Red Herring Prospectus
Please read Section 60B of the Companies Act, 1956
Dated September 26, 2005
100% Book Building Issue

SHREE RENUKA SUGARS LIMITED

(Incorporated on October 25, 1995 at Belgaum under the Companies Act, 1956 with Incorporation No. 08-19046.)
Registered Office: BC 105 Havelock Road, Camp, Belgaum - 590 001.
Tel: +91 831 240 4000 **Fax:** +91 831 240 4961; **Contact Person:** Mr. R.H. Sadekar.
E-mail: investor@renukasugars.com; **Website:** www.renukasugars.com
Corporate Office: D.G.P House, VIP Compound, 88 – C, Off Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025.
Tel: +91 22 2437 7744 **Fax:** +91 22 2437 7747.

PUBLIC ISSUE OF [●] EQUITY SHARES OF FACE VALUE RS. 10/- EACH AT A PRICE OF RS. [●] FOR CASH AT A PREMIUM AGGREGATING RS. 1,000 MILLION (HEREINAFTER REFERRED TO AS THE "ISSUE"). THERE WILL ALSO BE A GREEN SHOE OPTION OF [●] EQUITY SHARES FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING RS. 100 MILLION. THE ISSUE AND THE GREEN SHOE OPTION AGGREGATE RS. 1,100 MILLION. THE FACE VALUE OF THE EQUITY SHARES IS RS. 10/-. THE ISSUE WILL CONSTITUTE [●]% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY ASSUMING THAT THE GREEN SHOE OPTION IS NOT EXERCISED AND [●]% ASSUMING THAT THE GREEN SHOE OPTION IS EXERCISED IN FULL.

PRICE BAND: Rs. 250 TO Rs. 300 PER EQUITY SHARE OF FACE VALUE RS. 10 EACH

ISSUE PRICE IS 25 TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 30 TIMES OF THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND

This Issue is being made through a 100% Book Building Process wherein a minimum of 60% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

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

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and this Issue including the risks involved. The Equity Shares issued in this 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 Red Herring Prospectus. Specific attention of the investors is invited to the statements in Risk Factors beginning on page no. xi of this Red Herring Prospectus.

COMPANY'S ABSOLUTE RESPONSIBILITY

Shree Renuka Sugars Limited having made all reasonable inquiries, accept responsibility for and confirms that this Red Herring Prospectus contains all information with regard to Shree Renuka Sugars Limited and this Issue, which is material in the context of this 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 National Stock Exchange of India Limited and Bombay Stock Exchange Limited. We have received in-principle approvals from these Stock Exchanges for the listing of our Equity Shares pursuant to letters dated August 31, 2005 and August 22, 2005 respectively. The Bombay Stock Exchange Limited is the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS	CO-BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
JM MORGAN STANLEY **JM Morgan Stanley Private Limited** 141, Maker Chambers III, Nariman Point, Mumbai - 400 021 Tel: +91 22 5630 3030 Fax: +91 22 2204 7185 E-mail: renukasugarsipo@jmmorganstanley.com Website: www.jmmorganstanley.com	Edelweiss Ideas create, values protect **Edelweiss Capital Limited** 14th Floor, Express Towers Nariman Point Mumbai – 400 021 Tel: + 91 22 2286 4400 Fax: + 91 22 2288 2119 Email: renukasugars.ipo@edelcap.com Website: www.edelcap.com	KARVY Karvy Computershare Private Limited **Karvy Computershare Private Limited** Unit: – Renuka Sugars Public Issue Karvy House, 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034 Tel: + 91 40 23312454 / 23320751-53 Fax: +91 40 23311968/ 23323049 E-mail: renukasugars@karvy.com Website: www.karvy.com

ISSUE PROGRAMME	
BID/ISSUE OPENS ON : OCTOBER 7, 2005	**BID/ISSUE CLOSES ON : OCTOBER 14, 2005**

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SECTION I

DEFINITIONS AND ABBREVIATIONS

Term	Description
"Shree Renuka Sugars Limited", "SRSL", "our Company", "we", "us" and "our"	Unless the context otherwise requires, refers to Shree Renuka Sugars Limited, a public limited company incorporated under the Companies Act, 1956.
Promoter(s)	Unless the context otherwise requires, refers to our core Promoters, Mr. Narendra M. Murkumbi, Mrs. Vidya M. Murkumbi, Murkumbi Bioagro Private Limited and Murkumbi Industries Private Limited.
"Subsidiary", "our Subsidiary", "its Subsidiary"	Unless the context otherwise requires, refers to our subsidiary, Renuka Commodities DMCC.

Issue related Terms and Abbreviations

Term	Description
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, issue of Equity Shares pursuant to this Issue.
Articles/ Articles of Association	Articles of Association of our Company, i.e., Shree Renuka Sugars Limited.
Auditors	The statutory auditors of our Company, being M/s. Ashok Kumar, Prabhashankar & Co., Chartered Accountants.
Banker(s) to this Issue	ICICI Bank Limited, Standard Chartered Bank and Hong- Kong and Shanghai Banking Corporation Limited.
Bid	An indication to make an offer, made during the Bidding Period by a prospective investor to subscribe to Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid for this Issue.
Bid/ Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for this Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Kannada newspaper.
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of the Company and which will be considered as the application for allotment 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 this Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Kannada newspaper.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus.
Issue Period	The period between the Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Board of Directors	The Board of Directors of our Company or a committee thereof.

Term	Description
Book Building Process	Book building mechanism as provided under Chapter XI of the SEBI Guidelines, in terms of which this Issue is made.
BRLM	Book Running Lead Manager to this Issue, in this case being JM Morgan Stanley Private Limited.
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process.
Cap Price	The upper end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Co-BRLM	Co-Book Running Lead Manager to the Issue, in this case being Edelweiss Capital Limited.
Companies Act	The Companies Act, 1956, as amended from time to time.
Cut-off	The Issue Price finalised by the Company in consultation with the BRLM and Co-BRLM and it shall be any price within the Price Band. A Bid submitted at the Cut-off Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the Registrar of Companies, Karnataka, following which the Board of Directors shall allot Equity Shares to successful Bidders.
Designated Stock Exchange	In this case being Bombay Stock Exchange Limited.
Director(s)	Director(s) of the Company unless otherwise specified.
Draft Red Herring Prospectus	The Draft Red Herring Prospectus filed with SEBI on August 2, 2005.
Electricity Act	The Electricity Act, 2003 as amended from time to time.
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 Escrow Collection Bank(s) and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement entered into amongst the Company, the Registrar to this Issue, the Escrow Collection Banks, the BRLM and the Co-BRLM in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	The banks which are registered with SEBI as Banker to the Issue at which the Escrow Account for the Issue will be opened, in this case being ICICI Bank Limited, Standard Chartered Bank and Hong Kong and Shanghai Banking Corporation Limited.

Term	Description
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed thereunder.
Financial Year/ Fiscal/ FY	Period of twelve months ended September 30 of that particular year.
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India.
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
Green Shoe Lender	Murkumbi Industries Private Limited.
Green Shoe Option	An option to the BRLM, Co-BRLM and the Company, in consultation with the Stabilizing Agent, to allocate Equity Shares in excess of the Equity Shares included in the Issue and operate a post-listing price stabilization mechanism in accordance with Chapter VIII- A of the SEBI Guidelines, which is to be exercised through the Stabilizing Agent.
Green Shoe Option Portion	The portion of the Issue being [●] Equity Shares aggregating Rs. 100 million if exercised in full.
GSO Bank Account	The bank account opened by the Stabilizing Agent under the Stabilization Agreement.
GSO Demat Account	The demat account opened by the Stabilizing Agent under the Stabilization Agreement.
Independent Auditors	Grant Thornton.
Indian GAAP	Generally Accepted Accounting Principles in India.
Insurance Act	Insurance Act, 1938, as amended from time to time.
IDBI	Industrial Development Bank of India Limited.
IRDA	Insurance Regulatory and Development Authority constituted under the IRDA Act.
IRDA Act	Insurance Regulatory and Development Authority Act, 1991, as amended from time to time.
Issue	The issue of [●] Equity Shares of Rs. 10/- each fully paid up at the Issue Price aggregating 1,000 million excluding Green Shoe Option Portion.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of this Red Herring Prospectus. The Issue Price will be decided by the Company in consultation with the BRLM and Co-BRLM on the Pricing Date.
I. T. Act	The Income-tax Act, 1961, as amended from time to time.
I. T. Rules	The Income-tax Rules, 1962, as amended from time to time, except as stated otherwise.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount.

Term	Description
Memorandum/ Memorandum of Association	The Memorandum of Association of our Company.
MIPL	Murkumbi Industries Private Limited, a company incorporated under the provisions of the Companies Act and with its registered office at BC 105, Havelock Road, Camp, Belgaum 590 001.
MBPL	Murkumbi Bioagro Private Limited, a company incorporated under the provisions of the Companies Act and with its registered office at BC 105, Havelock Road, Camp, Belgaum 590 001.
MMPL	Murkumbi Manufacturing Private Limited, a company incorporated under the provisions of the Companies Act.
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100, 000/-.
Non-Institutional Portion	The portion of this Issue being at least 10% of the Issue i.e. [●] Equity Shares of Rs. 10 each aggregating Rs. 100 million available for allocation to Non-Institutional Bidders.
Non-Resident	A person who is not an NRI or an FII and is not a person resident in India.
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian Origin under FEMA (Deposit) Regulations, 2000.
Over Allotment Shares	Equity Shares allotted pursuant to the Green Shoe Option.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% margin money at the time of bidding, as applicable.
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date.
Price Band	Being the price band of a minimum price ("Floor Price") of Rs. 250 and the maximum price ("Cap Price") of Rs. 300 and includes revisions thereof.
Pricing Date	The date on which the Company in consultation with the BRLM and the Co-BRLM finalises the Issue Price.
Prospectus	The Prospectus, to be filed with the Registrar of Companies, Karnataka containing, *inter alia*, the Issue Price that is determined at the end of the Book Building Process, the size of this Issue and certain other information.
Public Issue Account	Account opened with the Banker to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with IRDA, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.

Term	Description
QIB Portion	The portion of this Issue being a minimum of 60% of the Issue, i.e., [●] Equity Shares of Rs. 10 each aggregating Rs. 600 million available for allocation to QIBs.
RBI	Reserve Bank of India constituted under the RBI Act.
RBI Act	The Reserve Bank of India Act, 1934 as amended from time to time.
Red Herring Prospectus	This 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 size of this Issue. It carries the same obligations as are applicable in case of a Prospectus and has been filed with the Registrar of Companies, Karnataka. It will become a Prospectus after filing with the Registrar of Companies, Karnataka, after pricing and allocation.
Registered Office of the Company	BC 105, Havelock Road, Camp, Belgaum 590 001.
Registrar/ Registrar to this Issue	Karvy Computershare Private Limited
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount more than or equal to Rs. 100,000 in any of the bidding options in this Issue.
Retail Portion	The portion of this Issue being at least 30% of the Issue i.e. [●] Equity Shares of Rs. 10 each aggregating Rs. 300 million available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid-cum-Application Forms or any previous Revision Form(s).
RoNW	Return on Net Worth.
Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, including instructions and clarifications issued by SEBI from time to time.
Stabilizing Agent or SA	JM Morgan Stanley Private Limited.
Stabilization Agreement	Agreement entered into by the Company, the Green Shoe Lender, and the Stabilizing Agent on July 21, 2005 in relation to the Green Shoe Option.
Stabilization Period	The period commencing from the date of obtaining trading permission from the Stock Exchanges for the Equity Shares, and ending 30 days thereafter unless terminated earlier by the Stabilizing Agent.
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended from time to time, including instructions and clarifications issued by SEBI from time to time.
Stock Exchanges	The Stock Exchange, Mumbai and the National Stock Exchange of India Limited.
Sugarcane Order	Sugarcane (Control) Order, 1966 as amended from time to time.
Sugar Export Act	Sugar Export Promotion Act, 1958 as amended from time to time.

Term	Description
Syndicate	The BRLM, Co-BRLM and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into between the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Member	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Member is appointed by the BRLM and Co-BRLM.
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Member to the Bidder as proof of registration of the Bid.
Underwriters	The BRLM, Co-BRLM and the Syndicate Members.
Underwriting Agreement	The Agreement among the Underwriters and the Company to be entered into on or after the Pricing Date.
Unit I	Our integrated sugar plant at Munoli in Belgaum District of Karnataka
Unit II	Sugar mill at Ajara in Kolhapur District of Maharashtra, which we have taken on a two-year lease ending on September 26, 2006 from Ajara Shetkari Sahakari Sakhar Karkhana Limited
Unit III	Sugar mill at Mohannagar in Sangli District of Maharashtra, which we have taken on *'bhadetatwawar'* i.e. on lease (though the same does not mean in legal terms of Transfer of Property Act "to give on lease" as such) for a period of six years ending on June 30, 2011 from Mohannrao Shinde Sahakari Sakhar Karkhana Limited

Abbreviations

Abbreviation	Full Form
AED	United Arab Emirates Dirham being the legal currency of the United Arab Emirates.
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BSE	Bombay Stock Exchange Limited
BG/LC	Bank Guarantee/ Letter of Credit
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CIF	Cost Insurance Freight
D/E	Debt Equity Ratio
DEPB	Duty Entitlement Pass Book
DFRC	Duty Free Remittance Certificate
DGFT	Directorate General of Foreign Trade
DMCC	Dubai Metal & Commodities Center
DP	Depository Participant

Abbreviation	Full Form
EBDITA	Earnings Before Depreciation, Interest, Tax and Amortisation
EC Act	Essential Commodities Act, 1955 as amended from time to time.
EGM	Extra Ordinary General Meeting
EPS	Earnings Per Equity Share
ESOP	Employee Stock Option Scheme
EU	European Union
FCNR Account	Foreign Currency Non-Resident Account
FMCG	Fast Moving Consumer Goods
FIs	Financial Institutions
FOB	Free On Board
FY/ Fiscal	A period of twelve months ending September 30
GIR Number	General Index Registry Number
GMP	Good Manufacturing Practices
GoI/ Government	Government of India
HUF	Hindu Undivided Family
INR	Indian Rupees, the legal currency of the Republic of India
IRDA	Insurance Regulatory and Development Authority constituted under the IRDA Act
IREDA	Indian Renewable Energy Development Agency
KPTCL	Karnataka Power Transmission Corporation Limited
KSIIDC	Karnataka State Industrial Investment and Development Corporation Limited
LSPEF Act	Levy Sugar Price Equalisation Fund Act, 1976 as amended from time to time.
NAV	Net Asset Value
NBFC	Non-Banking Finance Companies
NRE Account	Non-Resident External Account
NRO Account	Non-Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
Rs./ Rupees	Indian Rupees, the legal currency of the Republic of India
SDF Act	Sugar Development Fund Act, 1982 as amended from time to time.
SEBI	Securities and Exchange Board of India
USD/ $/ US$	United States Dollar being the legal currency of the United States of America
UIN	Unique Identification Number issued in terms of SEBI (Central Database of Market Participants) Regulations, 2003

Industry Related Terms

Term	Description
Acre	Unit of land area measurement. 1 hectare = 2.47 acres
Bagasse	A fibrous residue obtained after the crushing and extraction of juice from sugarcane
BOD	Biological Oxygen Demand
COD	Chemical Oxygen Demand
Ethanol	Ethyl alcohol produced from fermentation of molasses.
Free Sale Sugar	That portion of the production of a sugar mill, which can be sold in the open market.
FSQ	Free Sale Sugar Quota
Fuel Ethanol	Dehydrated ethyl alcohol, which contains at least 99.5% ethyl content. This is used for blending in petrol.
Gunta	Unit of land area measurement 1 acre = 40 gunta.
ISMA	Indian Sugar Mills Association
KLPD	Kilo Litre Per Day
KWH	Kilo Watt per Hour
Levy Sugar	That portion of the production of a sugar mill that is procured by the GoI appointed nominees at a fixed price that has to be sold as per Government direction through fair price shops.
Molasses	A thick liquid residue of sugar manufacturing process, which still contains around 50% sugar which cannot be crystallized
MRM	Monthly Release Mechanism
MT	Metric Tonne
MW	Mega Watt
OGL	Open General License
PDS	Public Distribution System
Plantation White Sugar	Sugar manufactured from sugarcane by the double sulphitation process
PPA	Power Purchase Agreement
Raw Sugar	Sugar with sucrose content less than 99.5%, which is normally processed further before human consumption
Refined Sugar	Sugar produced by refining raw sugar
SDF	Sugar Development Fund
SMP	Statutory Minimum Price
SAP	State Advisory Price
SY or Sugar Year	Sugar Year. A period of twelve months ending September 30 of a particular year
TCD	Tons Crushed per Day
TPD	Tons Per Day

SECTION II – RISK FACTORS

CERTAIN CONVENTIONS: USE OF MARKET DATA

In this Red Herring Prospectus, the terms “Shree Renuka Sugars Limited”, “our Company”, “we”, “us” and “our”, unless the context otherwise indicates or implies, refers to Shree Renuka Sugars Limited, a public limited company incorporated under the Companies Act. Also, the terms “Subsidiary,” “our Subsidiary”, “its Subsidiary” refers to, our subsidiary, Renuka Commodities DMCC.

In this Red Herring Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and the word “lac” means “one hundred thousand”, the word “million (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. Throughout this Red Herring Prospectus, currency figures have been expressed in Rs. millions.

For additional definitions used in this Red Herring Prospectus, see the section titled “Definitions and Abbreviations” on page i of this Red Herring Prospectus. In the section titled “Main Provisions of Articles of Association of “Shree Renuka Sugars Limited” on page 257 of this Red Herring Prospectus, 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 industry publications and internal Company reports. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe market data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our unconsolidated financial statements prepared in accordance with Indian GAAP and audited by our statutory Auditors M/s. Ashok Kumar Prabhashankar. Unless stated otherwise, references to consolidated financial information is to the consolidated financial information under Indian GAAP. Our fiscal year commences on October 1 and ends on September 30.

All references to “India” contained in this Red Herring Prospectus are to the Republic of India, all references to the “US” or the “U.S.” or the “USA”, or the “United States” are to the United States of America, all references to “UK” are to the United Kingdom and all references to Dubai are to the city of Dubai in the United Arab Emirates.

The exchange rates used for the purpose of converting US Dollars into Indian Rupees in this Red Herring Prospectus is USD 1.00 = Rs. 43.51 as per the Noon Buying Rate on June 30, 2005 given by the Federal Reserve Bank of New York. The exchange rates used for the purpose of converting Great Britain Pound into Indian Rupees Red Herring Prospectus is GBP 1.00 = Rs. 78.01 as per the Noon Buying Rate on June 30, 2005 given by the Federal Reserve Bank of New York.

FORWARD-LOOKING STATEMENTS

We have 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 our expectations with respect to, but not limited to, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our 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, changes in domestic and foreign laws, regulations and taxes and changes in competition in the industry.

All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include but are not limited to:

- General economic and business conditions in India;
- Our ability to successfully implement our growth strategy and expansion plans, and to successfully launch various projects for which funds are being raised through this Issue;
- Prices of raw materials we consume and the products we produce.
- Changes in laws and regulations relating to the industry in which we operate;
- Changes in political and social conditions in India;
- Any adverse outcome in the legal proceedings in which our Company is involved; and
- The loss or shutdown of operations of our Company at any times due to strike or labour unrest.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” beginning on page xi 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 Syndicate Members, 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, the BRLM and Co-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.

RISK FACTORS

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

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

INTERNAL TO THE COMPANY

A) Legal.

1. ***There are criminal cases pending against some of our directors***

    Factories Inspector vs. Mrs. Vidya M Murkumbi and Mr. M.S. Bashetti (C. C. No.163/2003).

    Deputy Chief Inspector of Factories, Belgaum Region, Belgaum has instituted this criminal complaint against Mrs. Vidya. M. Murkumbi, the Occupier and Mr. M.S. Bashetti, the Manager, for offences punishable under Section 29 (1)(a) and Section 29 (1)(ii), 29 (a)(iii) for negligence in maintaining the plant and machinery, pulleys and chains as specified under the Factories Act, 1948 and Section 92 for offences punishable due to contravention of the provisions of the Factories Act, 1948 before the Judicial Magistrate Ist Class, Saundatti Taluka, District Belgaum. This criminal complaint was filed as a result of death caused to one Mr. Dharmadeva Sathya Narayan while working on setting up of a boiler unit, who was employed by M/s. Singh Brothers who were the sub-contractors employed by M/s. Lipi Consultants Private Limited. M/s. Lipi Consultants Private Limited was appointed as consultants by our Company to monitor the setting up of the co-generation plant. The Hon'ble Trial Court had on March 19, 2003 ordered issuance of summons to the accused. Being aggrieved by the same, both the accused have filed Criminal Petition Number 1538 / 2003 under Section 482 of Criminal Procedure Code before the Hon'ble High Court of Karnataka, Bangalore for quashing of the Order passed by the Trial Court. The Hon'ble High Court has granted an interim stay of proceedings on April 23, 2003 and on April 1, 2004 continued the interim order on the proceedings of the Trial Court. Mrs. Vidya Murkumbi and Mr. M.S. Bashetti have filed this criminal petition under Section 482 of Criminal Procedure Code before the Hon'ble High Court of Karnataka, Bangalore for quashing of the Order passed by the Trial Court. The Hon'ble High Court continued the interim order issued. The mater is still pending and yet to come up for hearing.

2. ***There are legal and regulatory proceedings that have been initiated by and against us, which if determined against us can have a material adverse impact on us.***

    Criminal Cases

    We have filed a criminal complaint being P.C. No. 570/2004 against Mr. Chikamath R.L, reporter of a daily Kannada newspaper, alleging defamation against our Company due to defamatory publication in the newspaper.

    Civil Cases

    A civil case being O.S. No. 99/2002 has been filed against us by Godavari Sugar Mills seeking an permanent injunction against lifting of sugarcane from the notified area of Godavari Sugar Mills for which a temporary injunction has been granted.

We have filed a civil case being O.S. No. 43/2004 against Mr. M.J. Tased and the Village Panchayat, Munoli seeking an injunction against Mr. M.J. Tased from encroaching upon the property purchased by us from Mr. Mohan R. Garg.

Labour Cases

Eight labour cases have been filed by the workmen of erstwhile Nizam Sugars Limited under Section 33 (c) (2) of the Industrial Disputes Act, 1947 alleging that we are in violation of the sale deed entered into between Nizam Sugars Limited and us and hence has not paid their salaries, retention allowance and bonus. The workmen have claimed for a total amount of Rs. 743,557 approximately with interest at the rate of 12% and 18%.

One Mr. Suryanarana, a mazdoor of erstwhile Nizam Sugars Limited, has filed a writ of mandamus against us, claiming that he was not paid salary for 30 months from the date of filing this petition and was forced to take voluntary retirement. He has claimed for reinstatement and back wages.

Statutory and Excise Cases

We have filed two writ petitions in the High Court of Karnataka being

(a) W.P. No. 36077/2004 under Article 226 and Article 227 of the Constitution of India challenging the validity and constitutionality of Clause (b) of Rule 5 of the Karnataka Excise (Denatured Spirit and Denatured Spiritious Preperation) Rules, 1967 framed under the Karnataka Excise Act, 1964 against a demand raised by the Commissioner of Excise as and by way of import fee in relation to import of 1000 metric tonnes of denatured spirit from Brazil to Mumbai. Our total liability on the same may be an amount of Rs. 3,000,000 of which we have already deposited Rs. 1,500,000 with the High Court of Karnataka.

(b) W.P. No. 39136/2002 under Article 226 of the Constitution of India for sale of Free Sale Sugar Quota without being restricted by the Chief Director of Sugar, New Delhi under the Sugar (Control) Order, 1966. Interim order has been passed for sale of Free Sale Sugar Quota each month at $1/12^{th}$ of their annual production.

We have filed an appeal being E/ Appeal No. /382 against the order of the Commissioner of Central Excise and Customs for an amount of Rs. 13,107,300 and a penalty of Rs. 3,201,300 and interest in relation to Cenvat credit availed by us for Molasses used for the manufacture of Ethanol during October 2002 to March 2003.

Company Law Board Petition

We have filed a petition under the Companies Act for condonation of delay of 53 days in filing forms 8 and 13 with the RoC, Karnataka and extension of time for registration of charge for an amount of Rs. 800,000 in favour of ICICI Banking Corporation Limited in relation with the purchase of a vehicle.

For details on the aforesaid litigation please refer to the section titled "Outstanding Litigations, Material Developments and Other Disclosures" on page 225 of this Red Herring Prospectus.

B) Risks related to the Sugar Business

3. ***Sugarcane is the principal raw material used for the production of sugar. Our business depends on the availability of sugarcane and any shortage of sugarcane may adversely affect our results of operations. A variety of factors beyond our control may contribute to a shortage of sugarcane in any given crushing***

season. Some of the principle factors that could contribute to a shortage of sugarcane are set forth below.

Farmers are not required to grow sugarcane and may cultivate other crops.

We do not own any land for cultivation of sugarcane and we purchase all of our sugarcane directly from over 8,000 independent farmers. Under Indian law, any farmer who grows sugarcane within 15 kilometers from our mill, known as our reserved area, is required to sell the sugarcane to us and we are bound by law to purchase any sugarcane grown within our reserved area. However, the farmers within our reserved area have no legal or contractual obligation to cultivate sugarcane and may instead grow other more profitable crops. If the farmers within our reserved area cultivate other crops, or otherwise limit their cultivation of sugarcane, we may have a shortage of raw material. Any reduction in the supply of sugarcane may adversely affect our financial condition and results of operations.

Sugarcane grown within our reserved area may be sold for other uses like fodder to other sugar factories instead of us.

We work with the farmers to determine the harvesting schedule. However, if the farmers are able to realise a higher price for sales of sugarcane from other sugar factories or other users, the farmer may have an incentive to sell the sugarcane to parties other than us. Further, farmers may want to harvest the crop earlier than we have scheduled or grow other crops thereby disrupting our operations. To ensure that the farmers stay interested in selling sugarcane to us, we need to provide financial and other incentives to the farmers. Diversion of sugarcane within our cane area to other uses or other sugar plants reduces the sugarcane available to us and may adversely affect our financial condition and results of operation.

Adverse weather conditions, crop disease, pest attacks may adversely affect sugarcane crop yields and sugar recovery rates for any given harvest.

Our sugar production depends on the volume and sucrose content of the sugarcane that is supplied to us. Crop yields and sucrose content depends primarily on the variety of sugarcane grown, the presence of any crop disease and weather conditions such as adequate rainfall and temperature, which vary. Adverse weather conditions have caused crop failures and reduced harvests and resulted in volatility in the sugar and Ethanol industries and consequently in our operating results. Flood, drought or frost can adversely affect the supply and pricing of the agricultural commodities that we sell and use in our business. There can be no assurance that future weather patterns, potential crop disease or the cultivation of certain sugarcane crop varieties will not reduce the amount of sugarcane or sugar that we can recover in any given harvest. Any reduction in the amount of sugar recovered could have a material adverse effect on our results of operations.

4. ***Our profitability depends significantly on the cost of our primary raw material, sugarcane and the selling price of sugar that we are able to obtain for sugar. We are not able to set the cost of sugarcane or the selling price for our sugar. Some of the main reasons that contribute to fluctuations in the margin between our raw material cost and the selling price of our sugar are set forth below.***

Under the Sugarcane (Control) Order, 1966, GoI fixes the Statutory Minimum Price (SMP) for sugarcane every year based on the recommendations of the Commission on Agricultural Costs & Prices which takes into account factors like cost of cultivation, return to factories, average recovery for previous year, etc. The SMP is fixed for a given base level of recovery. This is the minimum price that we have to pay the farmers from whom we purchase cane. We typically pay a price for sugarcane, which is at a premium to the SMP and is a function of overall availability of sugarcane and prices being paid by other mills in the region. We may be adversely affected if the GoI raises the SMP, which in turn would affect the actual price paid. The situation may worsen in the event of a decrease in the price of sugar.

A portion of the sugar manufactured by us is lifted by the GoI as Levy Sugar at a price that is fixed by the GoI. The remaining sugar is known as Free Sale Sugar the price of which is determined by market forces like availability, etc. The Free Sale Sugar prices are also modulated to some extent by the Monthly Release Mechanism (MRM). We may be adversely affected if the Free Sale Sugar prices decline.

5. ***The Foreign Trade Policy 2004-2009 allows us to import raw sugar without payment of customs duty subject to certain export obligations. Our inability to fulfill these export obligations may adversely affect our financial condition.***

We import raw sugar, which is used as a raw material in our sugar refinery for the manufacture of white sugar. Advance License Scheme allows for raw sugar imports without payment of import duties and tariffs, provided that the importer exports white sugar amounting to 95% of the quantity of imported raw sugar within 24 months of issuance of license. For details of these export obligations please refer to the section titled "Our Business – Export Obligations" on page 68 of this Red Herring Prospectus.

As per the Foreign Trade Policy, extension of export obligation period may be granted subject to the following:

- One extension for a period of 6 months from the date of expiry of the original export obligation period to the licensee subject to payment of composition fee of 2% of the duty saved on all the unutilized import items as per license;
- Request for a further extension of 6 months may be considered by the Regional Licensing Authorities subject to payment of composition fee of 5% of the duty saved on all the unutilized import items as per license;
- However, any further extensions beyond 36 months from the date of issuance of the Advance License or on the lapse of any other extension(s) granted by DGFT would be permitted on payment of the composition fee @ 2% per month of the duty saved amount proportionate to the balance export obligation.

Any inability to fulfil the said export obligations in a timely manner may cause us to pay for the import duties and tariffs which will adversely affect our financial conditions. For details of these penalties please refer to the section titled "Our Business – Export Obligations" on page 68 of this Red Herring Prospectus. Further in future the terms and conditions of the Advance License Scheme may be changed by the Government, which may affect us adversely.

6. ***We operate in an industry where the market price for our products is cyclical and affected by general economic conditions.***

The sugar industry has historically been subject to commodity cycles and is sensitive to changes in domestic market prices, supply and demand. The market in India has experienced periods of limited supply, causing sugar prices and industry profit margins to increase. Sugar imports are governed by GoI's policy, which currently applies a 60% customs duty and other import tariffs on imported white crystal sugar. In the event of any changes in these policies, import of white sugar may be an attractive option and which, in turn, would drop domestic prices and thereby impact our financial condition.

Conversely, years of low production and declining sugar stocks may be followed by years of excess production that result in over-supply of sugar to the domestic markets, causing a decline in sugar prices and industry profit margins. For further details see the section titled “Industry” on page 48 of this Red Herring Prospectus.

7. ***The prices we are able to obtain for the sugar that we produce depend largely on prevailing market prices.***

The wholesale price of sugar has a significant impact on our profits. Sugar is subject to price fluctuations resulting from weather, natural disasters, domestic and foreign trade policies, shifts in supply and demand and other factors beyond our control. In addition, approximately 30% of total worldwide sugar production is traded on futures exchanges and is thus subject to speculation, which could affect the price of sugar worldwide and our results of operations. As a result, any prolonged decrease in sugar prices could have a material adverse effect on our Company and our results of operations.

8. ***Increased competition from Uttar Pradesh Sugar Mills***

The Uttar Pradesh Government has constituted a policy by which transport subsidies and other financial and non-financial incentives will be awarded to those companies which make a minimum of Rs. 3,500 million investment in their existing sugar mills in Uttar Pradesh or setting up new mills in Uttar Pradesh. Such incentives and subsidies may allow Uttar Pradesh sugar mills to supply sugar at lower prices than us in certain regions, especially eastern parts of India and also transport their sugar to longer distances. This could adversely affect our business from those regions.

9. ***Sugar is a regulated industry.***

Sugar is an essential commodity, and is included within the purview of the Essential Commodities Act, 1955 and consequently, its production, supply and distribution are regulated by the state and central government. The Cane Commissioner of each state reserves and assigns areas for the supply of sugarcane to factories on an equitable distribution basis.

The purchase price of sugarcane is regulated and the central government fixes the minimum price of sugarcane, termed the Statutory Minimum Price, which must mandatorily be paid by sugar producers to sugarcane growers, within a specified time. GoI, through the Sugar Directorate, can further fix the quantity and quality of sugar, which may be produced in a factory during any year, and can regulate the sale of sugar. Mills must sell a specified percentage termed as “Free Sale Sugar”, which is currently at 90% of their production in the open market and are thereby subject to the forces of demand and supply. However, the quantity to be sold is based on a Monthly Release Mechanism governed by the Sugar Directorate. The remaining portion of a sugar factories production, commercially termed as “Levy Sugar”, must be sold as per government directions through fair price shops and the public distribution system at government notified prices, which could be below the cost of production.

Various taxes and levies are also imposed on the purchase, use, consumption and sale of sugarcane. For further details, please see the section titled “Regulations and Policies” in page 74 of this Red Herring Prospectus. Any change in governmental or legal policies or the applicability of the present regulations and policies to our detriment, can adversely affect our business, operations and profitability.

C) Risks in relation to Co-generation business

10. Bagasse, which is derived from sugarcane, and other biomass based fuels are the basic raw materials for our co-generation business. Any constraint in the availability or fluctuations in the price of sugarcane may affect the current or future capacity utilisation of the co-generation plant.

Bagasse and other biomass based products such as rice husk, cane trash, mustard stalk/husk woodchips, are raw materials for the co-generation business. Availability of the primary fuel, Bagasse is dependent on the supply of sugarcane. Further, these raw materials are also used in some industries such as paper and paperboard. The availability of Bagasse and other biomass based raw materials for co-generation is subject to changes in the consumption patterns and other market forces in such other industries. Additionally, other industries may offer higher prices which may divert the supply of externally sourced raw material, which may in turn adversely affect the availability or pricing of these raw materials could impact our co-generation business and our profitability. Any constraint in the availability of sugarcane may affect the availability of Bagasse and consequently, the business of our co-generation plant.

D) Risks in relation to our Distillery Business

11. Our Distillery business is molasses based, which is derived from sugarcane. Any constraint in the availability of sugarcane may affect the current or future capacity utilisation of the distillery business.

One of the by-products of sugar production is molasses. Our distillery uses molasses as raw material for production of ethanol. Though in the past we have resorted to purchase of molasses from other sugar mills, currently our dependence on external supply of raw materials is minimal. Any constraint in the availability of molasses, will affect the results of our distillery business.

E) Risks in relation to our new projects

12. We have not entered into any definitive agreement or placed orders for civil works, purchase of plant and machinery for the new projects.

As on August 31, 2005, we have not entered into definitive agreement or placed orders for civil works and purchase of plant and machinery constituting 90.01% of the total cost of plant and machinery for the new projects. The estimated expenditure towards these objects is estimated to be Rs. 1,383.60 million which will be part financed from the proceeds of this Issue. Progress in the use of proceeds from the Issue will be reported periodically as is statutorily required by SEBI in India.

13. We have not applied for or have not yet received various approvals required for the new projects for which funds are being raised

We require various consents/permissions/approvals from various governmental authorities for the new projects for which the funds are being raised from this Issue. For details of various consents/permissions/approvals which are required for new project from various governmental authorities see "Objects of the Issue" on page 29 of this Red Herring Prospectus. There can be no assurance that we will receive the approvals on a timely basis, or at all. If we do not receive the requisite approvals for our new mill or any of our expansion plans, or if such approvals are delayed, our operations and proposed expansion plans may be adversely affected.

14. We have not yet entered into a power purchase agreement for sale of power generated at the unit.

We are proposing to set up a co-generation unit having 15 MW capacity at our Unit III. For the sale of surplus power we need to enter into a PPA with Maharashtra State Electricity Board or with third parties. If we are unable to enter into the said agreements we may not generate surplus power and the capacity utilization will be lower, which may adversely affect our financial condition.

15. The project for increasing the capacity of the distillery and setting up the co-generation plant requires additional molasses and bagasse as raw material respectively.

The increase in the capacity of the distillery for production of ethanol and fuel ethanol will require additional molasses as raw material and setting up of the new co-generation plant will require bagasse, both of which are by-products of sugarcane. Any constraint in the availability of sugarcane may affect the productivity of the distillery and the co-generation plant.

16. Any delay in the commencement of operations as scheduled as per the proposed expansion plan may affect our profitability.

We have embarked on new projects with an investment of approximately Rs. 1,285 million. Timely commencement of commercial operations at these projects will have a critical bearing on our financial performance. Any delay in their completion or to the beginning of sugar production at our mills may adversely impact the results of our operations and may adversely affect the market price of the Equity Shares.

17. We have not commissioned an independent appraisal for the use of proceeds to be raised through the Issue.

The uses of proceeds of the Issue have been determined based on our management's internal estimates and no bank or financial institution has appraised the use of proceeds to be raised through the Issue. No independent body will be monitoring the use of proceeds. Progress in the use of proceeds from the Issue will be reported periodically as is statutorily required by SEBI in India. We will constitute a committee of the Board of Directors titled "Project Management Committee" for monitoring the use of proceeds from this Issue.

F) Other Risks:

18. Inability to manage growth could disrupt our business and reduce our profitability.

As part of our business strategy, we are rapidly expanding our operations by enhancing our existing sugar capacity, co-generation capacity and the distillery capacity. We are also proposing to acquire and also take sugar plants on operating lease.

We have experienced high growth in recent years of CAGR of 42.85% over the past 3 years, and expect our business to grow significantly as a result of our plan for capacity expansion through increasing the capacity of our existing sugar mill, leasing of co-operative sugar plants, expansion of our distillery facilities and increasing the co-generation capacity. We expect this growth to place significant demands on us and require us to continuously evolve and improve our operational, financial and internal controls across the organisation. Any inability to manage our growth may have an adverse effect on our business and financial results.

19. ***We derive a significant portion of our revenues from a limited number of customers. The loss of, or a significant reduction in the revenues we receive from, one or more of these customers, may adversely affect our business.***

For each of our products namely sugar, ethanol including fuel ethanol, and power, we derive a significant portion of our revenues from a limited number of customers.

We derive a significant portion of our sugar sales from a limited number of large corporate customers. In fiscal 2002, 2003 and 2004, our six largest clients accounted for 47.92%, 53.99%, and 68.35%, respectively, of our sugar sale. For details of these customers please refer to section titled "Management's Discussion & Analysis of Financial Condition and Results of Operations" on page 146 of this Red Herring Prospectus. We have fixed period contracts for sugar sales with these customers and there is no certainty of renewals.

Our co-generation business is currently dependent on HESCOM, as our sole customer. Their ability to purchase power from us and make timely payments determines the profitability of our business. In the past, we have faced delays in receiving payments from KPTCL. Further, we are currently being paid at a lower rate than the rate as per the PPA with KPTCL. For details please see section titled "Management's Discussion & Analysis of Financial Condition and Results of Operations" on page 146 of this Red Herring Prospectus. While the Electricity Act allows "open access" and hence allows us to sell to third parties, currently HESCOM is the sole purchaser of power from us. Hence, any default by HESCOM and/or any inability on their part to pay us for the power supplied to them, would impact our business and profitability.

We derive a significant portion of our ethanol revenues from a limited number of large corporate customers. In FY 2004, our top three customers accounted for 85.53% of our ethanol sales. For details of these customers please refer to page 71 of this Red Herring Prospectus. Fuel ethanol sales are to mainly three public sector oil marketing companies. Since there are a number of suppliers for fuel ethanol and supply contracts (typically for one year) are awarded through competitive tender process, the revenues from these customers could vary from year to year and further there is no certainty that we will be awarded these contracts. The loss of, or a significant reduction in sales to these customers, may adversely affect our business and profitability.

20. ***Covenants with institutional lenders may restrict our operations, our capacity to expand, distribute dividends, etc.***

Certain covenants in our financing agreements require us to obtain approval from the financial institutions *inter alia* before undertaking new projects or expansion of the existing facilities, making any new investments, issuing new security (debt or equity) including shares being issued in this Issue, making changes to our capital structure, distributing dividends to our shareholders. Furthermore, some of our lenders have the right to appoint nominee directors on our Board. For details see section titled "Capital Structure" on page 19 of this Red Herring Prospectus.

21. ***We have to renew or maintain our statutory and regulatory permits and approvals as required to operate our business and any delay or inability to obtain the same may have a material adverse effect on our business.***

We require certain statutory and regulatory permits and approval to operate our business. Some of these approval are granted for fixed periods of time and need renewal from time to time.

Following approval has expired:

- Renewal of Consent under Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981 for the period July 1, 2005 to June 30, 2006. Application dated February 19, 2005 has been made for the renewal of license.

22. We do not have any registered trademarks or trade names.

As on date we do not have any registered trademark. We have made an application dated May 3, 2005 for the registration of the logo of our Company which is pending before the Trademarks Registry, Mumbai. In the event that the logo is not registered or there is a delay in the registration, it may affect our Company adversely.

23. Our operations create environmental challenges, and changes in environmental laws and regulations may expose us to liability and result in increased costs.

Our sugar manufacturing, power generation and ethanol projects are subject to, among other laws, environmental laws and regulations promulgated by the Ministry of Environment of Government of India, the Maharashtra State Pollution Control Board and the Karnataka State Pollution Control Board. These include laws and regulations that limit the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of hazardous waste materials. We expect that environmental laws will continue to become stricter.

Some of these laws and regulations may be subject to varying and conflicting interpretations. Many of these laws and regulations provide for substantial fines and potential criminal sanctions for violations and require the installation of costly pollution control equipment or operational changes to limit pollution emissions and/or reduce the likelihood or impact of hazardous substance releases, whether permitted or not. In some cases, compliance with environmental, health and safety laws and regulations might only be achievable by capital expenditures, such as the installation of pollution control equipment. We cannot accurately predict future developments, such as increasingly strict environmental laws or regulations and inspection and enforcement policies resulting in higher compliance costs. Though presently we do not have any pending claim or litigation or liability to any environmental agency, we cannot predict with certainty the extent of our future liabilities and claims against us.

24. We have contingent liabilities under Indian Accounting Standards, which may adversely affect our financial condition.

The Company has the following contingent liabilities for which no provisions have been made in the books of accounts of the Company for the period ended June 30, 2005.

Sl. No.	**Particulars**		**Amount (Rs. in millions)**
I	***Guarantees given on behalf of Third Parties***		
	In favour of	***Purpose***	
1	ICICI Ltd.	Guarantees in connection with loans granted to sugarcane growers.	9.00
2	ING Vysya Bank	Guarantee in connection with loans granted to sugarcane growers.	4.50
3	Union Bank of India, Munoli	To secure loans granted to cane harvesters and transport contractors.	100.00
4	State Bank of India	To secure loans granted to cane harvesters / transport contractors for Unit II.	100.00
5	ICICI Bank Ltd.	To secure crop loan to farmers associated with SRSL of Rs.90 mn.	13.50
		Total	**227.00**
II	***OTHERS***		
1	Capital Commitments	Estimated amount of contract remaining to be executed (net of advance)	15.27
2	Issue expenses on proposed initial public offering of securities	Estimated amount of issue related expenses	65.00
		Total	**80.27**

25. Members of our Promoter group will continue to retain significant control in our Company after the Issue, which will allow them to influence the outcome of matters submitted to shareholders for approval.

Upon completion of the Issue, members of our Promoter group will beneficially own approximately [•] % of our post-Issue equity share capital. As a result, the Promoter group will have the ability to exercise significant influence over all matters requiring shareholders' approval, including the election of directors and approval of significant corporate transactions. The Promoter group will also be in a position to influence any shareholder action or approval requiring a majority vote, except where they are required by applicable laws to abstain from voting. Such a concentration of ownership may also have the effect of delaying, preventing or deterring a change in control.

26. Our business is dependent on our manufacturing facilities. The loss of or shutdown of operations at any of our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations.

Our principal manufacturing facilities at Munoli and Ajara are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs continued availability of services of our external contractors, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results. We carry out planned shutdowns of our plants for maintenance.

Although we take precautions to minimize the risk of any significant operational problems at our facilities, our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, including due to any of the factors mentioned above.

27. Some of the entities promoted by our promoters have incurred losses in the last fiscal year.

Details of the profits and losses incurred by them for in financial year ending March 31, 2003, 2004 and 2005 are as given below:

(Rupees in millions)

Financial year ending March 31	**2003**	**2004**	**2005**
Murkumbi Industries Private Limited	5.71	(0.16)	0.42
Murkumbi Bioagro Private Limited	12.84	(0.01)	1.48
M/s. M.R. Murkumbi	0.01	0.06	*
M/s. Narendra Murkumbi	(0.03)	(0.004)	*
M/s. Narendra Agencies	0.01	0.008**	0.07***

* The accounts for the FY 2005 are not available as of date

** The Profit after Taxation includes tax refund to M/s. Narendra Agencies

*** Unaudited figures

28. We have issued Equity Shares at a price lower than the Issue Price in last twelve months.

We have made the following allotments in the last twelve months at a price lower than the Issue Price:

Date of Allotment	Issue Price (Rs.)	Allottee	Number of Equity Shares
September 24, 2004	10	Promoter Group	180,000
	10	Others	945,000
		Total	**1,125,000**
December 6, 2004	10	Promoter Group	40,000
	10	Employees	10,000
	10	Others	145,000
		Total	**195,000**
March 1, 2005	10	Core Promoters	350,000
	10	Promoter Group	212,500
	10	Others	223,500
		Total	**786,000**
May 9, 2005	10	Core Promoters	2,376,800
	10	Employees	285,000
	10	Mrs. Vidya M Murkumbi, Trustee, Shree Renuka Sugars Development Foundation	1,500,000
	10	Mrs. Vidya M Murkumbi, Trustee, Shree Renuka Sugars Employees Welfare Trust	150,000
		Total	**4,311,800**

29. The issue of ESOPs pursuant to our proposed Employee Stock Option Scheme will result in a change in our income and will adversely impact our net income. Further, this will dilute the shareholding of all the equity shareholders

After the listing of our Equity Shares in this Offer, we intend to adopt an Employee Stock Option Scheme ("ESOP") in which select employees and directors of the Company and its subsidiary can participate. Any issuance of ESOP will result in a charge to our income statement equal to the product of such numbers of ESOPs granted and the difference between the market price of our Equity Shares as on the date of their grant and the exercise price, which we currently expect to be the Issue Price. This will be amortised in terms of the SEBI (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999. The equity shares as a result of this ESOP, when exercised will increase the share capital of our Company and dilute the shareholding of all existing shareholders. For further details, please refer to the section titled "Management's Discussion and

Analysis of Financial Condition and Results of Operations", on page 146 of this Red Herring Prospectus.

30. ***One of our Directors has served on the Board of Directors of Duck Tarpaulins Limited in the past, which is currently on the RBI list of Wilful Defaulters.***

Mr. Sanjay K. Asher, was a director on the Board of Directors of Duck Tarpaulins Limited. Duck Tarpaulins Limited appears on the RBIs list of Willful Defaulters from the period January 1, 2002 – March 31, 2002 onwards. Duck Tarpaulins Limited has defaulted in payments of Rs. 28.6 million to ICICI Bank Limited. Mr. Sanjay Asher has resigned as director of Duck Tarpaulins Limited w.e.f. July 1, 1998.

EXTERNAL TO THE COMPANY

31. ***There may be changes in the regulatory framework that could adversely affect us.***

The statutory and regulatory framework for the Indian sugar industry may see changes in the next few years. There could be changes in the areas of Levy Sugar, Monthly Release Mechanism, pricing of sugar, import of sugar, etc. We presently do not know what the nature or extent of the changes will be and cannot assure you that such changes will not have an adverse impact on our financial condition and results of operations. For a discussion on the regulatory framework of the electricity industry in India, see the sections titled "Regulations and Policies" on pages 74 of this Red Herring Prospectus.

32. ***Political, economic and social developments in India could adversely affect our business.***

All our facilities and other assets are located in India and most of our officers and directors are resident in India. Our operations and financial results and the market price and liquidity of our equity shares may be affected by changes in Indian Government policy or taxation or social, ethnic, political, economic or other developments in or affecting India.

India has also witnessed civil disturbances in recent years. While these civil disturbances did not directly affect our operations, it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us.

33. ***Terrorist attacks and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.***

Regional or international hostilities, terrorist attacks or other acts of violence of war could have a significant adverse impact on international or Indian financial markets or economic conditions or on Government policy. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and on the market price of our equity shares.

34. ***You will not receive the Equity Shares you purchase in this Issue until several days after you pay for them, which will subject you to market risk.***

The Equity Shares you purchase in this Issue will not be credited to your demat account with depository participants until approximately 15 working days from the Bid/ Issue Closing Date. You can start trading your Equity Shares only after receipt of listing and trading approvals in respect of these Equity Shares which will require additional time after the credit of Equity Shares into your demat accounts. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence, within the time periods specified above.

35. ***An active market for the Equity Shares may not develop, which may cause the price of the Equity Shares to fall and may limit your ability to sell the Equity Shares*.**

The Equity Shares are new issues of securities for which there is currently no trading market. Applications have been made to the BSE and NSE for the Equity Shares to be admitted to trading on the BSE and NSE. No assurance can be given that an active trading market for the Equity Shares will develop or as to the liquidity or sustainability of any such market, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which shareholders will be able to sell their Equity Shares. If an active market for the Equity Shares fails to develop or be sustained, the trading price of the Equity Shares could fall. If an active trading market were to develop, the Equity Shares could trade at prices that may be lower than their initial offering price.

36. ***The market value of the Equity Shares may fluctuate due to the volatility of the securities markets.***

The securities markets are volatile and stock exchanges have in the past, experienced substantial fluctuations in the prices of listed securities. The stock exchanges have experienced problems, which, if these were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. These problems have included broker defaults and settlement delays. In addition, the governing bodies of the various Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on the market sentiment.

