything contained in any other provisions of the Act or of these articles:

- a) transfer the dividend in relation to such shares to the Unpaid Dividend Account of the Company as required under section 205A of the Act, unless the Company is authorised by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer; and
- b) keep in abeyance in relation to such shares any offer of rights shares under clause (1) of sub-section (2) of section 81 and any issue of fully paid up bonus shares in pursuance of sub-section (3) of section 205 of the Act.

WINDING UP

259. Distribution of assets

Upon the winding of the Company, the holders of the equity shares shall be entitled to be repaid the amount of capital paid up or credited as paid up on such shares, and all surplus assets thereafter shall belong to the holders of the equity shares in proportion to the amount paid up or credited as paid up on such equity shares respectively at the commencement of the winding up. If the assets shall be insufficient to repay the whole of the paid up equity capital such assets, shall be distributed so that as nearly as may be the losses shall be borne by the members holding equity shares in proportion to the capital paid up or which ought have been paid up on equity shares held by him respectively at the commencement of the winding up other than the amounts paid by them in advance of calls.

260. Distribution in specie and kind

- a) If the Company shall be wound up the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst

- the members, in specie or kind, the whole or any part of the assets of the Company whether they shall consist of property of the same kind or not.
- b) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such divisions shall be carried out as between the members or different classes of members.
 - c) The liquidator may with the like sanction, vest the whole or any of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction shall think fit but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

INDEMNITY AND RESPONSIBILITY

261. Directors and others right of indemnity

- a) Subject to provisions of Section 201 of the Act, every director, managing director, manager, secretary and other officer or employee of the Company and the trustees (if any) for the time being acting in relation to any affairs of the Company against, and it shall be the duty of directors out of funds of the company to pay all costs, losses and expenses (including traveling expenses) which any such Directors, Managing Director or officer or employee may incur or become liable to by reason of any contract entered into or act or deed done by them or him as such directors, managing director, officer or employee or in any way in the discharge of his duties.
- b) Every officer or duly authorised agent for the time being of the Company shall be indemnified out of the assets of the Company against all liability incurred by him in defending any proceedings arising out of his position as an officer or as such agent of the Company, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or discharged or in connection with any application under Section 633 of the Act in which relief is granted to him by the Court.

SECRECY CLAUSE

262. Secrecy Clause

- a) Every Director, manager, secretary, auditor, treasurer, trustee, member of a committee officer, servant, agent, accountant or other person employed in the business of the Company shall, if so required by the directors, before entering upon his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals in matter relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the directors or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained.
- b) No members shall be entitled to visit or inspect any work of the Company without the permission of the Directors or to require discovery of or any information respecting an details of the Company's trading, or any matter which is or may be in the nature of a trade secret process or any other matter which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Company to disclose.

SECTION X- OTHER INFORMATION

1. LIST OF 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 or entered into more than two years before the date of this Red Herring Prospectus) 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 this Red Herring Prospectus, to be delivered to the Registrar of Companies, Andhra Pradesh for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office of the Company from 10.00 am to 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts

1. Memorandum of Understanding between the Company and the Book Running Lead Manager.
2. Memorandum of Understanding dated December 31, 2005, entered into by the Company with Karvy Computershare Private Limited, to act as the Registrar to the Issue.
3. Letter from the Company dated March 02, 2006 appointing SREI Capital Markets Limited as the Book Running Lead Manager.
4. Letter from the Company dated December 31, 2005 appointing Karvy Computershare Private Limited as the Registrars to the Issue.
5. Escrow Agreement dated June 8th 2007 amongst Escrow Collecting Banks, BRLM, the Company, Registrar and Syndicate Members.
6. Syndicate Agreement dated June 8th 2007 amongst BRLM, Syndicate Members and the Company.
7. Underwriting Agreement dated [•] amongst BRLM, the Registrar, Syndicate Members and Company.