37. ***Shareholders will bear the risk of fluctuation in the price of Equity Shares.***

The market price of the Equity Shares may be affected by fluctuations in the stock markets and it is impossible to predict whether the price of the Equity Shares will rise or fall. Trading prices of the Equity Shares will be influenced by, among other things, our financial position, the results of operations and political, economic, financial and other factors.

38. ***Future issues or sales of our Equity Shares may significantly affect the trading price of the Equity Shares.***

Future issue of Equity Shares /convertible instruments by us or the disposal of Equity Shares by any of the major shareholders or the perception that such issues or sales may occur may significantly affect trading price of the Equity Shares. Other than the lock-in of pre-issue capital as prescribed under SEBI Guidelines, none of our shareholders are subject to any lock-up arrangements restricting their ability to issue Equity Shares or the Shareholders' ability to dispose of their Equity Shares, and there can be no assurance that any shareholder will not dispose of, encumber, or pledge, his shares.

Notes to Risk Factors

1. Public Issue of [●] Equity Shares of Rs. 10 each at a price of Rs. [●] for cash aggregating Rs. 1,000 million (hereinafter referred to as "this Issue"). The net worth of our Company as on June 30, 2005 is Rs. 607.41 million.
2. The average cost of acquisition of Equity Shares by our Promoters/ Promoter Group, is Rs. 10.
3. Book value of the Equity Shares of the Company as on June 30, 2005 is Rs. 30.37 per Equity Share.

4. For details on Related Party Transactions refer to the section titled "Related Party Transactions" on page 103 of this Red Herring Prospectus.
5. Investors are free to contact the BRLM or Co-BRLM for any complaints / information / clarification pertaining to this Issue. For contact details of the BRLM and Co-BRLM, please refer to the cover page of this Red Herring Prospectus.
6. All information shall be made available by the BRLM, Co-BRLM and the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
7. Investors are advised to refer the paragraph on "Basis of Issue Price" on page 42 of this Red Herring Prospectus before making an investment in this Issue.
8. The Issue is being made through a 100% Book Building Process wherein a minimum of 60% of the Issue will be allocated on a discretionary basis to Qualified Institutional Buyers ("QIBs"). Further, at least 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
9. In the event of the Issue being oversubscribed, the allocation shall be on a proportionate basis to Retail Individual Bidders and Non-Institutional Bidders (Refer to the section titled "Issue Procedure" on page 242 of this Red Herring Prospectus).

SECTION III: INTRODUCTION

SUMMARY

This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire Red Herring Prospectus, including the information on "Risk Factors" and the section titled "Financial Statements" and related notes beginning on page 106 of this Red Herring Prospectus before deciding to invest on our Equity Shares

INTRODUCTION

We are a fully integrated sugar company focused on manufacturing, marketing and trading of sugar, power generation and ethanol production. At Munoli in Karnataka, sugar can be manufactured from sugarcane and also from imported raw sugar. At the leased plant in Ajara in Maharashtra, sugar is manufactured from sugarcane. We have entered into an agreement for the lease of another sugar mill in July 2005 at Mohannagar in Maharashtra for which we propose to commence operations in October 2005. During production of sugar, valuable by-products like molasses, bagasse and press-mud are produced which are used as raw material to produce ethanol, power and bio fertilizer respectively.

OVERVIEW

Our Company was incorporated in year 1995. In year 1998, we acquired a sick sugar mill with a capacity of 1,250 TCD of Nizam Sugars Limited, a Government of Andhra Pradesh undertaking, situated at Hindupur in Andhra Pradesh. We operated a successful Voluntary Retirement Scheme and subsequently transferred all the plant and machinery along with the remaining employees of the said sugar mill to Munoli at Belgaum in 1999 and enhanced the capacity to 2,500 TCD and also set up a co-generation plant of 11.2 MW. We started commercial production of sugar in November 1999 and generation of power in April 2000. In the year 2002, we ventured into manufacture of ethanol by setting up a distillery with a capacity of 60 KLPD at our Munoli unit. In year 2003, we increased our co-generation capacity of power at the Munoli unit from 11.2 MW to 20.5 MW. In 2003, we did a trial of raw sugar processing at 250 TPD refinery at the Munoli unit. Thereafter in 2004, we increased the capacity of the refinery to 1,000 TPD.

In the year 2004, we entered into a lease agreement with Ajara Shetkari Sahakari Sakhar Karkhana Limited (a co-operative sugar factory) with a capacity of 2,500 TCD for a period of two years. We have entered into a lease agreement on July 2005 with Mohanrao Shinde Sahakari Sakhar Karkhana Limited to operate the sugar mill and co-generation power plant for a period of six years starting from SY 2005-06.

In the year 2004, we set up our wholly owned subsidiary, Renuka Commodities DMCC for wholesale trading of sugar in the International market. Renuka Commodities DMCC was incorporated and registered as a Company in the Dubai Metals & Commodities Centre free trade zone in Dubai, United Arab Emirates.

Our revenues have increased at a CAGR of 42.85% and our Profit after tax has increased at a CAGR of 114.62% over a period of three years from FY 2001 till FY 2004. We have achieved a turnover of Rs. 5,184.35 million in nine-month period ending June 30, 2005, as compared to Rs. 2,116.57 million in nine-month period ending June 30, 2004, which is an increase of 144.94%. Our adjusted profit after tax was Rs. 320.55 million in nine-months ending June 30, 2005 as compared to Rs. 98.84 million in the nine-month period ending June 30, 2004, which was an increase of 224.31%.

The turnover in FY 2004 was Rs. 2,455.34 million, as compared to Rs. 3,019.59 million in FY 2003, which was a decrease of 18.69%. The adjusted profit after tax was at Rs. 56.50 million as compared to Rs. 26.78 million in FY 2003, an increase of 110.94%.

The turnover in FY 2003 was Rs. 3,019.59 million, as compared to Rs. 1,358.27 million in FY 2002, which was an increase of 122.31%. The adjusted profit after tax was at Rs. 26.78 million as compared to Rs. 22.38 million in FY 2002, an increase of 19.67% .

OUR COMPETITIVE STRENGTHS

We believe that we have distinct and different competitive strengths in our businesses.

1. ***We are a fully integrated player***

   We are a fully integrated player in the sugar industry. We process sugarcane into three co-products viz. sugar, ethanol and power. The cane juice is utilized to produce sugar. Molasses, which is a residue of sugarcane juice is used to manufacture ethanol. Ethanol is further purified to produce fuel ethanol. Bagasse is used to generate steam, which is used for power generation. Exhaust steam from the turbines is used in the sugar manufacturing and the distillery. The electricity generated by the steam is used for captive consumption and surplus power is sold to grid. The revenues from sale of power helps in diversifying our income stream since the sale price of power is not related to cyclicity and volatility of sugar prices. Further, the press mud, a by-product in production of sugar, is treated along with spent-wash, an effluent generated during production of ethanol and sold as bio-fertilizer.

2. Track record of successful acquisitions

We believe that we can enhance our cane crushing capacity by acquiring / taking on lease poor performing /loss making /sick sugar mills in the region. As of FY 2004 there were 57 sugar mills [*Source: Co-operative Sugar, Vol. 36, May 2005*] in the states of Maharashtra and Karnataka that were non-operational due to various reasons. We actively look for opportunities to acquire / lease such mills and run them efficiently. This ensures that we are able to enhance our sugar crushing capacity faster and without incurring substantial capital expenditure. We began our operations in the year 1999 by taking over a loss making sugar company at relatively low capital cost *vis-a-vis* a Greenfield option. Our first unit was acquired from a Government of Andhra Pradesh company and relocated to Munoli in Karnataka. In year 2004 we have taken a sugar mill with 2500 TCD capacity on a two year lease, in state of Maharashtra. In July 2005, we entered into an agreement with Mohanrao Shinde Sahakari Sakhar Karkhana Limited to take on a six-year lease a 2,500 TCD sugar mill located at Mohannagar, Taluka Miraj, District Sangli, Maharashtra.

3. Reduced impact of seasonality of the sugarcane crops

Our manufacturing process at Munoli is designed as such that we can produce sugar not only from sugarcane but also from raw sugar. In FY 2004, we produced 41,625 MT of sugar from raw sugar and 61,257 MT of sugar from sugarcane and have produced 111,401 MT of sugar from raw sugar and 65,547 MT from sugarcane in nine months ending June 30, 2005. Utilisation of raw sugar helps in increased utilisation of our refinery, which runs for more months in a year as compared to majority of other sugar manufacturers. Further, we are less affected by shortage of cane in a particular season. Our sugarcane mill operated for 208 days in FY 2003-04 and our refinery was operated for 200 days in the same period. The industry average was 140 days in 2002-03 and 99 days in 2003-04. *[Source: Co-operative Sugar, Vol. 36, May 2005]*

4. We have superior utilisation of fixed assets

We achieve higher capacity utilisation and asset turnover as compared to industry due to longer operating season in our region, higher sugar content in available cane, and dual raw material capability. All India average for duration of crushing was 138 days in SY 2002, 140 days in SY 2003, and 99 days in SY 2004 *[Source: Co-operative Sugar, Vol. 36, May 2005]*. We were able to operate our factory for a longer period. We operated our mills for 210 days in SY 2002, 237 days in SY 2003, and 208 days in SY 2004. We have already operated for 267 days in the current Financial Year upto June 30, 2005. The sugar produced from sugarcane per installed capacity was 33.2 tons per TCD, 24.5 tons per TCD and 18.8 tons per TCD for the FY 2003, FY 2004 and for the current Financial Year upto June 30, 2005 respectively. Further, the total sugar produced per installed capacity from sugarcane and raw sugar was 38.4 tons per TCD, 41.2 tons per TCD and 40.9 tons per TCD for FY 2003, FY 2004 and for the current Financial Year upto June 30, 2005 respectively.

5. We have the largest sugar refinery in India

Our sugar refinery is the largest in India with 1000 TPD capacity *(Source: Letter dated July 22, 2005, from Sugar Technology Mission, Government of India)*. This enables us to get better economies of scale since we can refine high volumes of raw sugar which brings down the fixed costs per tonne of sugar refined.

6. We are one of the few manufacturers who make refined sugar as compared to plantation white sugar

Most of the conventional sugar mills in India adopt Double Sulphitation Process to manufacture Plantation White Sugar. At Munoli unit, we have moved away from this conventional method of sugar manufacturing and adopted the Phosphoflotation process of manufacturing EC II grade refined sugar. This sugar meets the European standards of refined sugar (Colour of less than 45 IU). In the Phosphoflotation process utilisation of Sulphur Dioxide gas as a decolorizing agent is eliminated, hence we produce sugar with negligible sulphur content. Refined sugar is preferred by industrial buyers and generally commands a premium over plantation white sugar.

7. We have access to superior technology for refining of sugar

We have a tie-up with Tate & Lyle Industries Limited of UK, which is a GBP 3.2 billion (equivalent to Rs. 249.6 billion) company and Europe's largest sugar refiner *[Source: http://www.eubusiness.com]*. Our sugar refinery was set up with technical assistance from Tate & Lyle. We have recently entered into a Memorandum of Understanding with Tate & Lyle whereby they will render technical assistance on an ongoing basis for further development of refining capability and development of value-added products.

8. Our sales are focused towards corporate and industrial buyers

Sugar traditionally was sold in the wholesale market to agents and dealers. We believe in marketing sugar directly to corporate and industrial buyers to capture a larger market share. Dealing with corporate and industrial buyers has several benefits like:

- Committed and timely off-take of sugar;
- Scope to fix prices in advance and reduce price risk;
- Reduced working capital cost due to increased comfort for working capital lenders; and
- Reduced dependence on brokers for sale of sugar.

We supply sugar to multinational companies who manufacture carbonated soft drinks, fruit juices, chocolates, baby food and dairy products. Corporate sales constituted 68.35% of our total sugar sales in FY 2004 and 53.99% in FY 2003. Some of our key corporate buyers of sugar are Hindustan Coca Cola Beverages Private Limited, Nestle' India Limited, Cadbury India Limited, etc.

9. We have a prominent trading presence in India's international sugar trade

Our Company is active in international trading of sugar from India. We exported 240,919 MT of sugar between 2001-2005 which represents 8.32% of Indian sugar exports and are ranked second in terms of overall exports of Indian sugar in terms of quantity, Dr. Amin Superintendents & Surveyors Private Limited have issued a certificate to this effect. We have imported 381,700 MT of raw sugar between 2002-2005. Our international subsidiary, Renuka Commodities DMCC is active in third country trade of sugar, which gives us a continuous presence in India's key export markets. We have also been awarded a 2 star export house status by the Director General of Foreign Trade (DGFT), Government of India. Trading in sugar gives the Company an enhanced trade-flow much larger than its own manufactured sugar. This translates into a deeper and wider exposure to price trends and customer buying patterns in both domestic and international sugar markets.

10. We are well placed to export our product

We are located close to the ports of Goa and Karwar (approximately 160 km. and 200 km. respectively). This helps us in easy access to sea transport for importing raw sugar and exporting white sugar. The advantages of close proximity to the ports are lower logistics costs and lower transit time. The sugar we produce is of international specifications and the proximity to ports allows us to export our sugar efficiently. We believe we are well equipped to meet our export obligations under the Advanced Licensing Scheme. Recently, we have set up Renuka Commodities DMCC, as our 100% subsidiary, based in Dubai for third country trading in sugar.

11. We are located in one of the high yield and high recovery cane producing regions

Maharashtra and Karnataka are amongst the highest cane producing states in India, which rank 2nd and 3rd in cane production in the FY 2004. Total cane produced in these two states accounted for 31% of total cane produced in India in the FY 2004. The average yield per hectare between SY 2000 and SY 2004 in Maharashtra was 72.92 MT per hectare and Karnataka was 87.16 MT per hectare, as opposed to 57.68 MT per hectare in Uttar Pradesh in SY 2004. Sugar recovery from cane is also higher than in other parts of the country. Average recovery between SY 2000 and SY 2004 was around 11.49% for sugar mills located in Maharashtra and 11.30% for those located in Karnataka as compared to 9.58% for mills located in Uttar Pradesh and 10.31% for All India sugar mills. *(Source: Co-operative Sugar, Vol. 36, May 2005)*

12. We have excellent relationship with sugarcane farmers.

We believe that we have excellent relationship with sugar cane farmers. Unlike other privately owned sugar companies, we have approximately 9000 farmers as our shareholders. As shareholders, the farmers enjoy benefits of sharing profits of our Company. In FY 2003-04 the Statutory Minimum Price advised by the Government of India was Rs. 968 per MT while our average price paid to the farmers was Rs. 1117 per MT which was higher by 15.39% (both these numbers are for an average recovery of 10.75%). We also make sure that payments to sugarcane farmers are made in a timely manner. To further increase the goodwill between the farmers and our Company, we formed a trust, Shree Renuka Sugars Development Foundation, which mainly focuses on promotion of education, healthcare and overall betterment of the farmers and the local community. We believe this strong relationship is a significant competitive advantage because farmers have no obligation to grow sugarcane and may switch to crops that may be more profitable. However, our track record of paying higher sugarcane price to farmers on a timely basis provides an incentive for farmers to cultivate sugarcane. The number of farmers growing sugarcane in our command area has increased from 3,325 in 1998-99 to 11,686 in FY 2003-04 as per our registration records. We also coordinate and manage the harvesting and transportation of cane, which saves the farmers effort, time and money. This also enables us to get fresh and mature sugarcane, which increases the yield of sugar.

13. We have an elaborate sugarcane collection network.

In order to carry out cane development and cane procurement activities effectively and smoothly, we have a dedicated cane department, which is headed by Executive Director – Cane, who is supported by five Cane Managers. The Cane Managers control and supervise the cane development and procurement activities. Our area of operation is divided in to seven circles headed by Assistant Cane Development Officers / Cane Procurement Officers, who report to the Cane Managers. The Assistant Cane Development Officers are assisted by 40 Cane Supervisors.

We purchase sugarcane directly from the farmers without involvement of any intermediaries. Based on the age of the crop, variety and maturity, a harvesting program is chalked out for desired quantity and quality of cane to be procured on a day-to-day basis. The Cane Managers issue cutting orders / harvesting permits based on date-wise cum pre-harvesting maturity survey. Accordingly cane transporting vehicles along with harvesting groups are allotted for harvesting and transporting cane to the mill.

14. We operate an integrated distillery

An integrated distillery provides us with several advantages like:

- We are able to add value to all our molasses from both Munoli and Ajara plants, and we need not sell any molasses to third parties
- Cheap power and steam is available for the distillery from the co-generation plant
- Effluent (spent-wash) can be processed with press-mud into bio-fertilizers and compost
- A number of sugar mills in our region do not have attached distilleries. This enables us to buy molasses, if required

15. We have a fuel ethanol plant attached to our distillery

We are one of the few distilleries, which are equipped to manufacture fuel ethanol from ethanol. Fuel ethanol is gaining momentum due to rising oil prices. The GoI is encouraging the use of fuel ethanol as a motor fuel since it is considered to be less polluting and also a renewable source of energy (since it is sourced from an agricultural product, which can be regrown). Subject to fulfillment of certain conditions, GoI has mandated mixing of 5% fuel ethanol in petrol in ten States. We supply fuel ethanol to various oil companies for blending in petrol. For details please refer to the Section titled 'Industry' on page 48 of this Red Herring Prospectus.

16. Government policy encourages co-generation.

The Government of India has prescribed that a certain percentage of energy from alternative sources has to be purchased by distribution companies and has also allowed open access, which will enable us to sell power to third parties also. The electricity regulatory commissions of Maharashtra and Karnataka have also prescribed preferential tariffs for electricity produced from renewable energy sources including co-generation.

17. We have made substantial progress in registering our co-generation plant for carbon credits

Our bagasse based co-generation plant at Munoli has qualified as a Clean Development Mechanism (CDM) project which entitles us to generate Carbon Credits. We have received host country approval from the Ministry of Environment and Forests and the project has now been put up for registration with the CDM Executive Board of the United Nations Framework Convention on Climate Change (Bonn). The project will be eligible for Carbon Credits based on the units of power sold from our Munoli co-generation plant. We will seek to sell these Carbon Credits to European companies who have to comply with international legislation on emissions. This will provide an additional revenue stream to us.

OUR STRATEGY

Our corporate vision is to be the most efficient processor of sugarcane and the largest marketer of sugar and ethanol in the country. Our strategies for meeting these objectives are as follows:

1. Expand our installed capacity in a capital efficient manner

We intend to increase our capacity by adding capacity in the following ways:

- *Enhancing the capacity of our existing sugar mill.* We intend to increase the capacity of our existing sugar mill at Munoli from 2500 TCD to 7500 TCD. This would be a brownfield expansion.

  Also refer to our acquisition of certain assets of Haripriya Sugar Works Limited as stated in the section titled "Objects of the Issue" on page 29 of this Red Herring Prospectus.
- *Leasing of existing mills:* We actively look out for loss making sugar mills, which we can take on lease and run efficiently. This not only increases our capacity

but also helps us in getting more sugarcane from the command areas of those mills. We have recently taken on lease a sugar mill at Mohannagar in Maharashtra in June, 2005. We propose to increase the capacity of this mill from 2,500 to 4,000 TCD in FY 2006.

- *Pursuing selective acquisitions:* We are actively pursuing acquisitions both domestic and international.

2. Achieve end-to-end integration for all our plants to improve margins and reduce cyclicality of the business

We intend to use all the by-products of sugarcane like bagasse and molasses to produce value-added products like electricity, ethanol and fuel ethanol, for all our plants. We intend to set up a 15 MW co-generation plant at Unit III at Mohannagar, Maharashtra. This will increase our power generation capacity to 35.5 MW. In addition, we plan to double the distillery at Munoli and add a distillery and fuel ethanol manufacturing facility at Mohannagar. These investments will boost our ethanol capacity from 60 KLPD to 240 KLPD and the new fuel ethanol facility will increase our production capacity from 60 KLPD to 180 KLPD.

3. Achieve greater raw material security.

We pursue cane development initiatives and facilitate crop loans to increase cane production in our reserve area. Our acquisitions / leasing of other sugar mills allow us to cover more cane areas. We provide quality seeds and other agri-inputs to farmers. We have also taken steps to educate the farmers about the economics of growing cane as compared to other crops. We have taken initiatives for development of irrigation sources as well as taking up land development to bring additional acreage under cultivation, which is either barren or unsuitable for growing cane. We have involved SDF and commercial banks for long-term soft loans for sugarcane farmers.

4. Increase our focus on corporate and high-value customers

We intend to be the *supplier of choice* for our industrial buyers. We are actively looking to enhance our presence within industrial buyers in the FMCG sector by continually upgrading our processes and quality systems.

5. To reduce price risk in sugar by hedging

We intend to use our large trade flow, which consists of our sales of manufactured and traded sugar to manage price risk. We have membership at the National Commodities and Derivatives Exchange (NCDEX). We will actively utilize NCDEX and international commodity exchanges to fix the prices of a proportion of our sugar for forward sales. The percentage of forward cover is decided by our internal risk management team and is driven by our perception of trends in the market.

6. Maintain a strong presence in the export markets

We intend to be a prominent supplier of high quality sugar within Asia where we will be in a position to supply not only our in-house manufactured sugar but also traded sugar. We have set up a subsidiary in Dubai that is engaged in sugar trading. The experience in sugar trading will also give us a better insight into the international market, which will enable us to exploit trading opportunities and also anticipate risks.

7. Expand market for ethanol

Ethanol is a renewable source of motor fuel. We intend to expand the market for fuel ethanol as an additive to petrol, as an oxygenate for Euro-III grade petrol and as a standalone fuel. We will work with other producers in India to highlight the commercial and environmental advantages of ethanol versus fossil fuels. This would include demonstration of flex-fuel cars that burn any combination of petrol and ethanol and the modification of petrol cars to burn 100% ethanol.

SUMMARY FINANCIAL DATA

The statutory financial statements of the Company prepared in accordance with Indian GAAP for the financial years ended September 30, 2000, 2001, 2002, 2003 and 2004, and for 9 months ended June 30, 2005 were audited by M/s. Ashok Kumar, Prabhashankar & Company, Chartered Accountants.

Summary of Unconsolidated Financial Data under Indian GAAP

The following table sets forth selected historical unconsolidated financial information of Shree Renuka Sugars Limited derived from its restated and audited unconsolidated financial statements as of September 30, 2000, 2001, 2002, 2003 and 2004 and for nine months ended June 30, 2004 and June 30, 2005 all prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, and restated as described in the auditors' report of M/s. Ashok Kumar, Prabhashankar & Company, dated September 9, 2005 included in the section titled "Financial Statements" on page 106 of this Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto.

Summary of Profits & Losses as restated, unconsolidated

(Rs. in millions)

Period ended on	**September 30,**					**30.06.04**	**30.06.05**
	2000	**2001**	**2002**	**2003**	**2004**	**Nine Months**	**Nine Months**
Income							
Sales :							
Of products manufactured by the Company	189.09	1,067.67	1,064.84	1,581.30	1,773.76	1,433.27	3,122.44
Less: Inter-segment revenue	(18.96)	(98.27)	(112.24)	(258.19)	(242.78)	(206.84)	(475.69)
Of products traded by the Company	-	-	387.16	1,605.85	729.88	637.85	1,554.65
Net Revenue	**170.13**	**969.40**	**1,339.75**	**2,928.96**	**2,260.86**	**1,864.28**	**4,201.40**
Other income	0.13	1.64	2.56	5.53	13.76	9.73	14.28
Increase (decrease) in inventory	115.57	(128.73)	15.95	85.11	180.71	242.56	968.68
Total Income	**285.83**	**842.31**	**1,358.27**	**3,019.59**	**2,455.34**	**2,116.57**	**5,184.35**
Expenditure							
Raw materials and goods consumed	180.26	587.17	1,071.16	2,541.86	1,950.73	1,705.58	4,485.87
Less : Inter-segment Expenditure	(4.50)	(31.76)	(37.28)	(80.80)	(76.44)	(75.74)	(232.89)
Staff costs	16.02	27.48	23.47	26.07	30.06	22.00	64.08
Other Manufacturing expenses	52.33	122.47	130.95	267.86	257.28	206.78	416.01
Less: Inter-segment Expenditure	(14.46)	(66.51)	(74.96)	(177.38)	(166.34)	(131.09)	(242.80)
Administrative, Selling and distribution expenses	10.79	53.37	86.18	215.26	122.52	116.09	161.70
Interest	42.80	96.20	82.31	120.57	113.25	86.46	100.10
Depreciation	29.05	46.84	51.69	63.34	70.75	53.06	61.08
Miscellaneous expenditure written off	0.02	0.02	0.02	0.12	1.79	5.56	0.52
Total Expenditure	**312.31**	**835.28**	**1,333.53**	**2,976.90**	**2,303.60**	**1,988.70**	**4,813.67**

Period ended on	September 30,					30.06.04	30.06.05
	2000	**2001**	**2002**	**2003**	**2004**	**Nine Months**	**Nine Months**
Net Profit before tax and extraordinary items	(26.48)	7.03	24.73	42.69	151.74	127.87	370.68
Provision for taxation	0.49	0.49	1.11	14.75	29.03	29.03	49.61
Net profit after tax and before extraordinary items	(26.97)	6.54	23.62	27.94	122.71	98.84	321.07
Extraordinary items (net of tax)	-		-	-	-		-
Net profit after extraordinary items	(26.97)	6.54	23.62	27.94	122.71	98.84	321.07
Prior Period Adjustment towards exception items							
- Inventory	-	-	-	-	55.13	-	-
- Income Tax	-	-	-	-	10.00	-	
- Depreciation and others	-	0.83	1.24	1.15	1.09	-	0.52
Adjusted Profit after Tax	**(26.97)**	**5.72**	**22.38**	**26.78**	**56.50**	**98.84**	**320.55**
Earlier year balance carried forward	-	(26.97)	(21.25)	1.13	15.10	15.10	9.06
Appropriations							
Transfer to General Reserve	-	-	-	12.61	47.00	-	8.50
Proposed Dividend	-	-	-	0.19	13.74	-	0.12
Tax on Proposed Dividend	-	-	-	0.02	1.80	-	0.02
Balance carried to Balance sheet	**(26.97)**	**(21.25)**	**1.13**	**15.10**	**9.06**	**113.94**	**320.98**

Summary of Assets & Liabilities as restated, unconsolidated

(Rs. in millions)

	As at	September 30,					30.06.04	30.06.05
		2000	2001	2002	2003	2004		
A.	**Assets**							
	Fixed Assets - gross block	638.68	745.06	949.31	1,076.03	1,223.29	1,141.62	1,389.13
	Less: Depreciation	30.17	77.62	130.38	193.98	265.55	243.77	329.92
	Net Block	**608.51**	**667.44**	**818.93**	**882.05**	**957.74**	**897.85**	**1,059.21**
	Less: Revaluation Reserve	-	-	-	-	-		-
	Net Block after adjustment for Revaluation Reserve	**608.51**	**667.44**	**818.93**	**882.05**	**957.74**	**897.85**	**1,059.21**
B.	Investments	0.00	0.00	0.00	0.05	0.05	0.05	5.52
C.	Current assets, loans and advances							
	Inventories	171.79	70.52	96.83	187.49	437.95	659.18	2,791.93
	Receivables	14.76	28.79	102.73	65.38	83.34	74.78	308.09
	Cash and bank balances	6.99	45.37	24.51	37.79	321.93	181.06	348.78
	Loans and advances	50.13	85.58	167.84	107.51	166.11	132.86	180.22
	Total Assets	**852.18**	**897.71**	**1,210.84**	**1,280.26**	**1,967.12**	**1,945.78**	**4,693.74**
D.	Liabilities & Provisions							
	Loan funds							
	Secured loans	572.82	487.01	815.98	716.22	679.58	710.99	1,177.45
	Unsecured loans	96.34	158.38	165.86	214.49	231.67	251.41	210.76
	Deferred Tax Liability (Net)	-	-	-	13.21	33.43	33.43	52.77
	Current liabilities and provisions							
	Sundry liabilities	88.27	139.62	72.51	147.00	743.48	651.32	2,597.66
	Provisions	0.53	0.18	1.29	1.60	35.72	10.19	47.69
E.	**Net worth**	**94.23**	**112.53**	**155.20**	**187.74**	**243.25**	**288.44**	**607.41**
	Represented by:							
	Shareholders' funds							
	Share Capital	121.26	127.66	135.83	142.82	155.57	145.72	200.00
	- Equity Share Capital	121.12	126.30	127.56	134.33	147.07	137.22	200.00
	- Preference Share Capital	0.14	1.36	8.27	8.50	8.50	8.50	-
	Reserves & surplus	(26.97)	(11.88)	19.88	46.71	87.68	148.75	408.09
	Less: Revaluation Reserve	-	-	-	-	-		-
	Reserves (Net of Revaluation Reserve)	(26.97)	(11.88)	19.88	46.71	87.68	148.75	408.09
	Less: Miscellaneous expenditure not written off	(0.06)	(3.25)	(0.51)	(1.79)	-	(6.03)	(0.68)
	Total	**94.23**	**112.53**	**155.20**	**187.74**	**243.25**	**288.44**	**607.41**

Summary Operating Data

	FY 2002	FY 2003	FY 2004	9 months ended June 30, 2004	9 months ended June 30, 2005		
	Munoli	Munoli	Munoli	Munoli	Munoli	Ajara	Total
Sugar							
Capacity (TCD)	2,500	2,500	2,500	2,500	2,500	2,500	5,000
Weighted Avg. Crushing Season Duration (Days)	210	237	208	217	267	106	-
Total sugarcane crushed (MT)	539,000	726,590	576,730	528,680	641,020	251,110	892,130
Raw Sugar Processed (MT)	-	13,679	44,635	35,816	116,232 *	-	116,232*
Sugar produced from cane	58,200	83,052	61,257	57,350	65,547	28,659	94,206
Sugar produced from raw sugar	-	12,965	41,625	33,507	110,138	-	110,138
Total Sugar Produced (MT)	**58,200**	**96,017**	**102,882**	**90,857**	**175,685**	**28,659**	**204,344**
Recovery (%)	10.8%	11.4%	10.6%	10.8%	10.2%	11.4%	-
Sugar Sales (MT)	**59,456**	**88,995**	**92,995**	**68,849**	**113,213**	**23,393**	**136,606**
Co-generation							
Power Generated (Units)	46,610,645	68,040,290	58,219,440	50,755,840	70,406,858	-	70,406,858
Import and DG set (Units)	336,540	369,613	628,992	287,248	178,236	-	178,236
Power Consumption (Units)	22,409,085	30,882,403	27,420,671	24,239,288	32,772,494	-	32,772,494
Power Export (Units)	**24,538,100**	**37,587,500**	**31,427,761**	**26,803,800**	**37,812,600**	**-**	**37,812,600**
Ethanol							
Spirit Production (litres)	3,910,220	8,226,388	12,211,910	10,608,254	12,490,899	-	12,490,899
Spirit Sales (litres)	3,030,178	6,351,280	1,707,760	1,259,760	12,783,640	-	12,783,640
Fuel Ethanol produced (litres)	-	2,028,092	9,404,764	9,404,764	861,555	-	861,555
Fuel Ethanol Sales (litres)	-	180,000	11,106,500	10,610,500	-	-	-

* *Includes 4,830.7 MT of damaged white sugar stock which was reprocessed*

THE ISSUE

Equity Shares offered:	
Issue by the Company	[●] Equity Shares of face value of Rs. 10 each aggregating Rs. 1,000 million.
Of which	
A) Qualified Institutional Buyers portion (QIBs)	A minimum of [●] Equity Shares of face value of Rs. 10 each aggregating Rs. 600 million constituting at the minimum 60% of the Issue **(Allocation on a discretionary basis)**
B) Non-Institutional Portion [(1)]	[●] Equity Shares of face value of Rs. 10, aggregating Rs. 100 million constituting at least 10% of the Issue **(Allocation on a proportionate basis)**
C) Retail Portion [(1)]	At least [●] Equity Shares of face value of Rs. 10/-, aggregating Rs. 300 million constituting at least 30% of the Issue **(Allocation on a proportionate basis)**
D) Green Shoe Option Portion [(2)]	[●] Equity Shares of Rs. 10 aggregating Rs. 100 million
Equity Shares outstanding prior to the Issue	20,000,000 Equity Shares of face value of Rs. 10 each
Equity Shares outstanding after the Issue (without Green Shoe Option)	[●] Equity Shares of face value of Rs. 10 each
Equity Shares outstanding after the Issue (with full exercise of the Green Shoe Option)	[●] Equity Shares of face value of Rs. 10 each
Use of Issue proceeds	Please refer to section titled "Objects of the Issue" on page 29 of this Red Herring Prospectus for additional information.

(1) Under-subscription, if any, in any of the above categories would be allowed to be met with spillover *inter-se* from any other categories, at the sole discretion of the Company and BRLM and Co-BRLM

(2) The Green Shoe Option will be exercised at the discretion of the BRLM, Co-BRLM and the Company.

GREEN SHOE OPTION

We intend to establish an option for allocating Equity Shares in excess of the Equity Shares that are included in the Issue in consultation with the BRLM, Co-BRLM and the Stabilizing Agent to operate a price stabilization mechanism in accordance with the applicable SEBI Guidelines. The Green Shoe Lender will lend the Equity Shares to the Stabilizing Agent. Upon exercise of the Green Shoe Option, we shall issue the Over Allotment Shares.

We have appointed JM Morgan Stanley Private Limited as the Stabilizing Agent, for performance of the role of Stabilizing Agent as envisaged in Chapter VIIIA of the SEBI Guidelines, including price-stabilizing post listing, if required in case the market price falls below the Issue Price upto the same number of shares as lent by the Green Shoe Lender. There is no obligation to conduct stabilizing measures. If commenced, stabilization will be conducted in accordance with applicable laws and regulations and such stabilization may be discontinued at any time and in any case will not continue for a period exceeding 30 days from the date when trading permission is given by the Stock Exchanges. The Stabilizing Agent will borrow Equity Shares from Green Shoe Lender. The Equity Shares borrowed from Green Shoe Lender or purchased in the market for price stabilizing purposes will be in demat form only. The Equity Shares available for allocation under the Green Shoe Option will be available for allocation to Qualified Institutional Buyers, Non-Institutional Bidders and Retail Individual Bidders in the ratio of 60:10:30 assuming full demand in each category. On July 21, 2005, we entered into a Stabilization Agreement with the Green Shoe Lender - Murkumbi Industries Private Limited, and JM Morgan Stanley Private Limited as the Stabilizing Agent. The Green Shoe Lender has agreed to lend Equity Shares of our Company, which shall not be in excess of 10% of the Issue.

The terms of the Stabilization Agreement provide that:

Stabilization Period

"Stabilization Period" shall mean the period commencing from the date we are given trading permission from the Stock Exchanges and ending 30 days thereafter, unless terminated earlier by the Stabilizing Agent.

Procedure for Over Allotment and Stabilisation

(i) The monies received from the applications for Equity Shares in the Issue against the over allotment shall be kept in the GSO Bank Account, which is a distinct account separate from the Public Issue Account and shall be used only for the purpose of stabilization of the post-listing price of the Equity Shares.

(ii) The allocation of the Over Allotment Shares shall be done in conjunction with the allocation of Issue so as to achieve *pro-rata* distribution.

(iii) Upon such allocation, the Stabilizing Agent shall transfer the Over-Allotment Shares from the GSO Demat Account to the respective depository accounts of successful Bidders.

(iv) For the purpose of purchasing the Equity Shares from the market, the Stabilizing Agent shall use the funds lying to the credit of GSO Bank Account.

(v) The Stabilizing Agent shall solely determine the timing of buying the Equity Shares, the quantity to be bought and the price at which the Equity Shares are to be bought from the market for the purposes of stabilization of the post-listing price of the Equity Shares.

(vi) The Equity Shares purchased from the market by the Stabilizing Agent, if any, shall be credited to the GSO Demat Account and shall be returned to the Green Shoe Lender immediately on the expiry of the Stabilization Period but in no event later than the expiry of two working days thereafter.

(vii) In the event the Equity Shares lying to the credit of the GSO Demat Account at the end of the Stabilization Period but before the transfer to the Green Shoe Lender is less than the Over Allotment Shares, upon being notified by the Stabilizing Agent and the equivalent amount being remitted to us from the GSO Bank Account, we shall within four (4) days of the receipt of notice from the Stabilizing Agent of the end of the Stabilization Period allot new Equity Shares in dematerialized form in an amount equal to such shortfall to the credit of the GSO Demat Account. The newly issued Equity Shares shall be returned by the Stabilizing Agent to the Green Shoe Lender in final settlement of Equity Shares borrowed, within two (2) working days of them being credited into the GSO Demat Account, time being of essence in this behalf.

(viii) Upon the return of Equity Shares to the Green Shoe Lender pursuant to and in accordance with sub-clauses (vi) and (vii) above, the Stabilizing Agent shall close the GSO Demat Account.

(ix) The Equity Shares returned to the Green Shoe Lender under this clause shall be subject to remaining lock-in-period, if any, as provided in the SEBI Guidelines.

GSO Bank Account

The Stabilizing Agent shall remit from the GSO Bank Account to our Company, an amount, in Indian Rupees, equal to the number of Equity Shares at Issue Price to be allotted by us to the GSO Demat Account. The amount left in this account, if any, after this remittance and deduction of expenses including depository, brokerage and transfer fees and net of taxes, if any, incurred by the Stabilizing Agent in connection with the activities under the Stabilization Agreement, shall be transferred to the Investor Protection Fund of the Stock Exchanges in equal parts. Upon the return of Equity Shares to the Green Shoe Lender, the Stabilizing Agent will close the GSO Bank Account.

Reporting

During the Stabilization Period, the Stabilizing Agent will submit a report to the Stock Exchanges on a daily basis. The Stabilizing Agent will also submit a final report to SEBI in the format prescribed in Schedule XXIX of the SEBI Guidelines. This report will be signed by the Stabilizing Agent and our Company and be accompanied by the depository statement for the GSO Demat Account for the Stabilization Period indicating the flow of shares into and from the GSO Demat Account. If applicable, the Stabilizing Agent will, along with the report give an undertaking countersigned, if required by the respective depositories of the GSO Demat Account and the Green Shoe Lender regarding confirmation of lock-in on the Equity Shares returned to the Green Shoe Lender in lieu of the Over-Allotment Shares.

Rights and obligations of the Stabilizing Agent

(i) Open a special bank account "Special Account for GSO Proceeds of Shree Renuka Sugars Limited" or GSO Bank Account and deposit the money received against the over-allotment in the GSO Bank Account.

(ii) Open a special account for securities "Special Account for GSO Shares of Shree Renuka Sugars Limited" or GSO Demat Account and receive the Equity Shares lent by the Green Shoe Lender and allocate to applicants to the Issue and credit the Equity Shares bought by the Stabilising Agent, if any, during the Stabilization Period to the GSO Demat account.

(iii) Stabilize the market price only in the event of the market price falling below the Issue Price as per SEBI Guidelines, including determining the price at which Equity Shares to be bought, timing etc.

(iv) On exercise of Green Shoe Option at the end of the Stabilization Period, to request our Company to issue Equity Shares and to transfer funds from the GSO Bank Account to our Company within a period of five working days of close of the Stabilization Period.

(v) On expiry of the Stabilization Period, to return the Equity Shares to the Green Shoe Lender either through market purchases or issued by us on exercise of Green Shoe Option as part of stabilizing process.

(vi) To submit daily reports to the Stock Exchanges during the Stabilization Period and to submit a final report to SEBI.

(vii) To maintain a register of its activities and retain the register for three years. Net gains on account of market purchases in the GSO Bank Account to be transferred net of all expenses and net of taxes, if any, equally to the Investor Protection Fund of the Stock Exchanges.

Rights and obligations of the Green Shoe Lender

(i) The Green Shoe Lender undertakes to execute and deliver all necessary documents and give all necessary instructions to procure that all rights, title and interest in the Equity Shares lent shall pass to the Stabilizing Agent/ GSO Demat Account free from all liens, charges and encumbrances.

(ii) On receipt of notice from the Stabilizing Agent, to transfer the Equity Shares lent to the GSO Demat account.

(iii) The Green Shoe Lender will not recall or create any lien or encumbrance on the Equity Shares lent until the transfer of Equity Shares to the GSO Demat Account under the terms of the Stabilization Agreement.

Rights and obligations of the Company

The Company shall within four Business Days of the receipt of the notice from the Stabilizing Agent (and in any case within five Business Days of the end of the Stabilizing Period) and receipt of the Green Shoe Shortfall Amount, allot such number of Equity Shares that are equal to the Green Shoe Shortfall in dematerialized form to the GSO Demat Account.

Fees and Expenses

(i) Our Company shall pay to the Green Shoe Lender a fee of Rs. two lakhs only plus applicable taxes for providing the stabilizing services.

(ii) Our Company will pay the Stabilizing Agent a fee of Re. one only plus applicable service tax for providing the stabilizing services.

(iii) The Stabilizing Agent shall deduct from the GSO Bank Account the following expenses:

- Demat and transfer cost;
- Brokerage / underwriting fee and selling commission, inclusive of service tax and securities transaction tax;
- However, the total expenses of the Stabilizing Agent in this regard would not exceed 3.3% of the product of the Issue Price and number of Equity Shares purchased from the market.

However, these expenses would be subject to availability of any proceeds in the GSO Bank Account and as per the guidelines of SEBI in this regard.

Procedure for exercise of Green Shoe Option

The primary objective of the Green Shoe mechanism is stabilization of the market price of Equity Shares after listing. Towards this end, after listing of Equity Shares, in case the market price of the Equity Shares fall below the Issue Price, then the stabilizating Agent, at its sole and absolute discretion, may start purchasing Equity Shares from the market with the objective of stabilization of the market price of the Equity Shares. The Stabilizing Agent, at its sole and absolute discretion, would decide the quantity of Equity Shares to be purchased, the purchase price and the timing of purchase. The Stabilization Agent, at its sole and absolute discretion, may spread orders over a period of time or may not purchase any Equity Shares under certain circumstances where it believes purchase of Equity Shares may not result in stabilization of market price.

Further, the Stabilizating Agent does not give any assurance that would it be able to maintain the market price at or above the Issue Price through stabilization activities.

The funds lying to the credit of GSO Bank Account would be utilized by the Stabilizing Agent to purchase the Equity Shares from the market and such Equity Shares would be credited to GSO Demat Account. The operations of GSO Demat Account and GSO Bank Account are explained in the paragraphs above.

GENERAL INFORMATION

Registered Office of the Company

Shree Renuka Sugars Limited
BC 105, Havelock Road,
Camp, Belgaum 590 001.
Tel: +91 831 240 4000;
Fax: +91 831 240 4961;
Registration Number: 08-19046

Our Company is registered at the Registrar of Companies, Karnataka situated at Kendriya Sadan, II Floor, "E" Wing, Koramangala, Bangalore.

Board of Directors

1. Mrs. Vidya M. Murkumbi, Executive Chairperson
2. Mr. Narendra M. Murkumbi, Managing Director
3. Dr. B.P. Baliga, Independent Director
4. Mr. Jayant G. Herwadkar, Independent Director
5. Mr. J.J. Bhagat, Independent Director
6. Mr. Sanjar K. Asher, Independent Director
7. Mr. B.S. Parashivamurthy, Nominee of IDBI
8. Mr. Nandan V. Yalgi, Director (Commercial)
9. Mr. Robert Taylor, Independent Director

For further details of our Chairperson, our Managing Director and whole time Directors, refer to the section titled "Our Management" on page 88 of this Red Herring Prospectus.

Company Secretary and Compliance Officer

Mr. R. H. Sadekar
Shree Renuka Sugars Limited
BC 105, Havelock Road,
Camp, Belgaum 590 001
Phone: +91 831 2404000
Fax: +91 831 2469891
Email: investor@renukasugars.com

Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allocation, credit of allotted Equity Shares in the respective beneficiary account or refund orders, etc.

Legal Advisors to the Company

M/s. Crawford Bayley & Co.
State Bank Buildings, 4th floor
N. G. N. Vaidya Marg
Fort, Mumbai - 400 023
Tel.: +91 22 2266 3713
Fax no.: +91 22 2266 0355
E-mail: sanjay.asher@crawfordbayley.com

Legal Advisors to the BRLM and Co-BRLM

M/s. Khaitan & Co.
Advocates and Notaries
Meher Chambers, 4th and 5th Floors,
RK Marg, Ballard Estate, Mumbai - 400 038.
Tel: +91 22 5636 5000
Fax: +91 22 5636 5050
Email: bom@khaitanco.com

Bankers to the Company

State Bank of India
Commercial Branch, Halgekar Building,
Opp. Mahaveer Bhavan, Goaves,
Belgaum - 590 006.
Tel: +91 80 2400 269.
E-mail: sbicombg@sancharnet.in

ICICI Bank Limited
4th Floor, South Tower
Bandra-Kurla Complex, Mumbai - 400 051.
Tel: +91 22 2653 7418.
E-mail: senthil.raj@icicibank.com

UTI Bank Limited
CTS No: 5854, Congress Road
Tilakwadi, Belgaum - 590 006.
Tel: +91 831 2463 915 / +91 831 2463 926.
E-mail: belgaum.branchhead@uti.co.in

ING Vysya Bank Limited
Corporate Office: M.G. Road,
Bangalore
Tel: +91 80 2500 5000
E-mail: aparnarao@ingvysyabank.com

Industrial Development Bank of India Limited
58, IDBI House,
Mission Road,
Bangalore - 560 027
Tel: +91 80 2222 5442

Book Running Lead Manager (BRLM)

JM Morgan Stanley Private Limited
141 Maker Chambers III,
Nariman Point,
Mumbai - 400 021
Tel: +91 22 5630 3030
Fax: +91 22 5630 1694
E-mail: renukasugarsipo@jmmorganstanley.com
Contact Person: Mr. Utkarsh Katkoria
Website: www.jmmorganstanley.com

Co-Book Running Lead Manager (Co-BRLM)

Edelweiss Capital Limited
14th Floor, Express Towers
Nariman Point
Mumbai - 400 021.
Tel.: +91 22 2286 4400
Fax: +91 22 2288 2119
E-mail: renukasugars.ipo@edelcap.com
Contact Person: Mr. Abhijit Das
Website: www.edelcap.com

Syndicate Members

JM Morgan Stanley Retail Services Private Limited
Apeejay House,
3, Dinshaw Waccha Road,
Churchgate, Mumbai- 400 021.
Tel.: +91 22 5504 0404
Fax: +91 22 5630 1694
E-Mail: renukasugarsipo@jmmorganstanley.com
Contact Person: Mr. Deepak Vaidya
Website: www.jmmorganstanley.com

Edelweiss Securities Private Limited
14th Floor, Express Towers
Nariman Point
Mumbai - 400 021
Tel.: +91 22 2286 4400
Fax: +91 22 2288 2119
E-mail: renukasugars.ipo@edelcap.com
Contact Person: Amit Goel.
Website: www.edelcap.com

Registrar to this Issue

Karvy Computershare Private Limited
Unit: – Renuka Sugars Public Issue
Karvy House, 21, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad - 500 034
Tel. : +91 40 2331 2454, 2332 0751-53
Fax. : +91 40 2331 1968, 2332 3049
E-mail: renukasugars@karvy.com
Contact Person: Mr. Muralikrishna
Website: www.karvy.com

Stabilizing Agent

JM Morgan Stanley Private Limited
141 Maker Chambers III,
Nariman Point, Mumbai - 400 021
Tel: +91 22 5630 3030
Fax: +91 22 5630 1694
Email: renukasugarsipo@jmmorganstanley.com

Bankers to the Issue and Escrow Collection Banks

ICICI Bank Limited
Capital Market Division,
30, Mumbai Samachar Marg,
Mumbai - 400 001.
Tel: +91 22 2265 5285
Fax: +91 22 2261 1138
Email: sidhartha.routray@icicibank.com
Contact Person: Mr. Sidhartha Routray
Website; www.icicibank.com

Standard Chartered Bank
Corporate and Institutional Banking,
90, Mahatma Gandhi Road,
2nd Floor, Fort,
Mumbai - 400 001
Tel: +91 22 2267 0162
Fax: +91 22 2262 4912
Email: jamwal.rohit@in.standardchartered.com
Contact Person: Mr. Rohit Jamwal
Website: www. standardchartered.com/in

The HongKong and Shanghai Banking Corporation Limited
52/60, Mahatma Gandhi Road,
Mumbai - 400 001.
Tel: +91 22 2268 1673
Fax: +91 22 2734 388
Email: dhirajbajaj@hsbc.co.in
Contact Person: Mr. Dhiraj Bajaj.
Website: www.hsbc.co.in

Statutory Auditors

M/s. Ashok Kumar, Prabhashankar & Co.
Chartered Accountants
SF – 7, Business Point,
137 Brigade Road,
Bangalore - 560 025
Tel: +91 80 2223 7045 / +91 80 2224 1284
Fax: +91 80 2223 7045 / +91 80 2224 1284
E-mail: kn_ps@vsnl.com

Independent Auditors

Grant Thornton
L-41 Connaught Circus
New Delhi - 110 001
India
Tel: +91 11 2341 7798
Fax: +91 11 2341 8512
E-mail: newdelhi@gt-india.com
Website: www.gt-india.com

Statement of *Inter-Se* Allocation of Responsibilities amongst the BRLM and the Co-BRLM

Book Running Lead Manager: JM Morgan Stanley Private Limited ("JMMS")
Co-Book Running Lead Manager : Edelweiss Capital Limited ("Edelweiss")

No	Activities	Responsibility	Coordinator
1.	Capital Structuring with relative components and formalities such as type of instruments, etc.	JMMS, Edelweiss	JMMS
2.	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM and the Co-BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing.	JMMS, Edelweiss	JMMS
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, etc.	JMMS, Edelweiss	Edelweiss
4.	Appointment of Registrar, Bankers	JMMS, Edelweiss	Edelweiss
5.	Appointment of Printer and Ad agency	JMMS, Edelweiss	JMMS
6.	Marketing of the Issue, which will cover *inter alia*, ❐ Formulating marketing strategies, preparation of publicity budget ❐ Finalize media and public relations strategy ❐ Finalizing centres for holding conferences for brokers, etc. ❐ Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material ❐ Finalize collection centres	JMMS, Edelweiss	JMMS
7.	Finalizing the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities, order procurement. Managing the Book and finalizing of Pricing and Allocation in consultation with the Company.	JMMS, Edelweiss	JMMS
8.	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc. The post Issue activities of the Issue will involve essential follow up steps, which must include finalization of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. BRLM and the Co-BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer Company.	JMMS, Edelweiss	JMMS

Credit Rating

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

Trustees

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

Book Building Process

Book Building refers to the process of collection of bids from investors, on the basis of this Red Herring Prospectus including the Price Band. This Issue Price is fixed after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

(1) Our Company;

(2) Book Running Lead Manager, in this case being JM Morgan Stanley Private Limited

(3) Co-Book Running Lead Manager, in this case being Edelweiss Capital Limited;

(4) Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as underwriters, in this case being JM Morgan Stanley Retail Services Private Limited, and Edelweiss Securities Private Limited.

(5) Registrars to the Issue, in this case being Karvy Computershare Private Limited.

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

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

QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date. For details see the section titled "Terms of the Issue" on page 240 in this Red Herring Prospectus.

Steps to be taken by the Bidders for bidding:

- Check whether he/ she is eligible for bidding;
- Bidder necessarily needs to have a demat account;
- 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; and
- Ensure that the Bid-cum-Application Form is accompanied by the Permanent Account Number or by Form 60 or Form 61 as may be applicable together with necessary documents providing proof of address. For details please refer to our Section titled "Issue Procedure" on page 242 of this Red Herring Prospectus. Bidders are specifically requested not to submit their General Index Register number instead of the Permanent Account Number as the Bid is liable to be rejected.

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

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

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

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e., Rs. 21 in the above example. The issuer, in consultation with the BRLM will finalise the issue price at or below such cut off price i.e. at or below Rs. 21. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

The process of Book Building under SEBI Guidelines is relatively new and investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue. Pursuant to the recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bids after Bid/ Issue Closing Date.

Underwriting Agreement

After the determination of this Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with Registrar of Companies, Karnataka, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM and Co-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:

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
JM Morgan Stanley Private Limited 141, Maker Chambers III, Nariman Point, Mumbai - 400 021	[●]	849.97
Edelweiss Capital Limited 14th Floor, Express Towers Nariman Point Mumbai - 400 021	[●]	149.97
JM Morgan Stanley Retail Services Private Limited Apeejay Business Centre, Apeejay House, 3, Dinshaw Waccha Road, Churchgate, Mumbai- 400 021.	[●]	0.03
Edelweiss Securities Private Limited 14th Floor, Express Towers Nariman Point Mumbai - 400 021	[●]	0.03

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

In the opinion of the Board of Directors of the Company (based on a certificate given by the Underwriters), BRLM and Co-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.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM, Co-BRLM and the Syndicate Members shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure / subscribe to the extent of the defaulted amount. Allocation to QIBs is discretionary as per the terms of this Red Herring Prospectus and may not be proportionate in any way and the patterns of allocation to the QIBs could be different for various Underwriters. For further details about allocation please refer to “Other Regulatory and Statutory Disclosures” on page 234 of this Red Herring Prospectus.

CAPITAL STRUCTURE

The share capital of our Company as on the date of filing of this Red Herring Prospectus with RoC is as set forth below.

Share Capital as on the date of filing of this Red Herring Prospectus			**(Amount in Rs. million)**	
			Nominal Value	**Aggregate Value**
A.	**Authorised Capital**			
	35,000,000	Equity Shares of Rs. 10/- each	350.00	
	5,000,000	2% Cumulative Redeemable Preference Shares of Rs. 10/- each	50.00	
B.	**Issued, Subscribed and Paid-Up Capital before this Issue**			
	20,000,000	Equity Shares of Rs. 10/- each fully paid-up	200.00	
C.	**Present Issue to the public in terms of this Red Herring Prospectus**			
	[●]	Equity Shares of Rs. 10/- each	[●]	1,000.00
D.	**Green Shoe Option pursuant to this Red Herring Prospectus** [(1)]			
	[●]	Equity Shares of Rs. 10/- each	[●]	100.00
E.	**Issued, Subscribed and Paid-Up Capital after this Issue**			
	[●]	Equity Shares of Rs. 10/- each	[●]	[●]
F.	**Equity Capital assuming exercise of Green Shoe Option in full**			
	[●]	Equity Shares of Rs. 10/- each	[●]	[●]
G.	**Share Premium Account**			
	Before this Issue		Nil	
	After this Issue (Without exercise of Greenshoe Option)		[●]	
	After this Issue (Assuming exercise of Greenshoe Option in full)		[●]	

[(1)] Murkumbi Industries Private Limited as the Green Shoe Lender has agreed to lend Equity Shares, which shall not be in excess of 10% of the issue to the Stabilizing Agent, in this case being JM Morgan Stanley Private Limited.

The authorised share capital of our Company was increased to Rs. 400 million divided into 35,000,000 Equity Shares of Rs. 10/- each and 5,000,000 2% Cumulative Redeemable Preference Shares of Rs. 10/- each vide a resolution passed at the EGM held on May 4, 2004.

For details of increase in authorised capital, please refer to our section titled “History and Certain Other Corporate Matters” on page 80 of this Red Herring Prospectus.

Notes to Capital Structure

1. Share Capital History of the Company

Date of allotment/ Fully paid-up / Buy-back	No. of Equity Shares	Cumulative number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Share Premium	Nature of payment of Consideration	Particulars	Cumulative Share Premium (Rs.)
October 25, 1995	70	70	10	10	NIL	Cash	Subscribers to the Memorandum	NIL
December 24, 1998	1,670,500	1,670,570	10	10	NIL	Cash	Further issue of shares	NIL
March 5, 1999	287,000	1,957,570	10	10	NIL	Cash	Further issue of shares	NIL
September 6, 1999	4,306,430	6,264,000	10	10	NIL	Cash	Further issue of shares	NIL
December 6, 1999	2,000,000	8,264,000	10	10	NIL	Cash	Allotted to Karnataka State Industrial Investment & Development Corporation Limited.	NIL
December 4, 2000	3,009,500	11,273,500	10	10	NIL	Cash	Further issue of shares	NIL
August 21, 2001	636,000	11,909,500	10	10	NIL	Cash	Further issue of shares	NIL
June 26, 2002	846,500	12,756,000	10	10	NIL	Cash	Further issue of shares	NIL
March 29, 2003	447,000	13,203,000	10	10	NIL	Cash	Further issue of shares	NIL
June 28, 2003	99,700	13,302,700	10	10	NIL	Cash	Further issue of shares	NIL
November 19, 2003	279,500	13,582,200	10	10	NIL	Cash	Further issue of shares	NIL
September 24, 2004	1,125,000	14,707,200	10	10	NIL	Cash	Further issue of shares	NIL
December 6, 2004	195,000	14,902,200	10	10	NIL	Cash	Further issue of shares	NIL
March 1, 2005	786,000	15,688,200	10	10	NIL	Cash	Further issue of shares	NIL
May 9, 2005	4,311,800	20,000,000	10	10	NIL	Cash	Further issue of shares	NIL
TOTAL	**20,000,000**							

Preference Share Capital History of the Company (Capital build up)

Date of allotment	No. of Preference shares allotted/ (redemption).	Face Value (Rs.)	Issue/ (redemption) Price (Rs.)	Cumulative no. of preference shares	Nature of payment of consideration	Cumulative share premium	Name of persons/ Entity to which preference shares allotted/ (redeemed)
June 26, 2002	180,000	10	10	180,000	Cash	Nil	Farmers
August 24, 2002	647,000	10	10	827,000	Cash	Nil	Farmers
March 29, 2003	22,500	10	10	849,500	Cash	Nil	Farmers
June 16, 2005*	(849,500)	10	(10)	Nil	Cash	Nil	All preference shareholders.

* Our Board in its meeting held on May 9, 2005 passed a resolution for redemption of 2% Cumulative Redeemable Preference Share at par on June 16, 2005. The said Cumulative Redeemable Preference Shares were redeemed on June 16, 2005.

2. Promoters Contribution and Lock-In

Name of the Promoter	**Date on which Equity Shares were allotted/ transferred and made fully paid up***	**Number of Equity Shares**	**Face Value (in Rs.)**	**Issue/ Transfer price (in Rs.)**	**Consid-eration (cash, bonus, consid-eration other than cash)**	**Percentage of pre-Issue paid-up capital**	**Percentage of post-Issue paid-up capital ##**	**Eligible for Lock-in Period of#**
Murkumbi Bioagro	March 5, 1999	100,000	10	10	**Cash**	0.50%	[●]	3 Years
Private Limited	September 6, 1999	1,212,000	10	10	Cash	6.06%	[●]	3 Years
	August 21, 2001	21,000	10	10	Cash	0.11%	[●]	3 Years
	June 26, 2002	669,000	10	10	Cash	3.35%	[●]	3 Years
	Purchased on February 18, 2002	2,000	10	10	Cash	0.01%	[●]	3 Years
	March 29, 2003	447,000	10	10	Cash	2.24%	[●]	3 Years
	June 28, 2003	99,700	10	10	Cash	0.50%	[●]	3 Years
	November 19, 2003	50,000	10	10	Cash	0.25%	[●]	3 Years
	Purchased on May 18, 2004	350,000	10	10	Cash	1.75%	[●]	3 Years
	Purchased on September 6, 2004	340,000	10	10	Cash	1.70%	[●]	1 Year
	Purchased on October 18, 2004	1,050,000	10	10	Cash	5.25%	[●]	1 Year
Total		**4,340,700**				**21.70%**	[●]	
Murkumbi Industries	September 6, 1999	73,000	10	10	Cash	0.37%	[●]	3 Years
Private Limited	December 4, 2000	10,000	10	10	Cash	0.05%	[●]	3 Years
	Purchased on March 23, 2004	299,500	10	10	Cash	1.50%	[●]	3 Years
	Purchased on December 16, 2004	455,000	10	10	Cash	2.28%	[●]	1 Year
	March 1, 2005	200,000	10	10	Cash	1.00%	[●]	1 Year
	May 9, 2005	2,376,800	10	10	Cash	11.88%	[●]	1 Year
Total		**3,414,300**				**17.07%**	[●]	
Mrs. Vidya Murkumbi	Subscribers to the Memorandum	10	10	10	Cash	0.00%	[●]	3 Years
	December 24, 1998	742,000	10	10	Cash	3.71%	[●]	3 Years
	March 5, 1999	151,500	10	10	Cash	0.76%	[●]	3 Years
	September 6, 1999	100,430	10	10	Cash	0.50%	[●]	3 Years
	December 4, 2000	138,500	10	10	Cash	0.69%	[●]	3 Years
	August 21, 2001	278,000	10	10	Cash	1.39%	[●]	3 Years
	June 26, 2002,	21,500	10	10	Cash	0.11%	[●]	3 Years
	Transferred November 24, 2002	(900,000)	10	10	Cash	- 4.50%	[●]	3 Years

Name of the Promoter	Date on which Equity Shares were allotted/ transferred and made fully paid up*	Number of Equity Shares	Face Value (in Rs.)	Issue/ Transfer price (in Rs.)	Consid- eration (cash, bonus, consid- eration other than cash)	Percentage of pre- Issue paid-up capital	Percentage of post- Issue paid-up capital ##	Eligible for Lock- in Period of#
	Purchased on June 25, 2001	3,000	10	10	Cash	0.02%	[●]	3 Years
	Purchased on September 18, 2001	24,500	10	10	Cash	0.12%	[●]	3 Years
	Purchased on November 24, 2001	25,500	10	10	Cash	0.13%	[●]	3 Years
	Purchased on February 18, 2002	8,000	10	10	Cash	0.04%	[●]	3 Years
	Purchased on July 24, 2002	22,000	10	10	Cash	0.11%	[●]	3 Years
	Purchased on June 26, 2002	1,500	10	10	Cash	0.01%	[●]	3 Years
	Purchased on May 18, 2004	75,000	10	10	Cash	0.38%	[●]	3 Years
	Purchased on September 6, 2004	10,000	10	10	Cash	0.05%	[●]	1 Year
	Transferred on December 17, 2004	(700,500)	10	10	Cash	- 3.50%	[●]	1 Year
	March 1, 2005	140,000	10	10	Cash	0.70%	[●]	1 Year
Total		**140,940**				**0.70%**	[●]	
Mr. Narendra Murkumbi.	December 24, 1998	500	10	10	Cash	0.00%	[●]	3 Years
	June 26, 2002	80,000	10	10	Cash	0.40%	[●]	3 Years
	Purchased on November 24, 2001	900,000	10	10	Cash	4.50%	[●]	3 Years
	Purchased on April 27, 2002	5,000	10	10	Cash	0.03%	[●]	3 Years
	Purchased on June 26, 2002	500	10	10	Cash	0.00%	[●]	3 Years
	Purchased on May 18, 2004	175,000	10	10	Cash	0.88%	[●]	3 Years
	Purchased on December 17, 2004	1,593,500	10	10	Cash	7.97%	[●]	3 Years
	March 1, 2005	10,000	10	10	Cash	0.05%	[●]	1 Year
	Transferred on December 17, 2004	(57,000)	10	10	Cash	- 0.29%	[●]	1 Year
	Transferred on May 16, 2005	(70,000)	10	10	Cash	- 0.35%	[●]	1 Year
Total		**2,637,500**				**13.19%**	[●]	

* Unless otherwise referred to means subscription of fully paid up Equity Shares.

20% of the Post-Issue Capital would be locked in for a period of three years from the date of allottment in this Issue. The exact number of Equity Shares to be locked in for three years would be decided after finalisation of number of Equity Shares to be issued after pricing of the Equity Shares. The Equity Shares issued/ transferred last shall be locked in first.

To be filled in after finalisation of Issue Price and number of Equity Shares to be issued.

Other than the lock-in on the Equity Shares held by the Promoters as stated above, the entire pre-Issue equity share capital of our Company will be locked in for the period of one year from the date of allottment in this Issue. We are in the process of obtaining consents from the shareholders for lock in of their shares for a period of one year from the date of allotment of our Equity Shares under this Issue. On finalisation of basis of allotment for the Equity Shares to be issued pursuant to the Issue, we would mail stickers (to all shareholders holding shares in physical form) indicating the lock in period to all shareholders whose Equity Shares are to be locked in for a period of one year. The lock in for Equity Shares held in dematerialized form would be created as per the by-laws of the depositories. We will also inform the Stock Exchanges about the details of Equity Shares locked in for a period of one year and three years.

(i) Equity Shares held by the person other than the Promoters, prior to this Issue, which are subject to lock in as per the relevant provisions of Chapter IV of the extant SEBI Guidelines, may be transferred to any other person holding Equity Shares which are locked in, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.

(ii) Equity Shares held by Promoter(s) which are locked in as per the relevant provisions of Chapter IV of the SEBI Guidelines, may be transferred to and amongst Promoter/Promoter group or to a new promoter or persons in control of the Company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

(iii) Locked-in Equity Shares held by the Promoter can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions. In terms of clause 4.16 (b) of the SEBI Guidelines.

(iv) Pursuant to the terms of the sanction letter dated August 6, 2004 with IDBI, 1,117,500 Equity Shares held by the Promoters are to be pledged with them. The Promoters have offered the following equity shares for pledge. IDBI has requested that the equity shares should be in dematerialized form. We are in the process of dematerializing these equity shares. On dematerialization, the following equity shares would be pledged with IDBI as collateral for long-term loan of Rs. 105 million granted to our Company. The pledged shares will be released by IDBI after repayment of this loan.

Sr. No.	Name of the Promoter	Number of Equity Shares
1.	Mr. Narendra M. Murkumbi	990,000
2.	Mrs. Vidya M. Murkumbi	127,500
	TOTAL	**1,117,500**

(v) The following are the names of the natural persons who are holding more than 10% in any of the Promoter Companies:

Individuals holding 10% or above	Promoter Companies / firm in which held	% Shareholding
Mr. Narendra M. Murkumbi	Murkumbi Bioagro Private Limited	99.93%
Mr. Narendra M. Murkumbi	Murkumbi Industries Private Limited	99.37%

The above individuals have not been prohibited from accessing the capital markets for any reason by SEBI or any other authority.

3. Shareholding pattern of the Company prior and post this Issue

Name of the Shareholders	Pre-Issue Equity Capital		Post-Issue Equity Capital			
	Number of Equity Shares	%	Number of Equity Shares (if Green Shoe Option is not exercised)	%	Number of Equity Shares (if Green Shoe Option is exercised in full)	%
Core -Promoters						
Mr. Narendra M Murkumbi	2,637,500	13.19	2,637,500	[●]	2,637,500	[●]
Mrs. Vidya M Murkumbi	140,940	0.70	140,940	[●]	140,940	[●]
Murkumbi Bioagro Private Limited	4,340,700	21.70	4,340,700	[●]	4,340,700	[●]
Murkumbi Industries Private Limited	3,414,300	17.07	3,414,300	[●]	3,414,300	[●]
TOTAL	**10,533,440**	**52.66**	**10,533,440**	[●]	**10,533,440**	[●]
Promoter Group						
Late Mr. Madhusudan R. Murkumbi*	201,500	1.01	201,500	[●]	201,500	[●]
Mrs. Supriya Rojekar	150,500	0.75	150,500	[●]	150,500	[●]
Mrs. Shantabai Deshpande	80,010	0.40	80,010	[●]	80,010	[●]
Miss Inika Murkumbi	70,000	0.35	70,000	[●]	70,000	[●]
Miss Malvika Murkumbi	70,000	0.35	70,000	[●]	70,000	[●]
Dr. Dilip Deshpande	50,000	0.25	50,000	[●]	50,000	[●]
Mrs. Apoorva N. Murkumbi	2,500	0.01	2,500	[●]	2,500	[●]
TOTAL	**624,510**	**3.12**	**624,510**	[●]	**624,510**	[●]
Others						
Shree Renuka Sugars Development Foundation[1]	1,100,000	5.50	1,100,000	[●]	1100,000	[●]
Shree Renuka Sugars Employee Welfare Trust[2]	150,000	0.74	150,000	[●]	150,000	[●]
Other Directors	260,050	1.30	260,050	[●]	260,050	[●]
Employees	335,250	1.68	335,250	[●]	335,250	[●]
Others (Including farmers).	6,996,750	34.98	6,996,750	[●]	6,996,750	[●]
Public	-	-	[●]	[●]	[●]	[●]
TOTAL	**8,842,050**	**44.20**	[●]	[●]	[●]	[●]
GRAND TOTAL	**20,000,000**	**100**	[●]	**100**	[●]	**100**

* In the books of our Company, these Equity Shares are in the name of Mr. Madhusudan R. Murkumbi. Mr. Madhusudan R. Murkumbi has passed away recently.

1 Shree Renuka Sugars Development Foundation is a trust formed by Shree Renuka Sugars Limited with Mrs. Shantabai Vasantrao Deshpande and Mr. S.R. Nerlikar as the trustees vide a Deed of Trust dated April 20, 2005. The trustees vide the meeting of Shree Renuka Sugars Development Foundation dated April 21, 2005 have appointed Mrs. Vidya M. Murkumbi and Mr. Narendra Murkumbi as the new trustees. SRSL Development Foundation was established with the object of *inter alia* the following:

a) promoting education, healthcare, etc. for general public utility;

b) establishing, maintaining hospitals, medical schools, colleges etc. for the benefit and use of the public in general;

c) establishing, supporting schools, colleges, hostels, etc., running studentships, scholarships and other aid to the general public;

d) granting aid to promote, establish, support science, literature, drama, parks, gardens, gymnasiums, dharmashalas, etc. for the public in general;

e) to develop water sources of all kinds for drinking and irrigation including rain-water harvesting and micro-irrigation systems;

f) to develop income supplementing schemes and ideas for the farmers and rural community; and

g) other similar such non-profit activities for the public in general.

Our Company has contributed an initial sum of Rs. 10,000 towards this trust. Further, the Foundation received contributions from sugarcane farmers and these funds were utilised by the Foundation to subscribe to the Equity Shares of the Company.

The income generated from the investment in Equity Shares of the Company would be utilised for the objects of the trust.

[2] Shree Renuka Sugars Employee Welfare Trust is a trust formed by Shree Renuka Sugars Limited with Mr. Nandan V. Yalgi and Mr. Rajshekhar Charantimath as the trustees vide a Deed of Trust dated April 20, 2005 and a deed of correction dated July 16, 2005. The trustees vide the meeting of Shree Renuka Sugars Employee Welfare Trust dated April 21, 2005 have appointed Mrs. Vidya M. Murkumbi and Mr. Narendra Murkumbi as the new trustees. We contributed an initial sum of Rs. 10,000 towards this trust. Further, Shree Renuka Sugars Employee Welfare Trust received contributions from our employees, directors and promoters and these funds were utilised by the trust to subscribe to the equity shares of the Company.

The said Shree Renuka Sugars Employee Welfare Trust was formed with the object of *inter alia* to provide financial assistance for education, medical relief or for similar purpose to past or present employees, Directors of our Company;

4. Our Company, its Directors the BRLM and the Co-BRLM to this Issue have not entered into any buy-back, standby or similar arrangements for purchase of Equity Shares of our Company from any person.

5. In the case of over-subscription in all categories, a minimum of 60% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, at least 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above this Issue Price. Under-subscription, if any, in non-institutional and retail categories would be met with spill over from any other category at the sole discretion of the Company in consultation with the BRLM and the Co- BRLM.

6. Particulars of top ten shareholders:

a) Ten days prior to the date of filing and as on the date of filing this Red Herring Prospectus with RoC

Sr. No.	Name of the shareholder	Number of Equity Shares (Rs. 10/- each fully paid-up)
1.	Murkumbi Bioagro Private Limited	4,340,700
2.	Murkumbi Industries Private Limited	3,414,300
3.	Mr. Narendra Madhusudan Murkumbi	2,637,500
4.	Shree Renuka Sugars Development Foundation	1,100,000
5.	Mr. Shailesh Nandkishore Rojekar	350,000
6.	Mr. Madhusudan R. Murkumbi	201,500
7.	Ms. Supriya Shailesh Rojekar	150,500
8.	Mr. Nandkishore Shridhar Rojekar	150,000
9.	Shree Renuka Sugars Employee Welfare Trust	150,000
10.	Mrs. Vidya M. Murkumbi	140,940

b) Particulars of top ten shareholders 2 years prior to the date of filing of this Red Herring Prospectus with RoC

Sr. No.	Name of the shareholder	Number of Equity Shares (Rs. 10/- each fully paid-up)
1.	Murkumbi Bioagro Private Limited	2,550,700
2.	KSIIDC	2,000,000
3.	Mr. Madhusudan R Murkumbi	1,029,500
4.	Mr. Narendra Madhusudan Murkumbi	986,000
5.	Mrs. Vidya M. Murkumbi	616,440
6.	Murkumbi Manufacturing Private Limited	299,500
7.	Murkumbi Industries Private Limited	83,000
8.	Mr. Mohan L. Wadhwa	15,000
9.	Mrs. Vijay M Wadhwa	15,000
10	Kumar Swamigol Hubli	10,000

7. No Equity Shares have been purchased or sold by the Promoters/Promoter Group and the directors of the Company during a period of six months preceding the date of filing of this Red Herring Prospectus with RoC except as per the following table.

Sr. No.	Transaction Date	Name of Seller	Type of Transaction	No. of Equity Shares	Price per Equity Share of face value of Rs. 10/- each (in Rs.)
1.	May 16, 2005	Mr. Narendra Murkumbi.	Gift	70,000	Nil
2.	July 4, 2005	Mr. Nandan Yalgi	Purchase	2,530	10.00
3.	July 19, 2005	Mr. Nandan Yalgi	Sale	2,500	10.001

8. Our Company has not granted any options or issued any employee stock option or employee stock purchase scheme.

9. A Bidder cannot make a Bid for more than the number of Equity Shares offered through this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

10. 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 offered through this Red Herring Prospectus have been listed.

11. An oversubscription to the extent of upto 10% of the Issue size can be retained for the purpose of rounding off to the nearest multiple of 20 or 1 Equity Share, as applicable, while finalising the allotment.

12. We presently do not intend to alter our capital structure for a period of six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise except for issue of Equity Shares pursuant to an ESOP programme that may be approved by the shareholders. However, during such period or at a later date, we may issue Equity Shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture or as consideration for such acquisition, merger or joint venture or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Company.

13. Our Company undertakes that at any given time, there shall be only one denomination for the Equity Shares of our Company and we shall comply with such disclosure and accounting norms as specified by SEBI from time to time.

14. The total number of members of our Company as on the date of filing this Red Herring Prospectus with RoC is 9,873.

15. Our Company has not raised any bridge loan against the proceeds of this Issue.

16. Our Company has not revalued its assets since inception.

17. Our Company has not made any public issue since its incorporation.

18. Our Company has not issued any shares for consideration other than cash.

19. As on the date of filing of this Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.

20. As per the extant policy, OCBs are not permitted to participate in the Issue. It will not be necessary for NRIs/ registered Foreign Institutional Investors/ registered Foreign Venture Capital Funds/ Multilateral and Bilateral Development Institutions to seek separate permission from the FIPB/RBI for investing for Equity Shares in this Issue.

21. As per Chapter VIIIA of the SEBI Guidelines, we have decided to avail of the Green Shoe Option for stabilizing the post-listing price of the Equity Shares. We have appointed JMMS as the Stabilizing Agent. The Greenshoe Option consists of option to over allot up to [●] Equity Shares of Rs. 10/- each at a price of Rs. [●] per share aggregating Rs. 100 million representing 10% of the Issue, exercisable during the period commencing from the date of obtaining trading permission from the Stock Exchanges for the Equity Shares in the Issue, and ending 30 days thereafter unless terminated earlier by the Stabilising Agent.

The terms of the Green Shoe Option are as follows:

The maximum number of shares	[●] Equity Shares of Rs. 10/- each at a price of Rs. [●] per Equity Share aggregating Rs. 100 million representing 10% of the Issue size
The maximum increase in paid-up capital in case of full exercise of Green Shoe Option	Rs. [●]
Stabilization Period	The period commencing from the date of obtaining trading permission from the Stock Exchange for the Equity Shares under the Issue, and ending 30 days thereafter unless terminated earlier by the Stabilizing Agent.

22. We have issued Equity Shares at a price lower than the Issue Price in last twelve months.

We have made the following allotments to allottees in last twelve months:

Date of Allotment	Issue Price (Rs.)	Allottee	Number of Equity Shares
September 24, 2004	10	Promoter Group	180,000
	10	Others	945,000
		Total	**112,5000**
December 6, 2004	10	Promoter Group	40,000
	10	Employees	10,000
	10	Others	145,000
		Total	**195,000**
March 1, 2005	10	Core Promoters	350,000
	10	Promoter Group	212,500
	10	Others	**223,500**
		Total	786,000
May 9, 2005	10	Core Promoters	2,376,800
	10	Employees	285,000
	10	Mrs. Vidya M Murkumbi, Trustee, Shree Renuka Sugars Development Foundation	1,500,000
	10	Mrs. Vidya M Murkumbi, Trustee, Shree Renuka Sugars Employee Welfare Trust	150,000
		Total	**4,311,800**

23. Restrictive Covenants under the lenders agreements about capital structure.

In respect to the various agreements entered into by our Company with its lenders, we are bound by certain restrictive covenants regarding its capital structure. As per these restrictive covenants, our Company cannot, without the prior approval of the banks prepay any outstanding loan amount, issue any debentures, raise loans, deposits from public, issue equity or preference capital, issue bonus shares, change its capital structure or create any charge on its assets or give any guarantees. Also we shall not without the prior written approval of the bank buy back, cancel, retire, reduce, redeem, purchase, re-purchase, acquire any of its share capital, issue any further share capital. Further, our Company is also prohibited from creating any subsidiary or undertaking mergers, amalgamations and re-organizations with the creditors or shareholders, without the prior consent of its lending institutions. Also, Company shall not, without the prior permission of its lender, invest any part of the loan money advanced, by way of deposits, loans, share capital or otherwise in any concern. Our Company shall not declare or pay any dividend to its shareholders during any financial year unless it has paid all the pending dues. We shall not make any investments by way of deposits, loans, share capital, revalue its assets, carry out general trading other than sale of its own products, enter into a arrangement for sale of its products and purchase of raw materials without the prior written approval of the bank. Pursuant to the aforesaid covenants, we have obtained approvals from State Bank of India, ICICI Bank Limited, UTI Bank Limited, ING Vysya Bank Limited, Industrial Development Bank of India Limited, and IFCI Limited.

OBJECTS OF THE ISSUE

The Object of the Issue is to list the equity shares on the Stock Exchanges and the net proceeds from the Issue would be used for increasing the cane crushing capacity, increasing the distillery capacity, setting up a co-generation power plant and repayment of loans.

The proceeds of the Issue would be utilized to part finance our fund requirements (as estimated by us) hereunder:

Particulars	(Rs. in million)
Expansion of cane crushing capacity at Munoli to 7,500 TCD	635.0
Increasing the capacity of the Distillery at Munoli to 120 KL	150.0
Setting up 15 MW Cogeneration Power Plant at Unit III	200.0
Setting up 120 KL Distillery at Unit III	300.0
Repayment of existing Debt	98.6
Total	**1,383.6**

The above costs are indicative and based on estimates based on prevailing rates and previous orders for similar equipments. The actual costs would depend upon the negotiated prices with the suppliers/contractors and may vary from the above estimates. The above fund requirements are not appraised by any bank or any financial institution.

The main Objects clause of the Memorandum of Association of the Company enables the Company to undertake the existing activities and the activities for which the funds are being raised through the present Issue.

MEANS OF FINANCE:

The above fund requirement is proposed to be financed as under:

(Rs. in million)

Particulars	Amount
Public Issue of Equity Shares	1,000.0
Internal Accruals *	383.6
Total	**1,383.6**

* We would reduce the usage of internal accruals to the extent of funds raised on exercise of the Green Shoe Option. We are also exploring the possibility of obtaining SDF loan for some of the above projects. In case this loan is sanctioned and disbursed, we would reduce the usage of internal accruals to the extent of funds raised.

The following table shows the internal accruals for the nine months ended June 30, 2005:

Cash Accruals

(Rs. in million)

For the nine months ended	June 30, 2005
Adjusted Profit after Tax	320.55
Add: Non-cash expenses (Depreciation, Miscellaneous/ Deferred Expenses)	96.48
	417.03
Less : Installments on term loans re-paid during the period	112.79
Net Cash accruals	304.24

Details of Projects

A) Expansion of our existing facilities at Munoli

a) Expansion of cane crushing capacity at Munoli to 7500 TCD

We intend to enhance the capacity of our sugarcane crushing capacity from the existing 2,500 TCD to 7,500 TCD. The total project cost, as estimated by us, is Rs. 635 million. We believe that, in order to remain competitive, we need to enhance the capacity of the sugar plant at Munoli from 2,500 TCD to 7,500 TCD. The enhancement in capacity will also provide increased Molasses and Bagasse, which will support the cogeneration power plant and distillery

The break-up of project cost is as under:

Particulars	(Rs. in million)
Land and Civil	43.0
Plant and Machinery (including taxes and duties)	543.0
Erection and Commissioning, consultancy, Misc. Fixed assets	18.0
Pre-operative and Contingency	31.0
Total	**635.0**

Land: The land required for the expansion is available adjacent at our existing sugar mill at Munoli.

Civil Works: For the extension of the factory building and the construction of the equipment foundations, civil contractors will be appointed after calling for tenders. As on date no contractor is appointed for the civil works.

Plant and Machinery: The main items of plant and machinery are as under:

Description	Estimated cost (Rs. in million)	Probable Suppliers
Milling Plant	**296.5**	
Cane Weighment and Preparation		Avery India Ltd., S S Engineers, Triveni Engineering, Walchandnagar Industries Ltd.
Juice Extraction section		Walchandnagar Industries Ltd., Triveni Engineering, S S Engineers, Pune, Thyssenkruup, Pune
Juice Treatment, Clarification & Filtration, Evaporation	**85.8**	
Weighment and Pumps		Rosemount, KSB Pumps, Krilsokar Brothers Ltd.
Lime preparation and liming tank		Shrijee Engineering Works, Mumbai
Clarifier		Multitech Engineers, Kolkatta, Universal Saharanpur, Dorr Oliver
Filters		
Juice heaters, evaporators		Shrijee Engineering Works, Mumbai, Ajri Engineering Works, Kolhapur
Condensate and juice pumps		KSB Pumps, Krilsokar Brothers Ltd.
Crystallization & Centrifugal	**36.0**	
Vacuum Pans and Crystallizers		Shrijee Engineering Works, Mumbai, Ajri Engineering Works, Kolhapur
Centrifugal machines		Thyssenkrupp, Pune, Fives Cail - KCP, Chennai
Sugar Handling and Bagging		
Value added sugar and Consumer pack section	**124.7**	Various suppliers
Total	**543.0**	

We have started negotiations with the suppliers but not placed any orders for the machinery. The above cost of each item is indicative and based on estimates based on prevailing market rates and previous orders for similar equipments. The actual cost may vary.

Approval required: We have filed the Industrial Entrepreneurs' Memorandum with the Government of India, for the expansion of the sugarcane crushing capacity. We have received approval from Karnataka Udyog Mitra (A Govt. of Karnataka Organization) for State Level Single Window Clearance vide their letter dated May 27, 2005. We have obtained sugarcane crushing license from Department of Commerce and Industries, Government of Karnataka. We have applied for Consent For Establishment (CFE) from Karnataka State Pollution Control Board (KSPCB). On receipt of the CFE and after installation of the equipments, we need to apply and obtain Consent For Operation (CFO) from KSPCB to commence operations.

Arrangements for power /utilities /water /raw materials etc.

Steam and Power - A new steam generator will be installed to meet the additional steam requirement for the expansion of the crushing capacity. The existing co-generation power plant is sufficient to meet the additional power demand.

Water - Water required for the plant operations is drawn from the Malaprabha river.

Raw materials (Sugarcane) – We have received the approval of the Commissioner of Cane Development and Directorate of Sugar, Karnataka, wherein we have been allotted an additional 32 villages to the existing 58 villages under our cane area. Apart from this, we have devised short-term and long-term cane development programme to bring in more area under cane cultivation, improve the infrastructure for better irrigation and Increase in yield

Schedule of Implementation

Activity	Commencement date	Completion date
Building		
-Finalization of detailed Engineering	September 2005	October 2005
-Civil works	November 2005	April 2006
Plant and Machinery and Equipments		
-Placement of Order	December 2005	May 2006
-Installation and Commissioning	March 2006	October 2006
Trial Run	November 2006	
Commercial Production	December 2006	

On August 14, 2005 we have entered into a memorandum of understanding (MoU) with Haripriya Sugar Works Limited, a company incorporated under the Companies Act 1956 and having its registered address at CTS No. 2376, Main Road, Athani, District Belgaum, and a factory at Burlatti Village of Taluka Athani, District Belgaum, to acquire all assets (excluding receivables) of Haripriya Sugar Works Limited (Haripriya Sugar) including land admeasuring 162 acres and 29 guntas situated at village Burlatti (old Kokantur), Taluka Athani, District Belgaum, Karnataka for a sum of Rs. 40 million. Haripriya Sugar had intended to set up a sugar mill with 5000 TCD capacity at this location and towards this end has obtained (a) Single Window Clearance from Udgoy Mitra, Government of Karnataka vide order No. CI 25 TC 2000, Bangalore, dated June 29, 2000; (b) Allotment of cane area of 23 villages of Athani Taluka are allotted by Department of Commerce & Industry, Government of Karnataka by Notification No. CI 34 SGF 2000 dated June 30, 2000; and (c) Exemption of payment of stamp duty and registration fees on purchase of land and waiver of Conversion charges vide letter of Joint Direstor (Industrial Development) Department of Commerce & Industries, Government of Karnataka bearing No. IDF/E1/2000.01 dated January 12, 2001. We have made an application to Government of Karnataka for transfer of the approvals listed at (a), (b) and (c) above. In terms of the said MoU, Haripriya Sugar has agreed to transfer/assign the aforesaid government approvals in favour of our Company and assist in transferring/assigning the aforesaid government approvals in our favour.

The transfer of the land is subject to obtaining requisite approvals from Government of Karnataka under Karnataka Land Reform Act, 1961 and under Karnataka Land Grant Rules, 1969. We have paid as advance a sum of Rs. 5.1 million and the balance consideration would be paid after receipt of government approvals for transfer of land as stated above.

Haripriya Sugar is located 10 kms from Krishna river and 16 kms from Hippargi barrage. This barrage is a perennial source of irrigation. The existing cane area is about 15,500 acres and there are seven potential villages nearby the proposed site within 10 kms. wherein about 5,000 acres of additional area can be brought under sugarcane cultivation.

Subject to receipt of governmental approvals and acquisition of land, the Board of Directors may decide at appropriate time to setup sugar mill with 5000 TCD capacity at this location and postpone expansion of Unit I located at Manoli from 2500 TCD to 7500 TCD.

b) Increasing the capacity of the Distillery at Munoli to 120 KL

We intend to increase the capacity of the existing distillery at Munoli from 60 KL to 120 KL per day. The total project cost, as estimated by us, is Rs. 150 million. Under the National Ethanol Program there is a mandate to blend 5% Ethanol with petrol in 10 states and three Union territories, subject to fulfillment of certain conditions. The Government of India has set a deadline for introduction of gasoline and diesel confirming to Bharat 3 fuel standards in 11 cities. The Bharat 3 standard specifies presence of an oxygenate in the fuel, which minimizes the emissions due to combustion of these fuels. Ethanol being a viable additive compared other additives available; the oil companies are likely to use it for blending with petrol. In order to exploit this opportunity we propose to enhance the distillery capacity at Munoli by 60 KL. Ethanol is a co-product of sugar and enhances the processing margin on sugarcane.

The break-up of project cost is as under:

Particulars	(Rs. in million)
Building and Civil works	17.0
Plant and Machinery	107.9
Erection & Commissioning, Consultancy & Misc. Fixed Assets	6.0
Preoperative expenses and contingencies	19.1
Total	**150.0**

Land: Land required for this purpose is available at our existing distillery at Munoli.

Civil Works: Civil works will be carried out by contractors, who will be appointed after inviting bids. We have not yet appointed any contractors for this purpose.

Plant and Machinery: The main items of plant and machinery are as under:

Description	Estimated cost (Rs. in million)	Probable Suppliers
Fermentation Section	**21.0**	
Molasses storage tank and weighing scale		Fabrication by contractors at site
Molasses Pumps and piping		PSP Pumps, Kolhapur, Tushaco Pumps, Pune
Propogation vessels		Alfa Laval India, Pune, Praj, Pune
Fermenter, separator and hydrocyclones		Alfa Laval India, Pune, Praj, Pune
Tanks, Pipings, pumps, coolers, blowers		Various suppliers
Distillation Section	**27.1**	
Analyser, Rectifier, Degassifier, Polishing, Fusel Oil Column		Alfa Laval India, Pune, Praj, Pune
Condensers, PHEs, coolers, preheaters		Alfa Laval India, Pune, Praj, Pune
Reboiler system		Alfa Laval India, Pune, Praj, Pune
Tanks, pipings, pumps		Various suppliers
Ethanol Section	**18.0**	
Molecular sieve beds		Alfa Laval India, Pune, Praj, Pune
Evaporation Column		Alfa Laval India, Pune, Praj, Pune
Pumps, piping		Various suppliers
Cooling and process water system	**9.6**	
Cooling tower		Paharpur Cooling Towers,
Pumps, pipings		Various suppliers
Receiving and Storage Section	**7.2**	Site fabrication
Reverse Osmosis Plant	**25.0**	Rochem Separation Systems, Mumbai
Total	**107.9**	

We have started negotiations with the suppliers but not placed any orders for the machinery so far. The above cost of each item is indicative and based on previous supplies and the present market trends. The actual cost may vary.

Approval required

We have applied to Karnataka Udyog Mitra (A Government of Karnataka Organization) for State Level Single Window Clearance seeking approval for the above project. We have applied for Consent For Establishment (CFE) from Karnataka State Pollution Control Board (KSPCB). On receipt of the CFE and after installation of the equipments, we need to apply and obtain Consent For Operation (CFO) from KSPCB to commence operations. We have completed the Rapid Environmental Impact Assessment (REIA) for the expansion of the distillery. We have applied to the Deputy Commissioner – Excise, Belgaum for license to manufacture Ethanol and Fuel Ethanol. The Deputy Commissioner will forward and recommend the same to the Excise Commissioner, Bangalore.

Arrangements for power /utilities /water /raw materials etc.

Steam and Power - Required power and steam for the distillery will be met by the cogeneration power plant at Munoli.

Water - Water required for the plant operations is drawn from the Malaprabha river. We already have approval from the irrigation department of the Government of Karnataka for drawing this water.

Raw materials (Molasses)

With the enhancement of the sugar plant capacity from 2,500 TCD to 7,500 TCD at Munoli, there will be increased production of Molasses, which will be used for production of Ethanol / Fuel Ethanol. Until the Molasses production ramps up or in case of any shortage of Molasses, we will have to procure Molasses from external suppliers. There are a number of sugar mills in our region which do not have attached distilleries. We can buy Molasses if required from such sugar mills.

Schedule of Implementation

Activity	Commencement date	Completion date
Building		
-Finalization of detailed Engineering	September 2005	October 2005
-Civil works	November 2005	January 2005
Plant & Machinery & Equipments		
-Placement of Order and supply	October 2005	June 2006
-Installation & Commissioning	May 2006	August 2006
Trial Run	September 2006	September 2006
Commercial Production	October 2006	

B) Setting up of facilities at Mohannagar, Sangli

We have recently entered into an agreement with a co-operative sugar plant in Sangli District to operate the unit on lease for a period of six years. This plant (Unit III) is assessed to have a capacity of 4,000 TCD after balancing equipments are installed to the already installed machinery. The plant also has a cogeneration power plant, which is yet to be completed.

At this Unit III we propose to set up the following:

a) 15 MW Cogeneration Power Plant

The existing cogeneration scheme as being implemented may be sub-optimal. The building for the boilers, turbine and their auxiliaries is already in place. The boilers, which are installed, are designed for a steam temperature of 440 degree Celsius. We intend to upgrade the operating steam temperature to 500 degree Celsius, which will improve the efficiency of the entire cogeneration power plant considerably. As a part of this project we will install a 15 MW back pressure turbo-generator set. The estimated project cost is Rs. 200 million. Unit III is leased to us for a period of six years. The cogeneration power plant will be transferred back to the Mohanrao Shinde Sahakari Sakhar Karkhana Limited after the lease period, The modalities of the transfer of the unit back to the management of Unit III is a part of the agreement.

The break-up of project cost is as under:

Particulars	(Rs. in million)
Building and Civil works	8.0
Plant & Machinery	170.6
Erection & Commissioning & consultancy	6.5
Preoperative expenses, and contingencies	14.9
Total	**200.0**

Land: Major portion of the cogeneration power plant is already installed and housed in the building meant for the power plant.

Civil Works: The building that houses the boiler and the turbines already exists, and only the foundations required for the turbine and its auxiliaries are required to be prepared. These civil works will be allotted to contractors.

Plant and Machinery: The main items of plant and machinery are as under:

Description	Estimated cost (Rs. in million)	Probable Suppliers
Boiler Modification to operate at high temperature	24.0	Shri Gopal Engineering Services, Local fabrication of parts
12 MW Turbo-generator set	102.6	Triveni Engineering, Bangalore,
Steam Turbine with gear box		
Alternator with Automatic Voltage Regulator		
Electrical Equipment	44.0	ABB Ltd., Siemens, L&T
Grid Synchronizing system		
Motor Control Centre		
Total	**170.6**	

We have started negotiations with the suppliers but not placed any orders for the machinery so far, except purchase of Turbine and engineering for the boiler modification. The said order is placed with Triveni Engineering and Industries Limited vide our purchase order dated July 8, 2005. The above-mentioned costs are indicative and based on estimates as per previous purchases and present market price trend. The actual cost would vary.

Approvals required

For Unit III located in the state of Maharashtra, we would require approval from the Maharashtra State Electricity Board (MSEB) for the cogeneration power plant. No objection certificate from the Maharashtra Pollution Control Board has to be obtained for the operation of the cogeneration power plant. We will have to enter into a Power Purchase Agreement (PPA), as per the MERC guidelines and rules, with the MSEB for the sale of surplus power to the grid.

In getting all the statutory approvals the management of Unit III will extend their full cooperation and provide their assistance in preparing and submitting the documents.

Arrangements for power /utilities /water /raw materials etc.

Power **-** The cogeneration plant will in it self be generating power, for the start up of the power plant, one 625 KVA DG set is available.

Water **–** Water required for the operation of the power plant will be met by from the sugar plant reservoir, which receives water from Myshal Project Canal, which is fed water from the River Krishna Koyna.

Raw Material (Fuel) **–** Bagasse produced from crushing of sugarcane in the sugar plant will be used for steam generation in the cogeneration plant. There are a number of sugar mills in our region which do not have full-scale cogeneration plants and produce excess Bagasse. We can buy Bagasse if required from such sugar mills.

Schedule of Implementation

Activity	Commencement date	Completion date
Building		
-Finalization of detailed Engineering	July 2005	July 2005
-Civil works	October 2005	December 2005
Plant & Machinery & Equipments		
-Placement of Order and supply	August 2005	July 2006
-Installation & Commissioning	March 2006	September 2006
Trial Run	October 2006	October 2006
Commercial Production	November 2006	

b) Setting up 120 KL per day distillery at Unit III

We intend to set up 120 KL per day distillery at Unit III. The estimated project cost is Rs. 300.0 million. As mentioned above we want to exploit the opportunity of Ethanol blending with petrol, hence it is proposed to install this distillery at Unit III.

This distillery will be owned by us. We will continue to operate the distillery independently after the lease period. The modalities of its operation after the lease period are specified in the lease agreement.

The break-up of project cost is as under:

Particulars	(Rs. in million)
Land, Land Development, Building and Civil works	28.0
Plant & Machinery	214.5
Erection commissioning & consultancy Misc. Fixed Assets	14.0
Preoperative expenses and contingencies	43.5
Total	**300.0**

Land: About 30 acres of land will be required to set up the distillery. In terms of the agreement, the Mohanrao Shinde Sahakari Sakhar Karkhana Limited has agreed to sell 30 acres of land to us at ready reckoner rate. A separate agreement would be entered into in this regard after Mohanrao Shinde Sahakari Sakhar Karkhana Limited obtains necessary approval from its lenders.

Civil Works: Civil works will be carried out by contractors, who will be appointed after inviting bids. We have not yet appointed any bids for this purpose.

Plant and Machinery: The main items of plant and machinery are as under:

Description	Estimated cost (Rs. in million)	Probable Suppliers
Fermentation Section	**49.2**	
Molasses storage tank and weighing scale		Alfa Laval India, Pune, Praj, Pune
Molasses Pumps and piping		PSP Pumps, Kolhapur, Tushaco Pumps, Pune
Propogation vessels		Alfa Laval India, Pune, Praj, Pune
Fermenter, separator and hydrocyclones		Alfa Laval India, Pune, Praj, Pune
Tanks, Pipings, pumps, coolers, blowers		Various suppliers
Distillation Section	**64.3**	
Analyser, Rectifier, Degassifier, Polishing, Fusel Oil Column		Alfa Laval India, Pune, Praj, Pune
Condensers, PHEs, coolers, preheaters		Alfa Laval India, Pune, Praj, Pune
Reboiler system		Alfa Laval India, Pune, Praj, Pune
Tanks, pipings, pumps		Various suppliers
Ethanol Section	**33.0**	
Molecular sieve beds		Alfa Laval India, Pune, Praj, Pune
Evaporation Column		Alfa Laval India, Pune, Praj, Pune
Pumps, piping		Various suppliers
Cooling and process water system	**14.0**	
Cooling tower		Paharpur Cooling Towers
Pumps, pipings		Various suppliers
Receiving and Storage Section	**9.0**	Site fabrication
Reverse Osmosis Plant	**45.0**	Rochem Separation Systems, Mumbai
Total	**214.5**	

We have started negotiations with suppliers but not placed any orders for the machinery. The above mentioned costs are indicative and based on estimates as per previous purchases, initial quotations received for some of the items, and market trends. The actual costs would vary

Approvals required

We have initiated the Rapid Environmental Impact Assessment (REIA) to set up the distillery. This will be done by Techno Environ Industrial Consultants Pvt Ltd., Sangli and will be presented to the Maharashtra Pollution Control Board (MPCB). A public hearing in this regard will also be conducted after which Consent For Establishment (CFE) from the MPCB would be obtained. We would also need the environment clearance from Ministry of Environment and Forests, New Delhi. Once the CFE and the environment clearance is received and the distillery is installed, to commence the operations we would need the Consent For Operation (CFO) from MPCB. License for manufacture of alcohol has to be obtained from the State Excise Department. In getting all the statutory approvals the management of Unit III will extend their full cooperation and provide their assistance in preparing and submitting the documents.