Material Documents

1. Memorandum and Articles of Association of the Company as amended from time to time.
2. Resolution passed by the Board of Directors of Company on July 27, 2005 and by the shareholders of the Company at the EGM held on December 31, 2005 pursuant to Section 81(1A) of the Companies Act, 1956.
3. Copy of the tax benefit report dated May 23, 2007 from the Statutory Auditors.
4. Report of statutory Auditors M/s. Visweswara Rao & Associates, Chartered Accountants dated May 07, 2007 for consolidated and unconsolidated financial statements mentioned in the Red Herring Prospectus alongwith the balance sheets of the Company and its subsidiaries for the periods mentioned in the said report.
5. Consent of the Auditor for inclusion of his report on accounts of the Company and its subsidiaries and with regard to tax benefits available to the Company and its members.
6. Consents of Auditor, Bankers to the Company, BRLM, Syndicate Members, Legal Advisor to the Issue, Directors, Company Secretary, Registrars, Escrow Collection Bankers, Compliance Officer as referred to, in their respective capacities.
7. Consent letter from State Bank of India, SME Wing, Commercial Branch, Koti, Hyderabad dated March 11, 2006 to act as monitoring agency for the proposed issue
8. Power of Attorney executed by the Directors of the Company in favour of Dr. S.M. Manepalli for signing and making necessary changes in the Offer Document.

9. Initial Listing application filed with BSE.
10. In principle listing approval from BSE dated 2nd November, 2006.
11. Copy of Members Resolution dated October 31, 2005 appointing Dr. S.M.Manepalli as Managing Director.
12. Legal Advisor certificate dated June 6, 2007 regarding litigation and clearance of the Red Herring Prospectus.
13. Legal Advisor's due diligence report dated May 12, 2006 and addendum to the report dated 1st June, 2007.
14. Copy of Board Resolution dated May 22, 2007 reconstituting Audit Committee & copy of Board Resolution dated January 17, 2006 reconstituting Remuneration Committee and constituting Investors Grievances Committee.
15. Tripartite agreement between the NSDL, Company and Karvy Computershare Private Limited dated May 21, 2007.
16. Tripartite agreement between the CDSL, Company and Karvy Computershare Private Limited dated May 25, 2007.
17. Resolution of the Members of the Company passed at the Annual General Meeting held on July 21, 2006 re-appointing M/s. Visweswara Rao & Associates, Chartered Accountants, as Statutory Auditors.
18. Copies of letters dated January 29, 2000 and May 10, 2007 from SREI Infrastructure Finance Limited and letters dated September 28, 2005 and April 7, 2007 received from State Bank of India, sanctioning term loan and credit facilities to the Company.
19. Copies of letters received from Banks sanctioning term loan and credit facilities to Lahari Power and Steels Limited, South Asian Agro Industries Limited and MSM Energy Limited, subsidiaries of the Company.
20. Copy of the Board Resolution dated May 20, 2006 approving Draft Red Herring Prospectus and copy of the Board Resolution dated June 9, 2007 approving Red Herring Prospectus
21. Extracts of market data used in the Red Herring Prospectus with regard to Industry Information.
22. Copies of various approvals from Government/ other Statutory Authorities obtained by the Company and its subsidiaries.
23. Statutory Auditors certificate dated May 23, 2007 regarding sources and deployment of funds as on April 30, 2007.
24. The trust deed dated October 15, 2005 entered into by the Company with the Trustees in connection with setting up of a group gratuity scheme for the employees.
25. Operation & Maintenance Agreement dated May 12, 1999 entered into with M/s. BSES Limited by the Company and Assignment and Consent Agreement dated February 18, 2002 entered into by the Company, BSES Limited and Caterpillar Commercial Private Limited
26. First amendment to Operations & Maintenance Agreement dated February 18, 2002 entered into with M/s. Caterpillar Commercial Private Limited by the Company.
27. Power Purchase Agreement dated November 20, 1997 between the Company and A & N Administration and copy of the addendum to Power Purchase Agreement dated March 30, 1999.
28. Fuel Supply agreement dated January 31, 2000 between the Company and Indian Oil