Arrangements for power /utilities /water /raw materials etc.

Power and steam **–** Power and steam required to operate the distillery will be drawn from the 15 MW cogeneration power plant. Under the agreement Mohanrao Shinde SSKL will continue to supply our specified quantity of steam and power for our distillery free of cost for a period of six years after the expiry of the agreement.

Water **–** Water required for the operation of the distillery will be met by from the sugar plant reservoir, which receives water from Myshal Project Canal, which is fed water from the River Krishna Koyna.

Raw Materials (Molasses) – Molasses produced in the sugar plant will be used in the distillery. Any shortfall of Molasses, will be met by purchase from external sources.

Schedule of Implementation

Activity	**Commencement date**	**Completion date**
-Finalization of detailed Engineering	September 2005	October 2005
-Civil works	November 2005	February 2006
Plant & Machinery & Equipments		
-Placement of Order	October 2005	June 2006
-Installation and Commissioning	June 2006	October 2006
Trial Run	November 2006	November 2006
Commercial Production	December 2006	

Manpower – We would require managerial and technical staff along with skilled and unskilled personnel for theimplementation of the projects stated above. We are in the process of appointing the managerial and technical staff. The other skilled and unskilled personnel will be recruited closer to the time of actual commencement of operations

C) Repayment of long-term loans

As of May 31, 2005, the total long-term loans outstanding aggregated Rs. 348.9 million. These loans carry different rates of interest and with varied tenure. We intend to pre-pay/repay a part of these borrowings out of the proceeds of this Issue. Out of the above, we intend to pre-pay the following loans:

Name of the Lender	**Rate of interest**	**(Rs. in million)**
IDBI Term Loan	11.5%	89.3
	6.5%	9.3
Total		**98.6**

We will approach the lender, IDBI after the completion of this Issue for pre-payment of the above loans. The loan agreements provide for payment of pre-payment penalties and we may have to pay such excess amounts.

Year-wise break-up of Fund requirement

(Rs. in million)

	To be incurred in FY			Total
	2005-06	2006-07	2007-08	
Expansion of cane crushing capacity at Munoli to 7500 TCD	190.5	381.0	63.5	635.0
Increasing the capacity of the Distillery at Munoli to 120 KL	45.0	105.0	-	150.0
Setting up 15 MW Cogeneration Power Plant at Unit III	60.0	140.0	-	200.0
Setting up 120 KL Distillery at Unit III	90.0	179.9	30.1	300.0
Repayment of existing Debt	98.6	-	-	98.6
Total	**484.1**	**805.9**	**93.6**	**1,383.6**

Deployment of funds on the projects

As per the certificate of Ashok Kumar, Prabhashankar & Co., dated September 12, 2005, we have incurred the following expenses:

(Rs. in million)

Activity	Location	Amount Spent
Advance for the purchase of Turbine	Unit III – Mohannagar, District Sangli, Maharashtra	7.41
Total		**7.41**

We have made the above mentioned payments from our internal accruals.

Issue expenses

The expenses for the Issue include among others, underwriting and management fees, selling commissions, printing and distribution expenses, legal fees, statutory advertising expenses and listing fees payable to the stock exchanges. The estimated Issue expenses are as follows.

Activity	(Rs. in million)
Lead Management, underwriting and selling commission fees	39.00
Registrars fee	2.00
Advertising and Marketing expenses	12.00
Printing and stationery	14.02
Others (legal fee, listing fee, Auditors, Book Building fees, etc.)	[●]
Total	**[●]**

The Issue expenses will be financed through internal accruals.

Interim Use of Proceeds

Pending utilisation for the purposes described above, we intend to temporarily invest the proceeds of this Issue in high quality, interest/dividend bearing short-term/long-term liquid instruments including money market mutual funds, deposits with banks for the necessary duration, gilt edged securities and other 'AAA+' rated interest bearing securities as may be approved by our Board or a duly authorized committee thereof.

The above fund requirement is based on our current business plan. In view of the highly competitive and dynamic nature of the industry in which we operate, we may have to revise our business plan from time to time and consequently our funds requirement may also change. This may include rescheduling of capital expenditure programmes, current plans at the sole and absolute discretion of the management as it may deem fit.

Working Capital

Working capital requirements for expansion projects as estimated by our Company

	(Rs. in million)
Peak level current assets #	907.05
Peak level current liabilities #	259.16
Additional working capital requirement	647.89
Less : Margin 20% ^	129.58
Required working capital bank finance	518.31

after completion of all projects expansion as stated under the "Object of the Issue"

^ The margin would be financed from the internal accruals.

We would approach the Banks at appropriate time for sanction of the additional working capital facilities.

Details of existing Working Capital Arrangements

Currently we enjoy the following working capital limits.

Fund Based:

(Rs. in million)

Sl. No.	Name of the Bank	Nature of Facility	Limit Sanctioned	Utilised / Outstanding as on June 30, 2005	Unavailed
1	State Bank of India	Cash Credit	150.00	60.59	89.40
2	ING Vysya Bank Limited	Cash Credit	100.00	-	100.00
3	ING Vysya Bank Limited	Bill Discounting	20.00	-	20.00
4	ICICI Bank Limited	Cash Credit	150.00	70.1.3	79.87
5	UTI Bank Limited.	Cash Credit	250.00	168.05	81.99
	TOTAL		**670.00**	**298.73**	**371.27**

Non-Fund Based

(Rs. in million)

Name of the Bank	Nature of Facility	Limit Sanctioned	Utilization / Outstanding as on June 30, 2005	Unavailed
ICICI Bank Ltd.	FLC#	77.00	77.00	-
State Bank of India	FLC #	100.00	-	100.00
ING Vysya Bank Ltd.,	Bank Guarantee	100.00	62.00	38.00
TOTAL		**277.00**	**139.00**	**138.00**

Foreign Letter of Credit

ISSUE STRUCTURE

Public Issue of [●] 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. 1,000 million (hereinafter referred to as the "Issue"), and the Issue would constitute [●] % of the post Issue paid-up capital of Shree Renuka Sugars Limited. The Net Issue will have a Green Shoe Option of up to [●] Equity Shares of Rs. 10/- each for cash at a price of Rs. [●] per Equity Share aggregating Rs. 100 million. The Issue and the Green Shoe Option aggregate [●] Equity Shares of Rs. 10/- each, aggregating Rs. 1,100 million, if the Green Shoe Option is fully exercised. The Issue is being made through the Book Building Process:

	QIBs	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares*	A minimum of Rs. 600 million of Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	At least Rs. 100 million.	At least Rs. 300 million.
Percentage of Issue Size available for allocation	A minimum of 60% of Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders. *	At least 10% of Issue or Issue size less allocation to QIBs and Retail portion*	At least 30% of Issue or Issue size less allocation to QIBs and Non-Institutional portion. *
Basis of Allocation if respective category is oversubscribed	Discretionary	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 20 Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 20 Equity Shares thereafter.	20 Equity Shares and in multiples of 20 Equity Share thereafter
Maximum Bid	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 100,000
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investor registered with SEBI, multilateral and bilateral development 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	Resident Indian individuals, HUF (in the name of *Karta*), companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs in the name of *karta*) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.

	and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.		
Terms of Payment	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	Nil	Full Bid Amount on bidding	Full Bid Amount on bidding

* Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, Non-Institutional and Retail Individual categories would be allowed to be met with spillover *inter-se* from any other categories, at the sole discretion of the Company, BRLM, Co-BRLM and subject to applicable provisions of SEBI Guidelines**.**

**** 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.**

As per Chapter VIIIA of the SEBI Guidelines, the Green Shoe Option will be utilized for stabilizing the post-listing price of the Equity Shares. We have appointed JM Morgan Stanley Private Limited as the Stabilizing Agent. The Green Shoe Option consists of the option to over allot up to [●] Equity Shares of Rs. 10 each at a price of Rs.[●] per share aggregating Rs. 100 million representing 10% of the Issue, exercisable during the period commencing from the date of obtaining trading permission from the Stock Exchanges for the Equity Shares of the Company and ending 30 days thereafter, unless terminated earlier by the Stabilizing Agent. The Green Shoe Option will be exercised at the discretion of the BRLM, the Co-BRLM and the Company. Murkumbi Industries Private Limited as the Green Shoe Lender has agreed to lend equity shares, which shall not be in excess of 10% of the Issue to the Stabilizing Agent.

Withdrawal of this Issue

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

Bidding Period / Issue Period

BID / ISSUE OPENS ON	**:**	**FRIDAY,**	**OCTOBER**	**7,**	**2005**
BID / ISSUE CLOSES ON	**:**	**FRIDAY,**	**OCTOBER**	**14,**	**2005**

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) or uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

The Price Band has been decided by our Company in consultation with the BRLM and Co-BRLM.

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 Opening Date / Issue Opening Date.

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

BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the BRLM and Co-BRLM on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs. 10 (Rupees Ten only) and the Issue Price is 25 times the face value at the lower end of the Price Band and 30 times the face value at the higher end of the Price Band.

Qualitative Factors

Factors external to us

- India is the largest consumer and the second largest producer of sugar in the world *[Source: ISMA]*.
- The sugar industry is the second largest agro-industry located in the rural India and has been a focal point for socio-economic development in the rural areas *[Source: ISMA]*.
- According to ISMA information, sugar stocks as a percentage of consumption, which is one of the factors that sharply effect sugar prices in India, were at the lowest levels in the last five years as of the end of Sugar Year 2003-2004. Further, according to ISMA information, sugar stocks as a percentage of consumption are further expected to fall to 25% by the end of Sugar Year 2004-2005.
- World Trade Organization's highest court issued a final ruling that orders the European Union to stop dumping subsidized sugar illegally on global markets or face trade sanctions. The WTO court ruling can be expected to reduce the amount of exports from EU thereby raising global sugar prices. The reduction in EU exports can be expected to lead to a benefit in terms of market share for non-EU white sugar producers.
- Cogeneration is a cheap source of both power and heat and is also encouraged by the Government policy under the National Electricity Policy.
- Ethanol is gaining popularity as one of the ways to check vehicular pollution. Government policy of mandatory blending of Fuel Ethanol in petrol has created demand for Ethanol. The demand is expected to rise as the coverage of the Fuel Ethanol blended petrol is increased to cover the entire country and blending proportion of Ethanol to petrol is increased.

Factors internal to us

- We are a fully integrated manufacturer and marketer of sugar and allied products.
- Our sugar refinery is the largest in India with a capacity of 1,000 TPD *[Source: Letter dated July 22, 2005 from Sugar Technology Mission, Government of India]*.
- We are located in one of the high yield and high recovery cane producing regions.
- We are amongst the most prominent players in India's sugar trade. Our international subsidiary, Renuka Commodities DMCC in Dubai maintains a continuing presence in India's key export markets.
- We have managed to achieve superior asset turnover as compared to others.
- We have an integrated distillery with attached Fuel Ethanol plant.

For detailed discussion on the above factors, refer to section titled "Industry" on page 48of this Red Herring Prospectus and "Our Business" on page 59 of this Red Herring Prospectus.

Quantitative Factors

The Information about us that has been presented in this section is derived from our restated unconsolidated financial statements prepared in accordance with Indian GAAP as audited by M/s. Ashok Kumar, Prabhashankar & Co. For more details please refer to our section titled "Report of our Statutory Auditor, M/s. Ashok Kumar, Prabhashankar & Co.", on page 106 of this Red Herring Prospectus. We are focused on the production and marketing of sugar and allied products and have provided information related to these industries in this section. The information about other companies that has been presented in this section is derived from *Capital Market* Vol. XX/14, September 12, 2005 – September 25, 2005. We are not strictly comparable to these companies, as they do not have a business mix similar to us.

Some of the quantitative factors, which may form the basis for computing the Issue Price, are as follows:

1. **Earning Per Share (EPS) of face value of Rs.** 10

Year	EPS (Rs.)*	Weight
FY 2002	1.85	1
FY 2003	2.06	2
FY 2004	4.17	3
Weighted Average	**3.08**	

* The weighted average of EPS for these fiscals has been calculated by giving weights of 1, 2 and 3 for fiscal 2002, 2003 and 2004 respectively.

EPS (not annualised) for the nine-month period ending June 30, 2005 was Rs. 20.43.

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

a. Based on fiscal 2004 Diluted EPS of Rs. 4.99

b. P/E for Sugar Industry **

i. Highest - 20.2

ii. Average - 13.1

iii. Lowest - 5.0

** *Highest, Average and Lowest P/E have been derived from information published in Capital Market Vol. XX/14, September 12, 2005 – September 25, 2005 for companies in the Sugar Industry. EPS information has been taken on a Trailing Twelve Month basis from June 30, 2005 and market price as of September 5, 2005 has been considered to arrive at the Price to Earnings ratio (P/E) above.*

3. Return on Net Worth (RoNW)

Year	RoNW (%)	Weight
FY 2002	14.42	1
FY 2003	14.27	2
FY 2004	23.23	3
Weighted Average	**18.78**	

RoNW (not annualised) for the nine-month period ending June 30, 2005 was 52.77%.

4. Minimum return on increased Net Worth required to maintain pre-Issue EPS of Rs. [●] - [●]

5. Net Asset Value per share (NAV)

	NAV
As of June 30, 2005	30.37
After the Issue	[●]
Issue Price	[●]

6. Comparison with industry peers****

Peers in Sugar industry

Particulars	Price Per Share	NAV (Rs.)	EPS (Rs.)	P/E (times)
Bajaj Hindustan Limited	211	17.3	10.4	20.3
Balrampur Chini Mills Limited	87	21.2	6.1	14.3
EID Parry (India) Limited	173	46.1	9.7	17.9
Bannari Amman Sugars Limited	794	220.4	50.7	15.7
Shree Renuka Sugars Limited	[●]	30.37#	20.43#	[●]

**** *Information for industry peers has been taken from Capital Market Vol. XX/14, September 12, 2005 – September 25, 2005. EPS information has been taken on a Trailing Twelve Month basis from June 30, 2005 and market price as of September 5, 2005 has been considered to arrive at the Price to Earnings ratio (P/E) above. The NAV is the book value per share as published in Capital Market Vol. XX/14, September 12, 2005 – September 25, 2005.*

NAV (as on June 30, 2005) and EPS (for nine months ended June 30, 2005) for Shree Renuka Sugars Limited is as per the audited statement by M/s. Ashok Kumar, Prabhashankar & Co. For details please refer to our section titled "Report of our Statutory Auditors, M/s. Ashok Kumar, Prabhashankar & Co.", on page 106 of this Red Herring Prospectus.

STATEMENT OF TAX BENEFITS

CERTIFICATE

We hereby certify that the enclosed annexure states the tax benefits available to the shareholders of Shree Renuka Sugars Limited (the 'Company") under the provisions of the Income Tax Act, 1961 and other direct tax laws as are presently in force.

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

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

For Ashok Kumar, Prabhashankar & Co.
Chartered Accountants

Place: Bangalore
Date: 15th July 2005

K. N. Prabhashankar
Partner

ANNEXURE TO THE CERTIFICATE

STATEMENT OF TAX BENEFITS

The Company has been advised that under the current tax laws, the following tax benefits, *inter alia* will be available to the Company and its shareholders.

1. Under the Income Tax Act, 1961

A. The Company

1. The Company is eligible under Section 35D of the Income Tax Act, 1961 to a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of the industrial undertaking, for a period of five successive years subject to the limits provided and conditions specified under the said section.
2. The Company would be eligible for depreciation @ 15% on the cost of Plant & Machinery as per the provisions of Income Tax Act, 1961. Further the Company would be entitled to depreciation @ 80% of the cost of Plant & Machinery in the nature of energy saving devices and would also be entitled to depreciation on its other assets as per Rule 5 of the Income Tax Rules, 1962.
3. As per provisions of Section 32(1)(iia) of the Income Tax Act, 1961 the Company would be entitled to additional depreciation @ 20% of the actual cost of new Plant & Machinery during previous year ending on or after 31.3.2006 subject to the fulfillment of other conditions specified under the said section.
4. The company would be eligible for tax holiday as per the provisions of Section 80 IA of the Income Tax Act, 1961, upto 100% of the taxable profit of its existing power generating unit generating power in the form of steam and electricity and also in respect of new power generating unit, if it starts generating power by 31st March 2006 subject to fulfillment of conditions specified in that section. The Company would also be eligible to claim deduction u/s 80 JJAA of the Income Tax Act, 1961 in respect of its new units subject to fulfillment of conditions specified in that section.
5. Under Section 115 JAA (1A) of the Income Tax Act, 1961 tax credit shall be allowed of any tax paid (MAT) under Section 115 JB of the Act for any Assessment Year commencing on or after 1st April 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Income-tax Act. Such MAT credit shall not be available for set-off beyond five years succeeding the year in which the MAT credit initially arose.

B. The Shareholders

I. **Resident Indians**

1. Under Section 10(34) of the Income Tax Act, 1961 income earned by way of dividend on the shares of the Company is exempt from income-tax in the hands of the shareholders.
2. Under Section 10(38) of the Income Tax Act, 1961 long -term capital gains arising to the shareholder from transfer of a long-term capital asset being an equity share in the Company (i.e. equity shares held for the period of more than twelve months) and on which security transaction tax has been charged is exempt.
3. As per the provisions of Section 111A of the Income Tax Act, 1961 tax on short term capital gain is charged to tax @ 10% (plus applicable surcharge and education cess) provided the capital gain arises from the transfer of equity shares of the Company which are held for a period of not more than 12 months and on which security transaction tax has been charged.
4. As per the provisions of Section 112 of the Income Tax Act, 1961 the long-term capital gains arising from the transfer of shares of the Company being long-term capital asset, other than as mentioned in point 2 above, shall be chargeable to tax @ 20% (plus applicable surcharge and education cess) after indexation as provided in second proviso to Section 48, or @ 10% (plus applicable surcharge and education cess) without indexation.
5. Long-term capital gains as stated in point 4 above on sale of shares of the Company shall be exempt from income tax if such gains are invested in bonds /shares specified in Section 54EC or section 54ED of the Income Tax Act, 1961 subject to the fulfillment of the conditions specified in the said sections. In the case of individual or HUF members, exemption is also available u/s 54F subject to the fulfillment of the conditions specified in the said section.
6. In terms of Section 88E of the Income Tax Act, 1961 the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head “Profit and gains of business or profession” arising from taxable securities transactions subject to the fulfillment of other conditions specified under the said section.

7. Under Section 48 of the Income Tax Act, 1961 if the Company's shares are sold after being held for not less than twelve months, [in cases not covered under Section 10(38) of the Act] if any will be treated as long -term capital gains and the gains shall be calculated by deducting from the sale consideration, the indexed cost of acquisition. No deduction shall be allowed in computing the income chargeable under the head "Capital gains" in respect of any sum paid on account of securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004.

II. **Non-Resident Indians**

1. Any income by way of dividends received on the shares of the Company is entitled to be exempted u/s 10(34) of the Income Tax Act, 1961.

2. In the case of Non-Resident Indians, taxability of long-term capital gains and short-term capital gains is similar to resident Indians. Refer paras above.

3. Further under Section 115E of the Income Tax Act, 1961 income by way of long-term capital gains arising from the transfer of shares (otherwise than as mentioned in paras B.I.2 and B.I.4 above) held in the Company will be taxable @ 10% (plus applicable surcharge and education cess) subject to the fulfillment of other conditions specified under Chapter XII –A of the Income Tax Act, 1961. Further above said long -term capital gains shall be exempt under Section 115F of Income Tax Act, 1961 subject to the fulfillment of other conditions specified under the said section.

4. Under Section 115G of the Act, it shall not be necessary for the Non-resident Indians to furnish their return of Income, under Section 139(1) of the Act, if their source of income is only investment income or income by way of long-term capital gains or both, provided income tax deductible at source under the provisions of Chapter XVII B has been deducted from such income.

5. Rebate of Securities Transaction Tax paid is available under Section 88E of the Income Tax Act, 1961. Refer para B.I.7 above.

III. **Foreign Institutional Investors (FIIs)**

1. Any income by way of dividends received on the shares of the Company is entitled to be exempted u/s 10(34) of the Income Tax Act, 1961.

2. Under Section 10(38) of the Income Tax Act, 1961 long-term capital gains arising to the shareholder from transfer of a long-term capital asset being an equity share in the Company (i.e. equity shares held for the period of more than twelve months) and on which security transaction tax has been charged is exempt.

3. Under Section 115AD(1)(iii) of the Income Tax Act, 1961 income by way of long-term capital gain arising from the transfer of shares (otherwise than as mentioned in 2 above) held in the Company will be taxable @ 10% (plus applicable surcharge and education cess). It is to be noted that the benefits of indexation are not available to FIIs.

4. Short-term capital gains on transfer of securities shall be chargeable @ 30% / 10% (plus applicable surcharge and education cess) as per clause (ii) to Section 115AD of the Income Tax Act, 1961.

5. Long-term capital gains as stated in point 3 above on sale of shares of the Company shall be exempt from income tax if such gains are invested in bonds/shares specified in Section 54EC or Section 54ED of the Income Tax Act, 1961 subject to the fulfillment of the conditions specified in the said sections.

IV. Venture Capital Companies/ Funds

In terms of Section 10(23FB) of the Income Tax Act, 1961 all venture capital companies /funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from sale of shares of the company.

V. Mutual Funds

As per the provisions of Section 10(23D) of the Income Tax Act, 1961 any income of Mutual funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder or any other Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India would be exempt from income tax.

2. Benefits available under the Wealth Tax Act, 1957

All assesses are entitled to exemption from wealth tax in respect of the shares of the Company as shares or securities are not included in the definition of asset u/s 2(ea) of the Wealth Tax Act, 1957.

3. Benefits available under the Gift-tax Act, 1958

Gift of shares of the Company made on or after October 1, 1998 would not be liable to Gift tax under the erstwhile Gift Tax Act. However, under Section 56(2)(v) of the Income Tax Act, 1961, where any sum of money (which could include gift of shares also) exceeding twenty-five thousand rupees is received without consideration by an individual or a Hindu undivided family from any person on or after the 1st day of September, 2004, the whole of such sum, would be taxed as income in the hand of the recipient, Provided that this clause shall not apply to any sum of money received:

a. from any relative; or

b. on the occasion of the marriage of the individual; or

c. under a will or by way of inheritance; or

d. in contemplation of death of the payer.

For the purposes of this clause, “relative” means -

a. spouse of the individual;

b. brother or sister of the individual;

c. brother or sister of the spouse of the individual;

d. brother or sister of either of the parents of the individual;

e. any lineal ascendant or descendant of the individual;

f. any lineal ascendant or descendant of the spouse of the individual;

g. spouse of the persons referred to in clauses (b) to (f).

4. Benefits available under Central Excise Tariff

In respect of the Capital goods and allied machinery being purchased for ongoing projects, the benefit of Cenvat credit is available under Rule 4 of the Cenvat Credit Rules, 2004 subject to fulfillment of the conditions specified.

5. Benefits available under Finance Act 1994 -Service Tax

In respect of services availed for ongoing projects, the benefit of Cenvat-Service Tax is available under Rule 4 of the Cenvat Credit Rules, 2004 subject to fulfillment of the conditions specified.

6. Benefits available under Export Import Policy

Import of Capital Goods under Export Promotion Capital Goods scheme (EPCG scheme) at concessional rate of duty subject to fulfillment of obligations.

Notes:

- All the above benefits are as per the current tax laws and will be available only to the sole/ first named holder in case the Equity Shares are held by joint-holders.
- In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any between India and the country in which the non-resident has fiscal domicile.

INDUSTRY

INTERNATIONAL SUGAR INDUSTRY

Demand – Supply

Brazil and India are the largest sugar producing countries followed by China, USA, Thailand, Australia, Mexico, Pakistan, France and Germany. Global sugar production increased from approximately 125.88 MMT in 1995-1996 to 149.4 MMT in 2002-2003 and then declined to 143.7 MMT in 2003-2004, whereas consumption increased steadily from 118.1 MMT in 1995-1996 to 142.8 MMT in 2003-2004 as shown in Exhibit 1 *(Source: FO Licht World Sugar Balance)*. The world consumption is projected to grow to 160.7 MMT by 2010 and 176.1 MMT by 2015 *(Source: FO Licht, 2005).*

The world's largest consumers of sugar are India, China, Brazil, USA, Russia, Mexico, Pakistan, Indonesia, Germany and Egypt. According to USDA Foreign Agriculture Service, the consumption of sugar in Asian countries has increased at a faster rate, as a direct result of increasing population, increasing per capita income and increased availability.

EXHIBIT 1: Production and Consumption for Major Countries

(Data shown for Sugar Year 2004-'05)

('000 metric tons)

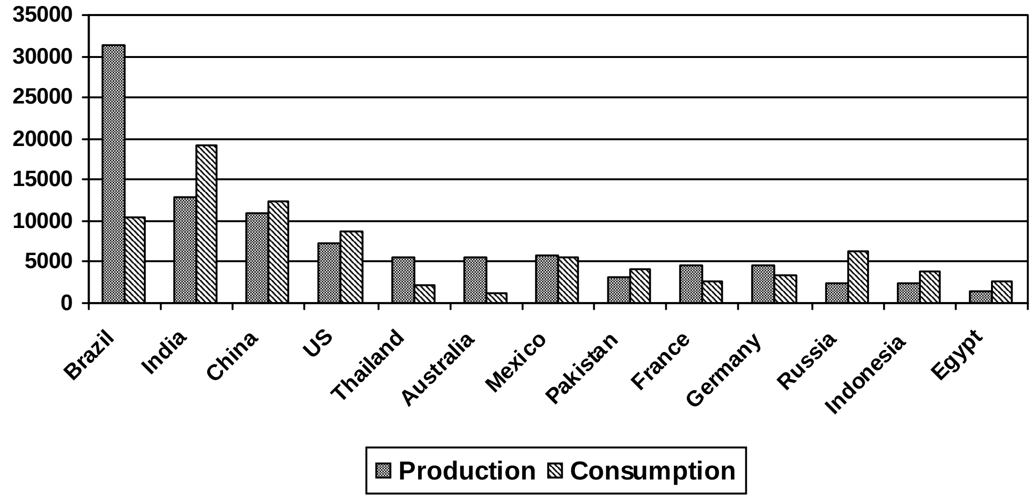


EXHIBIT 2: World Sugar Balance

(Data shown for Sugar Years - September – August)

('000 metric tons)

	'03-'04	'02-'03	'01-'02	'00-'01	'99-'00
Opening Stocks	69,327.3	62,040.0	62,063.3	62,223.6	57,611.7
Production	143,701.9	149,405.2	137,982.6	132,200.0	134,753.9
Imports	48,190.3	48,593.2	45,261.1	43,573.9	41,226.3
Exports	52,062.7	51,339.9	47,759.7	44,212.9	42,720.6
Consumption	142,766.9	139,371.1	135,507.3	13,1721.2	128,647.7
Ending Stocks	66,389.9	69,327.3	62,040.0	62,063.3	62,223.6
Ending stocks as % of consumption	46.50%	49.74%	45.78%	47.12%	48.37%

(Source: FO Licht World Sugar Balance for 1995/1996 till 2004/2005)

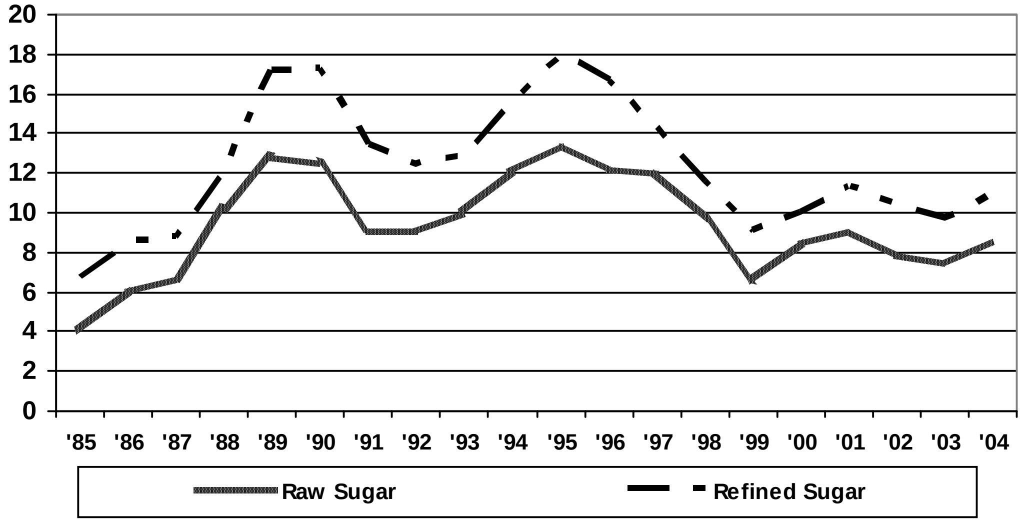
According to ISO, the world sugar output is forecasted to reach 145.0 MMT and consumption to reach 147.0 MMT in 2004-2005, resulting in a deficit of around 2 MMT in 2004-2005. Further, since October 2003, nearly 5 MMT of surplus sugar are expected to have been removed from the world sugar balance, reducing the stock/ consumption ratio to less than 42%.

Sugar Prices

As can be seen in Exhibit 3, world sugar prices fell steadily from 1994-1995 till 1998-1999 and have been almost stable at those levels. The trend seems to have now reversed and refined sugar prices have increased by 30% in the last 5 quarters - from 9.16 cents per pound in January, 2004 to 12.02 cents in March, 2005 *(Source: USDA Foreign Agriculture Service)*. The declining world stocks (as a percentage of consumption) as seen in Exhibit 2 also have an impact on the price of sugar.

EXHIBIT 3: Historical Sugar Prices

(All prices in Cents per lb.)



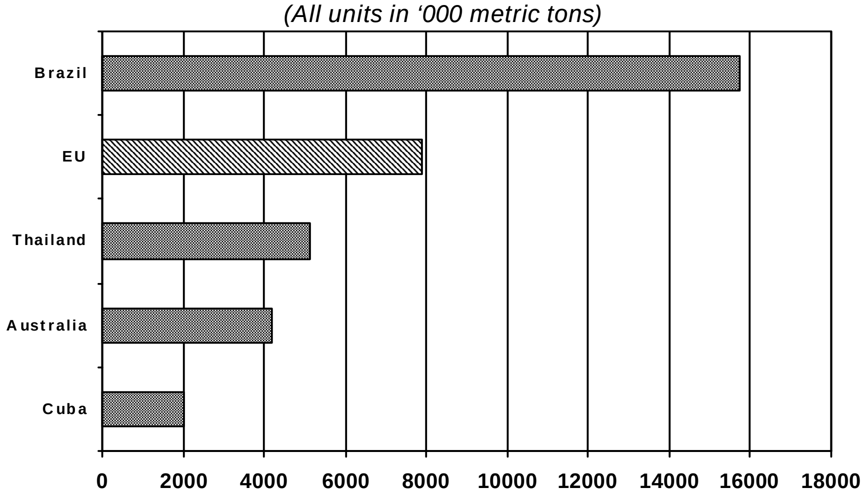
(Source: USDA Foreign Agriculture Service)

World Sugar Trade

World trade in raw sugar is typically around 22 MMT and white sugar around 16 MMT. Exhibit 4 shows the total exports of sugar for top exporting nations. Brazil is the largest exporter, followed by EU, Thailand, Australia and Cuba. The largest importers are Russia, Indonesia, UK, South Korea, Japan, Malaysia, the Middle East, and North Africa.

EXHIBIT 4: Major Exporting Nations for 2003-2004

(All units in '000 metric tons)



(Source: FO Licht World Sugar Balance for 1995-1996 till 2004-2005)

EU and WTO situation

Within the EU-25, certain northern member states such as France and Germany are reasonably efficient producers and certain Mediterranean states, such as Greece and Italy, are inefficient producers *(Source: USDA Foreign Agriculture Service)*. While the EU sugar regime is supposed to be self-financing through a series of producer levies, several parts of the regime are funded through the EU budget, mainly the subsidized export of white sugar and production refunds for sugar used by the chemical industry. According to USDA Foreign Agriculture Service, these subsidies amount to roughly 1.7 billion a year (US$ 2.1 billion). These subsidies encourage even the inefficient producers to manufacture more sugar, which is dumped on the global markets.

On April 28, 2005 the World Trade Organization's highest court issued a final ruling that orders the European Union to stop dumping subsidized sugar illegally on global markets or face trade sanctions. The decision by the WTO's Appellate Body in Geneva gives the EU up to 15 months to bring itself into compliance with global trade rules. Last year, a panel of WTO experts found the EU exported about 4 MMT of sugar in 2000-2001, the period under investigation, or about three times more than the rules allow.

The WTO court ruling can be expected to reduce the amount of exports from EU thereby raising global sugar prices. The reduction in EU exports can be expected to lead to a benefit in terms of market share for non-EU white sugar producing countries.

Indian Sugar Industry

India is the largest consumer and second largest producer of sugar in the world *(Source: USDA Foreign Agricultural Service)*. The Indian sugar industry is the second largest agro-industry located in the rural India. The Indian sugar industry has a turnover of Rs. 500 billion per annum and it contributes almost Rs. 22.5 billion to the central and state exchequer as tax, cess, and excise duty every year *(Source: Ministry of Food, Government of India)*. It is the second largest agro-processing industry in the country after cotton textiles. With 453 operating sugar mills in different parts of the country, Indian sugar industry has been a focal point for socio-economic development in the rural areas. About 50 million sugarcane farmers and a large number of agricultural labourers are involved in sugarcane cultivation and ancillary activities, constituting 7.5% of the rural population. Besides, the industry provides employment to about 2 million skilled/semi-skilled workers and others mostly from the rural areas. *(Source: ISMA Website accessed on May 16, 2005.)*

The industry not only generates power for its own requirement but surplus power for export to the grid based on by-product - Bagasse. It also produces ethyl alcohol, which is used for industrial and potable uses, and can also be used to manufacture Ethanol, an ecology friendly and renewable fuel for blending with petrol.

The sugar industry in the country uses only sugarcane as input, hence sugar companies have been established in large sugarcane growing states like Uttar Pradesh, Maharashtra, Karnataka, Gujarat, Tamil Nadu, and Andhra Pradesh. In Sugar Year (SY) 2003-'04, these six states contribute more than 85% of total sugar production in the country; Uttar Pradesh, Maharashtra, and Karnataka together contribute more than 65% of total production. Exhibit 5 shows the state-wise sugar production in India for 2002-2003 and 2003-2004.

EXHIBIT 5: Sugar Production by States in India (in MMT)

State	2002-2003	% of Total	2003-2004	% of Total
Uttar Pradesh	5.65	28.06%	4.55	33.60%
Maharashtra	6.22	30.86%	3.18	23.44%
Karnataka	1.87	9.28%	1.12	8.24%
Gujarat	1.25	6.22%	1.07	7.87%
Tamil Nadu	1.64	8.16%	0.92	6.80%
Andhra Pradesh	1.21	6.01%	0.89	6.54%
Haryana	0.64	3.16%	0.58	4.30%
Punjab	0.59	2.91%	0.39	2.88%
Uttaranchal	0.50	2.47%	0.39	2.86%
Bihar	0.41	2.03%	0.27	2.02%
Others	0.17	0.85%	0.20	1.46%
TOTAL	**20.14**	**100.00%**	**13.55**	**100.00%**

Source: Indian Sugar Magazine December 2004, published by ISMA.

The Government de-licensed the sugar sector in August 1998, thereby removing the restrictions on expansion of existing capacity as well as on establishment of new units, with the only stipulation that a minimum distance of 15 kms. would continue to be observed between an existing sugar mill and a new mill.

There are 566 installed sugar mills in the country with a production capacity of 180 lakh MTs of sugar, of which only 453 are working. These mills are located in 18 states of the country. Around 315 of the total installed mills are in the cooperative sector, 189 in the private sector and 62 in the public sector *(Source: Directorate of Sugar)*

Sugarcane Availability

Sugarcane occupies about 2.7% of the total cultivated area *(Source: ISMA Website accessed on May 16, 2005)* and it is one of the most important cash crops in the country. The area under sugarcane has gradually increased from 2.7 million hectares in 1980-'81 to 4.3 million hectares in 2002-03, mainly because of much larger diversion of land from other crops to sugarcane by the farmers for economic reasons. The sugarcane area, however, declined in the year 2003-04 to 3.9 million hectares and to 3.7 million hectares in 2004-05, mainly due to drought and pest attacks.

From a level of 154 MMT in 1980-1981, the sugarcane production increased to 241 MMT in 1990-1991 and further to 296 MMT in 2000-2001. Since then it has been hovering around 300 MMT until last year. In the season 2003-2004, however, sugarcane production declined to 236 MMT mainly due to drought and pest attacks. *(Source: ISMA Website accessed on May 16, 2005)*

Not only sugarcane acreage and sugarcane production has been increasing, even drawal of sugarcane by the sugar industry has also been increasing over the years. In India, sugarcane is utilised by sugar mills as well as by traditional sweeteners like gur and khandsari producers. However, the diversion of sugarcane to *gur* and *khandsari* is lower in states of Maharashtra and Karnataka, as compared to Northern states like UP. Exhibit 6 gives data on sugarcane utilization for different purposes.

EXHIBIT 6: Sugarcane Utilisation

Year	% Sugarcane utilisation for		
	White sugar	Gur and khandsari	Seed, feed and chewing
1980-1981	33.4	54.8	11.8
1990-1991	50.7	37.4	11.8
2000-2001	59.7	28.8	11.5
2001-2002	57.4	31.5	11.1
2002-2003	68.9	20.1	11.1
2003-2004	56.1	32.5	11.4

(Source: ISMA Website accessed on May 16, 2005)

Sugar Production

Most of the sugar in India is manufactured and sold as "Plantation White Sugar" which is produced by Double Sulphitation Process, while the norm in developed and emerging nations is refined sugar which is produced by the Phosphoflotation Process.

Most of the mills in India are not equipped to make refined sugar. Mills which are designed to produce refined sugar can manufacture sugar not only from sugarcane but also from raw sugar which can be imported. Therefore, such mills can run their production all the year round, as opposed to single stage mills which are dependent upon the seasonal supply of sugarcane.

Factors affecting Sugar Production

Sugarcane availability: depends upon:

(a) Area under sugarcane cultivation: The area under cultivation of sugarcane in the proximity of the mill determines the amount of sugarcane that can be made available. Crop switching from sugarcane to other crops effectively lowers the area under cultivation of sugarcane.

(b) Climate and irrigation facilities: Sugarcane is a tropical crop which requires adequate water and sunshine. In addition, monsoons can affect the crop yield and quality of the crop.

(c) Crop diseases and pests: Crop diseases affect both the quantity and quality of sugarcane. Harvests have been impacted severely by insects and pests (e.g. Woolly Aphid). Several sugar factories are currently investing in research and development in the field of Entomology to control such pest outbreaks.

(d) Sugarcane yield: This is the total sugarcane output per hectare of land. It depends upon several factors like climate, soil, variety of sugarcane, and development measures undertaken by sugarcane farmers, agencies, co-operatives, Government, and sugar manufacturers. Agricultural engineering and extension services, usually undertaken by individual sugar mills, have played an important role in increasing sugarcane yields

(e) Diversion of sugarcane to other products: The sugarcane producers may not supply the sugarcane to a sugar manufacturer and divert the production to other products like *gur*, and *khandsari* which are forms of crude sugar.

Sugar recovery: Sugar recovery is the amount of sugar recovered from a fixed amount of sugarcane during the crushing process. The recovery depends upon several factors like:

(a) Sugarcane quality: The quality of sugarcane directly determines the sugar recovery. For example, farmers are encouraged to bring less trash and binding material to improve overall recovery.

(b) Operational efficiencies of the manufacturer: Operating efficiencies and technology used impact the recovery to a large extent.

(c) Sugarcane Variety: Higher recovery is possible from high-sugared sugarcane varieties.

(d) Delay in crushing after harvesting of sugarcane: Sugarcane quality declines rapidly once the sugarcane has been harvested. To maintain high recovery it is essential to minimise the delay in crushing after the sugarcane is harvested.

Consumption Trends:

Total Indian consumption of sugar has grown at a Compounded Annual Growth Rate of 3.6% from 14.7 MMT in 1997-1998 to 18.2 MMT in 2003-2004 *(Source: ISMA and CRIS-INFAC).* Apart from white sugar, India also consumes alternate sweeteners - *gur* and *khandsari*, which are placed at about 9 MMT per annum. Taking into account all the 3 sweeteners i.e. white sugar, *gur* and *khandsari*, on a per capita basis, Indian consumption is more than the world average (See Exhibit 7). However, white sugar consumption is much lower than the world average.

EXHIBIT 7: Per Capita Sugar Consumption in Various Countries

(Kilogram, Raw value)

Country	2000-2001	2001-2002	2002-2003	2003-2004
Australia	51.45	55.26	57.34	60.22
Brazil	53.40	54.18	54.25	55.36
E.U.	38.56	39.04	39.36	39.57
Russia	47.02	44.83	45.70	45.17
U.S.A.	33.17	32.01	30.45	29.52
Thailand	31.16	31.83	32.35	34.25
Japan	19.15	19.63	19.17	18.90
World Average	21.54	21.90	22.32	22.57
INDIA |Sugar|	16.5	17.5	17.5	18.0
INDIA |Sugarcane based Alternate Sweeteners|	10.0	9.0	9.0	9.0

(Source: FO Licht World Sugar Balance, ISMA Website accessed on May 16, 2005)

The consumption of white sugar in India is generally urban based, in rural areas the alternate sweeteners gur and khandsari are consumed in larger quantities. The consumption of sugar in urban areas in some of the states of Indian union with higher GDP and income levels, matches favourably with various developed countries.

EXHIBIT 8: Per Capita Consumption of Sugar in Urban India

States	Kgs. Per annum
Punjab	71.5
Haryana	68.5
Maharashtra	40.9
Gujarat	40.9
Kerala	41.5
Uttar Pradesh	35.2
Tamil Nadu	29.1
Karnataka	23.3
All India	31.5

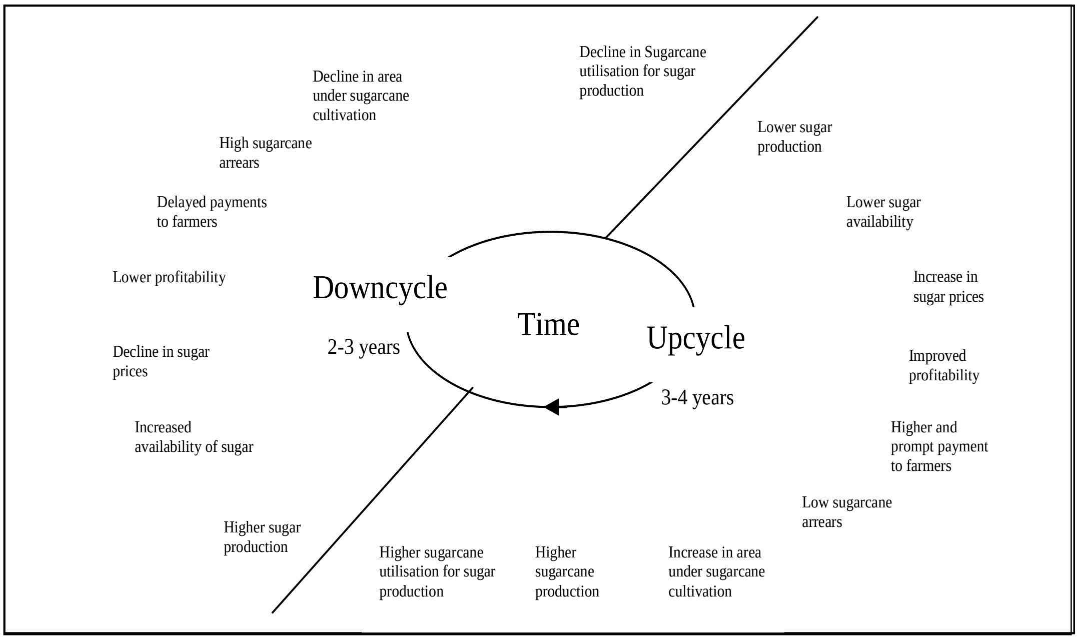
(Source: ISMA Website accessed on May 16, 2005)

Sugar cycle

The domestic sugar industry typically follows a 5 to 7- year cycle. Higher sugarcane and sugar production results in a fall in sugar prices and non-payment of dues to farmers. This compels the farmers to switch to other crops thereby causing a shortage of sugarcane, causing an increase in sugarcane prices and extraordinary profits. Taking into account the prevalent higher prices for sugarcane, farmers then switch back to sugarcane.

For example, the bumper crops in sugar seasons (October - September) 2001-2002 and 2002-2003 resulted in higher production of sugar and consequently lower prices for sugar. This coupled with rising SMP/SAP in Uttar Pradesh, resulted in large sugarcane arrears leading to harsh times for sugarcane growers. To manage these arrears, mills had to approach the courts to allow them to sell over and above their monthly quota under the Monthly Release Mechanism. The resulting deluge of sugar led to further decline in sugar prices.

Taking into account the experience of 2002-2003, many farmers shifted to other crops leading to drop in sugarcane production in the country, as a consequence of which sugar production in 2003-2004 was low. Liquidation of accumulated stocks led to increasing prices in 2004-2005. To attract more sugarcane for their factories sugar manufacturers are expected to make higher and prompt payment to farmers during the next season. As shown in the illustration below, the Indian Sugar Industry has entered an up-cycle, which typically lasts 3-4 years.



(Source: Cris-Infac)

Demand-supply scenario in the last decade

During the last decade, the sugar industry had been plagued with excess production and rising inventory leading to depressed sugar prices. The situation has, however, reversed in the last few years with fall in production leading to sugar stocks declining and domestic sugar prices rising (Exhibit 9). The decline in sugar production in the 2003-04 was mainly due to the significant decline in Maharashtra due to drought and crop disease in addition to farmers switching out of sugarcane cultivation on account of non-payment. At the same time, drought affected sugarcane production in the southern States of Tamil Nadu, Karnataka and Andhra Pradesh further reducing production

EXHIBIT 9: Sugar Balance in India Since 1999-2000

(MMT)	**1999-2000**	**2000-2001**	**2001-2002**	**2002-2003**	**2003-2004**
Opening Stock	6.9	9.3	10.7	11.3	11.6
Production	18.2	18.5	18.5	20.2	14.0
Imports	0.4	0.0	0.0	0.0	0.4
Total Available	25.5	27.8	29.2	31.5	26.0
Local Consumption	15.5	16.2	16.8	18.3	17.3
Exports	0.7	1.0	1.1	1.5	0.2
Total Dispatches	16.2	17.2	17.9	19.8	17.5
Closing Stock	9.3	10.7	11.3	11.6	8.5
Closing Stock/ Consumption (%)	60.0%	66.0%	67.3%	63.4%	49.1%

Figures are for the sugar season (October to September)

(Source: ISMA)

Closing stocks taken as a percent of consumption is one of the factors that sharply effect sugar prices. It can be seen that closing stocks as a percent of consumption have been consistently above 49% in the past five years. However, the stocks are expected to fall in 2004-05 to 25% levels *(Source: ISMA).*

Regulations

The Government of India, with the objective of increasing the sugar production in the country and providing it to citizens at affordable prices, has followed a policy of control and regulation of the sugar industry. This is a phenomenon that is also visible in the global markets where sugar remains to be one of the most regulated industries.

Sugarcane pricing

Under the Sugarcane (Control) Order, 1966, the Government fixes the Statutory Minimum Price (SMP) for sugarcane every year based on the recommendations of the Commission on Agricultural Costs & Prices which takes into account factors like cost of cultivation, return to factories, average recovery for previous year, etc. The SMP is fixed for a given base level of recovery. In addition, the farmers are required to be paid for any additional increase in recovery. For the year 2003-2004, the Government of India fixed the SMP at Rs. 730.0 per metric tonne linked to a basic recovery of 8.5% with additional charge of Rs. 8.8 per metric tonne for every subsequent recovery of 0.1%. This means that the price to be paid for sugarcane on a 10% recovery will be Rs. 86.20 per metric tonne. *(Source: Government of India Gazette).* For details of regulations and policies, see the section titled "Regulations and Policies" on page 74 of this Red Herring Prospectus.

Some states like UP, Haryana and Punjab also fix a State Advised Price (SAP). SAP in these states is generally higher by 20-25% than the SMP. For Example, the SAP in Western Uttar Pradesh for 2003-04 was fixed at Rs. 950.0 per metric tonne.

Apart from fixation of statutory minimum price for sugarcane, the industry is also required to share extra realisation on free sale sugar with the sugarcane farmers, based on a fixed formula. Delay in making the sugarcane price payment over 15 days also attracts 15% penal interest.

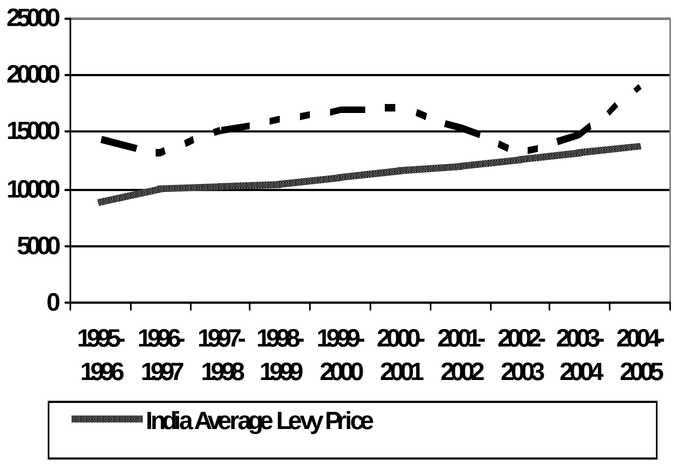
Sugar pricing and distribution

The Government has been following a dual pricing policy for sugar, under which a fixed percentage of the total production is to be necessarily sold by the sugar mills to the Government or its nominees at a pre-determined price referred to as "levy sugar". The sugar so collected is distributed to consumers through Fair Price Shops under the Public Distribution System. The balance sugar referred to as "free sale sugar" can be sold in the open market. Free sale sugar is also regulated to some extent, by way of a Monthly Release Mechanism ('MRM'), whereby the Government determines the quantum of sugar that can be sold every month. This helps the Government maintain stability in sugar prices, by regulating the supply of sugar based on the underlying demand. Thus, the Government statutorily determines the price of levy sugar, while the price for the free market sugar is market determined, affected to some extent by the MRM. As per Tuteja Committee, the Central Government decided, in February 2002, to dispense with the MRM with effect from April 1, 2003. However, in March 2003, it was decided to continue with the MRM up to September 2005 and to review the position in February, 2005. The Tuteja Committee has also recommended that the Central Government may dispense with the MRM for free sale sugar with effect from October 1, 2005.

The levy imposed has reduced from 40% in the 1990s to 10% effective from March 2002. The Tuteja Committee has also recommended continuing with the 10% levy obligation level. The Committee has also recommended that beyond the initial time limit, a maximum of three months may be permitted for lifting of levy sugar by the Government, whereafter, the levy sugar quota would automatically be converted into free sale sugar, without any recurring levy obligation on this portion of levy sugar.

As can be seen from Exhibit 10, while the gap between levy sugar prices and free sale sugar prices had narrowed considerably until 2002-2003, it has since widened due to high free sale sugar prices.

EXHIBIT 10: Historical Free sale sugar and Levy Sugar Prices (Rs./ metric tonne)



Source: CRISIL, ISMA Sugar Yearbook

Industrial Consumers of Sugar

Sugar finds its uses in the following industries:

- Beverages: All carbonated soft drinks and packaged fruit juices contain sugar. As well as adding flavor, the sugar makes the drinks heavier and more pleasant to drink.
- Bakery: Cakes, biscuits, cookies use sugar in large quantities
- Confectionery: Sugar is one of the main ingredients used in confectioneries like chocolates and candies. Sugar is also used in making jams, milk powder, and baby foods
- Pharmaceuticals: Many medicines have sugar added to cover their bitter taste. Some cough syrups have sugar to make them more soothing
- Sweets: India is known for its various varieties of sweets. This sector is gradually moving towards more organized players from the domestic small and unorganized players. Sugar is the main ingredient of all the sweets that are made and consumed worldwide.
- Chemicals: Sugar is also used for the manufacture of citric acid, oxalic acid and monosodium glutamate

Government policy initiatives – Sugar

- The Government has permitted futures trading in sugar following which it allows sugar to be traded on NCDEX. Future trading allows sugar companies to hedge and manage their risk better.
- The Government of Uttar Pradesh has issued a new UP Sugar Policy. The UP Sugar Policy recognises the need to attract new private mills because the Government sector and the Co-operative sector may not be able to put up these mills due to constraints of funds. The incentive package under the UP Sugar Policy includes capital subsidies, reimbursement of transportation costs of sugar, etc. For details of the policy and other regulations governing the sugar industry, see the section titled "Regulations and Policies" on page 74 of this Red Herring Prospectus.

Forward Trading in Sugar

The NCDEX exchange provides a platform for trading sugar futures contracts. Participation in these contracts places an obligation on the buyer or seller of the contract to make (seller) or accept (buyer) delivery of a specified quantity and quality of sugar at a specified time in the future. The contracts on the exchange are based on specifications, and grade of sugar and also the point of delivery.

A futures contract has standard terms to promote liquidity, normally focusing on a quality, delivery unit and delivery date. In the case of the NCDEX the quality terms relate to M and S quality with further specifications for moisture, grain size and colour. The delivery unit is 10 MT in 50 kg new A twill or PP bags or 100 kg in new jute bags. Each individual contract expires on the 20th day of the delivery month, i.e. the July contract expires on 20th July.

The structure of the futures contracts currently allows for multiple delivery months to be quoted at any one time. These months are currently July, August, September, October and April 2006, which are trading on the exchange. Once a contract has expired, the deliverer has seven days to make delivery at an approved warehouse in Muzaffarnagar or Vashi, depending on the market they have transacted on.

The benefits of futures contracts are that it allows buyers and sellers of sugar to reduce the risk and uncertainty of transactions they wish to undertake at a future point in time – commonly referred to as hedging their position. To take a simple example a sugar miller may decide that they want to fix the price of white sugar that will result from their expected crushing of sugarcane. They would sell futures according to the expected production and hence delivery of sugar. An industrial user may likewise decide to fix the price of sugar forward relating to their expected purchases. In the simplest case the buyer and seller could run the contracts to expiry and the seller would deliver sugar to the exchange and the buyer would take delivery of the sugar from the exchange. However it is more common for the buyer and seller of futures to contract independently before the expiry of the futures, giving up their futures to each other, therefore canceling out their positions so that neither will have any obligation to the exchange, but this will be replaced by an obligation to each other. So long as these futures transactions are carried out before expiry, it provides much greater flexibility to both parties in determining their final price.

The benefit of futures markets is that they bring a wider pool of participants to the market. One buyer does not have to find a seller that they can contract with physically in order to minimize their price risk. In the example above the futures market was characterized by the participation of physical buyers and sellers of sugar, however other entities may also wish to get involved in the futures market. Funds are often involved, benefiting from hedging their portfolio of assets and diversifying their risk to movements in traditional investment instruments – equities and bonds. This broad pool of participants benefits all parties as it allows for a more diverse range of expectations and therefore a more efficient mechanism to hedge prices.

India in the World Market

To remedy the current sugar shortage, the Government of India initiated measures to support imports of raw sugar by the mills against future export commitments. Presently, almost all of the sugar imported into India is raw sugar imported by the mills for processing into refined sugar under the 'Advanced Licensing Scheme (ALS)'. Indian mills are finding it advantageous to import raw sugar to process and sell in the domestic market, as domestic sugar prices are currently well above the international prices, even after accounting for processing, transportation, and distribution costs, and future export obligations.

Under the ALS, mills are allowed to import raw sugar at zero duty against a future export commitment. The mills can refine the imported raw sugar and sell it in the domestic market, but must re-export white sugar to the extent of 95% of the quantity of the raw sugar imported within a specified period, which is currently 24 months from the date of issuance of license. However, the export obligation period may be extended upon fulfilling certain conditions and payment of certain fees. For details please refer to the section titled "Regulation and Policy – Foreign Trade Policy" on page 78 of this Red Herring Prospectus.

Trade sources report that about 1.35 million tons of raw sugar was imported from October 2004 through March 2005, at prices ranging from \$200 to \$255 per ton CIF at Indian port, mostly from Brazil and South Africa. With the recent strengthening of international prices, imports are expected to be slow as compared to the first half of the marketing year, and SY 2004-05 imports are expected to reach 2.0 million tons. *(Source: USDA Foreign Agricultural Service)*

India imposes an *ad valorem* duty of 60 percent on the CIF value, plus a countervailing duty (CVD) of Rs. 850 (\$19.50) per ton, on 'general' imports of raw and refined sugar (tariff code 1701). The CVD is in lieu of the local taxes and fees on the domestic sugar (central excise tax of Rs. 340 (\$7.80) per ton, additional excise duty of Rs. 370 (\$8.50) per ton and cess of Rs. 140 (\$3.22) per ton. The imported sugar is also subject to non-tariff barriers like the 'levy sugar obligation', the market quota release system, and other local regulations applicable to domestic sugar. The high import duties and other non-tariff barriers preclude imports of refined sugar by traders. *(Source: USDA Foreign Agricultural Service)*

Exports of sugar from the country have been decanalized since 1997, enabling sugar mills to undertake exports on their own and to compete directly in the international market. Further, exports from a mill do not form part of the quota under the market quota release system.

Despite this, India has not been a consistent exporter of sugar in the past. It has been exporting sugar occasionally in periods of sugar surpluses. In the last five years it exported 4.07 MMT sugar. In these years, India had an average exportable surplus of 6.23 million tonnes every year.

As against this, on an average, the sugar exported was only 0.81 MMT or 7.69% of the total exportable surplus. This is primarily because domestic prices have remained higher than international prices.

EXHIBIT 11: Exportable Surplus, Sugar Stock & Actual Exports

Year	Closing Stock (MMT)	Exportable surplus (MMT)	Actual Export (MMT)	% export of surplus stocks
1999-00	9.38	5.38	0.07	1.30
2000-01	10.4	6.4	1.2	18.75
2001-02	11.3	7.3	1.1	15.06
2002-03	11.6	7.6	1.5	19.73
2003-04	8.5	4.5	0.2	4.44
Average	**10.23**	**6.23**	**0.81**	**7.69**

(Source: ISMA Website accessed on May 16, 2005)

CO-GENERATION INDUSTRY

Co-generation is the concept of simultaneously producing two forms of energy. One of the forms of energy must always be heat and the other may be electricity or mechanical energy. In a conventional power plant, fuel is burnt in a boiler to generate steam. This steam is used to drive a turbine, which in turn drives an alternator to produce electric power. The exhaust steam is generally condensed to water, which goes back to the boiler. However, in a co-generation plant, some amount of steam may be extracted from the turbine at the required pressure and temperature for use in the manufacturing process.

The power produced by co-generation is used in internal industry processes, and excess power is sold to State Utilities/ Distribution Companies. Long-term Power Purchase Agreements (PPAs) are signed with these buyers based on terms and conditions as decided by the State Electricity Regulatory Commissions (SERCs).

Since co-generation can meet both power and heat needs, it has advantages in the form of significant cost savings for the plant and reduction in emissions of pollutants. The potential for co-generation lies in industries which have a requirement of both heat and electricity, primarily sugar and rice mills, distilleries, petrochemical, chemical, pulp and paper, aluminium, etc. Since India is the second largest producer of sugar in the world, Bagasse-based co-generation is being promoted.

Co-generation of power by sugar mills in India began in the year 1993-1994 with the Ministry of Non-conventional Energy Sources (MNES) formulating its guidelines for fixation of the rate of power produced from non-conventional sources including the sugar mills and supplied to the Electricity Boards. With a small beginning by eight sugar mills generating 50 MW power, today, 48 units have set up their co-generation plants generating 680.0 MW power. According to information currently available, an equal number are in the process of putting up power plants to produce another 700 MW, taking the total generation to about 1400.0 MW *(Source: ISMA Website accessed on May 16, 2005)*. The assessed potential for power by sugar co-generation is more than 5000 MW for India *(Source: The Energy Research Institute).*

One of the objectives of the National Electricity Policy issued by the Government is to promote co-generation and generation from renewable sources of energy. The urgent need to promote generation of power from such sources of energy, and the significant potential for co-generation in the sugar industry is well observed. There has been appreciable growth in this segment and this trend can be expected to continue in future as well because of growing demand for power in the country.

Benefits of Co-generation Systems:

- Provides economic competitive advantages through a maximized return on investment by utilizing the same fuel to provide heat and electricity;
- Environment friendly because of reduced air emissions of Green House Gases, sulplur dioxide, nitrogen oxides, and particulate matters;
- A reliable source of power and process steam or heat;
- Onsite electricity generation can reduce transmission and distribution losses; and
- Low gestation period.

ETHYL ALCOHOL

Ethyl alcohol is one of the other by-products of the sugar industry. It is made from molasses which still contain some sugar but this sugar cannot be extracted using current technologies. These molasses are fermented with yeast to give ethyl alcohol. The mixture is then distilled to separate the alcohol from the mixture. Thus separated alcohol is 95% pure and finds uses in pharmaceuticals, potable uses, industrial uses, and it can be further purified to 99.5% purity to give Fuel Ethanol.

Fuel Ethanol

Ethanol is used as an automotive fuel by itself and can be mixed with gasoline to form what has been called "gasohol". Fuel Ethanol the most common blends contain 10% Ethanol and 85% Ethanol mixed with gasoline. Over 3.57 billion gallons of Ethanol are blended with gasoline every year in the United States (Renewable Fuels Association). Since the Ethanol molecule contains oxygen, it allows the engine to more completely combust the fuel, resulting in fewer emissions. Since Ethanol is produced from plants that harness the power of the sun, Ethanol is also considered a renewable fuel.

Ethanol is becoming more and more popular across the world as a fuel. Ethanol is one of the best tools to fight vehicular pollution, contains 35% oxygen that helps complete combustion of fuel and thus reduces harmful tailpipe emissions. It also reduces particulate emissions that pose a health hazard. Various Governments are providing incentives to expand Ethanol production and use. Brazil and Sweden use large quantities of Ethanol as a fuel. Some Canadian provinces promote Ethanol use as a fuel by offering subsidies of up to 45 cents per gallon of Ethanol. In France, Ethanol is produced from grapes that are of inferior quality for wine production. Prompted by the increase in oil prices in the 1970s, Brazil introduced a program to produce Ethanol for use in automobiles in order to reduce oil imports. Brazilian Ethanol is made mainly from sugarcane. Pure Ethanol (100% Ethanol) is used in approximately 40 percent of the cars in Brazil. These cars are known as Flex Fuel cars since they provide an option of using petrol or Fuel Ethanol or both in any proportion. The remaining vehicles use blends of 24 percent Ethanol with 76 percent gasoline. Brazil consumes nearly 4 billion gallons of Ethanol annually. In addition to consumption, Brazil also exports Ethanol to other countries.

Ethanol in India

With a view to give boost to agricultural sector and reduce environmental pollution, Government of India has been examining for quite some time supply of Ethanol-doped-petrol in the country. In order to ascertain financial and operational aspects of blending 5% Ethanol with petrol as allowed in the specifications of Bureau of Indian Standards for petrol. Government had launched three pilot projects; two in Maharashtra and one in Uttar Pradesh during April and June 2001 and these pilot projects have been supplying 5% Ethanol-doped-petrol only to the retail outlets under their respective supply areas since then. Apart from the aforesaid field through pilot projects, R & D studies also were undertaken simultaneously. Both pilot projects and R & D studies have been successful and established blending of Ethanol up to 5% with petrol and usage of Ethanol-doped-petrol in vehicles.

Encouraged by the success of the pilot projects in the year 2000-01, the Minister for Petroleum and Natural Gas announced in Indian Parliament in December 2001, the Government's decision to implement the mixed fuel programme with Ethanol in three phases. In the first phase of the project, Ethanol-blended petrol is being supplied through retail outlets in nine States and four Union Territories. These states are Andhra Pradesh, Goa, Gujarat, Haryana, Karnataka, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh. The four Union Territories include Chandigarh, Dadra and Nagar Haveli, Daman and Diu and Pondicherry. Petrol blended with 5 percent Ethanol would be supplied by petrol pumps all over the country under the second phase towards the end of the year. The content of Ethanol blending would be increased to 10 percent in the third phase of the programme.

Apart from Ethanol, work had also begun on blending Ethanol with diesel. The first phase of the scheme was delayed due to shortage of sugarcane and hence alcohol, but the Ministry of Petroleum and Natural Gas, vide its notification dated 27th October, 2004, has directed that only 5% Ethanol blended petrol will be sold in 10 states and 3 Union Territories, provided that prices and availability of Ethanol is maintained.

Enough capacity has been created for production of Ethanol within a short period. Mostly, distilleries attached with sugar mills have taken up this programme. Out of 295 distilleries, as many as 118 distilleries are attached with sugar mills, of them 70 have added new Ethanol plant with production capacity of over 700 million litres sufficient to meet 5% blend for the entire country. The state-wise position is given in Exhibit 12.

EXHIBIT 12: State-wise Installed Ethanol Production Capacity

State/UT	Requirement of Oil Marketing Companies	Availability in the State and Union Territory
Uttar Pradesh	51	190
Punjab	32	Nil
Haryana & Chandigarh	24	Nil
Maharashtra	70	350
Gujrat, Daman Diu & Dadra & Nagar Haveli	40	30
Goa	5	Nil
Andhra Pradesh	40	30
Karnataka	35	58
Tamil Nadu & Pondicherry	48	52
Total	**345**	**710**

(Source: ISMA Website 'www.indiansugar.com' accessed on May 16, 2005)

Besides 128 million litre capacity is under implementation in UP and about 200 million. litres capacity is under various stages of implementation in Maharashtra and other states making the total capacity to over 1000 million litres sufficient to meet the requirement at 10% Ethanol blend under the second phase. Exhibit 13 gives the details of Ethanol production at 90% utilisation of Molasses for distillation from 2001-02 to 2003-04 and estimates upto 2006-07.

EXHIBIT 13: Seasonal Ethanol Production at 90 % Utilisation of Molasses for Distillation

Year	Million litres
2001-2002	1620
2002-2003	1755
2003-2004	1215
2004-2005*	1140
2005-2006*	1600
2006-2007*	1870

**Projected*

(Source: ISMA Website 'www.indiansugar.com' accessed on May 16, 2005)

The use of Ethanol as a blend fuel adopted by most of the countries producing / exporting sugar has provided flexibility for the sugar industry in those countries to absorb cane supplies for production of Ethanol, thereby balancing the sugar economy and also ensuring the reasonable price structure for sugar.

OUR BUSINESS

INTRODUCTION

We are a fully integrated sugar company focused on manufacturing, marketing and trading of sugar, power generation and ethanol production. At Munoli in Karnataka, sugar can be manufactured from sugarcane and also from imported raw sugar. At the leased plant in Ajara in Maharashtra, sugar is manufactured from sugarcane. We have entered into an agreement for the lease of another sugar mill in July 2005 at Mohannagar in Maharashtra for which we propose to commence operations in October 2005. During production of sugar, valuable by-products like molasses, Bagasse and press-mud are produced which are used as raw material to produce ethanol, power and bio-fertilizer respectively.

OVERVIEW

Our Company was incorporated in year 1995. In year 1998, we acquired a sick sugar mill with a capacity of 1,250 TCD of Nizam Sugars Limited, a Government of Andhra Pradesh undertaking, situated at Hindupur in Andhra Pradesh. We operated a successful Voluntary Retirement Scheme and subsequently transferred all the plant and machinery along with the remaining employees of the said sugar mill to Munoli at Belgaum in 1999 and enhanced the capacity to 2,500 TCD and also set up a co-generation plant of 11.2 MW. We started commercial production of sugar in November 1999 and generation of power in April 2000. In the year 2002, we ventured into manufacture of Ethanol by setting up a distillery with a capacity of 60 KLPD at our Munoli unit. In year 2003, we increased our co-generation capacity of power at the Munoli unit from 11.2 MW to 20.5 MW. In 2003, we did a trial of raw sugar processing at 250 TPD refinery at the Munoli unit. Thereafter in 2004, we increased the capacity of the refinery to 1,000 TPD.

In the year 2004, we entered into a lease agreement with Ajara Shetkari Sahakari Sakhar Karkhana Limited (a co-operative sugar factory) with a capacity of 2,500 TCD for a period of two years. We have entered into a lease agreement on July 2005 with Mohanrao Shinde Sahakari Sakhar Karkhana Limited to operate the sugar mill and co-generation power plant for a period of six years starting from SY 2006.

In the year 2004, we set up our wholly owned subsidiary, Renuka Commodities DMCC for wholesale trading of sugar in the International market. Renuka Commodities DMCC was incorporated and registered as a Company in the Dubai Metals & Commodities Centre free trade zone in Dubai, United Arab Emirates.

Our revenues have increased at a CAGR of 42.85% and our Profit after tax has increased at a CAGR of 114.62% over a period of three years from FY 2001 till FY 2004. We have achieved a turnover of Rs. 5,184.35 million in 9 month period ending June 30, 2005, as compared to Rs. 2,116.57 million in 9 month period ending June 30, 2004, which is an increase of 144.94%. Our adjusted profit after tax was Rs. 320.55 million in 9 months ending June 30, 2005 as compared to Rs. 98.84 million in the 9 month period ending June 30, 2004, which was an increase of 224.31%.

The turnover in FY 2004 was Rs. 2,455.34 million, as compared to Rs. 3,019.59 million in FY 2003, which was a decrease of 18.69%. The adjusted profit after tax was at Rs. 56.50 million as compared to Rs. 26.78 million in FY 2003, an increase of 110.94%.

The turnover in FY 2003 was Rs. 3,019.59 million, as compared to Rs. 1,358.27 million in FY 2002, which was an increase of 122.31%. The adjusted profit after tax was at Rs. 26.78 million as compared to Rs. 22.38 million in FY 2002, an increase of 19.67%.

OUR COMPETITIVE STRENGTHS

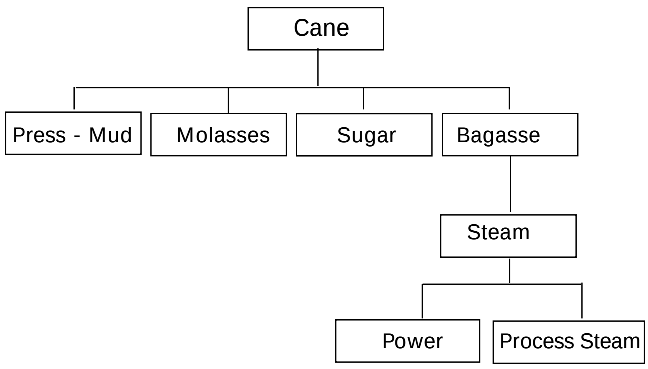
We believe that we have distinct and different competitive strengths in our businesses.

1. We are a fully integrated player

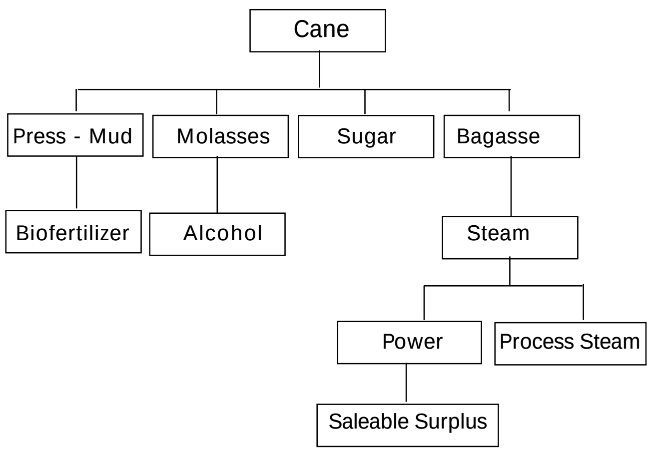
We are a fully integrated player in the sugar industry. We process sugarcane into three co-products viz. sugar, ethanol and power. The cane juice is utilized to produce sugar. Molasses, which is a residue of sugarcane juice is used to manufacture ethanol. Ethanol is further purified to produce fuel ethanol. Bagasse is used to generate steam, which is used for power generation. Exhaust steam from the turbines is used in the sugar manufacturing and the distillery. The electricity generated by the steam is used for captive consumption and surplus power is sold to grid. The revenues from sale of power helps in diversifying our income stream since the sale price of power is not related to cyclicity and volatility of sugar prices. Further, the press mud, a by-product in production of sugar, is treated along with spent-wash, an effluent generated during production of Ethanol and sold as bio-fertilizer.

As opposed to a conventional sugar mill where the primary product is sugar and the by-products, bagasse and molasses are sold to third parties, an integrated sugar mill is able to extract the maximum value out of sugarcane by being able to produce value added products like Ethanol, Electricity, and Biofertilisers from molasses, bagasse and press mud respectively. The following diagrams show the difference between outputs from sugarcane processing for conventional and from integrated sugar mills.

Outputs ofSugarcane Processing - Conventional



Outputs ofSugarcane Processing - Integrated



2. Track record of successful acquisitions

We believe that we can enhance our cane crushing capacity by acquiring / taking on lease poor performing /loss making /sick sugar mills in the region. As of FY 2004 there were 57 sugar mills [*Source: Co-operative Sugar, Vol. 36, May 2005*] in the states of Maharashtra and Karnataka that were non-operational due to various reasons. We actively look for opportunities to acquire / lease such mills and run them efficiently. This ensures that we are able to enhance our sugar crushing capacity faster and without incurring substantial capital expenditure. We began our operations in the year 1999 by taking over a loss making sugar company at relatively low capital cost *vis-a-vis* a Greenfield option. Our first unit was acquired from a Government of Andhra Pradesh company and relocated to Munoli in Karnataka. In year 2004 we have taken a sugar mill with 2500 TCD capacity on a two-year lease, in state of Maharashtra. In July 2005, we entered into an agreement with Mohanrao Shinde Sahakari Sakhar Karkhana Limited to take on a six year lease a 2,500 TCD sugar mill located at Mohannagar, Taluka Miraj, District Sangli, Maharashtra.

3. Reduced impact of seasonality of the sugarcane crops

Our manufacturing process at Munoli is designed as such that we can produce sugar not only from sugarcane but also from raw sugar. In FY 2004, we produced 41,625 MT of sugar from raw sugar and 61,257 MT of sugar from sugarcane and have produced 111,401 MT of sugar from raw sugar and 65,547 MT from sugarcane in nine months ending June 30, 2005. Utilisation of raw sugar helps in increased utilisation of our refinery, which runs for more months in a year as compared to majority of other sugar manufacturers. Further, we are less affected by shortage of cane in a particular season. Our sugarcane mill operated for 208 days in FY 2003-04 and our refinery was operated for 200 days in the same period. The industry average was 140 days in 2002-03 and 99 days in 2003-04. *[Source: Co-operative Sugar, Vol. 36, May 2005]*

4. We have superior utilisation of fixed assets

We achieve higher capacity utilisation and asset turnover as compared to industry due to longer operating season in our region, higher sugar content in available cane, and dual raw material capability. All India average for duration of crushing was 138 days in SY 2002, 140 days in SY 2003, and 99 days in SY 2004 *[Source: Co-operative Sugar, Vol. 36, May 2005]*. We were able to operate our factory for a longer period. We operated our mills for 210 days in SY 2002, 237 days in SY 2003, and 208 days in SY 2004. We have already operated for 267 days in the current Financial Year upto June 30, 2005. The sugar produced from sugarcane per installed capacity was 33.2 tons per TCD, 24.5 tons per TCD and 18.8 tons per TCD for the FY 2003, FY 2004 and for the current Financial Year upto June 30, 2005 respectively. Further, the total sugar produced per installed capacity from sugarcane and raw sugar was 38.4 tons per TCD, 41.2 tons per TCD and 40.9 tons per TCD for FY 2003, FY 2004 and for the current Financial Year upto June 30, 2005 respectively.

5. We have the largest sugar refinery in India

Our sugar refinery is the largest in India with 1000 TPD capacity *(Source: Letter dated July 22, 2005, from Sugar Technology Mission, Government of India)*. This enables us to get better economies of scale since we can refine high volumes of raw sugar which brings down the fixed costs per tonne of sugar refined.

6. We are one of the few manufacturers who make refined sugar as compared to plantation white sugar

Most of the conventional sugar mills in India adopt Double Sulphitation Process to manufacture Plantation White Sugar. At Munoli unit, we have moved away from this conventional method of sugar manufacturing and adopted the Phosphoflotation process of manufacturing EC II grade refined sugar. This sugar meets the European standards of refined sugar (Colour of less than 45 IU). In the Phosphoflotation process utilisation of Sulphur Dioxide gas as a decolorizing agent is eliminated, hence we produce sugar with negligible sulphur content. Refined sugar is preferred by industrial buyers and generally commands a premium over plantation white sugar.

7. We have access to superior technology for refining of sugar

We have a tie-up with Tate & Lyle Industries Limited of UK, which is a GBP 3.2 billion (equivalent to Rs. 249.6 billion) company and Europe's largest sugar refiner *[Source: http://www.eubusiness.com]*. Our sugar refinery was set up with technical assistance from Tate & Lyle. We have recently entered into a Memorandum of Understanding with Tate & Lyle whereby they will render technical assistance on an ongoing basis for further development of refining capability and development of value-added products.

8. Our sales are focused towards corporate and industrial buyers

Sugar traditionally was sold in the wholesale market to agents and dealers. We believe in marketing sugar directly to corporate and industrial buyers to capture a larger market share. Dealing with corporate and industrial buyers has several benefits like:

- Committed and timely off-take of sugar;
- Scope to fix prices in advance and reduce price risk;
- Reduced working capital cost due to increased comfort for working capital lenders; and
- Reduced dependence on brokers for sale of sugar.

We supply sugar to multinational companies who manufacture carbonated soft drinks, fruit juices, chocolates, baby food and dairy products. Corporate sales constituted 68.35% of our total sugar sales in FY 2004 and 53.99% in FY 2003. Some of our key corporate buyers of sugar are Hindustan Coca Cola Beverages Private Limited, Nestle' India Limited, Cadbury India Limited, etc.

9. We have a prominent trading presence in India's international sugar trade

Our Company is active in international trading of sugar from India. We exported 240,919 MT of sugar between 2001-2005 which represents 8.32% of Indian sugar exports and are ranked second in terms of overall exports of Indian sugar in terms of quantity, Dr. Amin Superintendents & Surveyors Private Limited have issued a certificate to this effect. We have imported 381,700 MT of raw sugar between 2002-2005. Our international subsidiary, Renuka Commodities DMCC is active in third country trade of sugar, which gives us a continuous presence in India's key export markets. We have also been awarded a 2 star export house status by the Director General of Foreign Trade (DGFT), Government of India. Trading in sugar gives the Company an enhanced trade-flow much larger than its own manufactured sugar. This translates into a deeper and wider exposure to price trends and customer buying patterns in both domestic and international sugar markets.

10. We are well placed to export our product

We are located close to the ports of Goa and Karwar (approximately 160 km. and 200 km. respectively). This helps us in easy access to sea transport for importing raw sugar and exporting white sugar. The advantages of close proximity to the ports are lower logistics costs and lower transit time. The sugar we produce is of international specifications and the proximity to ports allows us to export our sugar efficiently. We believe we are well equipped to meet our export obligations under the Advanced Licensing Scheme. Recently, we have set up Renuka Commodities DMCC, as our 100% subsidiary, based in Dubai for third country trading in sugar.

11. We are located in one of the high yield and high recovery cane producing regions

Maharashtra and Karnataka are amongst the highest cane producing states in India, which rank second and third in cane production in the FY 2004. Total cane produced in these two states accounted for 31% of total cane produced in India in the FY 2004. The average yield per hectare between SY 2000 and SY 2004 in Maharashtra was 72.92 MT per hectare and Karnataka was 87.16 MT per hectare, as opposed to 57.68 MT per hectare in Uttar Pradesh in SY 2004. Sugar recovery from cane is also higher in Maharashtra than in other parts of the country. Average recovery between SY 2000 and SY 2004 was around 11.49% for sugar mills located in Maharashtra and 11.30% for those located in Karnataka as compared to 9.58% for mills located in Uttar Pradesh and 10.31% for All India sugar mills. *(Source: Co-operative Sugar, Vol. 36, May 2005)*

12. We have excellent relationships with sugarcane farmers.

We believe that we have excellent relationship with sugar-cane farmers. Unlike other privately owned sugar companies, we have approximately 9000 farmers as our shareholders. As shareholders, the farmers enjoy benefits of sharing profits of our Company. In FY 2003-04 the Statutory Minimum Price advised by the Government of India was Rs. 968 per MT while our average price paid to the farmers was Rs. 1117 per MT which was higher by 15.39% (both these numbers are for an average recovery of 10.75%). We also make sure that payments to sugarcane farmers are made in a timely manner. To further increase the goodwill between the farmers and our Company, we formed a trust, Shree Renuka Sugars Development Foundation, which mainly focuses on promotion of education, healthcare and overall betterment of the farmers and the local community. We believe this strong relationship is a significant competitive advantage because farmers have no obligation to grow sugarcane and may switch to crops that may be more profitable. However, our track record of paying higher sugarcane price to farmers on a timely basis provides an incentive for farmers to cultivate sugarcane. The number of farmers growing sugarcane in our command area has increased from 3,325 in 1998-99 to 11,686 in FY 2003-04 as per our registration records. We also coordinate and manage the harvesting and transportation of cane, which saves the farmers effort, time and money. This also enables us to get fresh and mature sugarcane, which increases the yield of sugar.

13. We have an elaborate sugarcane collection network.

In order to carry out cane development and cane procurement activities effectively and smoothly, we have a dedicated cane department, which is headed by Executive Director – Cane, who is supported by five Cane Managers. The Cane Managers control and supervise the cane development and procurement activities. Our area of operation is divided in to seven circles headed by Assistant Cane Development Officers /Cane Procurement Officers, who report to the Cane Managers. The Assistant Cane Development Officers are assisted by 40 Cane Supervisors.

We purchase sugarcane directly from the farmers without involvement of any intermediaries. Based on the age of the crop, variety and maturity, a harvesting program is chalked out for desired quantity and quality of cane to be procured on a day-to-day basis. The Cane Managers issue cutting orders / harvesting permits based on date-wise cum pre-harvesting maturity survey. Accordingly cane transporting vehicles along with harvesting groups are allotted for harvesting and transporting cane to the mill.

14. We operate an integrated distillery

An integrated distillery provides us with several advantages like:

- We are able to add value to all our molasses from both Munoli and Ajara plants, and we need not sell any molasses to third parties
- Cheap power and steam is available for the distillery from the cogeneration plant
- Effluent (spent-wash) can be processed with press-mud into bio-fertilizers and compost
- A number of sugar mills in our region do not have attached distilleries. This enables us to buy molasses, if required

15. We have a Fuel Ethanol plant attached to our distillery

We are one of the few distilleries, which are equipped to manufacture Fuel Ethanol from Ethanol. Fuel Ethanol is gaining momentum due to rising oil prices. The GoI is encouraging the use of Fuel Ethanol as a motor fuel since it is considered to be less polluting and also a renewable source of energy (since it is sourced from an agricultural product, which can be regrown). Subject to fulfillment of certain conditions, GoI has mandated mixing of 5% Fuel Ethanol in petrol in ten States. We supply Fuel Ethanol to various oil companies for blending in petrol. For details please refer to the Section titled “Industry” on page 48 of this Red Herring Prospectus.

16. Government policy encourages co-generation.

The Government of India has prescribed that a certain percentage of energy from alternative sources has to be purchased by distribution companies and has also allowed open access, which will enable us to sell power to third parties also. The electricity regulatory commissions of Maharashtra and Karnataka have also prescribed preferential tariffs for electricity produced from renewable energy sources including cogeneration.

17. We have made substantial progress in registering our cogeneration plant for carbon credits

Our Bagasse based cogeneration plant at Munoli has qualified as a Clean Development Mechanism (CDM) project which entitles us to generate Carbon Credits. We have received host country approval from the Ministry of Environment and Forests and the project has now been put up for registration with the CDM Executive Board of the United Nations Framework Convention on Climate Change (Bonn). The project will be eligible for Carbon Credits based on the units of power sold from our Munoli cogeneration plant. We will seek to sell these Carbon Credits to European companies who have to comply with international legislation on emissions. This will provide an additional revenue stream to us.

OUR STRATEGY

Our corporate vision is to be the most efficient processor of sugarcane and the largest marketer of sugar and ethanol in the country. Our strategies for meeting these objectives are as follows:

1. Expand our installed capacity in a capital efficient manner

We intend to increase our capacity by adding capacity in the following ways:

- *Enhancing the capacity of our existing sugar mill.* We intend to increase the capacity of our existing sugar mill at Munoli from 2500 TCD to 7500 TCD. This would be a brownfield expansion.

  Also refer to our acquisition of certain assets of Haripriya Sugar Works Limited as stated in the section titled "Objects of the Issue" on page 29 of this Red Herring Prospectus.
- *Leasing of existing mills:* We actively look out for loss making sugar mills, which we can take on lease and run efficiently. This not only increases our capacity but also helps us in getting more sugarcane from the command areas of those mills. We have recently taken on lease a sugar mill at Mohannagar in Maharashtra in June, 2005. We propose to increase the capacity of this mill from 2,500 to 4,000 TCD in FY 2006.
- *Pursuing selective acquisitions:* We are actively pursuing acquisitions both domestic and international.

2. Achieve end-to-end integration for all our plants to improve margins and reduce cyclicality of the business

We intend to use all the by-products of sugarcane like Bagasse and molasses to produce value-added products like electricity, Ethanol and Fuel Ethanol, for all our plants. We intend to set up a 15 MW cogeneration plant at Unit III at Mohannagar, Maharashtra. This will increase our power generation capacity to 35.5 MW. In addition, we plan to double the distillery at Munoli and add a distillery and Fuel Ethanol manufacturing facility at Mohannagar. These investments will boost our Ethanol capacity from 60 KLPD to 240 KLPD and the new Fuel Ethanol facility will increase our production capacity from 60 KLPD to 180 KLPD.

3. Achieve greater raw material security.

We pursue cane development initiatives and facilitate crop loans to increase cane production in our reserve area. Our acquisitions / leasing of other sugar mills allow us to cover more cane areas. We provide quality seeds and other agri-inputs to farmers. We have also taken steps to educate the farmers about the economics of growing cane as compared to other crops. We have taken initiatives for development of irrigation sources as well as taking up land development to bring additional acreage under cultivation, which is either barren or unsuitable for growing cane. We have involved SDF and commercial banks for long-term soft loans for sugarcane farmers.

4. Increase our focus on corporate and high-value customers

We intend to be the *supplier of choice* for our industrial buyers. We are actively looking to enhance our presence within industrial buyers in the FMCG sector by continually upgrading our processes and quality systems.

5. To reduce price risk in sugar by hedging

We intend to use our large trade flow, which consists of our sales of manufactured and traded sugar to manage price risk. We have membership at the National Commodities and Derivatives Exchange (NCDEX). We will actively utilize NCDEX and international commodity exchanges to fix the prices of a proportion of our sugar for forward sales. The percentage of forward cover is decided by our internal risk management team and is driven by our perception of trends in the market.

6. Maintain a strong presence in the export markets

We intend to be a prominent supplier of high quality sugar within Asia where we will be in a position to supply not only our in-house manufactured sugar but also traded sugar. We have set up a subsidiary in Dubai that is engaged in sugar trading. The experience in sugar trading will also give us a better insight into the international market, which will enable us to exploit trading opportunities and also anticipate risks.

7. Expand market for Ethanol

Ethanol is a renewable source of motor fuel. We intend to expand the market for fuel ethanol as an additive to petrol, as an oxygenate for Euro-III grade petrol and as a standalone fuel. We will work with other producers in India to highlight the commercial and environmental advantages of ethanol versus fossil fuels. This would include demonstration of flex-fuel cars that burn any combination of petrol and ethanol and the modification of petrol cars to burn 100% ethanol.

Operations

Sugar

- Production Capacity and Output

  We are currently carrying on sugar production at two units namely, Unit I at Munoli which is owned by us, and Unit II at Ajara which is a leased facility with the lease expiring at the end of FY 2006. The cane crushing capacity for both the units is 2500 TCD each. In addition, we have leased a third unit for a period of six years from Mohanrao Shinde

Sahakari Sakhar Karkhana Limited located at Mohannagar in Sangli district of Maharashtra starting from FY 2006. After installation of certain balancing equipment the Mohannagar sugar mill will have a capacity of 4000 TCD.

The following table shows our sugar production statistics for FY 2002, 2003, 2004, and also for the six-month period ending March 31, 2004 and the six-month period ending March 31, 2005.

Key Operating Statistics for our Sugar Plant

Period	**FY 2002**	**FY 2003**	**FY 2004**	**Nine months ended June 30, 2004**	**Nine months ended June 30, 2005**		
	Munoli	***Munoli***	***Munoli***	***Munoli***	***Munoli***	***Ajara***	***Total***
Sugar							
Capacity (TCD)	2,500	2,500	2,500	2,500	2,500	2,500	5,000
Weighted Avg. Crushing Season Duration (Days)	210	237	208	217	267	106	-
Total sugarcane crushed (MT)	539,000	726,590	576,730	528,680	641,020	251,110	892,130
Raw Sugar Processed (MT)	-	13,679	44,635	35,816	116,232 *	-	116,232*
Sugar produced from cane	58,200	83,052	61,257	57,350	65,547	28,659	94,206
Sugar produced from raw sugar	-	12,965	41,625	33,507	110,138	-	110,138
Total Sugar Produced (MT)	**58,200**	**96,017**	**102,882**	**90,857**	**175,685**	**28,659**	**204,344**
Recovery (%)	10.8%	11.4%	10.6%	10.8%	10.2%	11.4%	-
Sugar Sales (MT)	**59,456**	**88,995**	**92,995**	**68,849**	**113,213**	**23,393**	**136,606**

* Includes 4,830.7 MT of damaged white sugar stock which was reprocessed

- Cost of production

  The cost of production of sugar in our sugar mills is Rs. 14,861.63 per MT in nine months ended June 30, 2005. This is lower than the industry average of Rs. 19,000 per MT for Maharashtra and Rs. 17,600 MT for Karnataka *[Source: ISMA Pre-budget Memorandum for 2005-06 dated January 24/31, 05]*. This is because we are able to achieve higher capacity utilisation due to raw sugar refining, which lowers our fixed costs.

- Technology

  We use the latest technology and resources available to us to ensure maximum crushing capacity and maximum production of sugar. We have installed hydraulic drives for our mills. As mentioned in "Sugar Manufacturing Process" hereunder, we have adopted the Phosphoflotation process for clarification, which enables us to produce sulphurless sugar. We have also installed Continuous Vacuum Pans, which consume less steam for boiling of sugar syrup and raw sugar melt and are therefore efficient. We have a tie-up with Tate & Lyle Industries Limited of UK, which is a GBP 3.2 billion (equivalent to Rs. 249.6 billion) company and Europe's largest sugar refiner *[Source: http://www.eubusiness.com]*. Our sugar refinery was set up with technical assistance from Tate & Lyle. We have recently entered into an MoU with Tate & Lyle whereby they will render technical assistance on an ongoing basis for further development of refining capability and development of value-added products.

- Capacity Expansion

  We intend to increase our total crushing capacity of our Munoli mill from 2,500 TCD to 7,500 TCD by FY 2006-07. For more details on our proposed expansion, please refer to the section titled "Objects of the Issue" on page 29 of this Red Herring Prospectus. We have also taken a 2,500 TCD sugar mill on lease at Mohannagar in Maharashtra. The capacity of this mill will be increased to 4000 TCD by FY 2005-06. Thus, this leased mill will enable us to add a total capacity of 4000 TCD. We continue to evaluate opportunities for leasing / taking over of sick cooperatives and / or other sugar factories to enhance our total crushing capacity.

- Raw Materials

  The main raw material for production of sugar is sugarcane. We have and continue to maintain very good relations with the sugarcane farmers, which ensures supply of sugarcane during the season. Our sugar production is less dependent on the seasonality of the sugarcane crop since we are also able to produce refined sugar from imported raw sugar. This enables maximum utilisation of our plant and machinery.

- Sugarcane Development

  We have undertaken several short-term and long-term initiatives for improving sugarcane yield in our region, improving cane quality and hence recovery, and also to develop good relations with farmers.

  Short-term cane development involves converting other crop areas to cane cultivation by field-extension activities including provision of quality seeds and agri-inputs. Commercial Banks are being associated with this effort for provision of input loans to the farmers.

  Long-term Cane Development involves development of irrigation sources like Check-dams, Percolation Tanks, Individual/ Group lift irrigation schemes, Sump-wells as well as taking up land development to bring additional acreage under cultivation. This is land that is either barren or unsuitable for growing cane in its present state. We have also involved commercial banks for long-term soft loans.

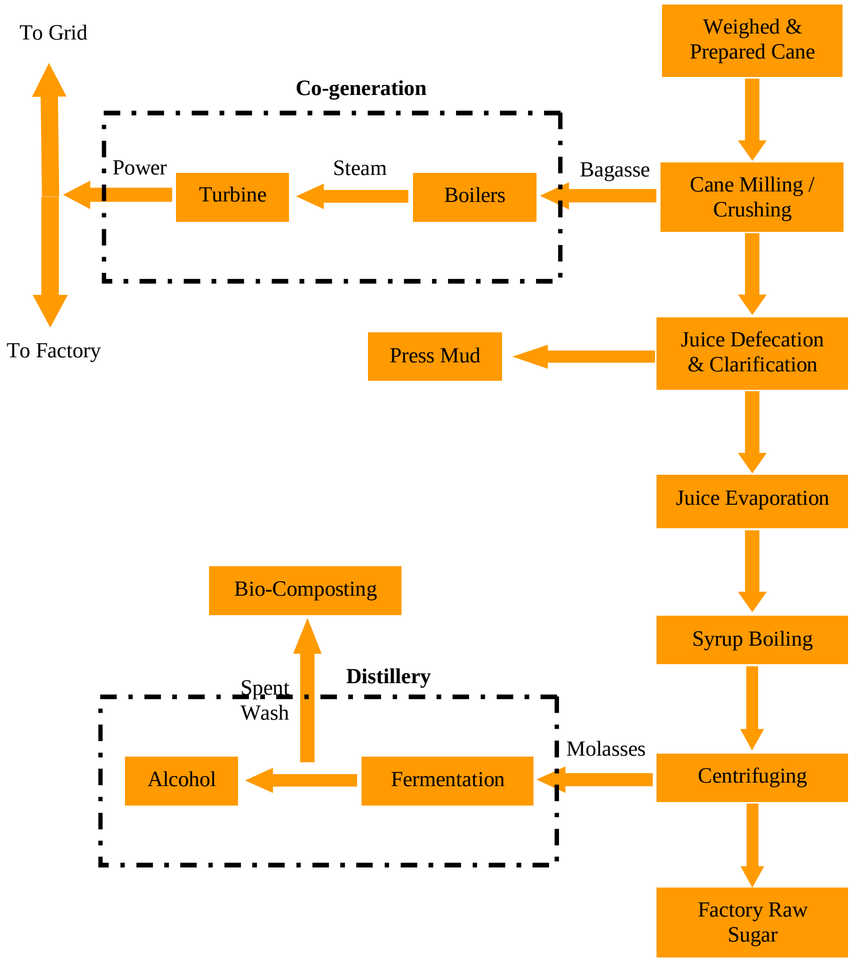
- Varieties of cane used

Sr. No.	**VARIETY**	**2002-03**		**2003-04**		**2004-05**		**CHARACTERISTICS**
		Quantity Crushed (MT)	**%**	**Quantity Crushed (MT)**	**%**	**Quantity Crushed (MT)**	**%**	
1	COC671	174,492	43%	110,414	48%	81,058	52%	The Variety CoC671 is sugar rich, early maturing, high sucrose variety. Also very vigorous and quick growing and having good filed keeping quality
2	CO8011	215,764	53%	108,476	47%	64,887	41%	It is mid-late to late maturing variety, sparse/late flowering. Also it is a high fibre variety and good ratooning ability. Low sucrose content variety.
3	CO86032	13,311	3%	9,740	4%	8,394	5%	Co 86032 is a medium maturing variety. Its ratooning ability is excellent.
4	OTHERS	4,193	1%	1,738	1%	2,137	1%	
	TOTAL	**407,759**	**100%**	**230,368**	**100%**	**156,476**	**100%**	

- Sugar Production process

Traditionally sugar is produced from sugarcane, which is procured from local farmers. However sugarcane is a seasonal crop available only during a fixed period of the year. This limits utilization of the machinery, especially the process house. In order to utilize the process house even during off-season we have resorted to processing imported raw sugar. As mentioned above, we have a refining capacity of 1000 TPD. This ensures continuous production capacities as well as non-reliance on the nature and quality of sugarcane. The processes of manufacturing sugar and allied products (electricity, ethanol and bio-fertilisers) are as shown below.

Sugar Manufacturing Process



Sugar Manufacture from Cane

The process of manufacturing sugar from sugarcane is as mentioned below.

- Juice Extraction

  Harvested sugarcane is transported to the factory, weighed and prepared for crushing. Cane preparation is required to expose the fibers, which contain the sugar cells for effective extraction of juice. Prepared cane is then crushed in a series of mills and juice is extracted. Bagasse, which is a fibrous residue, is used as a fuel in the cogeneration plant.