- Corporation Limited.
29. Investment agreement dated January 9, 2006 entered into by the Company with Opulent Venture Capital Trust.
 30. Due Diligence Certificate dated May 20, 2006.
 31. Letter dated 8th June, 2007 from Karvy Investor Services Limited confirming that they continue to be responsible for the disclosures made in the DRHP of the Company filed with SEBI on 1st June, 2006.
 32. Power Purchase Cum Wheeling Agreement dated August 1, 2006 between Lahari Power & Steels Limited and Chhattisgarh State Electricity Board.
 33. Power Purchase Cum Wheeling Agreement dated November 23, 2006 between South Asian Agro Industries Limited and Chhattisgarh State Electricity Board.
 34. EPCC contract dated February 10, 2005 between Lahari Power & Steels Limited and Ushodaya Energy & Project Consultants Private Limited
 35. EPCC contract dated February 28, 2004 between South Asian Agro Industries Limited and Ushodaya Energy & Project Consultants Private Limited
 36. Power Purchase Agreements dated October 7, 2006 between MSM Energy Limited and Maharashtra State Electricity Distribution Company Limited for Parbhani and Amravati units.
 37. EPCC contract dated September 1, 2005 between MSM Energy Limited and Ushodaya Energy & Project Consultants Private Limited.
 38. MoU entered into with Lloyds Steel Industries Limited dated April 26, 2007 for sale of power from Suryachakra Group Companies.
 39. Copy of the Power Purchase Agreement entered into with OPG Energy Limited.
 40. Sale Deed entered into by MSM Energy Limited for purchase of land admeasuring Acres 18.38 in Parbhani and Acres 24.38 in Amravati districts of Maharashtra respectively.
 41. Lease Agreement dated August 11, 1999 entered into by the Company with A & N administration for the Land at Bamboo Flat, Port Blair, A & N Islands
 42. Lease deed entered into by Company with Mr. A.K.Goyal, I.A.S (HUF) dated February 10, 2007 for leasing of the registered office premises of the Company located at 8-2-293/82/1115/1, Road No. 54, Jubilee Hills, Hyderabad.
 43. Lease deed entered into by Company with Mr. A.K.Goyal, IAS dated February 10, 2007 for leasing of the registered office premises of the Company located at 8-2-293/82/1115, Road No. 54, Jubilee Hills, Hyderabad.
 44. Lease agreement dated February 10, 2007 entered into by the Company with Prem vihar Lawn and Garden Maintenance, represented by Mrs, Manju Goyal, Proprietor for maintenance of the lawn in the premises at 8-2-293/82/1115, Road No. 54, Jubilee Hills, Hyderabad.
 45. SEBI observations letter no. CFD/DIL/SM/ISSUES/89746/2007 dated 26 March, 2007.
 46. Letter dated 6th June, 2007 from Karvy Investor Services Limited informing their opting out to act in their capacity as BRLM for the proposed IPO of the Company.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time, if so required, in the interest of the Company or if required by other parties, without reference to the shareholders, subject to compliance of the applicable laws.

2. 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 Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules and regulations made thereunder or guidelines issued thereunder, as the case may be. We further certify that all the statements in this Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF THE COMPANY

Shri . P. Visweswara Rao, IAS (Retd.), Chairman

Shri. P.K. Bhattacharjee, Independent Additional Director

Shri. K.B. Trehan, Independent Director

Shri. Mahesh Chand, Independent Director

Shri. T. Sree Rama Krishnayya, Director

Shri.V Madhava Naidu, Director

Shri. M Seshavatharam, Director

Dr. S. M. Manepalli, Managing Director

Shri D. Krishna Rao, Dy. General Manager (Finance & Accounts) of the Company

Shri B Venkat Rama Reddy, Company Secretary

Place: Hyderabad

Date: 09.06.2007