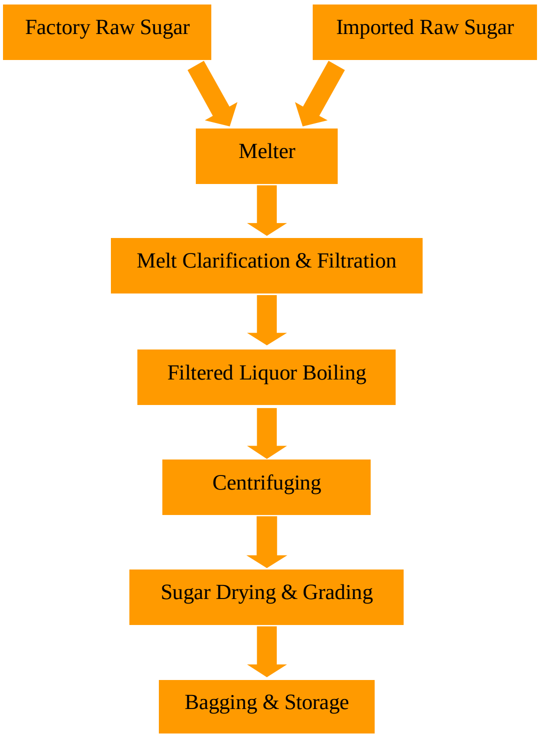
- Juice Treatment and Evaporation

  Juice from the mills is screened at 70 degree Celsius in shell and tube type heat exchangers. The juice is treated with Milk of Lime, which reacts with the impurities in juice. The treated juice is further heated and let into a clarifier where the impurities settle at the bottom and clear juice floats up and is decanted. Water from the clear juice is evaporated in a series of evaporators. Steam from the cogeneration power plant is used as heating media for the evaporation. Condensate from the evaporators is returned back to the boilers which is again converted into steam.

- Crystallization

  Concentrated juice (syrup) resulting from evaporation is further subjected to vacuum boiling in pans for complete exhaustion. Once the crystals are formed in the pan, we have a mixture of molasses and sugar crystals, known as massecuite. The process of crystallization takes place in the pans and is completed in the crystallizers. The massecuite is then centrifuged in centrifugal machines to separate sugar and molasses. Molasses another by-product is sent to the distillery for Ethanol production. Sugar thus produced in the factory is raw sugar, which is re-melted along with the imported raw sugar to produce refined sugar.

Sugar Manufacture from Raw Sugar



- Melting and Clarification

  Imported raw sugar and the factory raw sugar are melted by adding hot water This melt is now subjected to chemical treatment where orthophosphoric acid, floculant, lime sucrate and de-colorizing agent are added. The floculant creates flocs of the impurities and coloring matter, which float at the top of the clarifier, while clear liquor is withdrawn from the bottom of the clarifier.

- Filtration and Crystallization

  The clear liquor is subjected through pressure filtration, by passing it through a Deep Bed Filter. This provides positive filtration of the liquor before it is boiled in the vacuum pans for crystallization. On separation of these impurities the clear liquor is boiled in vacuum pans for crystallization. After attaining the desired crystal size the massecuite (mixture of sugar crystals and molasses) is dropped into a crystallizer where it is cooled before being purged. The massecuite is purged in batch type centrifugal machine to separate the molasses and sugar. Molasses is then recycled and taken back to the process for further extraction of sugar.

- Sugar Drying and Grading

  Sugar from the centrifugal separators is conveyed to a rotary drier. To separate lumps and very fine powder the dried sugar is fed to a grader. The segregation is done by vibratory grader and different grades of sugar are collected in different silos / bins. The sugar from the silos / bins is packed in bags by auto weighing and bagging machines and conveyed to the godown by the belt conveyors, from where it is dispatched to various customers.

■ Sugarcane pricing and payments track record

Under the Sugarcane (Control) Order 1966, the Government fixes the Statutory Minimum Price (SMP) for sugarcane every year that has to be paid by sugar mills to the sugarcane farmers, based on the recommendations of the Commission on Agricultural Costs & Prices. The SMP is fixed for a given base level of recovery. For additional details please refer to the section titled “Industry” on page 48 of this Red Herring Prospectus. However, in order to attract the best quality cane, minimize diversion of sugarcane and also to motivate more farmers to plant sugarcane, we have paid higher than the SMP. In the year FY 2004 we paid the farmers at an average rate of Rs. 1117 per MT which was higher than the SMP for the same rate of recovery by 15.4%. We also make timely payments to the farmers to maintain good relationships.

■ Products

We are one of the few fully integrated sugar companies, which have the capabilities to extract maximum value from sugarcane. Sugar is the primary product of sugarcane. However, sugarcane crushing yields by-products like Bagasse and molasses that are used in facilities for the generation of power and production of Ethanol and Fuel Ethanol. At our Munoli unit the sugar manufactured meets the EC II grade, which is European standard of refined sugar (Colour of less than 45 IU).

■ Sugar pricing

The Government has been following a dual pricing policy for sugar, under which, a fixed percentage of the total production is to be necessarily sold by the sugar mills to the Government or its nominees at a predetermined price referred to as “levy sugar”. The sugar so collected is distributed to consumers through Fair Price Shops under the Public Distribution System.

The balance sugar referred to as “free sale sugar” can be sold in the open market. Free sale sugar is also regulated to some extent, by way of a release mechanism, whereby the Government determines the quantum of sugar that can be sold every month. This helps the Government maintain stability in sugar prices, by regulating the supply of sugar based on the underlying demand. Thus, the Government statutorily determines the price of levy sugar, while the price for the free market sugar is market determined, affected to some extent by the release mechanism. For details please see the section titled "Industry" on page 48 of this Red Herring Prospectus and the section titled "Regulations and Policies" on page 74 of this Red Herring Prospectus.

- Customers

We sell our sugar primarily to corporate customers including multinational companies like Hindustan Coca Cola Beverages Private Limited, Nestle' India Limited, Cadbury India Limited, etc. which accounted for 68.35% of our external sugar sales in FY 2004. Our sugar is used for various range of products such as soft drinks (both aerated and other), baby food, milk and dairy products. We have annual contracts with some of these companies and for others supply is based on purchase orders. The balance of the free sales sugar is sold through wholesalers. As per market practice, we take the assistance of agents in identifying these wholesalers. These agents also assist us in logistics and collection of our sale proceeds. In consideration for these services, we pay them a commission based on the quantity sold. We select these agents based on their track record and history of association with us. The transportation costs of sugar from our factory/ depot are borne by the buyers.

- Competition

We primarily face competition from other sugar mills located in Karnataka and Maharashtra. Competition in the industrial sugar segment is primarily from other sugar mills who manufacture refined sugar.

- Exports

We believe that we are well equipped to export our sugar in the world market. We exported 8,984 MT of our own manufactured sugar in FY 2004 as compared to 21,723 MT in FY 2003. Our continued presence in the international sugar trade enables us to opportunistically export sugar. Further, our wholly owned subsidiary (Renuka Commodities DMCC), which is based in Dubai is engaged in international trading of sugar and provides us a platform for export sales. We have also been awarded a 2 star export house status by the Director General of Foreign Trade (DGFT), Government of India.

- Export obligations

We have imported raw sugar under the Advanced Licensing Scheme for refining against a future export obligation. As of August 31, 2005, our export obligations are as follows:

Year	Balance Quantity Export Obligation to be achieved (MT)
FY 2004-2005	435
FY 2005-2006	Nil
FY 2006-2007	123,683
TOTAL	**124,118**

Under the ALS, failure to export 95% of the quantity imported within 24 months of the issuance of license, will attract the following payments:

1. Customs Duty of 60% to be paid on the CIF price
2. Countervailing Duty and Education Cess Rs. 867 per MT of raw sugar imported, which is cenvatable
3. Interest at the rate of 15% applicable from the date of clearance from the port on the customs duty amount
4. An amount equivalent to 3% of the CIF value of the total amount of raw sugar imported.

However, the export obligation period may be extended upon fulfilling certain conditions and payment of certain fees. For details please refer to the section titled "Regulation and Policy – Foreign Trade Policy" on page 78 of this Red Herring Prospectus.

- Relationship initiatives

Our Company has taken various initiatives for the betterment of relationship with employees and farmers. We have formed two trusts for the same, Shree Renuka Sugars Development Foundation, which mainly focuses on promotion of education, healthcare and overall betterment of the local community and Shree Renuka Sugars Employees Welfare Trust for the benefit of the employees of our Company.

Co-generation

Bagasse is the dry, fibrous residue remaining after the extraction of juice from the crushed stalks of sugarcane, which is used as a fuel for boilers to generate steam which is used in sugar manufacturing process and to generate power.

- Production capacity and output

We have a 20.5 MW co-generation plant at our Munoli unit. We use Bagasse as a fuel in our boilers to generate steam, which is used to produce electricity. We use part of the electricity for captive consumption in our sugar plant and the distillery. Excess electricity is sold to Hubli Electricity Supply Company Limited ("HESCOM"). The electricity generated in our unit at Ajara is used solely for captive consumption. We propose to set up a co-generation unit of 15 MW capacity at Unit III at Mohannagar, Maharashtra. We are yet to enter into a power purchase agreement for sale of surplus power generated.

Key Operating Statistics for our Co-generation Plant

Period	FY 2002	FY 2003	FY 2004	Nine months ended June 30, 2004	Nine months ended June 30, 2005		
	Munoli	*Munoli*	*Munoli*	*Munoli*	*Munoli*	*Ajara*	*Total*
Co-generation							
Power Generated (Units)	46,610,645	68,040,290	58,219,440	50,755,840	70,406,858	-	70,406,858
Import and DG set (Units)	336,540	369,613	628,992	287,248	178,236	-	178,236
Power Consumption (Units)	22,409,085	30,882,403	27,420,671	24,239,288	32,772,494	-	32,772,494
Power Export (Units)	**24,538,100**	**37,587,500**	**31,427,761**	**26,803,800**	**37,812,600**	**-**	**37,812,600**

- Technology

The technology adopted is the Combined Heat and Power cycle, wherein heat energy and electrical energy is derived from a common source, Bagasse. Bagasse from the mills is used as fuel in the boilers to generate steam, which is injected into turbines to generate power, which meets the power requirement of the sugar plant and distillery and the surplus power is sold to the electricity grid. One of our boilers is also equipped to burn coal. This also enables us to produce steam during off-seasons. Steam leaving the turbines has certain amount of energy, which is utilized in the sugar plant for juice and syrup boiling and for distillation in the distillery. The boiler and turbines are complete with instrumentation and automation. Few of the boiler auxiliaries are equipped with Variable Frequency Drives (VFD) to maximize energy efficiency in the power plant. The boiler is installed with Electro Static Precipitator (ESP) as the air pollution control equipment in order to keep the emissions from the boiler within the prescribed norms of the pollution control board.

- Expansion plans

At Unit III in Mohannagar, we propose to set up a 15 MW capacity co-generation unit to effectively utilize the Bagasse produced from this mill. After expiry of our lease on Unit III, the co-generation unit will remain with the sugar mill and will not continue in our possession.

- Sales of electricity

We have entered into a power purchase agreement with the Karnataka Power Transmission Corporation Limited for the sale of 7.55 MW power. This PPA will expire on February 10, 2009. We sold 31.4 million units of power to KPTCL in SY 2003-04. We have been selling excess power to the Karnataka Power Transmission Corporation Limited. As per Government of Karnataka order number EN/13101/PSR/2003 Bangalore dated May 10, 2005, KPTCL has been recognized as a State Transmission Unit. Due to this, KPTCL has been barred from trading in electricity with effect from June 10, 2005 and consequently various Electricity Supply Companies ("ESCOM"), through transfer arrangements, have become transmission licensees. Therefore, our PPA has been transferred to Hubli Electricity Supply Company Limited ("HESCOM") from June 10, 2005 onwards.

The total revenues from sale of electricity for FY 2004 were Rs. 109.5 million. The electricity generated at our Unit II at Ajara is used for captive consumption. We are yet to enter into a power purchase agreement for the sale of surplus electricity to be generated at the Mohannagar Unit.

- Co-generation process

In the process of crushing of sugarcane, Bagasse, a fibrous by-product is produced which is used in the boilers to generate steam. Excess Bagasse from the mills is conveyed to the storage yard by conveyors. This Bagasse stored in the yard is used on two occasions, first whenever there is any stoppage in the crushing and second during off season when the distillery and refinery are in operation. Steam which is produced by burning Bagasse is subsequently fed to steam turbines where it expands and rotates the turbine rotor at high speed, which in turn rotates the alternator to generate power. This power is used to meet the power requirements to operate the plant. The exhaust steam from the turbine, which is at a very low-pressure of 1.5 kg/cm^2, is used for boiling in the sugar process. Steam at 7 kg/cm^2 from the boilers is used for distillation in the distillery.

Ethanol

Molasses is the brown coloured residue after sugar has been extracted from the juice. Molasses still contains some quantity of sugar, but this sugar cannot be extracted by usual technology. It is used as an input in distilleries where the sugar present in the molasses is fermented into ethyl alcohol by yeast. This ethyl alcohol is extracted from the residue mixture using fractional distillation process

- Production Capacity and Output

  The current capacity of our distillery at Unit I, Munoli is 60 KLPD, which we propose to increase to 120 KLPD. The sugar mill at Ajara does not have a distillery. The molasses produced from Unit II is currently being transported to Munoli distillery where it is used to manufacture ethyl alcohol. We propose to set up another 120 KLPD distillery at Unit III at Mohannagar, Maharashtra. Under the lease agreement, this distillery will be owned by us and we will continue to operate the Mohannagar distillery even after the tenure of the lease agreement. Further, Mohanrao Shinde Sahakari Sakhar Karkhana Limited will continue to supply a specified quantity of electricity and steam free of cost to our distillery for a period of six years after expiry of the lease. We focus on adding maximum value to our Ethanol by converting it to Fuel Ethanol. This can be used as a motor fuel by blending it with petrol.

  Key Operating Statistics for our Distillery Plant

Period	**FY 2002**	**FY 2003**	**FY 2004**	**Nine months ended June 30, 2004**	**Nine months ended June 30, 2005**		
	Munoli	***Munoli***	***Munoli***	***Munoli***	***Munoli***	***Ajara***	***Total***
Spirit Production (litres)	3,910,220	8,226,388	12,211,910	10,608,254	12,490,899	-	12,490,899
Spirit Sales (litres)	3,030,178	6,351,280	1,707,760	1,259,760	12,783,640	-	12,783,640
Fuel Ethanol produced (litres)	-	2,028,092	9,404,764	9,404,764	861,555	-	861,555
Fuel Ethanol Sales (litres)	-	180,000	11,106,500	10,610,500	-	-	-

- Technology

  Our Distillery at Munoli is based on Continuous Fermentation Technology and Atmospheric Pressure distillation. With the continuous fermentation technology we not only achieve high yield but also reduce the generation of effluent. This is achieved by recirculation of fermented wash. Typically on an average 10 to 12 litres of effluent is generated per litre of ethanol produced. Reusable water is extracted from this effluent by using the Separation by Membrane Technology in the Reverse Osmosis Plant installed in the distillery. The water extracted in the Reverse Osmosis plant is used in the distillery process and the final effluent is treated with the press mud from the sugar plant to produce bio-fertilizer. With the technology adopted, we generate 3 to 4 litres of spent wash per litre of ethanol. The Fuel Ethanol Plant is fully automated using Programmable Logic Controls and can be operated by one operator from a control room.

- Raw Materials

  The main raw material for production of Ethanol is molasses, which is a by-product of sugar manufacturing process. Currently we have sufficient capacity to process all our molasses into Ethanol and we need not sell any molasses to third parties. In case of any shortfall of molasses from our own production, we procure the same from other sugar mills, which do not have distilleries.

- Products

  Ethanol produced after fermentation and distillation of molasses can be further purified into Fuel Ethanol, which contains a minimum 99.5% ethyl alcohol that is used for blending with petrol. Ethanol as denatured spirit can be used for industrial uses and as rectified spirit for potable uses.

Customers

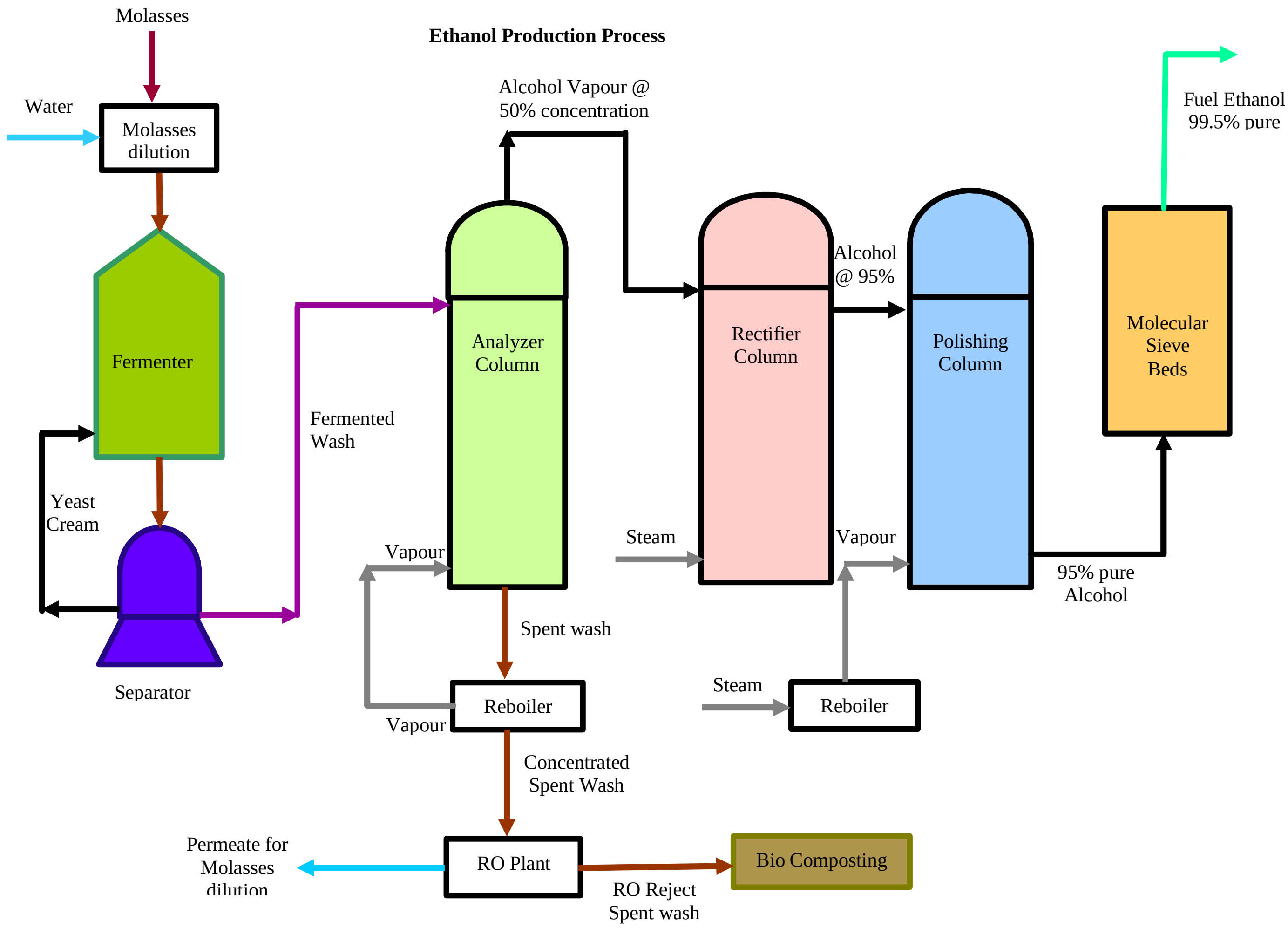
- Customers

  We mainly sell / supply fuel ethanol to public sector oil marketing companies. These customers enter into annual contracts after selecting supplier through a tender process. Denatured spirit is sold to various breweries and liquor manufacturers.

- Competition

  Fuel ethanol is sold to oil marketing companies through tendering process. We face competition from all distilleries, which manufacture Fuel Ethanol and participate in the tendering process. We also face competition from other distilleries in our Ethanol sales for potable and industrial uses.

- Ethanol Production Process



- Fermentation

  Molasses containing 48 to 50% fermentable sugars from the sugar plant is diluted with water in the ratio of 1:3. During the fermentation, yeast strains of the species saccharomyces cerevisiae, a living microorganism belonging to class fungi converts sugar present in the molasses, such as sucrose or glucose to Ethanol. Normally one ton of molasses containing 45% fermentable sugars give an alcoholic yield of 230 litres per ton. Optimum parameters like pH and temperature control and substrate concentration are required for fermentation.

- Distillation

  The fermented wash is preheated and pumped to the top of analyzer column. Steam or vapours are indicted at the bottom of the analyzer column, which strip the Ethanol from the fermented wash. The vapours coming from analyzer column now consist approximately 50% Ethanol and 50% water with impurities such as higher alcohols, aldehydes, acids, sulphur dioxide, etc. Spent wash from the analyzer column bottom is sent for treatment to the Effluent Treatment plant. The vapour drawn from top of the analyzer is fed to pre-rectifier column for removal of low boiling impurities. The vapours coming out of the top of the pre-rectifier column are fed to the condenser. The condensed liquid is collected in the pre-rectifier reflux tank. Impure spirit drawn is taken from the reflux and fed to the T.A. mixing bottle where it is mixed with the impure spirit coming from rectified cum exhaust and fusel oil column.

Ethanol water mixture from the pre-rectifier column bottom is fed to the rectifier cum exhaust column. This column serves to strip out Ethanol from liquid stream flowing down. Steam is sullied at the bottom of the column. The rectifier spirit vapours coming out from top of the column are condensed in the analyzer reboiler. Balance Ethanol vapours are condensed in the analyzer vent condenser. The condensate from reboiler and vent condenser are collected in rectifier reflux tank. Condensed liquid is pumped back to the Rectifier cum exhaust column from the rectifier reflux tank by reflux pump. Impure spirit drawn is taken to the T.A mixing bottle. The rectified spirit is drawn from upper tray of the Rectifier cum Exhaust column and sent to rectified spirit storage via rectified spirit cooler.

High Fusel Oil and Low Fusel Oil are drawn from Rectifier cum Exhaust column at the required rate. These draws are taken to the fusel oil cooler and taken to the fusel oil column for further concentration. Spent lees coming out of the Rectifier cum Exhaust column bottom is used to pre-heat the feed to Rectifier cum Exhaust column in the rectifier feed pre-heater. A spent lee is drained to gutter in a controlled manner by the level in the Rectifier cum Exhaust column bottom. Fusel Oil Column basically is concentrating the fusel oil received from the rectifier column so as have effective separation of heavy fusel oils. Steam is supplied as a heat source to concentrate fusel oil.

The Ethanol both pure and impure is first led into separate receivers. The quantity of Ethanol produced is assessed daily in the receiver and it is finally transferred to respective storage vats in the warehouse. The spirit from storage vats will be issued for sale. There is strict control of State Excise Department on raw material used, Ethanol produced, issue of Ethanol and losses of Ethanol, during storage and transfer from one tank to other tank.

- Fuel Ethanol Production Process

  Ethanol manufactured from the above process is 95.5% pure. The Fuel Ethanol is dehydrated Ethyl Alcohol which is 99.5% pure. The Ethanol cannot be distilled further to extract the water present in it; hence adsorption technology is adopted for this purpose. For the adsorption we use molecular sieves, these are synthetic zeolites, to separate water and ethanol. 95.5% pure ethanol is passed through a vessel containing molecular sieve beds, which adsorbs the water from the ethanol and 99.5% ethanol is collected as fuel ethanol.

Human Resources and Employee Training

We have 409 employees as on August 31, 2005 of which 83 are managerial, 126 supervisory, and 200 are workmen/ trainees/semi-skilled workmen. We also employ upto 150 workers on contract basis during the crushing season. We believe that our employees are key to our success and growth. In order to continuously improve our employee relations, worker relations and to keep our employees highly motivated, we have formed a trust Shree Renuka Sugars Employee Welfare Trust, which is focused on improving the lives of our employees.

We also give a lot of importance to employee training and development of our human resources. The strategy observed for training of employees is to identify the training needs of the employees based on their competency profile. The objective of our Company for training of employees is as follows:

- To provide training to all employees at regular intervals in a plan period of five years.
- Keeping in mind the organizational requirements and our training objectives, the following has been identified as the key focus areas of training:
  - Technology
  - Quality
  - Information Technology
  - Leadership Development.

  To enable our Company to achieve its objectives in the most efficient manner, we conduct regular appraisals of employees with a view to (i) Identify training needs, (ii) performance appraisal, and (iii) Career planning. A new performance appraisal system has been proposed based on work, planning and commitment, self review and performance analysis, etc in order to motivate our employees to strive and achieve greater heights.

We regularly sponsor our engineers, chemists, and other employees for various advanced courses in sugar engineering, sugar technology and alcohol technology at the Vasantdada Sugar Institute, Pune.

- Employee Stock Option Plan

  After the listing of our Equity Shares in this Offer, we intend to adopt an Employee Stock Option Scheme (the "ESOP") in which select employees and directors of the Company and its subsidiary can participate. Any issuance of ESOP will result in a charge to our income statement equal to the product of such number of ESOPs granted and the difference between the market price of our Equity Shares as on the date of their grant and the exercise price, which we currently expect will to be Issue Price. This will be amortised in terms of the SEBI (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999. For further details, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations", which begin on page 146 of this Red Herring Prospectus.

- Worker relations (unions)

  We employ 200 workmen and upto 150 contract labourers during the crushing season. Our Company has always believed in maintaining good relations with all our employees and farmers. Our Munoli plant does not have any worker's union. We strive towards the betterment of our employees and workers alike. The Shree Renuka Sugars Employee Welfare Trust was formed with the sole intention to assist all workers and employees towards better livelihood.

Environmental compliance

Our approval from the Karnataka State Pollution Control Board under both the Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981 for our manufacturing unit at Munoli has expired. We have made an application dated February 19, 2005 for renewal for the the period July 1, 2005 to June 30, 2006. We are currently awaiting the approval. The same approvals have also been obtained for Unit II at Ajara.

Our Company has obtained the Consent for existing discharge of Sewage and Trade effluents under Section 25 and Section 26 of the Water (Prevention and Control of Pollution) Act, 1974 and also for operation of plant under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for existing discharge of emissions from the chimneys at the manufacturing unit at Munoli

Emission and Effluent Management

At our Munoli plant, we do not discharge any effluent. Spent wash, which is an effluent from distillery, ash from the Bagasse boilers and press mud, which is discharged from sugar plant are used to make bio-fertilizers. All liquid effluents are treated in effluent treatment plant, and the treated water is used for plantations within the plant premises. The ash from coal is sold to brick and cement manufacturers.

Our coal boiler is installed with Electro Static Precipitator (ESP) as the air pollution control equipment in order to keep the emissions from the boiler within the prescribed norms of the pollution control board. The Bagasse fired boilers are equipped with multi-cyclone dust collectors for emission control.

Insurance

We have insured all movable and immovable properties of our Company including all stocks, factory premises, plant and machinery.

We also have two keyman insurance policies for our Chairperson, Mrs. Vidya M. Murkumbi and our Managing Director, Mr. Narendra M. Murkumbi.

Corporate Social Responsibility

Our Company appreciates the social standing borne by it in the society and to that effect we have taken certain steps in fulfilling our social responsibility towards the people of our town and district. The Shree Renuka Sugars Development Foundation, that was formed vide a deed of trust, invested a certain amount of money initially to start the process of welfare for the people in general in and around Munoli. The Foundation looks for the betterment of facilities available to the people in and around our office and manufacturing unit at Munoli. The main object of the Foundation is to enhance the infrastructural base of Munoli by opening schools, colleges, parks, etc. and also improvement of medical facilities available to the people at present.

REGULATIONS AND POLICIES

The sugar industry is regulated by the Government. While no license is required to set up a sugar factory in India as of 1998 and only an Industrial Entrepreneur Memorandum is required to be submitted with the Secretariat of Industrial Assistance. The sugar industry falls in the seventh schedule to the Constitution of India and therefore the production and sale of sugar and procurement of sugarcane is governed by various laws, rules and regulations enacted by both the Central and State Government. Various laws, rules and regulations have also been enacted by the Central and the State Governments under powers conferred to it under the Essential Commodities Act, 1955.

Essential Commodities Act, 1955:

Sugar is a commodity covered under the Essential Commodities Act, 1955 and is subject to various controls in terms of the provisions of the said Act and the Rules made thereunder. The objective of the EC Act is to control the production, supply, distribution of and trade and commerce in the essential commodity.

The definition of "sugar" occurring in sub-section (e) of Section 2 of the Act, *inter alia*, sugar or any sugar in crystalline or powdered form". However, all the controls which are applicable to sugar produced through vacuum pan process by sugar mills, are not enforced in entirety on khandsari sugar at present.

Section 3(3C) of the EC Act makes specific provision with regard to the payment to be made for sugar sold by the producer in compliance of an order made under Section 3(2) (f) of the Act by the Central Government for supply of Levy Sugar. This Section lays down the guidelines for determination of price payable to the producer for Levy Sugar supplied by him. Under this sub-section, Levy Sugar price is required to be fixed by the Central Government having regard to –

(a) the minimum price fixed for sugarcane by the Central Government;

(b) the manufacturing cost of sugar;

(c) the duty or tax payable thereon; and

(d) the securing of a reasonable return on the capital employed in the business of manufacturing sugar.

It is also provided that different prices may be determined from time to time for different areas or factories or for different kinds of sugar.

Section 3 of the Act confers wide powers on the Central Government to make orders to provide for achieving the primary objective of exercising effective control to check inflationary trend in prices and to ensure equitable distribution of the essential commodity

Under Section 5, various powers of the Central Government under this Act have been delegated to the State Governments.

Section 6 of the Act provides for seizure/confiscation of the commodity by the District Collector. Section 7 deals with penalties for contravention of the provisions of any order made under Section 3 and Section 7A deals with the power to recover certain amounts as arrears of land revenue. Section 10 makes every offence punishable under the Act as cognizable and non-bailable.

The above powers include, *inter alia*, powers to control production, supply, distribution etc., of essential commodities.

Food stuffs (which include sugar) and food crops (which include sugarcane) are essential commodities.

Without prejudice to the generality, the powers conferred provide for, *inter alia*:

- for regulating by licenses, permits or otherwise the production or manufacture of any essential commodity;
- for controlling the price at which any essential commodity may be bought or sold;
- for requiring any person holding in stock or engaged in production, of any essential commodity to sell the whole or a specified part of the quantity held in stock are produced.;
- to direct a producer, importer or exporter of any kind of sugar to sell or otherwise dispose of or deliver from the godowns, only under and in accordance with the direction issued by the Government (sugar includes plantation white sugar, raw sugar and refined sugar – whether indigenously produced or imported)

The Sugar Control Order, 1966:

The Sugar Control Order, 1966 confers on the Central Government powers to issue directions regulating or restricting the production, sale, distribution, quality and storage of sugar. In pursuance of these powers, the Central Government has from time to time issued directions. Some of the directions as are currently prevailing are as follows:

1. Any dealer can freely buy, stock, sell or transport etc. any quantity of specified agricultural products (which include sugar) and no license or permit would be required.
2. The Levy Sugar which accounts for only 10% of the total production by a sugar mill, is bought by the Central Government at the Government determined prices for

distribution under the Public Distribution System (PDS).

3. The Government also controls the sale and distribution of the remainder 90% of the sugar produced by a sugar mill. The Government controls the quantity of sugar to be released by the sugar producer in the market. The Directorate of Sugar in the Ministry of Food issues release orders specifying the quantity of sugar to be released. These release orders are generally issued every month.
4. Clause 15 provides for delegation of powers by the Centre to the State Governments.
5. Clause 3 provides for power to regulate production of sugar from sugarcane by issue of a license on payment of a fee.

(Note: Government of Karnataka issues a license and renews the same for a term of one, three or five years at a stretch at the same annual rate, in exercise of the powers conferred under Karnataka Sugar (Regulation of Production) Order, 1975)

The Sugarcane (Control) Order, 1966:

The key provisions of the Sugarcane (Control) Order, 1966 include:

1. The Government may determine the quantity of sugarcane that a factory will require for crushing during any year. The Central Government has delegated this power to the State Governments and the State Governments hence regulate the same.
2. The Central Government has been conferred with the power to regulate the distribution and movement of sugarcane. This power has also subsequently been delegated by the Central Government to the State Governments and the same is hence regulated by the State Governments.
3. The Government is empowered to fix a minimum price (Statutory Minimum Price) for sugarcane procured and purchased by a sugar mill. This price is mandatory and to be paid by a sugar mill to the sugarcane grower supplying sugarcane to the mill. Different prices are fixed for different areas or different qualities or varieties of sugarcane.
4. A minimum distance of 15 kms is required to be observed between an existing sugar mill and a new one. An Industrial Entrepreneur Memorandum (IEM) with the Secretariat of Industrial Assistance in Ministry of Industry is required to be filed for setting up a new sugar unit.

The Sugarcane Order also provides that in addition to the Statutory Minimum Price, an additional price shall be payable to the sugarcane grower by sugar producers, if due, which price shall be computed as per the prescribed formula. This additional price shall be payable in the manner prescribed. The Sugarcane Order provides that this additional price payable shall be determined on the basis of the following factors:

(a) the amount, quantified in Rs. of the sugar produced during the relevant Sugar Year, excluding the excise duty payable on the same;

(b) the value in Rs. of the sugar produced during the relevant Sugar Year, exclusive of excise duty calculated on the basis of the unit production of cost as declared by the Central Government;

(c) the amount payable for the previous year, but not actually paid;

(d) the excess or shortfall in realisations from actual sales of unsold stocks of sugar produced during the Sugar Year, which is carried forward and adjusted in the sale realisations of the following year; and

(e) the quantity of sugarcane purchased by the sugar producer during the Sugar Year.

The additional price is shared equally by the cane grower and the sugar producer.

The Sugarcane Order also provides that, subject to directions issued by the Central or State Government, this additional price shall be payable to a sugarcane grower if he, in performance of his agreement with a sugar producer, supplies not less than 85% of the sugarcane agreed to be supplied. However, even where the supply of sugarcane is less than 85% of the sugarcane agreed to be supplied against, the sugarcane grower shall be entitled to receive the additional price, so long as he has not been penalised, under the provisions of any law, for failure to supply 85% of the sugarcane so agreed. If the additional price remains unpaid, for any reason whatsoever, it shall be deposited with the district collector within six months of close of the Sugar Year.

The Sugarcane Order requires that payment to cane growers must be made within 14 days from the date of delivery of the sugarcane.

The Molasses Control Order, 1961:

The Molasses Control Order, 1961 includes various provisions for regulation of the storage, grading, sale and removal of Molasses. It empowers the Government to fix maximum prices of Molasses.

Sugar (Packing and Marking) Order, 1970:

The Sugar (Packing and Marking) Order, 1970 requires sugar to be packaged in A-twill jute bags, unless specifically exempted by the Government, and details the markings to be indicated on such bags. Bags containing 5 kg or less of sugar and which are destined for the export market do not need to be made of jute.

Sugar (Packing and Marking) Order, 1970 was amended on April 19th, 2002. As per the new Order, sugar is to be bagged in 50 kgs. P.P. bags.

Sugar Pricing and Sales Regulations:

The Government has been following a dual pricing policy for sugar, under which a fixed percentage of total production is to be sold by sugar companies to the Government or its nominees at a predetermined price referred to as a sugar levy. This price is fixed with respect to each mill and varies from mill to mill. Sugar levy sales have been reduced from 65% in the early 1980s to 10% effective from March 2002. The balance of sugar not subject to the sugar levy, or Free Sale Sugar can be sold in the open market. Although sugar, which may be sold in the open market, is not subject to a levy, the Government continues to regulate sales through a Monthly Release Mechanism. Through the release mechanism, the Government determines the amount of sugar that can be sold every month.

Sugar Cess Act, 1982:

The Sugar Cess Act, 1982 (Sugar Cess Act) empowers the Government to levy a cess on sugar. Funds generated by the cess are used to promote the development of the domestic sugar industry by providing financial assistance for the rehabilitation and modernisation of sugar factories and to help expand sugarcane production and by making research grounds to encourage further development of the sugar industry. Since November 1, 1982 the amount of cess payable by sugar factories has been Rs. 14 per quintal of sugar. Net proceeds generated by the cess are credited to the sugar development fund described below. The Sugar Cess Rules, 1982 were promulgated under the Sugar Cess Act, 1982 and govern the accounting reports, accounts and other related returns to be furnished to the Government by sugar factories.

The Levy Sugar Supply (Control) Order, 1979 as amended by the Levy Sugar Supply (Control) Amendment Order, 2000:

The objective of this legislation is to empower the Government to issue directions to any producer or importer or recognized dealer to supply Levy Sugar to such persons or organisations in such areas or markets or to the State Government / Union Territory administration as the Government may specify. The Levy Sugar mechanism is regulated by this Order. Presently, 10% of the sugar production is reserved for supply as Levy Sugar for the public distribution system set up by the Government.

Levy Sugar Price Equalisation Fund Act, 1976 (as amended through 1984) –

The Levy Sugar Price Equalisation Fund Act, 1976 (LSPEF Act) provides for the establishment, in the public interest, of the LSPEF Act, which is designed to ensure that the price of Levy Sugar is uniform throughout India. The LSPEF is administered by the Government and is funded both by excess realisations made by producers and by Government loans or grants. Money unclaimed by recipients after six months from the date on which it is credited shall vest in the Government and shall be utilised to ensure that the retail price of Levy Sugar is uniform throughout the country. The LSPEF Act also empowers the Government to recover excess realisations made by sugar factories as “Arrears of Land Revenue”. The LSPEF Act prescribes certain penal provisions, including imprisonment, fines or both, for defaulting sugar mills seeking credit for excess realisations. The Levy Sugar Price Equalisation Fund Rules, 1977 were promulgated under LSPEF Act and govern (i) how money is credited to the Fund (ii) the account of transactions relating to the Fund (iii) application from buyers for refund and (iv) utilisation of the Fund by the Government.

Sugar Development Fund Act, 1982:

The Sugar Development Fund Act, 1982 (SDF Act) established the sugar development fund to promote the development of the sugar industry by providing low interest loans to rehabilitate and modernise sugar factories and to help expand sugarcane production and by making research grounds to encourage further development of the sugar industry. The Fund is also used to purchase excess sugar production to create a buffer stock to help stabilize the price of sugar. The Sugar Development Fund Rules, 1983 were promulgated pursuant to Section 9 of the SDF Act and govern (i) the terms and conditions of loans or grants made from fund sources, (ii) the manner and form in which applications are to be made, (iii) the composition of the committee and the procedure to be followed by it in the discharge of its functions and (iv) the form in which and the period within which statistical and other information may be furnished by sugar factories.

The Sugar Development Fund Rules, 1983

The Sugar Development Fund Rules, 1983 was promulgated pursuant to Section 9 of the SDF Act and govern (i) the terms and conditions of loans or grants made from fund sources, (ii) the manner and form in which applications are to be made, (iii) the composition of the committee and the procedure to be followed by it in the discharge of its functions and (iv) the form in which and the period within which statistical and other information may be furnished by sugar factories.

Prevention of Food Adulteration Act, 1976 as applicable in Karnataka

Usually under the Prevention of Food Adulteration Act, 1976, a license is required to be obtained from the Local Health Authority for the production and sale of sugar and Molasses.

Environmental Regulations

We are subject to Indian laws and regulations concerning environmental protection, in particular, the discharge of effluent water and solid particulate matter during our manufacturing processes. The principal environmental regulations applicable to industries in India are the Water (Prevention and Control of Pollution) Act, 1974, the Water Access Act, 1977, the Air (Prevention and Control of Pollution) Act, 1981 and the Environment Protection Act, 1986.

Further, environmental regulations require a company to file an Environment Impact Assessment ("EIA") with the State Pollution Control Board ("PCB") and the Ministry of Environment and Forests ("MEF") before undertaking a project entailing the construction, development or modification of any plant, system or structure. If the PCB approves the project, the matter is referred to the MEF for its final determination. The estimated impact, which a project would have on the environment, is carefully evaluated before granting clearances. When granting clearance, conditions can be imposed and the approving authorities can direct variations to the proposed project.

The PCB located across the States monitors compliance with applicable environmental regulations. No industrial or productive facility may operate without a valid authorisation from the local PCB office. PCBs routinely inspect industrial and productive facilities, to monitor compliance with applicable environmental standards and regulations, including the provisions of the Water Act and the Water Access Act. The PCBs are also empowered to grant authorisation for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility.

Violations of relevant environmental regulations are punishable by monetary fines and imprisonment for Company officers and controlling persons.

We have established water and air pollution control systems at all our sugar mills and distilleries. Our environmental compliance program is administered internally by our project department and our engineering department and includes monitoring, measuring and reporting compliance, establishing safety programs and training our personnel in environmental and safety matters.

Foreign Investment Regulations

The new industrial policy was formulated in 1991 to implement the Government's liberalisation programme and consequently, the industrial policy reforms relaxed industrial licensing requirements and restrictions on foreign investment. In subsequent years, the Government has further liberalized the foreign investment regime.

At present, investments in companies manufacturing sugar fall under the RBI automatic approval route for FDI/NRI 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 (EXIM Policy) and amend it thereafter whenever it deems fit. All exports and imports have to be in compliance to such EXIM Policy.

Excise Regulations

The Central Excise Act, 1944 seeks to impose an excise duty on specified excisable goods, which are produced or manufactured in India. However, the Government has the power to exempt certain specified goods from excise duty, by notification. The rate at which the said duty is sought to be imposed is contained in the Central Excise Tariff Act. Accordingly, currently white sugar attracts an excise duty at the rate of Rs. 850 per tonne.

Customs Regulations

All imports to the country or exports from the country are subject to duties under the Customs Act, 1962 at the rates specified under the Customs Tariff Act, 1975. However, the Government has the power to exempt certain specified goods from excise duty, by notification.

Under the Advance License Scheme for Sugar, mills are allowed to import raw sugar at zero duty against a future export commitment. The mills can refine the imported raw sugar and sell it in the domestic market, but must re-export 95% of the quantity imported within 24 months of issuance of license. Non-fulfillment of the export obligation will attract the following duties:

1. Customs Duty of 60% to be paid on the CIF price of sugar
2. Countervailing Duty & Education Cess Rs. 867 per MT of raw sugar imported, which is cenvatable
3. Interest at the rate of 15% applicable from the date of clearance from the port on the customs duty amount

4. An amount equivalent to 3% of the CIF value of the total amount of raw sugar imported.

Electricity Act, 2003

Electricity Act, 2003 ("**Electricity Act**") was enacted with effect from 10th June 2003, repealing and replacing all the three Acts i.e. Indian Electricity Act, 1910, Electricity (Supply) Act, 1948 and Electricity Regulatory Commissions Act, 1998. The Electricity Act seeks to provide for demarcation of the roles of generation, transmission and distribution to provide for individual accountability of each. Some of the major provisions of the Electricity Act include *inter alia* the following:

1. de-licenses generation, makes captive-generation freely permissible;
2. establishes Transmission Utility at the Central as well as State level, which would be a Government company and have responsibility of ensuring that the transmission network is being developed in a planned and coordinated manner to meet the requirements of the sector;
3. provides open access for transmission, distribution and trading;
4. specifies technical standards, grid standards and safety requirements; and
5. introduces power trading as a distinct activity from power generation, transmission and distribution.

Foreign Trade Policy (Advance Licensing)

The principal objectives of this Policy are:

1. To facilitate sustained growth in exports to attain a share of at least 1% of global merchandise trade.
2. To stimulate sustained economic growth by providing access to essential raw materials, intermediates, components, consumables and capital goods required for augmenting production and providing services.
3. To enhance the technological strength and efficiency of Indian agriculture, industry and services, thereby improving their competitive strength while generating new employment opportunities, and to encourage the attainment of internationally accepted standards of quality.
4. To provide consumers with good quality goods and services at internationally competitive prices while at the same time creating a level playing field for the domestic producers.

The Duty Exemption Scheme enables duty free import of inputs required for export production. An Advance License is issued under Duty Exemption Scheme. The Duty Remission Scheme enables post export replenishment/ remission of duty on inputs used in the export product. Duty Remission Scheme consist of (a) DFRC and (b) DEPB ("Duty Entitlement Pass Book" scheme). DFRC permits duty free replenishment of inputs used in the export product. The DEPB scheme allows drawback of import charges on inputs used in the export product.

An Advance License is issued to allow duty free import of inputs, which are physically incorporated in the export product (making normal allowance for wastage). In addition, fuel, oil, energy, catalysts etc. which are consumed in the course of their use to obtain the export product, may also be allowed under the scheme. Duty free import of mandatory spares upto 10% of the CIF value of the license which are required to be exported/ supplied with the resultant product may also be allowed under Advance License. Advance License can be issued for:-

a) Physical exports:- Advance License may be issued for physical exports to a manufacturer exporter or merchant exporter tied to supporting manufacturer(s) for import of inputs required for the export product.

b) Intermediate supplies:- Advance License may be issued for intermediate supply to a manufacturer-exporter for the import of inputs required in the manufacture of goods to be supplied to the ultimate exporter/deemed exporter holding another Advance License.

c) Deemed exports:- Advance License can be issued for deemed export to the main contractor for import of inputs required in the manufacture of goods to be supplied to the categories mentioned.

Advance License is issued for duty free import of inputs, as mentioned above subject to actual user condition. Such licenses (other than Advance License for deemed exports) are exempted from payment of basic customs duty, additional customs duty, anti dumping duty and safeguard duty, if any. Advance License for deemed export shall be exempted from basic customs duty and additional customs duty only.

Advance license can also be issued on the basis of annual requirement for physical exports. The entitlement under this scheme shall be upto 200% of the FOB value of export in the preceding licensing year. Such license shall have positive value addition.

The DEPB shall be valid for a period of 24 months from the date of issue of license.

Export obligation period under advance license has been enhanced from 12 months to 24 months and likewise, validity of the advance license has been enhanced from 12 months to 24 months. This will give the exporter more time for his export-import operations without having to come to DGFT repeatedly for extension of the export obligation period or renewal of the license. As per the Foreign Trade Policy released by the DGFT, extension of export obligation period may be granted subject to the following:

- One extension for a period of six months from the date of expiry of the original export obligation period to the licensee subject to payment of composition fee of 2% of the duty saved on all the unutilized import items as per license;
- Request for a further extension of six months may be considered by the Regional Licensing Authorities subject to payment of composition fee of 5% of the duty saved on all the unutilized import items as per license;
- However, any further extensions beyond 36 months from the date of issuance of the Advance License or on the lapse of any other extension(s) granted by DGFT would be permitted on payment of the composition fee @ 2% per month of the duty saved amount proportionate to the balance export obligation.

Karnataka Excise Act

The Karnataka Excise Act, 1965 contains the law relating to liquors and intoxicating drugs and levy of excise duty thereon as applicable to the State of Karnataka. The excisable items include liquor, intoxicating drugs, opium and narcotic drugs. As per the Karnataka (Excise Duties and Fees) Rules, 1968, the rate of excise duty on rectified spirit (extracted from molasses) for transfer/release or export is Rupees 2 per bulk litre.

HISTORY AND OTHER CORPORATE MATTERS

OVERVIEW

The Company was originally incorporated as Shree Renuka Sugars Limited vide certificate of incorporation no. 08-19046 dated October 25, 1995 with Registrar of Companies, Karnataka at Bangalore and received the certificate for commencement of business on January 5, 1996.

The key events in the business of our Company are as follows:

Year	Milestone achieved
1998	**Acquisition of assets of Nizam Sugars Limited** Our Company bought over the sick unit (sugar mill), from Nizam Sugars Limited with an existing capacity of 1,250 TCD and land admeasuring 135.552 acres situated at Sudhanagar Sugar Unit, Parigi Mandal, near Hindupur, Ananthapur District, Andhra Pradesh. All the land, buildings, plant and machinery along with the employees were taken over by our Company.
1999	**Shifting of plant from Hindupur to Munoli, and enhancement of capacity** Our Company subsequent to purchase of the mill from Nizam Sugars Limited, transferred all the plant and machinery along with the employees to the Munoli Unit at Belgaum and enhanced the capacity to 2,500 TCD.
1999	**Commencement of commercial production** We started our commercial production of sugar at the Munoli unit. We entered into a power purchase agreement with the Karnataka Electricity Board for sale of surplus electricity, being 7.55 MW for an initial period of 10 years from the date of commercial production and a renewal period of 20 years at the rate of Rs. 2.25 per kilowatt hour with escalation at the rate of 5% per annum.
2000	**Commencement of 11.2 MW cogeneration plant** We commissioned a 11.2 MW cogeneration plant for producing electricity from the Bagasse
2002	**Commencement of 60 KL distillery at Munoli in Karnataka** We installed a distillery with a capacity of 60 KL at our Munoli unit for manufacture and production of Ethanol.
2003	**Increase in co-generation capacity to 20.5 MW and setting up 250 TPD sugar refinery at Munoli** We increased our co-generation capacity of power from 11.2 MW to 20.5 MW by adding an additional turbine and boiler. We also installed a sugar refinery at our Munoli unit with a capacity of 250 TPD.
2004	**Expansion of refinery capacity to 1000 TPD** Subsequent to the installation of the 250 TPD sugar refinery and successful operation, we expanded the capacity to 1000 TPD
2004	**Lease for operation of Unit II at Ajara in Maharashtra** Our Company vide a lease agreement with Ajara Shetkari Sahakari (a co-operative sugar factory) Sakhar Karkhana Limited dated October 29, 2004, leased the sugar factory at Ajara in Maharashtra with a capacity of 2,500 TCD for a period of two years until September 26, 2006.
2004	**Setting up subsidiary in Dubai** We incorporated and registered Renuka Commodities DMCC as a Company in the Free Trade Zone in Dubai, United Arab Emirates to carry on the business of wholesale trading of sugar in the International market.
2005	**Lease for operation of Unit III at Mohannagar in Maharashtra** Our Company vide a lease agreement with Mohanrao Shinde Sahakari (a co-operative sugar factory) Sakhar Karkhana Limited dated July 2005, leased the sugar factory at Mohannagar village of Taluka Miraj, District Sangli in Maharashtra with a capacity of 2500 TCD for a period of six years for the

entire crushing season of 2005-2006 to end of crushing season 2010-2011.

2005	We have entered into a memorandum of understanding (MoU) with Haripriya Sugar Works Limited to acquire all assets (excluding receivables) of Haripriya Sugar Works Limited (Haripriya Sugar) including land admeasuring 162 acres and 29 guntas situated at village Burlatti (old Kokantur), Taluka Athani, District Belgaum, Karnataka for a sum of Rs. 40 million. For details, see "Objects of the Issue" on page 29 of this Red Herring Prospectus.

Changes in Registered Office of the Company

The table below shows the changes in the Registered Office of the Company since incorporation:

Previous Address	New Address	Reasons for Change in Office	Date of Change
1438/2 Kalmath Road, Belgaum - 590 002.	BC 105, Havelock Road, Cantonment, Belgaum - 590 001.	Shifting of operational office due to expansion of facilities.	February 23, 1996.

Form 18 dated February 23, 1996 for the change in address of the Registered Office has been filed with the Registrar of Companies, Karnataka at Bangalore.

Main Objects of the Company

The main objects of the Company as stated in the MoA, *inter alia* are as under:

1. To purchase, manufacture, produce, boil, refine, prepare, brew, import, export, buy, sell and generally to deal in all varieties of sugar, sugar-candy, jaggery, khandsari sugar, sugar beet, sugarcane, Molasses, syrups, melada, alcohol, spirits and all products or by-products thereof such as confectionery, glucose, Bagasse, Bagasse boards, paper, paper pulp, butyl alcohol, acetone, carbon-dioxide, hydrogen, potash, cane wax, fertilisers, cattle feed and food products generally.

2. To plant, cultivate, produce and raise and/or get cultivated through others or purchase sugarcane, sorghum, sugar beet, sago, palmyra juice and other crops or raw materials used in the production of sugar and its products and by-products.

3. To generate power by traditional and/or using, any latest technology for the captive consumption and also to distribute, sell such surplus generation if necessary to outsiders.

The object clause of the Memorandum of Association of the Company enables the Company to undertake activities for which funds are being raised in this Issue. The existing activities of the Company are in accordance with the object clause of its Memorandum of Association.

Changes in Memorandum of Association

Date of Shareholders approval	Changes
September 28, 1998	Increase in the authorised capital from Rs. 9,500,000/- (Rupees nine million and five hundred thousand only) to Rs. 40,000,000/- (Rupees forty million only) divided into 400,000 (Four hundred thousand only) Equity Shares of Rs. 10/- each.
April 30, 1998	Increase in authorised capital from Rs. 40,000,000 (Rupees forty million only) to Rs. 150,000,000 (Rupees One hundred fifty million) divided into : 120,00,000 (Twelve million only) equity shares of Rs. 10/- each and 300,000 (Three hundred thousand only) 12% Cumulative Redeemable Preference Shares of Rs. 100/- each.
September 30, 1999	Increase in the authorised capital from Rs. 150,000,000/- (Rupees one fifty million only) divided into 400,000 (Four hundred thousand only) Equity Shares of Rs. 10/- each to Rs. 250,000,000 (Rupees two hundred and fifty million only) divided into 20,000,000 (Twenty million only) Equity Shares of Rs. 10/- each and 500,000 (Five hundred thousand only) 12% Cumulative Redeemable Preference Shares of Rs. 100/- each.

December 30, 2000	Sub-division of preference shares from 500,000 (Five hundred thousand) 12% cumulative redeemable Preference Shares of the nominal value of Rs. 100/- each to 5,000,000 (Five million) 2% Cumulative Redeemable Preference shares of Rs. 10/- each
December 29, 2001	The Object clause of the Memorandum was amended to include the following C11 after C10: (C) 11: "To carry on business of processing, manufacturing, production, distribution, import, export, buying and selling of fertilizers including bio-fertilizers and organic fertilizers, soil conditioners, agro-chemicals, bio-chemicals, including both natural and synthetic herbicides, weedicides, insecticides and its intermediates, fungicides, plant growth regulators, micronutrients, antifeedants, repellents including mosquito and house flies repellents, processing of oil seeds and vegetable oil based on products including fatty acids and their derivatives thereof like soaps, detergents."
May 4, 2004	The Object clause of the Memorandum was amended to include the following C12 after C11: (C) 12: "To carry on in India or elsewhere the business of manufacturing, producing, processing, melting, converting, manipulating, treating and to act as agent, broker, buyer, seller, trader, importer, exporter, distributor, stockist, metallurgist, engineer, consultant, foundryman, jobworker, supplier, contractor or otherwise to deal in ferro alloys of all grades and forms including powder form such as ferro silicon, ferro chrome, silico manganese, silico calcium, silico chrome, ferro molybdenum, ferro vanadium, ferro tungsten, ferro silico magnesium, ferro columbium, ferro niobium, ferro titanium or other ferro alloys present or future and other allied items and to do all such incidental acts and things for the attainment of above objects.
May 4, 2004	Increase in the authorised share capital from Rs. 250,000,000 (Rupees two hundred and fifty million only) divided into 20,000,000 (Twenty million only) Equity Shares of Rs. 10/- each and 5,000,000 (Five million only) 2% Cumulative Redeemable Preference Shares of Rs. 10/- each to Rs. 400,000,000 (Rupees four hundred million only) divided into 35,000,000 (Thirty five million only) Equity Shares of Rs. 10/- each and 5,000,000 (Five million only) 2% Cumulative Redeemable Preference shares of Rs. 10/- each.
December 15, 2004	The Object clause of the Memorandum was amended to include the following 13 (i), (ii) and (iii) after 12 as follows: New Clause 13(i)(ii)(iii): (C)13(i): To carry on business of trading in agricultural products, metals including precious metals, precious stones, diamonds, petroleum and energy products and all other commodities and securities, in spot markets and in futures and all kinds of derivatives of all the above commodities and securities. (C) 13(ii): To carry on business as brokers, sub-brokers, market makers, arbitrageurs, investors and/or hedgers in agricultural products, metals, including precious metals, precious stones, diamonds, petroleum and energy products and all other commodities and securities, in spot markets and in future and all kinds of derivatives of all the above commodities and securities permitted under the laws of India.

(C) 13(iii): To become members and participate in trading, settlement and other activities of commodities exchange/s (including national multi-commodity exchange/s) facilitating, for itself or for clients, trades and clearing/settlement of trades in spots, in futures and in derivatives of all the above commodities permitted under the laws of India.

Raising of Long Term Debt

1. Increase of capacity at Munoli:

   In the year 1998, our Company availed a loan of Rs. 143,300,000 (Rupees one hundred forty-three million and three hundred thousand only) from the Industrial Development Bank of India for the purpose of enhancing the capacity at the Munoli Unit.

2. Increase of capacity at Munoli:

   Our Company in addition to the above mentioned loan availed of Rs. 158,048,000 (Rupees one hundred and fifty eight million and forty-eight thousand only) from the Sugar Development Fund set up by the Government of India for the enhancement of the capacity at the Munoli Unit.

3. Co-generation plant at Munoli:

   Subsequent to the increase in capacity and setting up of the co-generation plant at the Munoli unit, our Company availed a loan of Rs. 128,000,000 (Rupees one hundred and twenty eight million only) from the Indian Renewable Energy Development Agencies in the year 1998.

4. Setting up of Distillery at Munoli:

   Our Company availed a loan of Rs. 80,000,000 (Rupees eighty million only) from the ING – Vysya Bank in the year 2002 for the purpose of setting up of a Distillery at the Munoli unit for the production and sale of Ethanol as Molasses, which is the main raw material for the production is a by-product during the manufacturing of sugar.

5. Setting up of Sugar Refinery:

   Our Company availed of a loan of Rs. 105,000,000 (Rupees one hundred and five million only) in the year 2004 from the Industrial Development Bank of India to enhance the capacity of the sugar refinery from 250 TPD to 1000 TPD. The loan amount was also utilized to expand the co-generation unit from 11.2 MW to 20.5 MW.

6. Expansion of Co-generation unit at Munoli:

   In addition to the above loan, our Company also availed of Rs. 59,460,000 (Rupees fifty-nine million four hundred and sixty thousand only) from the Sugar Development Fund in the year 2004 to expand the co-generation unit at Munoli from 11.2 MW to 20.5 MW. 50% of this fund is yet to be released to our Company).

7. Term loan from ING Vysya Bank

   Our Company has availed a loan of Rs. 35,000,000 (Rupees thirty-five million only) from ING Vysya Bank for purchase of office premises at Mumbai in June 2005.

Raising of Equity

For details of raising of equity, please refer to "Capital Structure" on page 19 of the Red Herring Prospectus.

Our Subsidiary

We have one wholly owned subsidiary namely Renuka Commodities DMCC, Dubai, UAE ("Subsidiary") which is engaged in the business of wholesale trading of sugar.

Our Subsidiary was incorporated on October 26, 2004 under the laws of Dubai and registered with the Dubai Metal and Commodities Centre, UAE. The registration number of our Subsidiary is DMCC00166. The main objects of our Subsidiary are as follows:

1. "To carry on all such business as the Dubai Metals & Commodities Centre Authority ("the Authority") may permit under the terms of the license to be issued to it by the Authority ("the License"). For this purpose, the License shall be an integral part of this Memorandum of Association.
2. To carry on any other trade or business, which can, in the opinion of its Board of Directors and subject to the Authority's approval, be advantageously carried on in connection with or as ancillary to any of the business or activity set out in the License.
3. Not-withstanding the generality of the foregoing, Renuka Commodities DMCC may not:
   a) Carry on any banking business or any business of financial brokerage or financial advisory services unless it is duly licensed by the competent UAE Authorities;
   b) Carry on business as an insurance or reinsurance agent or insurance broker unless it is duly licensed to do so by the competent UAE Authorities."

Board of Directors

The Board of Directors of Renuka Commodities DMCC consists of:

1. Mrs. Vidya M. Murkumbi
2. Mr. Narendra M. Murkumbi
3. Mr. Nandan V. Yalgi
4. Mr. Robert Taylor

Financial Performance

The financial performance of Renuka Commodities DMCC from October 26, 2004 till June 30, 2005:

Profit & Loss Account for the period October 26, 2004 to June 30, 2005

(Rupees in million)

Particulars	
Revenues - Sales	1,026.33
	1,026.33
Purchases	934.83
Direct Expenses	0.46
Indirect Expenses	30.58
Depreciation	0.00
	965.87
Profit Before Tax	**60.47**
Balance carried to Balance Sheet	**60.47**

Balance Sheet as at June 30, 2005

(Rupees in million)

	31.03.2005
SOURCES OF FUNDS	
Capital	4.97
Reserve & Surplus	60.47
Unsecured Loans	0.53
	65.97
APPLICATION OF FUNDS	
Fixed Assets	0.10
Less : Depreciation	0.00
Net block	**0.10**
Current Assets	65.87
	65.97
EPS (Rs. equivalent to AED 125,720)	**1,511,783.00***
Book Value (Rs. equivalent to AED 136,048)	**1,635,983.00***

* Converted @ Rs. 12.025 per AED

Property

We have several premises which are owned, leased or rented in various locations in India, including Munoli, Belgaum and Mumbai.

a. Purchase of land bearing R.S. No. 48/1, situated at Kamkarhatti Village in Taluka and District Belgaum measuring 4 acres 8.5 guntas from Murkumbi Bioagro Private Limited, one of our Promoter Companies.

b. Purchase of land bearing R.S. No. 48/2, situated at Kamkarhatti Village in Taluka and District Belgaum measuring 4 acres 8.5 guntas from Murkumbi Industries Private Limited, one of our Promoter Companies.

Freehold Property

No.	Location	Area	Ownership Details
Unit I - Munoli, Karnataka[1]			
1.	Sy.No.367/1, Munoli village, Taluka Saundatti, District Belgaum, Karnataka	102 acres	Land admeasuring 102 acres has been granted by the Karnataka State Government to the Company vide its letter dated [July 21, 1998]. This land is being used for our sugar mill and cogeneration plant.
2.	Sy. No. 224/1 ,Munoli village, Taluka Saundatti, District Belgaum, Karnataka	17.01 acres	The Company has entered into 10 sale deeds (duly registered) with various sellers for purchase of land admeasuring a total of 17.01 acres. This land is being used for our distillery.
Hindupur, Andhra Pradesh			
3.	Sudhanagar Sugar Unit, Parigi Village, Parigi Mandal, near Hindupur, Ananthapur District, Andhra Pradesh	135.552 acres	The Company vide a sale dated (duly registered) August 24th, 1998 purchased the land, building plant and machinery from Nizam Sugars Limited. We have received an advance of Rs. 9.00 million towards part payment for sale of this land. We intend to enter into a conveyance deed with the buyers.
Belgaum, Karnataka			
4.	R.S. No. 48/1, Kamkarhatti Village, District Belgaum, Karnataka	4 acres, 8.5 guntas	The Company vide sale deed dated May 12, 2003 purchased the land.
5.	R.S. No. 48/2, Kamkarhatti Village, District Belgaum, Karnataka	4 acres, 8.5 guntas	The Company vide sale deed dated May 12, 2003 purchased the land.
Corporate Office (proposed) - Mumbai, Maharashtra			
	7th floor, Shiv Sagar Estate, 'C'-Wing Dr. Annie Besant Road, Worli, Mumbai - 400 025	6,400 square feet (built up)	The Company vide a sale deed dated (duly registered) July 20, 2005 purchased the premises.

All the above mentioned properties are duly registered and are free from all encumbrances.

[1] Please refer to the section titled "Outstanding Litigation and Material Developments" on page 225 of this Red Herring Prospectus for details regarding the case filed by the Company in Shree Renuka Sugars Limited v. M.J. Tased and Village Panchayat, Munoli.

Our Registered Office is located at BC-105 Havelock Road, Cantonment, Belgaum. For this office we have entered into a lease agreement for a period of 11 months ending June 13, 2006 with Late Mr. M. R. Murkumbi, Mrs. Vidya M. Murkumbi and Mr. Narendra M. Murkumbi. The total lease rent payable is Rs. 115,000 per month. Our corporate office is located at DGP House, 88-C, Old Prabhadevi Road, Mumbai - 400 025, which is on a 11-month leave and license arrangement ending on December 10th, 2005.

Salient features of Agreement with Nizam Sugars

Our Company vide a sale deed dated August 24, 1998 with Nizam Sugars Limited purchased the sick unit of Nizam Sugars Limited situated at Sudhanagar Sugar Unit, Parigi Village, Parigi Mandal, near Hindupur, Ananthapur District, Andhra Pradesh. Our Company vide this agreement purchased the land, buildings, plant and machinery and all rights, title and interest in the said property including all licenses, permits, approvals, etc. as obtained by Nizam Sugars Limited for a total consideration of Rs. 50,000,000 (Rupees fifty million).

Our Company agreed to continue the employment of the labourers / employees of Nizam Sugars Limited and also agreed not to resort to retrenchment of any of the employees. Furthermore, our Company also offered a voluntary retirement scheme in accordance with applicable laws, rules and regulations to all the employees.

Please refer to the section titled "Outstanding Litigation and Material Developments" on page 225 of this Red Herring Prospectus for details regarding the case filed by seven employees of Nizam Sugars Limited against our Company and Nizam Sugars Limited claiming for wages and retention allowance.

Salient features of lease agreement for Ajara Unit along with salient features of Government approval.

We have taken on lease a sugar factory registered as a co-operative society, Ajara Shetkari Sakhar Karkhana Limited, Gavase Taluka Ajara, District Kolhapur, Maharashtra, registered under the Maharashtra Co-operative Society's Act, 1960 vide lease agreement dated October 29, 2004. Our Company has taken on lease the sugar factory for a period of two years for the crushing season 2004-2005 and 2005-2006 being October 1st, 2004 to September 30th, 2006.

Clause 3 of the said lease agreement gives us full ownership over the sugar manufactured and by-products such as Bagasse, Molasses, pressmud, etc. and we are entitled to dispose of the said sugar and by-products during the period covered by the agreement.

We have agreed to carry on its activities under this agreement with the existing staff (workers, employees and officials) and without disturbing the service conditions and other terms of such staff. Our Company has also agreed to make the necessary contributions being provident fund contribution, employee state insurance contribution, gratuity contribution, etc. including regular salaries, allowances and other monetary benefits in relation to the entire staff during the period under this agreement. Our Company shall also be liable to pay all government taxes, revenue taxes, income tax, sales tax etc. as applicable to the sugar factory during the period of this agreement.

We have obtained the Approval of the Commissionerate of Sugar, Maharashtra for lease of said property dated October 7, 2004. For more details for consents / licenses and approvals obtained by us please refer to the section titled "Government / Statutory and Business Approvals" on page 231 of this Red Herring Prospectus

The lease agreement does not include a clause for renewal of lease after the end of crushing season of 2005-2006.

Salient features of lease agreement for Unit III at Mohannagar village, Maharashtra

Our Company has taken on *'bhadetatwawar'* i.e. on lease (though the same does not mean in legal terms of Transfer of Property Act "to give on lease" as such) a sugar factory registered as a co-operative society, Mohanrao Shinde Sahakari Sakhar Karkhana Limited, Mohannagar village, Taluka Miraj, District Sangli, Maharashtra, registered under the Maharashtra Co-operative Society's Act, 1960 vide an agreement dated July 2005 for a period of six years for the crushing season 2005-2006 to 2010 – 2011. The crushing capacity of the sugar factory will be 4000 TCD after installation of certain balancing equipment. Our Company will also set up co-generation facility at the sugar factory with a minimum capacity of 12 MW which will be the property of the sugar factory after the term of this agreement expires and the sugar factory has agreed to supply a specified quantity of free electricity and steam to us for operation of the distillery for a period of six years subsequent to the expiry of this agreement. The sugar factory shall have the right to sell any surplus power generated during the six years after the expiry of this agreement. The said agreement grants exclusive ownership over sugar manufactured, Molasses, Bagasse, pressmud and other by-products during the contract period to our Company.

Purchase / Proposed Purchase of Property out of Issue proceeds and Ongoing purchases

The following are the details of the property proposed to be purchased or acquired, which is to be paid for wholly or partly out of the proceeds of this Issue or purchase or acquisition which has not been completed at the date of filing this Red Herring Prospectus with RoC, Karnataka:

1. **Salient features of memorandum of understanding with Haripriya Sugar Works Limited, Karnataka**

   On August 14, 2005 we have entered into a memorandum of understanding (MoU) with Haripriya Sugar Works Limited, a company incorporated under the Companies Act 1956 and having its registered address at CTS No.

2376, Main Road, Athani, District Belgaum, and a factory at Burlatti Village of Taluka Athani, District Belgaum, to acquire all assets (excluding receivables) of Haripriya Sugar Works Limited (Haripriya Sugar) including land admeasuring 162 acres and 29 guntas situated at village Burlatti (old Kokantur), Taluka Athani, District Belgaum, Karnataka for a sum of Rs. 40 million. Haripriya Sugar had intended to set up a sugar mill with 5000 TCD capacity at this location and towards this end has obtained (a) Single Window Clearance from Udyog Mitra, Government of Karnataka vide order No. CI 25 TC 2000, Bangalore, dated June 29, 2000; (b) Allotment of cane area of 23 villages of Athani Taluka are allotted by Department of Commerce & Industry, Government of Karnataka by Notification No. CI 34 SGF 2000 dated June 30, 2000; and (c) Exemption of payment of stamp duty and registration fees on purchase of land and waiver of Conversion charges vide letter of Joint Direstor (Industrial Development) Department of Commerce & Industries, Government of Karnataka bearing No. IDF/E1/2000.01 dated January 12, 2001. In terms of the said MoU, Haripriya Sugar has agreed to transfer/ assign the aforesaid government approvals in favour of our Company and assist in transferring/assigning the aforesaid government approvals in our favour. We would utilise internal accruals for payment of consideration for acquisition of this land.

The transfer of the land is subject to obtaining requisite approvals from Government of Karnataka under Karnataka Land Reform Act, 1961 and under Karnataka Land Grant Rules, 1969. We have paid as advance a sum of Rs. 5.1 million and the balance consideration would be paid after receipt of government approvals for transfer of land as stated above.

2. **Proposed Purchase of property from Mohanrao Shinde Sahakari Sakhar Karkhana Limited**

As per the agreement entered into on July 27, 2005 with Mohanrao Shinde Sahakari Sakhar Karkhana Limited, a co-operative society registered under the Maharashtra Co-operative Societies Act, 1960, we also propose to buy 30 acres of land by a separate agreement at the premises of the sugar factory for the purpose of setting up a distillery which will be owned by us even after the expiration of the term of the agreement with Mohanrao Shinde Sahakari Sakhar Karkhana Limited. Mohanrao Shinde Sahakari Sakhar Karkhana Limited has vide their agreement with us agreed to sell the 30 acres of land to us at government ready reckoner rates. No agreement has been entered with Mohanrao Shinde Sahakari Sakhar Karkhana Limited as of the date of this Red Herring Prospectus.The proceeds of the Issue would be utilised for acquisition of this land.

OUR MANAGEMENT

Board of Directors

As per our Articles of Association, our Board shall consist of not less than three and not more than twelve directors of which not less than two-thirds of the total number of directors of our Company shall be persons whose periods of office is liable to determination by retirement of Directors by rotation and save as otherwise expressly provided in the Companies Act and our Articles of Association by the Company in the General Meetings. The remaining Directors shall be appointed in accordance with the provisions of our Articles of Association. We currently have nine Directors.

The following table sets forth the details regarding our Board of Directors as on the date of filing of this Red Herring Prospectus.

Sr. No.	Name, Father's / Husband's name, Address and Nationality, Occupation	Designation	Age	Directorships in other companies
1.	**Mrs. Vidya M. Murkumbi** W/o. Late Mr. Madhusudan R. Murkumbi BC 105, Havelock Road, Camp, Belgaum 590 001. Indian Occupation: Business Term: Appointed for a period of five years with effect from April 1, 2004 till March 31, 2009, subject to re-appointment on retirement by rotation.	Executive Chairperson	56	1. Murkumbi Bioagro Private Limited 2. Murkumbi Industries Private Limited 3. Renuka Commodities DMCC, Dubai
2.	**Mr. Narendra M. Murkumbi** S/o Late. Mr. Madhusudan R. Murkumbi BC 105, Havelock Road, Camp, Belgaum 590 001 Indian Occupation: Business Term: Appointed for a period of five years with effect from September 20, 2002 till September 19, 2007	Managing Director	36	1. Murkumbi Bioagro Private Limited 2. Murkumbi Industries Private Limited 3. Renuka Commodities DMCC, Dubai
3.	**Mr. Nandan V. Yalgi** S/o. Vithal K. Yalgi No. 10, 3rd Cross, Dwarka Nagar, Tilakwadi, Belgaum Indian Occupation: Business Term: Appointed for a period of five years with effect from September 24, 2004 till September 23, 2009, subject to re-appointment on retirement by rotation.	Director - Commercial	36	1. Renuka Commodities DMCC
4.	**Dr. B. P. Baliga** S/o. Late B. Raghava Baliga B-2, 774, Shyam Nivas, 3rd Road, Khar, Mumbai - 400 052 Indian Occupation: Technical Consultant Retire by rotation	Independent Director	67	1. Conster Chemicals Limited, Chennai

Sr. No.	Name, Father's / Husband's name, Address and Nationality, Occupation	Designation	Age	Directorships in other companies
5.	**Mr. Jayant G. Herwadkar** S/o Mr. Govind Herwadkar Saraf Colony, Khanpur Road, Tilakwadi, Belgaum - 590 006 Indian Occupation: Chartered Accountant Retire by rotation	Independent Director	61	1. Akaar Founders Private Limited 2. Fairfield Atlas Limited 3. Apple Hospitals and Research Institute Limited
6.	**Mr. J.J. Bhagat** S/o. Mr. Niranjandas Bhagat Sugar Technology Mission, D – 5 Apartment, Qutab Hotel, New Mehrauli Road, New Delhi - 110 016 Indian Occupation: Mission Director, Sugar Technology Mission Retire by rotation	Independent Director	58	1. Riga Sugar Company Limited
7.	**Mr. Sanjay K. Asher** S/o. Mr. Khatau C. Asher M/s. Crawford Bayley and Co., 4th Floor, State Bank of India Building, Horniman Circle, Fort, Mumbai Indian. Occupation: Advocate and Solicitor Retire by rotation	Independent Director	41	1. A.L. Movers Private Limited 2. Allied Pickfords India Private Limited 3. Aasia Industrial Technologies Limited 4. Alliance Bajaj General Insurance Company Limited 5. Alliance Bajaj Life Insurance Company Limited 6. Dewas Soya Limited 7. Diamant Boart Marketing Private Limited 8. Finolib Chemicals Private Limited 9. Finolex Investments Company Private Limited 10. Finolex Cables Limited 11. Finolex Wire Products Limited 12. Finolex Coil Cord Private Limited 13. Huntleigh Healthcare India Private Limited 14. IndusInd Media & Communications Limited 15. Infomedia India Limited 16. Migatronic India Private Limited 17. Morgan Stanley Investment Management Private Limited 18. Mepha Pharma India Private Limited 19. New Vernon Advisory Services Private Limited 20. Plastro Plasson Irrigation Systems Limited 21. Ratiopharm India Private Limited 22. Regent Drugs Limited 23. Repro India Limited 24. Saurer Precicomp Private Limited 25. Schlafhorst Engineering (India) Limited 26. Shop 24 Seven India Private Limited 27. Shop 24 Seven Holdings Private Limited 28. Siporex India Limited 29. Zinser Textile Systems Private Limited

Sr. No.	Name, Father's / Husband's name, Address and Nationality, Occupation	Designation	Age	Directorships in other companies
8.	**Mr. B.S. Parashivamurthy** S/o. Mr. H. Y. Sharanabasappa Assistant General Manager, Industrial Development Bank of India, "IDBI House" #58, Mission Road, Bangalore - 560 027 Indian Occupation: Service Term: Until IDBI withdraws nomination	IDBI Nominee	41	
9.	**Robert Taylor** S/o Walter Graham Taylor Windmill Cottage, Tarrant Gunville, Blandford, Dorset DT 11, 8 JW, UK. Occupation: Business and consultation Additional Director holds office until next AGM	Independent Director	33	1. Renuka Commodities DMCC 2. Agrinergy Limited, UK 3. Agrinergy Consultancy Private Limited

BRIEF BIOGRAPHY OF THE DIRECTORS

A brief profile of the board members, other than the promoters, is given below:

Mr. Nandan Yalgi, 36 years, joined our Board with effect from September 24, 2004 as Director - Commercial. He is *inter alia* in charge of export and import operations, logistics management, management foreign trade policy matters, overlooking central excise matters. He is an Electronics and Communications Engineer from Gogte Institute of Technology, Karnataka University. He has also completed a Small and Medium Enterprise Management Programme from the Indian Institute of Management, Ahmedabad. Prior to joining our Board he was Director of Murkumbi Bioagro Private Limited and prior to the same, he was the Project and Business Development Head for Murkumbi Bioagro Private Limited for the year 1994-1995. He played a key role in promoting and developing the Company's export business in Europe and America. He has varied experience of more than 10 years in the agricultural sector. As per the terms of his agreement with our Company his annual remuneration for FY 2004-'05 will be Rs. 840,000.

Dr. B.P. Baliga, 67 years, joined our Board with effect from September 29, 1997 as an independent Director. He has obtained a doctorate in Biochemistry and Nutrition from Texas A & M University. He was the Director of Research and Executive Secretary of the International Commission for Prevention of Alcoholism from the year 1958 to 1960. He was made the Deputy Chief Secretary, Chemist and Head of Food Division, Tata Oil Mills Limited, Bombay in 1960 and was the Director of Research (Chief of R & D Labs) from the year 1967 to 1986. He was the President of Association of Food Scientists and Technologists of India during the year 1979-80. He was the Vice-President of Oil Technologists Association of India. He was the pioneer in introduction of manufactured cattle-feeds in India in the early 1970s. As independent director Dr. Baliga is not entitled for annual remuneration and receives sitting fees of Rs. 7,500/- for every meeting attended and reimbursement of actual travel and lodging expenses.

Mr. Jayant G. Herwadkar, 55 years, joined our Board with effect from September 29, 1997 as an independent Director. He is a bachelor in Commerce from Shivaji University, Kolhapur. He is a Fellow member of the Institute of Chartered Accountants of India. He has been the financial advisor and consultant to several medium-scale industries in Western Maharashtra and Belgaum. As independent director Mr. Herwadkar is not entitled for annual remuneration and receives sitting fees of Rs. 7,500/- for every meeting attended and reimbursement of actual travel and lodging expenses.

Mr. J.J. Bhagat, 58 years, joined our Board with effect from August 5, 1999 as an independent Director, has completed his Post Graduation in Sugar Technology from National Sugar Institute, Kanpur. He heads the Sugar Technology Mission Project (STM) set up by the Government of India for the purpose of upgrading technology in the Indian Sugar industry. He is a member of the International Society of Sugar Cane Technologists, and also the referee on International Sugar Journal. He is also a member of the expert committee of ISSCT for Factory Commission. He is the Vice-President of Sugar Technologists Association of India, Life member of South Indian Technologists Association, member of Indian Standard Institution. He has served as member of Rehabilitation Committee constituted by the Government of Uttar Pradesh (India). He is a member of the Committee of Government of India for Revision of Technical specifications for sugar plants. Mr. J.J. Bhagat is a sugar expert on Technology Information, Forecasting and Assessment Council, constituted by Department of Science and Technology, Government of India. He is a member of the expert committee constituted for rehabilitation of Sugar Industry in Assam. He is a member Secretary of the High Powered Committee set up by the Government of India to examine all aspect of Sugar Industry in India. He has written various research papers in both national and international journals on technology related issues and has been involved in a number of in-house R & D activities. As independent director Mr. Bhagat is not entitled for annual remuneration and receives sitting fees of Rs. 7,500/- for every meeting attended and reimbursement of actual travel and lodging expenses.

Mr. Sanjay Asher, 41 years, joined our Board with effect from August 5, 1999 as an independent Director. He is a Bachelor in Commerce and a Bachelor of Law from the Mumbai University. He is a qualified Chartered Accountant.. He has been a practicing Advocate since 1989 with M/s. Crawford Bayley & Co. He was admitted as a Solicitor in the year 1993 and is a partner of M/s. Crawford Bayley & Co., since 2000. As independent director, Mr. Asher is not entitled for annual remuneration and receives sitting fees of Rs. 7,500/- for every meeting attended and reimbursement of actual travel and lodging expenses.

Mr. Robert Taylor, 33 years, has been recently appointed as an independent Director of our Company with effect from May 9, 2005. He has completed his Bachelor of Science in Economics and Economic History from London School of Economics and Political Science, UK where his main courses were in microeconomics, macroeconomics, econometrics, development economics, comparative economic systems, economic history of Russia, India, Japan, and Africa and world economy. He has also completed his Masters in Science in Agricultural Economics from Oxford University, UK where his main courses were agricultural economics, developmental economics, microeconomics, macroeconomics, econometrics and agricultural policy. He has over nine years of experience in the sugar industry. He is a director and co-founder of Agrinergy Limited, UK, a consulting firm focused on Clean Development Mechanism (CDM) projects and trading of carbon credits. He was the head of market research and analysis for Tate and Lyle International for a period of three years from 2000 to 2003. He was a market analyst for E D & F Man Sugar for a period of five years from 1995 to 2000. As independent director Mr. Taylor is not entitled for annual remuneration and receives sitting fees of Rs. 7,500/- for every meeting attended and also travel, lodging and boarding expenses for travel from U.K. to place of the meeting.

Mr. B.S. Parashivamurthy, 40 years, joined our Board as a nominee Director of IDBI Limited. He has completed his Bachelor in Engineering (Mechanical) from Bangalore University. He is a member of the Institution of Engineers, Kolkata and Institute of Cost and Works Accountants of India, Kolkata (ICWAI). He also holds Certified Associateship for the Indian Institute of Bankers (CAIIB). He has an aggregate experience of over 17 years in the banking sector. He is currently the Assistant General Manager, Corporate Finance Department of IDBI Limited, Bangalore. As nominee Director Mr. Parashivamurthy is not entitled for annual remuneration and receives sitting fees of Rs. 7,500/- for every meeting attended and reimbursement of actual travel and lodging expenses.

Borrowing Powers of Directors

Shareholders at their EGM held on May 4, 2004 have passed a resolution authorising the Board of Directors to borrow money upto Rs. 4,000 million, apart from the temporary loans obtained from the bankers of our Company during the ordinary course of business. Further, the shareholders of our Company at their AGM held on December 15, 2004 passed a resolution authorising the Board of Directors to give guarantees or provide any security in connection with the loan or loans made by any bank or financial institution or co-operative society to the farmers who are suppliers of cane and cane harvesting and transport contractors not exceeding Rs. 450 million.

Shareholding of our Directors in the Company

The shareholding of our Directors as on the date of filing of this Red Herring Prospectus with Roc is as below:

Name of the Director	Number of Equity Shares of Rs. 10/- each	% of pre-issue capital
Mrs. Vidya M Murkumbi	140,940	0.70
Mr. Narendra M Murkumbi	2,637,500	13.19
Mr. Nandan V Yalgi	60,040	0.30
Dr. B Prabhakar Baliga	50,010	0.25
Mr. Jayant G Herwadkar	30,000	0.15
Mr. J.J.Bhagat	50,000	0.25
Mr. Sanjay K Asher	70,000	0.35
Mr. B.S. Parashivamurthy	NIL	
Mr. Robert Taylor	NIL	

Details of appointment and compensation of our Executive Directors

Mrs. Vidya M. Murkumbi: Executive Chairperson

Mrs. Vidya M. Murkumbi was one of the original subscribers to the Memorandum of Association of our Company and has been a Director since inception. She was the Chairperson of our Company from April 17, 1999 till March 31, 2004. Mrs. Vidya M. Murkumbi was appointed as the Executive Chairperson of our Company for a term of five years with effect from April 1, 2004 vide a resolution of our Board of Directors on February 28, 2004. A formal agreement was entered between Mrs. Vidya M. Murkumbi and our Company on March 30, 2004.

Mrs. Vidya M. Murkumbi was paid a remuneration of Rs. 1,140,000/- (Rupees one million, one hundred and forty thousand only) per annum along with other perquisites with effect from April 1, 2004, which was subsequently increased to Rs. 2,100,000/- (Rupees two million and one hundred thousand only) per annum vide a resolution of the Board of Directors dated October 28, 2004. Mrs. Vidya M. Murkumbi is not awarded any sitting fees. Mrs. Vidya M. Murkumbi is also eligible for contribution to provident fund to the extent it is not taxable, gratuity payable at the rate not exceeding half month's salary for each completed year of services, leave with full pay or encashment, encashment being allowed at the end of the tenure, reimbursement of actual medical expenses incurred in India and / or abroad and including hospitalization, nursing home, surgical charges for herself and family, free use of Company's car for Company's work as well as for personal purposes along with driver, telephone, fax and other communication facilities at her residence at Company's cost. In addition to the above, Mrs. Vidya M. Murkumbi is entitled to commission of upto 1% of the net profits for each financial year as may be decided by the Board from time to time. The Executive Chairperson shall also be reimbursed all expenses including travelling, communication and entertainment incurred in connection with Company's business.

Mr. Narendra M. Murkumbi: Managing Director

Mr. Narendra M. Murkumbi was appointed as the Managing Director of our Company with effect from September 20, 1997. Subsequently, he was reappointed as the Managing Director for a term of five years with effect from September 20, 2002. A formal agreement was entered into between our Company and Mr. Narendra M. Murkumbi on September 10, 2002.

Mr. Narendra M. Murkumbi was given a fixed salary of Rs. 1,140,000/- (Rupees one million one hundred and forty thousand only) per annum along with other perquisites with effect from September 20, 2002, which was subsequently raised to Rs. 2,100,000/- (Rupees two million and one hundred thousand only) per annum vide a resolution of the Board of Directors dated October 28, 2004. Apart from salary and perquisites, Mr. Narendra M. Murkumbi is entitled to commission of upto 1% of the net profits for each financial year as may be decided by the Board from time to time. Mr. Narendra Murkumbi is not awarded any sitting fees. In addition to his remuneration he is eligible to contribution to Provident Fund. The Managing Director shall be reimbursed all expenses including travelling, communication, and entertainment incurred by him in connection with our Company's business.

Mr. Nandan V. Yalgi: Director - Commercial

Mr. Nandan V. Yalgi was one of the subscribers to the Memorandum of Association of our Company. Mr. Yalgi was appointed as the Director - Commercial of our Company by a resolution of the Board of Directors dated September 24, 2004. Mr. Yalgi was the Director (Marketing and Observation) of our Promoter Group Murkumbi Bioagro Private Limited prior to being invited to join the Board of Directors of our Company. Mr. Yalgi entered a formal agreement with the Company on October 29, 2004.

The annual remuneration of Mr. Nandan V. Yalgi is Rs. 840,000/- (Rupees eight hundred and forty thousand only) along with other perquisites. In addition to the monthly remuneration Mr. Nandan V. Yalgi shall be eligible for contribution to provident fund to the extent it is not taxable, gratuity payable at the rate not exceeding half month's salary for each completed year of services, leave with full pay or encashment, encashment being allowed at the end of the tenure, free furnished residential accommodation, fees for one club membership for corporate purposes, reimbursement of actual medical expenses incurred including hospitalization, nursing home, surgical charges for self and immediate family, Reimbursement for actual travelling expenses for proceeding on leave from Belgaum to any place in India and return therefrom once in a year in respect of himself and immediate family, personal accident insurance policy in accordance with the scheme applicable to senior employees of our Company, free use of Company's car for Company's work as well as for personal purposes along with driver, telephone, fax and other communication facilities at his residence at Company's cost. Mr. Nandan V. Yalgi shall also be reimbursed all expenses including travelling, communication and entertainment incurred in connection with Company's business.

Interest of Promoters and Directors

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

Our directors may also be regarded as interested in the equity shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as directors, members, partners or trustees.

Further:

- Mr. Sanjay Asher, one of the Directors of the Company is deemed to be interested to the extent of the fees payable to M/s. Crawford Bayley & Co. as legal advisors to the Company for the purpose of this Issue.
- Mrs. Vidya M. Murkumbi, and Mr. Narendra Murkumbi, are interested to the extent of lease rent of Rs. 115,000 being paid by our Company per month for our Registered Office located at BC-105 Havelock Road, Cantonment, Belgaum.
- Murkumbi Industries Private Limited is an interested party to the extent of fees paid by our Company as Green Shoe Lender
- Mr. Robert Taylor, one of the Director of the Company is also a Director and co-Founder of Agrinergy Limited, which provides consultancy to us for generating certified carbon credits and trading the same. He may be deemed to be interested to the extent of fees payable to Agrinergy in this regard.

Except as stated herein under and otherwise in the Red Herring Prospectus, the Company has not entered into any contracts, agreements or arrangements during the preceding two years from the date of the 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.

a) Purchase of land bearing R.S. No. 48/1, situated at Kamkarhatti Village in Taluka and District Belgaum measuring 4 acres 8.5 guntas from Murkumbi Bioagro Private Limited, one of our Promoter Companies.

b) Purchase of land bearing R.S. No. 48/2, situated at Kamkarhatti Village in Taluka and District Belgaum measuring 4 acres 8.5 guntas from Murkumbi Industries Private Limited, one of our Promoter Companies.

Changes in the Board of Directors during the last three years

Sr. No.	Name of Director	Date of Appointment / Vacation	Reason
1.	Mr. L.M. Menezes	June 13, 2005	Withdrawal of nomination by IREDA
2.	Mr. Robert Taylor	Appointed on May 9, 2005	Appointed as an additional Director
3.	Mr. Nandan V. Yalgi	Appointed on September 24, 2004	Appointed as Director (Commercial)
4.	Mrs. Vidya M. Murkumbi	Appointed on April 1, 2004	Appointed as Executive Chairperson
5.	Mr. S.M. Kaluti	Appointed on February 26, 2002 and resigned on October 28, 2004	Resigned the office of Director of our Company.
6.	Mr. N.K. Parashuram	Resigned on November 5, 2004	Withdrawal of nomination by KSIIDC

CORPORATE GOVERNANCE

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance and the SEBI Guidelines in respect of corporate governance will be applicable to our Company immediately upon the listing of our Company's Equity Shares on the Stock Exchanges. Our Company undertakes to adopt the Corporate Governance Code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges prior to the listing of our Equity Shares. Our Company has complied with such provisions, including with respect to constitution of the following Board Committees: the Audit Committee, Investor Grievance Committee and the Remuneration Committee. We have also constituted a Price Risk Management Committee.

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

1. Recognition of the respective roles and responsibilities of Board and the management;
2. Independent verification and assured integrity of financial reporting;
3. Protection of shareholder's right and priority for investor relations; and
4. Timely and accurate disclosure on all material matters concerning operations and performance of the Company.

At present the following committees have been formed in compliance with the Corporate Governance norms.

Audit Committee

We have an Audit Committee, in accordance with the Section 292 A of the Companies Act, and Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges. The Audit Committee consists of the following Directors of the Board:

1. Mr. J.G. Herwadkar
2. Mr. B.S. Parashivamurthy
3. Mr. Robert Taylor

Duties and powers of the Audit Committee *inter-alia* include the following:

a) Oversee our Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

b) Making recommendations to the Board on the appointment of the external auditor, the audit fee and any question of resignation or dismissal.

c) Review of half-yearly and annual financial statements before submission to the Board.

d) Discussion with the external auditors about the internal control system, nature and scope of audit, any problems or reservations arising from the audit and any matter which the external auditor wishes to discuss.

e) Review of external auditor's management letter.

f) Review of Company's statement on internal control system prior to endorsement by the Board and ensure compliance of internal control system.

g) Review of any significant findings of internal investigation.

h) Review of reports of the Internal Auditors.

i) Review of any matter in relation to the items specified in Sec. 292 A of the Companies Act, 1956 or referred to it by the Board.

Remuneration Committee:

We have a Remuneration Committee. The Committee consists of the following Directors of the Board:

1. Dr. B.P. Baliga
2. Mr. B.S. Parashivamurthy
3. Mr. L. M. Menezes (Nomination withdrawn by IREDA on June 13, 2005. The committee will be reconstituted in the next Board meeting)

Powers of the committee are as follows:-

a) To approve remuneration payable to managerial personnel, taking into account the financial position of the Company, trend in the industry, appointee's qualification, experience, past performance and past remuneration.

b) To bring about objectivity in determining the remuneration package while striking a balance between the interest of the Company and the shareholders.

Investor Grievance Committee:

We have an Investor Grievance Committee consisting of the following Directors:

1. Mrs. Vidya M. Murkumbi
2. Mr. Narendra M. Murkumbi
3. Mr. J.G. Herwadkar.

The Committee is authorized to:

a) To approve and register transfer and/or transmission of all classes of shares.

b) To sub-divide, consolidate and issue share certificates on behalf of the Company.

c) To affix / to authorize affixation of the common seal of the Company on the share certificates of the Company.

d) To redress matters relating to shareholders and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend, etc.

e) To do all such acts, deeds or things as may be necessary or incidental to the exercise of the above powers.

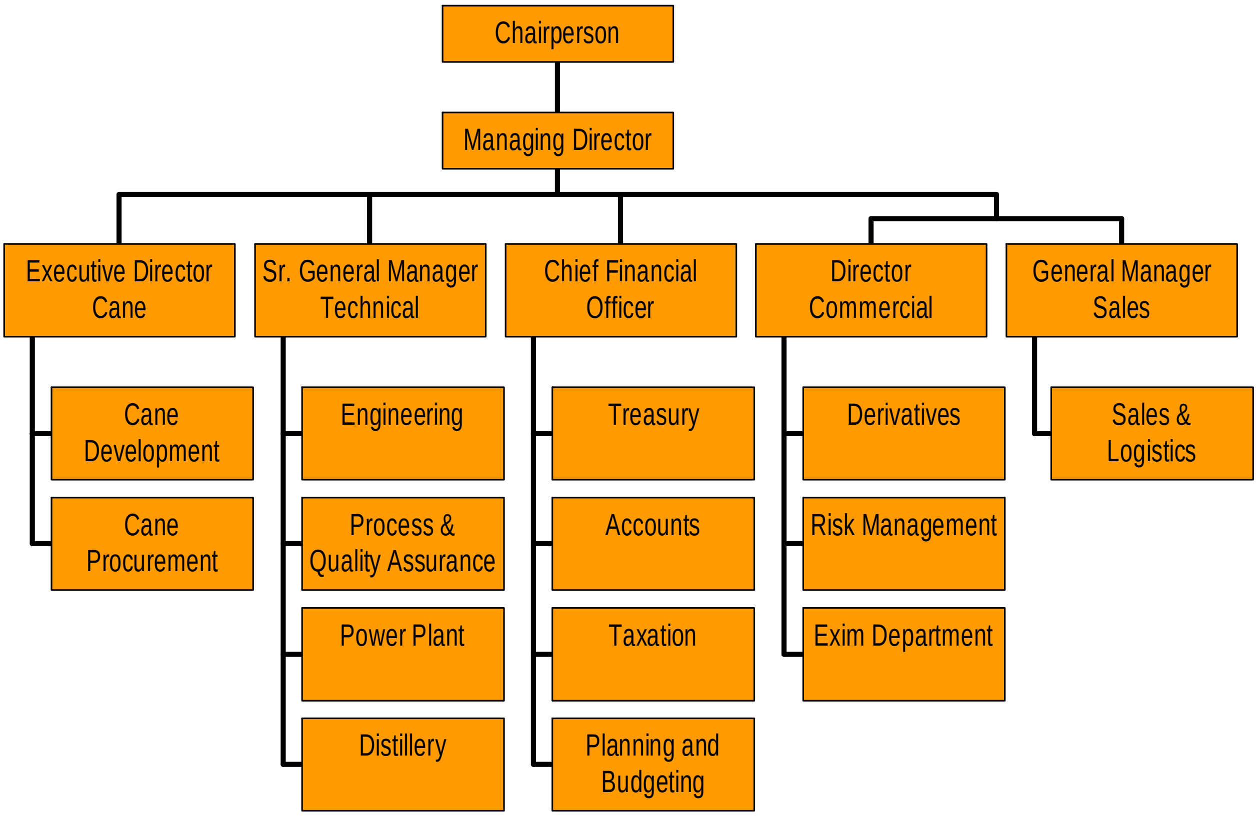
Price Risk Management Committee

We have a Price Risk Management Committee consisting of the following Directors and Executives of our Company:

1. Mr. Narendra M Murkumbi – Managing Director
2. Mr. Nandan V Yalgi – Director (Commercial)
3. Mr. Robert Taylor – Director
4. Mr. Abhay Deshpande – General Manager (Sales)
5. Mr. C. Dwarka Nath Acharya – Chief Financial Officer
6. Mr. Rajshekhar Charantimath – Manager (Finance)
7. Mr. Nitin Bhandari – Manager (Futures)

The committee is constituted to monitor price fluctuations of commodities and review financial and risk management policy of our Company.

ORGANIZATION STRUCTURE



KEY MANAGERIAL PERSONNEL

The details of our Key Managerial Personnel other than whole-time directors and promoters are as below:

For details on whole time Directors, please refer to section titled “Our Management” on page 88 of this Red Herring Prospectus. For details on promoters, please refer to section titled “Our Promoters and their Background” on page 99 of this Red Herring Prospectus.

Mr. S. R. Nerlikar, Executive Director (Cane)

48 years, Mr. Nerlikar has an experience of over 27 years in the cane procurement and development. He has completed his Bachelor of Science Agriculture from Pune University. He is also the recipient of P J Bhat Gold Medal for his academic excellence in the field of sugarcane. He was previously employed with Shri. Doodganga Krishna Sahakari Sakhar Karkhana Niyamit (“SSKN”) as Head of Cane Department for a period of 16 years and five years with Halasiddnath SSKN as Head of Cane Development. Mr. Nerlikar has been with our Company since 1999 and has received annual emoluments of Rs. 464,400 in FY 2004.

Mr. C. Dwarka Nath Acharya - Chief Financial Officer

45 years, Mr. Acharya has a rich industry experience in Indian and MNC companies and is a veteran in various facets of Finance, Accounts and Secretarial matters of Corporate India in various capacities for over 18 years, including an assignment for two years in San Jose, USA. He is a fellow member of Institute of Chartered Accountants of India and an associate member of Institute of Company Secretaries of India and a Diploma in Business Finance from Institute of Chartered Financial Analysts of India, Hyderabad. Mr. Acharya was inducted as Chief Financial Officer on May 18, 2005.

Mr. A. P. Deshpande - General Manager (Sales)

44 years, Mr. Deshpande has an experience of over 12 years in the marketing sector and nine years in engineering. He has completed his Bachelor of Engineering (Mechanical) from Bangalore University. He was previously employed with Alfa Laval India for a period of 18 years. Mr. Deshpande has been with our Company since December 2004.

Mr. S. Bashetti – Senior General Manager (Technical)

59 years, Mr. Bashetti has an experience of over 35 years in the sugar industry. He has completed his Bachelor in Engineering (Mechanical) from Karnataka University. He was previously employed with Shri. Doodganga Krishna SSKN for a period of nine years. Mr. Bashetti has been with the Company since its implementation stage and has been an active member in all the expansion projects at Munoli. Mr. Bashetti has been with our Company since 1999 and has received annual emoluments of Rs. 365,685 in FY 2004.

Mr. R. J. N. Nehru - Head – Power Plant

67 years, Mr. Nehru has an experience of over 46 years in the power sector. He has completed his Bachelor in Engineering (Mechanical) from Madras University. He was previously employed with BHEL for a period of 17 years. At Renuka Sugars Ltd. he has commissioned the 11.2 MW cogeneration power plant and subsequent expansion to 20.5 MW. Mr. Nehru has been with our Company since December 1999 and has received annual emoluments of Rs. 264,450 in FY 2004.

Mr. C.G. Mane - General Manager (Engineering)

49 years, Mr. Mane has an experience of over 24 years in the sugar industry. He has completed his Bachelor of Mechanical Engineering from Maharashtra State University. He was previously employed with Bajaj Hindustan Limited for a period of seven years. He is a council member of STAI, fellow member of SISTA and DSTA and member of SIT. He is one of the key persons in setting up the 1,000-TPD-sugar refinery at Munoli. Mr. Mane has been with our Company since 2001 and has received annual emoluments of Rs. 434,988 in FY 2004.

Mr. R.V. Huilgol - General Manager (Process and Quality Assurance)

54 years, Mr. Huilgol has an experience of over 32 years as a technologist in the sugar industry. He has completed his Bachelor of Science from Karnataka University with ANSI. He was previously employed with Kakira Sugar Works Limited for a period of eight years. Mr. Huilgol was involved in the dismantling and movement of the plant and machinery from the Hindupur unit and later on in the commissioning of the sugar plant at Munoli. He is one of the key persons in setting up the 1,000 TPD sugar refinery at Munoli. Mr. Huilgol has been with our Company since 1998 years and has received annual emoluments of Rs. 501,810 in FY 2004.

Mr. Rajshekhar Charantimath - Manager – Finance

34 years, Mr. Charantimath has an experience of over 10 years in the finance sector. He has completed his Masters in Commerce from Karnataka University. He was previously employed with Chougale group for a period of three years. Mr. Charantimath has been with our Company since its inception and has played a crucial role during the implementation period. He has received annual emoluments of Rs. 229,950 in FY 2004.

Mr. R.H. Sadekar - Company Secretary.

51 years, Mr. Sadekar has an experience of over six years as a practicing advocate and 18 years as an assistant company secretary /company secretary. He has completed his Bachelor

of Commerce from Karnataka University, and is a graduate in law from Karnataka University. He is also member of the Institute of Company Secretaries of India. He was previously employed with Gogte Textiles Limited for a period of 14 years. Mr. Sadekar joined our Company as a Company Secretary on December 1st, 2001 and has received annual emoluments of Rs. 180,000 in FY 2004.

Mr. Govind Misale - Distillery Manager

32 years, Mr. Misale has an experience of over 10 years in the sugar industry. He completed his Bachelor of Science (Physics, Chemistry, Mathematics) and Masters of Science (Biochemistry) from Karnataka University. He has a diploma in Bio-pesticide Technology and Bio-fertilizer Production from Karnataka University and a diploma in Industrial Fermentation and Alcohol Technology from Vasantdada Sugar Institute, Pune. He was involved in the installation and commissioning of the 60 KL per day alcohol plant and the 60 KL per day Fuel Ethanol Plant. Mr. Govind has been with our Company since 2001 and has received annual emoluments of Rs. 168,474 in FY 2004.

All the key managerial personnel as mentioned above are permanent employees of our Company. None of the above mentioned key managerial personnel are related to each other except Mrs. Vidya M. Murkumbi and Mr. Narendra M. Murkumbi. None of the key managerial personnel are appointed pursuant to any arrangement or understanding with major shareholder, customer or supplier.

Shree Renuka Sugars Employee Welfare Trust

Shree Renuka Sugars Employee Welfare Trust is a trust created by Shree Renuka Sugars Limited with Mr. Nandan V. Yalgi and Mr. Rajshekhar Charantimath as the trustees vide a Deed of Trust dated April 20, 2005. The trustees vide the meeting of Shree Renuka Sugars Employee Welfare Trust dated April 21, 2005 have appointed Mrs. Vidya M. Murkumbi and Mr. Narendra Murkumbi as the new trustees. The said SRSL Development Foundation was established with the object of *inter alia* to provide financial assistance for education, medical relief or for similar purpose to past or present employees and directors of our Company

Shareholding of our Key Managerial Personnel

Name	Designation	Number of Shares	Percentage of Pre-Issue capital
Mr. Nandan Yalgi	Director –Commercial	60,040	0.30
Mr. Sripad.R.Nerlikar	Executive Director – Cane	40,500	0.20
Mr. Abhay P Deshpande	General Manager –Sales	20,000	0.10
Mr. C. Dwarka Nath Acharya	Chief Financial Officer	NIL	NIL
Mr.M.S. Bashetti	Senior General Manager (Tech)	20,500	0.10
Mr. Chandrakant G. Mane	General Manager (Engineering)	30,000	0.15
Mr. R.V. Huilgol	General Manager (P & QA)	30,000	0.15
Mr. R.J.N. Nehru	Head - Power Plant	20,000	0.10
Mr. Rajshekhar Charantimath	Manager - Finance	10,500	0.05
Mr. Ramnath H. Sadekar	Company Secretary	10,500	0.05
Mr. Govind Misale	Distillery Manager	6,000	0.03

Bonus or Profit Sharing Plan for Key Managerial Personnel

We do not have any bonus or profit sharing plan for key managerial personnel.

Changes in Key Managerial Personnel in the last three years

S. No.	Name of Manager	Change
1.	Mr. C. Dwarka Nath Acharya	Joined with effect from May 18, 2005
2.	Mr. Abhay P. Deshpande	Joined with effect from December 1, 2004

OUR PROMOTERS AND THEIR BACKGROUND

Core Promoters

Our core Promoters are Mrs. Vidya M. Murkumbi, Mr. Narendra M. Murkumbi, Murkumbi Industries Private Limited and Murkumbi Bioagro Private Limited.

Mrs. Vidya M. Murkumbi, 56 years, a resident Indian national, is a Promoter of our Company. Mrs. Vidya M. Murkumbi completed her graduation in Chemistry, and spent 23 years in the Trading Business. She was initially involved in trading and distribution for various Tata and Parle products. Subsequently she moved into manufacturing and marketing business.

Mrs. Murkumbi started her industrial experience with Murkumbi Bioagro Private Limited and Murkumbi Industries Private Limited, which were engaged in agro-processing and chemical formulation. After working in the biotech industry for four years, Mrs. Murkumbi promoted Shree Renuka Sugars Limited. She has been involved with us since our inception.

She is also a director in Murkumbi Bioagro Private Limited, Murkumbi Industries Private Limited and Renuka Commodities DMCC. She is currently the president of South Indian Sugar Mills Association. She was member of Tuteja Committee set up by the Government of India in 2004 for revitalization of sugar industry.

Mrs. Murkumbi's PAN number is AGXPM4054H, Passport Number is A5512995, her voter identification number is KT/25/198/141104 and she is residing at BC 105 Havelock Road, Cantonment, Belgaum 590 001. She does not have a driver license.

Mr. Narendra M. Murkumbi, Managing Director

Mr. Narendra M. Murkumbi, 36 years, Managing Director of Shree Renuka Sugars Limited has done his graduation in Electronics and Communication Engineering from the Gogte Institute of Technology, Belgaum. He completed Post Graduate Diploma in Management (PGDM) with specialization in Entrepreneurship and New Venture Management from the Indian Institute of Management, Ahmedabad. He has been involved with our Company since its inception.

He is also a director in Murkumbi Bioagro Private Limited, Murkumbi Industries Private Limited and Renuka Commodities DMCC. He has also been a member of Government of India's committee for promotion of sugar exports.

Mr. Narendra Murkumbi's PAN number is ACDPM0041L, Passport Number is E4604116 and he is residing at BC 105 Havelock Road, Cantonment, Belgaum 590 001. His Karnataka State Driver License Number is 6819/90-1. His Voters Identification Card number is KT/25/198/141105.

For details of the address and other Directorships of our Promoters, please refer to the section titled "Our Management" on page 88 of this Red Herring Prospectus.

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

Murkumbi Industries Private Limited

Murkumbi Industries Private Limited ("MIPL") was incorporated under the Companies Act, vide Certificate of Incorporation dated August 13, 1997 having Registration No. 08/22644 of 1997 having its registered office at B.C. 105, Havelock Road, Cantonment, Belgaum - 590 001. The promoters of MIPL are Mr. Narendra M. Murkumbi and Mrs. Vidya M. Murkumbi.

Murkumbi Industries Private Limited was engaged *inter alia* in the business of manufacture and sale of agro-chemicals including natural and synthetic herbicides, weedicides, insecticides and its intermediates. Fertilizers including bio-fertilizers, organic fertilizers, soil conditioners, anti-feedants, repellants including mosquito and houseflies' repellants, processing of oil seeds, vegetable oil based products including fatty acids and their derivatives thereof like soaps, detergents. Currently, other than the investment in our Company it has no other operations.

Board of Directors:

1. Mrs. Vidya M. Murkumbi
2. Mr. Narendra M. Murkumbi

Shareholding Pattern:

The Shareholding pattern of Murkumbi Industries Private Limited as on August 31, 2005 is as follows:

Name of Shareholders	Number of shares	Percentage of share capital
Mrs. Vidya M. Murkumbi	10	0.01
Mr. Narendra M. Murkumbi	996,213	99.37
Mrs. Apoorva N. Murkumbi	3,151	0.31
Mr. Nandan Yalgi	3,151	0.31
TOTAL	**1,002,525**	**100.00**

Financial Performance:

Particulars	For the Financial Year ended March 31 (Rs.)		
	2003	2004	2005
Total Income	15,340,968	60,500	1,195,497
Profit / loss after taxation	5,709,669	(160,600)	416,735
Equity Share Capital	10,025,250	10,025,250	10,025,250
Reserves (excluding revaluation reserves)	8,512,569	8,351,969	8,768,705
Net worth	18,225,246	18,072,992	18,497,974
NAV per Share (Rs.)	18.18	18.03	18.45
EPS per Share (Rs.)	5.70	(0.16)	0.42

Murkumbi Bioagro Private Limited.

Murkumbi Bioagro Private Limited ("MBPL") was incorporated under the Companies Act, vide Certificate of Incorporation dated August 17, 1994 having Registration No. 08/16076 of 1994 having its registered office at B.C. 105, Havelock Road, Cantonment, Belgaum - 590 001. The promoters of MBPL are Mr. Narendra M. Murkumbi and Mrs. Vidya M. Murkumbi.

Murkumbi Bioagro Private Limited was engaged *inter alia* in the business of manufacture and sale of agro-chemicals including both natural and synthetic, herbicides, weedicides, insecticides and its intermediates, fungicides, plant growth regulators, micronutrients, fertilizers including bio-fertilizers and organic fertilizers, soil conditioners, antifeedants, repellants, including mosquito and house flies' repellants, processing of oil seeds and vegetable oil based products including fatty acids and their derivatives thereof like soaps and detergents. Currently, other than the investment in our Company it has no other operations.

Board of Directors:

1. Mrs. Vidya M. Murkumbi
2. Mr. Narendra M. Murkumbi

Shareholding Pattern:

The Shareholding pattern of Murkumbi Bioagro Private Limited as on August 31, 2005 is as follows:

Name of Shareholders	Number of shares	Percentage of share capital
Mr. Narendra M. Murkumbi	29,910	99.94
Mrs. Vidya M. Murkumbi	10	0.03
Mr. Nandan V. Yalgi	10	0.03
TOTAL	**29,930**	**100.00**

Financial Performance:

Particulars	For the Financial Year ended March 31 (Rs.)		
	2003	2004	2005
Total Income	30,320,547	1,385,220	4,649,807
Profit / loss after taxation	12,835,205	(8,433)	1,476,162
Equity Share Capital	2,993,000	2,993,000	2,993,000
Reserves (excluding revaluation reserves)	18,939,057	18,942,568	21,273,414
Net worth	21,145,934	21,191,673	23,547,113
NAV per Share (Rs.)	706.51	708.04	786.74
EPS per Share (Rs.)	411.25	(0.28)	49.32

We confirm that the Permanent Account Numbers, Bank Account Numbers, the Company registration numbers and the address of the Registrar of Companies of MIPL and MBPL where registered, have been submitted to the NSE and BSE at the time of filing this Red Herring Prospectus with them.

In addition to our Promoters, the following persons constitute the Promoter Group.

- Ms. Apoorva Murkumbi
- Ms. Inika Murkumbi
- Ms. Malvika Murkumbi
- Ms. Shantabai Deshpande
- Dr. Dilip Deshpande
- Ms. Supriya Rojekar

For details of shareholding of aforesaid persons, please refer to section tilted "Capital Structure - Notes" on page 20 of this Red Herring Prospectus.

OTHER ENTITIES OF THE PROMOTER GROUP

M/s. M. R. Murkumbi (Partnership Firm)

M/s. M.R. Murkumbi was a registered partnership firm between Mrs. Vidya Madhusudan Murkumbi and Late Mr. Madhusudan Ramchandra Murkumbi under a deed dated June 6, 2000. M/s. M.R. Murkumbi had its office at 1438/2, Kalmath Road, Belgaum 590 002. M/s. M.R. Murkumbi was engaged *inter alia* in the business of wholesale trading of chemicals like Salt, Sodium Biocarbonate, Soda Ash Light.

Partners of M/s. M.R. Murkumbi:

M/s M.R. Murkumbi had two partners and their profit sharing ratios was as under:

Mr. M.R. Murkumbi*	93%
Mrs. V.M. Murkumbi	7%

* Consequent to the demise of Mr. M.R. Murkumbi on September 2, 2005, Mrs. Vidya Murkumbi is a sole proprietor of the firm. Financial Performance of M/s. M.R. Murkumbi:

(Rs. in millions)

Particulars	**For the Financial Year ended March 31 (Rs.)**		
	2002	**2003**	**2004**
Total Income	Nil	4.67	4.38
Profit after taxation	(0.07)	0.01	0.06
Partners Capital	(7.13)	(7.22)	(7.04)

Note: Financials for the year 2004-05 are not yet finalised.

M/s. Narendra Murkumbi (Partnership Firm)

M/s. Narendra Murkumbi was a registered partnership firm between Late Mr. Madhusudan Ramchandra Murkumbi and Mrs. Vidya Madhusudan Murkumbi who had been carrying on business in partnership under a deed dated April 1, 1996 at Belgaum. The office for M/s. Narendra Murkumbi was at 1438 / 2, Kalmath Road, Belgaum 590 002. M/s. Narendra Murkumbi is carrying on the business of wholesale trading in branded tea.

Partners of M/s. Narendra Murkumbi:

M/s Narendra Murkumbi had two partners and their profit sharing ratios are as under:

Mr. M.R. Murkumbi*	95%
Mrs. V.M. Murkumbi	5%

* Consequent to the demise of Mr. M.R. Murkumbi on September 2, 2005, Mrs. Vidya Murkumbi is a sole proprietor of the firm.

Financial Performance of M/s. Narendra Murkumbi:

(Rs. in millions)

Particulars	**For the Financial Year ended March 31**			
	2001	**2002**	**2003**	**2004**
Total Income	28.63	15.84	10.65	8.58
Profit after taxation	0.21	0.09	(0.03)	(0.004)
Partners Capital	(5.95)	(4.85)	(5.14)	(12.99)

Note: Financials for the year 2004-05 are not yet finalised.

M/s. Narendra Agencies

M/s. Narendra Agencies was a registered partnership firm between Late Mr. Madhusudan Ramchandra Murkumbi and Mrs. Vidya Madhusudan Murkumbi who had been carrying on business in partnership under a deed dated April 1, 1996 at Belgaum. M/s. Narendra Agencies has its office at 1438/2, Kalmath Road, Belgaum 590 002. M/s. Narendra Agencies is engaged *inter alia* in the business of wholesale trading of chemicals, tea and confectioneries like biscuits and chocolates.

Partners of M/s. Narendra Agencies:

M/s M.R. Murkumbi had two partners and their profit sharing ratios are as under:

Mr. M.R. Murkumbi*	90%
Mrs. V.M. Murkumbi	10%

* Consequent to the demise of Mr. M.R. Murkumbi on

September 2, 2005, Mrs. Vidya Murkumbi is a sole proprietor of the firm.

Financial Performance of M/s. Narendra Agencies:

(Rupees in million)

Particulars	For the Financial Year ended March 31		
	2003	2004	2005**
Total Income	8.11	13.99	11.77
Profit after taxation	0.01	0.008*	0.07
Partners Capital	5.27	0.75	1.14

* The Profit after Taxation includes tax refund to M/s. Narendra Agencies.

** Unaudited figures

Murkumbi Manufacturing Private Limited

Murkumbi Manufacturing Private Limited was incorporated under the Act, vide Certificate of Incorporation dated July 15, 1996 having Registration No. 08/20815 of 1996 having its registered office at B.C. 105, Havelock Road, Cantonment, Belgaum - 590 001. Murkumbi Manufacturing Private Limited was formed to carry on the business of manufacture and sale of ago-chemicals including both natural and synthetic, herbicides, weedicides, insecticides and its intermediates, fungicides, plant growth regulators, micronutrients, fertilizers including bio-fertilizers and organic fertilizers, soil conditioners, antifeedants, repellents, including mosquito and house flies' repellents, processing of oil seeds and vegetable oil based products including fatty acids and their derivatives thereof like soaps and detergents.

The Company has remained defunct since incorporation. Application dated March 4, 2004 was made under Section 560 of the Companies Act, 1956 to strike off the name from the register of companies.

Board of Directors

1. Mr. Narendra M. Murkumbi
2. Mrs. Vidya M. Murkumbi

Shareholding pattern of the Company as on June 30, 2004:

Sr. No.	Name of Director	No. of shares	% of Shareholding
1.	Mrs. Vidya M. Murkumbi	510	50
2.	Mr. Narendra M. Murkumbi	510	50
TOTAL		**1020**	**100**

Financial Performance:

Particulars	For the Financial Year ended March (Rs.)		From April 1, 2003 till March 4, 2004
	2002	2003	
Total Income	-	-	-
Profit after taxation	-	-	-
Equity Share Capital	2,000	102,000	102,000
Reserves (excluding revaluation reserves)	-	-	-
Unsecured Loans (M/s. Murkumbi Industries Private Limited)	52,844	52,776	-
Other Liabilities	5,100	3,160	-

None of our Promoter Companies or other entities of the Promoter Group are sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1995 or under winding up except Murkumbi Manufacturing Private Limited as stated above.

PROMOTER GROUP COMPANIES

Other than as mentioned above in this Red Herring Prospectus our core Promoters have not promoted any company / venture / partnership firm / sole proprietorship.

RELATED PARTY TRANSACTIONS

The details of Related Party Transactions as per the Auditor's Report dated September 9, 2005 are as follows:

NAME OF THE RELATED PARTIES WITH WHOM TRANSACTIONS WERE CARRIED OUT

(All the data are as of September 30th, unless otherwise stated)

2001-2002

1

Key Management Personnel	Designation
i. Mr. Narendra Murkumbi	Managing Director

2 Enterprises over which KMP or relatives of KMP are able to exercise significant influence.

(Rs. in millions)

Name of the related Party	Nature of relationship
i. M/s. Murkumbi Indusries Pvt. Ltd.	Chairperson and Managing Director are directors
ii. M/s. Murkumbi Bioagro Pvt. Ltd.	Chairperson and Managing Director are directors

Sr. No.	Nature of Transactions	Key Management Personnel	Related Parties
1	Remuneration Paid	1.14	
2	Unsecured Loan received		4.22
	Payables	**0.03**	**4.22**
	Receivable	-	-

2002-2003

1

Key Management Personnel	Designation
i. Mr. Narendra Murkumbi	Managing Director

2 Enterprises over which KMP or relatives of KMP are able to exercise significant influence.

(Rs. in millions)

Name of the related Party	Nature of relationship
i. M/s. Murkumbi Indusries Pvt. Ltd.	Chairperson and Managing Director are directors
ii. M/s. Murkumbi Bioagro Pvt. Ltd.	Chairperson and Managing Director are directors

Sr. No.	Nature of Transactions	Key Management Personnel	Related Parties
1	Remuneration Paid	1.14	
2	Take over of Fixed Assets		20.95
3	Share Application money received		1.50
4	Unsecured Loan received		0.65
5	Take over of Liabilities		20.70
	Payables	**0.07**	**0.50**
	Receivable	-	-

2003-04

1

Key Management Personnel	Designation
i. Mrs. Vidya Murkumbi	Executive Chairperson
ii. Mr. Narendra Murkumbi	Managing Director
iii. Mr. Nandan Yalgi	Director (Commercial)

2 **Enterprises over which KMP or relatives of KMP are able to exercise significant influence.**

(Rs. in millions)

Name of the related Party	Nature of relationship
i. M/s. Murkumbi Indusries Pvt. Ltd.	Executive Chairperson & Managing Director are directors
ii. M/s. Murkumbi Bioagro Pvt. Ltd.	Executive Chairperson & Managing Director are directors

Sr. No.	Nature of Transactions	Key Management Personnel	Related Parties
1	Remuneration Paid	1.72	
2	Share Application money received		2.00
	Payables	0.07	- NIL -
	Receivables	- NIL -	- NIL -

2004-05 (June 30, 2005)

1 **Subsidiary Company** — Renuka Commodities DMCC, Dubai

Subsidiary Company	Renuka Commodities DMCC, Dubai

2

Key Management Personnel	Designation
i. Mrs. Vidya Murkumbi	Executive Chairperson
ii. Mr. Narendra Murkumbi	Managing Director
iii. Mr. Nandan Yalgi	Director (Commercial)

Enterprises over which KMP or relatives of KMP are able to exercise significant influence.

(Rs. in millions)

Name of the related Party	Nature of relationship
i. M/s. Murkumbi Indusries Pvt. Ltd.	Executive Chairperson & Managing Director are directors
ii. M/s. Murkumbi Bioagro Pvt. Ltd.	Executive Chairperson & Managing Director are directors

Sr. No.	Nature of Transactions	Key Management Personnel	Related Parties
1	Remuneration Paid	3.81	
2	Investment in Subsidiary		4.97
	Payables	0.15	- NIL -
	Receivables	- NIL -	- NIL -

DIVIDEND POLICY

The declaration and payment of dividends on our Equity Shares will be recommended by our board of directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, cash flows, capital expenditure, capital requirements and overall financial condition. We have declared and paid dividend on Equity Shares only in the Fiscal Year 2003-2004 amounting to Rs. 13.57 million. The dividend per share was at the rate of 10% of the face value of each share.

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future. Dividends are paid in cash.

In terms of the loan agreements we have entered into with the banks/ financial institutions, we cannot declare or pay any dividend during any financial year unless we have paid all the pending dues of the banks/ financial institutions.

SECTION V: FINANCIAL STATEMENTS

REPORT OF OUR STATUTORY AUDITOR, ASHOK KUMAR, PRABHASHANKAR & CO.

The Board of Directors
Shree Renuka Sugars Ltd.
B.C. 105, Havelock Road,
Cantonment, Camp
Belgaum – 590 001

Dear Sirs:

We have examined the financial information of Shree Renuka Sugars Limited, as attached to this report and initialled by us for identification.

The said financial information has been prepared in accordance with the requirements of paragraph B(1) of Part II of Schedule II to the Companies Act, 1956, (referred to as "Act") the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, as amended, including instructions and clarifications issued by SEBI from time to time and in accordance with the instructions received from the Company requesting us to carry out work in connection with the Offer Document being issued by the Company in connection with its public issue of Equity Shares (referred to as "the Issue"). The financial information has been prepared by the Company and approved by the Board of Directors of the Company.

Restated Unconsolidated Financial Statements

We have examined:

A. (a) the attached statement of Profits and Losses, as restated, of the Company for each of the financial years ended September 30, 2000, 2001, 2002, 2003, 2004 and for the periods ended June 30, 2004, 2005; and

(b) the attached statement of Assets and Liabilities, as restated, as at the said dates enclosed as Annexure I and Annexure II respectively to this report together referred to as "Summary Statements".

The summary statements have been extracted from the financial statements of the respective years audited by us and adopted by the Board of Directors and Members.

Based on our examination of these Summary Statements, we state that:

(i) The restated profits have been arrived at after making such adjustments and regrouping, which in our opinion are appropriate for the year to which they are related, shown in Annexure III to this report.

(ii) The Summary Statements of the Company have been restated with retrospective effect in accordance with the Significant Accounting Policies adopted by the Company as at June 30, 2005 and Notes to Accounts, as shown in Annexure IV-A and IV B respectively, to this report.

(iii) Exceptional and non-recurring items which are material have been separately disclosed in the Summary Statements.

B. Other Financial Information relating to the Company proposed to be included in the Offer Document, as approved by the Board of Directors and annexed to this report:

(a) Restated "Cash Flow Statement" in respect of each years ended September 30, 2001, 2002, 2003, 2004 and for the periods ended June 30, 2004, 2005 as shown in Annexure V to this report.

(b) Statement of "Accounting Ratios" comprising earning per share, return on net worth and net asset value which have been calculated based on restated profits as shown in Annexure VI to this report.

(c) Details of "Secured Loans", as restated, as at 30th June, 2005 as shown in Annexure VII to this report.

(d) Details of "Unsecured Loans", as restated, as at 30th June, 2005 as shown in Annexure VIII to this report.

(e) Details of "Quoted Investments", as restated, as at 30th June, 2005 as shown in Annexure IX to this report..

(f) Age-wise analysis of "Sundry Debtors", as restated, as at 30th June, 2005 as shown in Annexure X to this report.

(g) Details of "Loans and Advances", as restated, as at 30th June, 2005 as shown in Annexure XI to this report.

(h) "Capitalisation Statement" of the Company as at 30th June, 2005 enclosed as Annexure XII to this report.

(i) Details of "Related Party Disclosures", as shown in Annexure XIII to this report.

(j) Details of "Contingent Liabilities", as at 30th June, 2005 shown in Annexure XIV to this report.

(k) Details of "Dividend Paid" by the Company in respect of each of the years ended September 30, 2000, 2001, 2002, 2003 and 2004 as shown in Annexure XV to this report.

(l) Statement of "Other Income", as restated, as shown in Annexure XVI to this report.

(m) Statement of "Segment Information", as restated, as shown in Annexure XVII to this report.

(n) Statement of "Taxation", as restated, as shown in Annexure XVIII to this report.

(o) Statement of "Eligibility for the Issue", as shown in Annexure XIX to this report

C. Consolidated Financial Statements

Consolidated financial statements have been prepared by the Company for the nine-month period ended June 30, 2005, as there were no subsidiaries prior to that date. We have therefore examined the following restated Consolidated Financial Information relating to the Company and its wholly-owned subsidiary – Renuka Commodities DMCC, Dubai, UAE

(a) Consolidated Statement of Profit & Loss of the Company and its subsidiary for the nine-month period ended June 30, 2005 as shown in Annexure XX to this report.

(b) Consolidated Statement of Assets and Liabilities of the Company and its subsidiary as at June 30, 2005 as shown in Annexure XXI to this report.

(c) Consolidated Cash Flow Statement of the Company and its subsidiary as at June 30, 2005 as shown in Annexure XXII to this report.

The Consolidated Statements have to be read in conjunction with the Significant Accounting Policies & Notes to Accounts given in Annexure XXIII to this report.

In our opinion, the financial information of the company attached to this report as mentioned in Paragraphs A, B and C above, read together with the Significant Accounting Policies and Notes stated in Annexure IV and Annexure XXIII to this report and after making adjustments and regrouping as considered appropriate, have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines of SEBI.

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

For Ashok Kumar, Prabhashankar & Co.
Chartered Accountants

Place : Bangalore
Date : 9th September 2005

K. N. Prabhashankar
Partner

Annexure – I

STATEMENT OF PROFIT AND LOSSES AS RESTATED

(Rs. in millions)

	Period ended on September 30,					30.06.04	30.06.05
	2000	**2001**	**2002**	**2003**	**2004**	**Nine Months**	**Nine Months**
Income							
Sales :							
Of products manufactured by the Company	189.09	1,067.67	1,064.84	1,581.30	1,773.76	1,433.27	3,122.44
Less: Inter-segment revenue	(18.96)	(98.27)	(112.24)	(258.19)	(242.78)	(206.84)	(475.69)
Of products traded by the Company	-	-	387.16	1,605.85	729.88	637.85	1,554.65
Net Revenue	**170.13**	**969.40**	**1,339.75**	**2,928.96**	**2,260.86**	**1,864.28**	**4,201.40**
Other income	0.13	1.64	2.56	5.53	13.76	9.73	14.28
Increase (decrease) in inventory	115.57	(128.73)	15.95	85.11	180.71	242.56	968.68
Total Income	**285.83**	**842.31**	**1,358.27**	**3,019.59**	**2,455.34**	**2,116.57**	**5,184.35**
EXPENDITURE							
Raw materials & goods consumed	180.26	587.17	1,071.16	2,541.86	1,950.73	1,705.58	4,485.87
Less : Inter-segment Expenditure	(4.50)	(31.76)	(37.28)	(80.80)	(76.44)	(75.74)	(232.89)
Staff costs	16.02	27.48	23.47	26.07	30.06	22.00	64.08
Other Manufacturing expenses	52.33	122.47	130.95	267.86	257.28	206.78	416.01
Less: Inter-segment Expenditure	(14.46)	(66.51)	(74.96)	(177.38)	(166.34)	(131.09)	(242.80)
Administrative, Selling & distribution expenses	10.79	53.37	86.18	215.26	122.52	116.09	161.70
Interest	42.80	96.20	82.31	120.57	113.25	86.46	100.10
Depreciation	29.05	46.84	51.69	63.34	70.75	53.06	61.08
Miscellaneous expenditure " written off	0.02	0.02	0.02	0.12	1.79	5.56	0.52
Total Expenditure	**312.31**	**835.28**	**1,333.53**	**2,976.90**	**2,303.60**	**1,988.70**	**4,813.67**

(Rs. in millions)

Period ended on	**September 30,**					**30.06.04**	**30.06.05**
	2000	**2001**	**2002**	**2003**	**2004**	**Nine Months**	**Nine Months**
Net Profit before tax and extraordinary items	(26.48)	7.03	24.73	42.69	151.74	127.87	370.68
Provision for taxation	0.49	0.49	1.11	14.75	29.03	29.03	49.61
Net profit after tax and before extraordinary items	(26.97)	6.54	23.62	27.94	122.71	98.84	321.07
Extraordinary items (net of tax)	-		-	-	-		-
Net profit after extraordinary items	(26.97)	6.54	23.62	27.94	122.71	98.84	321.07
Prior Period Adjustment towards exception items							
- *Inventory*	-	-	-	-	55.13	-	-
- *Income Tax*	-	-	-	-	10.00	-	
- *Depreciation and others*	-	0.83	1.24	1.15	1.09	-	0.52
Adjusted Profit after Tax	**(26.97)**	**5.72**	**22.38**	**26.78**	**56.50**	**98.84**	**320.55**
Earlier year balance carried forward	-	(26.97)	(21.25)	1.13	15.10	15.10	9.06
Appropriations							
Transfer to General Reserve	-	-	-	12.61	47.00	-	8.50
Proposed Dividend	-	-	-	0.19	13.74	-	0.12
Tax on Proposed Dividend	-	-	-	0.02	1.80	-	0.02
Balance carried to Balance sheet	**(26.97)**	**(21.25)**	**1.13**	**15.10**	**9.06**	**113.94**	**320.98**

Annexure – II

BALANCE SHEET AS RESTATED

(Rs. in millions)

	As at	September 30,					30.06.04	30.06.05
		2000	2001	2002	2003	2004		
A.	Assets							
	Fixed Assets - gross block	638.68	745.06	949.31	1,076.03	1,223.29	1,141.62	1,389.13
	Less: Depreciation	30.17	77.62	130.38	193.98	265.55	243.77	329.92
	Net Block	**608.51**	**667.44**	**818.93**	**882.05**	**957.74**	**897.85**	**1,059.21**
	Less: Revaluation Reserve	-	-	-	-	-		-
	Net Block after adjustment for Revaluation Reserve	**608.51**	**667.44**	**818.93**	**882.05**	**957.74**	**897.85**	**1,059.21**
B.	Investments	0.00	0.00	0.00	0.05	0.05	0.05	5.52
C.	Current assets, loans and advances							
	Inventories	171.79	70.52	96.83	187.49	437.95	659.18	2,791.93
	Receivables	14.76	28.79	102.73	65.38	83.34	74.78	308.09
	Cash & bank balances	6.99	45.37	24.51	37.79	321.93	181.06	348.78
	Loans and advances	50.13	85.58	167.84	107.51	166.11	132.86	180.22
	Total Assets	**852.18**	**897.71**	**1,210.84**	**1,280.26**	**1,967.12**	**1,945.78**	**4,693.74**
D.	Liabilities & Provisions							
	Loan funds							
	Secured loans	572.82	487.01	815.98	716.22	679.58	710.99	1,177.45
	Unsecured loans	96.34	158.38	165.86	214.49	231.67	251.41	210.76
	Deferred Tax Liability (Net)	-	-	-	13.21	33.43	33.43	52.77
	Current liabilities & provisions							
	Sundry liabilities	88.27	139.62	72.51	147.00	743.48	651.32	2,597.66
	Provisions	0.53	0.18	1.29	1.60	35.72	10.19	47.69
E.	**Net worth**	**94.23**	**112.53**	**155.20**	**187.74**	**243.25**	**288.44**	**607.41**
	Represented by:							
	Shareholders' funds							
	Share Capital							
	- Equity Share Capital	121.12	126.30	127.56	134.33	147.07	137.22	200.00
	- Preference Share Capital	0.14	1.36	8.27	8.50	8.50	8.50	-
	Reserves & surplus	(26.97)	(11.88)	19.88	46.71	87.68	148.75	408.09
	Less: Revaluation Reserve	-	-	-	-	-		-
	Reserves (Net of Revaluation Reserve)	(26.97)	(11.88)	19.88	46.71	87.68	148.75	408.09
	Less: Miscellaneous expenditure not writtenoff	(0.06)	(3.25)	(0.51)	(1.79)	-	(6.03)	(0.68)
	Total	**94.23**	**112.53**	**155.20**	**187.74**	**243.25**	**288.44**	**607.41**

Annexure – III

Changes in Accounting Policies and Significant Accounting Policies

- During the current period ending June 30, 2005**,** due to change over of practice of valuation of inventories to a cost basis, the value of inventories as of September 30, 2004 is higher by Rs.551.28 lakhs. Correspondingly, the closing balance of reserves and surplus has been reduced by Rs 551.28 lakhs on account of the effects relating to the earlier year, which has been disclosed as an exceptional item in the restated financials for the year ending September 30, 2004 in Annexure I.
- Other significant policies and material notes are explained in Annexure IV A and B.

Significant Accounting Policies and Material notes to the Restated Financial Statements

A. Significant Accounting Policies

(a) Basis of presentation

The accompanying financial statements have been prepared on a going concern basis under the historical cost convention on the accrual basis of accounting in conformity with accounting principles generally accepted in India ("Indian GAAP"). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year, except as described in note 28.

(b) Use of estimates

In preparing the Company's financial statements in conformity with accounting principles generally accepted in India, the Company's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period; actual results could differ from those estimates. The management's estimates for future obligations under employee benefit plans, the useful life of tangible assets and the realization of sundry debtors and loans and advances represent particularly sensitive estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any cost attributable to bringing the asset to its working condition for its intended use. Expenditure incurred during construction period has been added to the cost of the assets. These expenses have been added in the ratio of 63:37 to the sugar and power generation units.

(d) Borrowing costs

Financing cost incurred up to the date of completion of construction or installation of qualifying assets, on funds borrowed are also capitalized as a part of the cost of the asset.

(e) Depreciation

Depreciation is provided at the rates and in the manner prescribed in Schedule XIV of the Indian Companies Act, 1956. The sugar manufacturing units, the distillery and the bio-fertilizer units are depreciated using the straight line method, while the power generation facility is depreciated using the written down value method. As per estimates of management, these rates are representative of the economic useful life of these assets.

No depreciation is provided on assets held for sale and such assets are written down to their realizable values.

(f) Leases

Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(g) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. Profit/ loss on sale of investments is computed with reference to their average cost.

(h) Inventories

Inventories are valued as follows:

Raw materials, stores and spares and packing materials

Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a First In First Out ('FIFO') basis.

Finished goods

Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods excludes excise duty.

Work-in-process

Lower of cost upto estimated stage of process and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

By-products

By-products are valued at cost. Inter-unit transfers of by products also include the cost of transportation, duties, etc.

(i) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of trade discounts, excise duty, sales returns and sales tax.

Revenue from sale of power is recognized when the units generated are transmitted to the pooling station, in accordance with the terms and conditions of the power purchase agreement entered into by the Company with the power transmission companies.

(j) Foreign currency translation

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate at the date of the Balance Sheet. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and investments in foreign companies are recorded at the exchange rates prevailing on the date of making the investments.

Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognized as income or as expenses in the period in which they arise, except for loans denominated in foreign currencies utilised for acquisition of fixed assets where the exchange gains/losses are adjusted to the cost of such assets.

Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the period.

(k) Retirement benefits

Contributions in respect of provident fund and gratuity are made to the appropriate authorities/ Trust set up by the Company for the purpose and charged to Profit and Loss Account. Provisions for liabilities in respect of gratuity and leave encashment benefits are made based on actuarial valuation made by an independent actuary as at the Balance Sheet date.

(l) *Income taxes*

Tax expenses comprise both current and deferred taxes.

Deferred income taxes reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

(m) *Miscellaneous expenditure.*

Preliminary expenses are written-off over a period of five years from the year of commencement of commercial production.

Deferred revenue expenditure comprising of Voluntary Retirement Scheme expenses are written-off over a period of five years.

(n) *Government Grants*

Government grants in the nature of promoter's contribution are credited to capital reserve and treated as a part of Shareholders' funds.

(o) *Commodity futures*

Transactions in commodity futures are accounted based on the mode of ultimate settlement. Transactions, which are ultimately settled net, without taking delivery, are recorded net with the gains /losses being recognized as income/expenses in the financial statements. Transactions, which stipulate physical delivery of the goods and where the Company intends to take such delivery, are recorded at gross, as purchases and sales as part of the Company's sugar trading activities.

(p) *Contingent liabilities*

Depending on facts of each case and after due evaluation of relevant legal aspects, claims against the Company not acknowledged as debts are disclosed as contingent liabilities. In respect of statutory matters, contingent liabilities are disclosed only for those demand(s) that are contested by the Company.

(q) *Earnings per share*

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(r) *Segment reporting*

The accounting polices adopted for segment reporting are in line with the accounting polices of the Company, with the following additional polices for segment reporting:

a) Inter-segment revenue has been accounted for based on the transaction price agreed to between segments which is primarily market led.

b) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.

c) Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Corporate Expenses".

B. Notes to Accounts

Financial Year ending 30.09.2000

1. The Fixed Assets acquired from Nizam Sugars Ltd., Hindupur, including compensation paid to employees is allocated to the respective account based on the *pro-rata* basis as per valuation report obtained by approved valuers where assets

have been valued and for those assets which are not valued is allocated on the basis of book value at the time of acquisition.

2. a) The Company has provided depreciation on Sugar Plant on Straight Line Method as per the rates prescribed in Schedule XIV of Companies Act, 1956.

   b) The Company has provided depreciation on Power Plant on Written Down Value Method as per the rates prescribed in Schedule XIV of Companies Act, 1956.

   c) For Buildings at Hindupur purchased from Nizam Sugars Ltd. which are not in use, no depreciation is provided.

3. No confirmation of balances have been obtained for Sundry Debtors, Sundry Creditors and all Advances account.

4. The Company commenced Trial Production of Sugar Unit on 22nd November 1999 and Commercial Production on 1st February 2000. In the case of Co-Generation Unit the Trial Production was commenced on 1st February 2000 and the commercial production on 1st April 2000. Hence Profit and Loss Account is prepared for Sugar Unit for the period 1st February 2000 to 30th September 2000 and for Power Plant for the period 1st April to 30th September 2000.

5. 1/5th of Preliminary Expenses is written off for the year.

Financial Year ending 30.09.2001

1. The Company has a system of accounting depreciation on Sugar Unit on Straight Line Method as per the rates prescribed under Schedule XIV of the Companies Act, 1956 and on Co-Generation Unit on Written Down Value Method as per the rates prescribed under Schedule XIV of the Companies Act, 1956.
2. The Company does not have policy of accounting liability of Contingent in nature. The liability will be accounted only after it is ascertained.
3. For Buildings at Hindupur purchased from Nizam Sugars Ltd. which is not in use, no depreciation is provided.
4. No confirmation of balances have been obtained for Sundry Debtors, Sundry Creditors and all Advances Account.
5. 1/5th of Preliminary Expenses is written off for the year.

Financial Year ending 30.09.2002

1. The Company has a system of accounting depreciation on Sugar Unit on Straight Line Method as per the rates prescribed under Schedule XIV of the Companies Act, 1956 and on Co-Generation Unit on Written Down Value Method as per the rates prescribed under Schedule XIV of the Companies Act, 1956.
2. The Company does not have policy of accounting liability of Contingent in nature. The liability will be accounted only after it is ascertained.
3. The Company has a system of accounting inter unit i.e. Sugar Unit, Distillery Unit and Co-Generation Unit, sales and purchases in the Books of Accounts at normal selling price of such respective items.
4. The Company has system of allocating indirect overheads to Sugar Unit and Co-Generation Unit on the basis of Plant & Machinery cost as on 31.01.2000 to arrive at the units Profit or Loss.
5. The Company has a policy of writing off 1/3rd of the Cane Development Expenditure in books effective 1st October 2001.
6. The Company has a policy of accounting Import Entitlement Certificates on the basis of Transfer Price.
7. No confirmation of balances have been obtained for Sundry Debtors, Sundry Creditors and all Advances Account.
8. 1/5th of Preliminary Expenses is written off for the year.
9. The payments made under Voluntary Retirement Scheme to the employees of Nizam Sugars Ltd. is written off at 1/5th per annum.

Financial Year ending 30.09.2003

1. The Company has the policy of recording the value of Capital Asset at actuals inclusive of direct expenses incurred towards purchase of such asset. During project implementation they have capitalised the assets inclusive of Pre-Operative Expenses upto the date of commercial production, allocated to Building and Plant & Machinery on the basis of Plant & Machinery cost as on 31.01.2000 of Sugar Unit (62.7%) and Co-Generation Unit (37.3%).

2. The Company has a system of accounting depreciation on Sugar Unit on Straight Line Method as per the rates prescribed under Schedule XIV of the Companies Act, 1956 and on Co-Generation Unit on Written Down Value Method as per the rates prescribed under Schedule XIV of the Companies Act, 1956.
3. The Company has a system of accounting inter unit i.e. Sugar Unit, Distillery Unit and Co-Generation Unit, sales and purchases in the Books of Accounts at normal selling price of such respective items.
4. The Company has a policy of accounting Import Entitlement Certificates on the basis of Transfer Price.
5. For Buildings at Hindupur purchased from Nizam Sugars Ltd. which is not in use, no depreciation is provided.
6. 1/5th of Preliminary Expenses is written off for the year.
7. The payments made under Voluntary Retirement Scheme to the employees of Nizam Sugars Ltd. is written off at 1/5th per annum.

Financial Year ending 30.09.2004

1. The Company has a system of accounting inter unit i.e. Sugar Unit, Distillery Unit and Co-Generation Unit, sales and purchases in the Books of Accounts at normal selling price of such respective items.
2. The Company has a policy of writing off 1/3rd of the Cane Development Expenditure in books effective 1st October 2001.
3. The Company has a policy of accounting Import Entitlement Certificates on the basis of Transfer Price.
4. For Buildings at Hindupur purchased from Nizam Sugars Ltd. which is not in use, no depreciation is provided.
5. No confirmation of balances have been obtained for Sundry Debtors, Sundry Creditors and all Advances Account.
6. 1/5th of Preliminary Expenses is written off for the year.
7. The payments made under Voluntary Retirement Scheme to the employees of Nizam Sugars Ltd. is written off at 1/5th per annum.
8. The Company has decided to write off the balance in Deferred Revenue Expenditure paid to Indian Renewable Energy Development Agency Ltd. towards reduction in the rate of interest on Loan.
9. During the current year, due to change over of practice of valuation of inventory to a Cost basis, the value of inventories as of 30th September 2004 is higher by Rs. 55.13 millions. Correspondingly the closing balance of reserves and surplus has been reduced by Rs. 55.13 million on account of change over and has been disclosed as an exceptional item in restate financials.

For the period ending 30.06.2005

Subsequent Events

1. Lease of new manufacturing facility

The Company has taken on lease a sugar factory, which is registered as a co-operative society, Mohanrao Shinde Sahakari Sakhar Karkhana Limited, Mohannagar village, Taluka Miraj, District Sangli, Maharashtra, vide an agreement dated July 2005 for a period of six years for the crushing season 2005-2006 to 2010 - 2011. The crushing capacity of the sugar factory will be 4000 TCD after installation of certain balancing equipment.

The Company also proposes to buy 30 acres of land at the premises of the sugar factory for the purpose of setting up a distillery which will be owned by the Company even after the term of this agreement expires. The Company will also set up co-generation facility at the sugar factory with a minimum capacity of 12 MW which will be the property of the sugar factory after the term of this agreement expires and the sugar factory has agreed to supply a specified quantity of free electricity and steam to the Company for operation of the distillery for a period of six years subsequent to the expiry of this agreement. The sugar factory shall have the right to sell any surplus power generated during the six years after the expiry of this agreement.

The said agreement grants exclusive ownership over sugar manufactured, Molasses, Bagasse, pressmud and other by-products during the contract period to the Company.

2. *Proposed acquisition of new manufacturing facility*

On August 14, 2005 the Company entered into a memorandum of understanding ('MoU') with Haripriya Sugar Works Limited to acquire all property (excluding receivables) of Haripriya Sugar Works Limited ('Haripriya Sugar') including land admeasuring 162 acres and 29 guntas situated at village Burlatti, District Belgaum, Karnataka. Haripriya Sugar had intended to set up a sugar mill with 5000 TCD capacity at this location and towards this end has obtained various government approvals. In terms of the said MoU, Haripriya Sugar has agreed to transfer/assign/give no objection/help in obtaining the aforesaid government approvals. The Company has paid as advance a sum of Rs. 5.1 million and the balance consideration would be paid after receipt of government approvals.

3. *Initial Public Offering of the Company's equity shares*

The Company is planning an initial public offering of its shares to the public, pursuant to which the Company's equity shares would be listed on The National Stock Exchange of India Limited and The Stock Exchange, Mumbai. The Company filed a Draft Red Herring Prospectus with the Securities and Exchange Board of India on August 2, 2005, and has obtained approvals from the stock exchanges.

Annexure – V

CASH FLOW STATEMENT

(Rs. in millions)

Period ended on	September 30,				30.06.04	30.06.05
	2001	2002	2003	2004	Nine Months	Nine Months
Cash Flow from Operating Activities:						
Profit Before Extraordinary Items and Tax	**7.01**	**24.73**	**42.69**	**151.74**	**127.87**	**370.68**
Adjustments for:						
Depreciation	46.84	51.69	63.34	70.75	53.06	61.08
Interest Income	(0.67)	(1.93)	(0.46)	(6.48)	(1.67)	(11.64)
Interest Expense	96.20	82.31	120.57	113.25	86.46	100.10
Purchase Tax Deferment	39.84	28.79	32.13	17.80	15.41	23.92
Loss/(profit) on sale of assets	-	0.59	0.26	0.27	0.07	0.41
Miscellaneous expenses to the extent written off	0.02	0.02	0.02	0.02	(6.03)	(0.68)
Deferred revenue expenditure	(3.25)	-	(1.78)	1.78	-	-
Operating profit before working capital changes	**185.98**	**186.20**	**256.78**	**349.12**	**275.16**	**543.87**
Adjustments for:						
Trade receivables	(14.03)	(73.94)	37.35	(17.96)	(9.41)	(224.76)
Other receivables	(35.45)	(82.27)	60.33	(58.60)	(25.37)	(10.49)
Inventories	101.27	(26.31)	(90.65)	(305.60)	(471.69)	(2,357.59)
Trade and other payables	51.35	(67.11)	74.49	596.49	504.40	1,865.54
Cash generated from operations	**289.12**	**(63.42)**	**338.30**	**563.45**	**273.09**	**(183.43)**
Income-tax paid	-	-	(1.44)	(0.02)	(1.39)	(1.81)
Net Cash Flow from Operating Activities	**289.12**	**(63.42)**	**336.86**	**563.43**	**271.70**	**(185.24)**
Cash Flow from Investing Activities:						
Purchase of Fixed Assets	(107.16)	(203.22)	(129.55)	(147.26)	(65.59)	(165.84)
Sale/Loss of Fixed Assets	(0.19)	0.94	2.15	(0.54)	(0.15)	(0.41)
Purchase of Investments	-	(0.00)	(0.05)	-	-	(5.47)
Increase in Reserves	9.38	9.38	0.26	-	-	
Interest received	0.67	1.93	0.46	6.48	1.67	11.64
Net Cash Flow From Investing Activities	**(97.31)**	**(190.98)**	**(126.73)**	**(141.32)**	**(64.06)**	**(160.08)**

(Rs. in millions)

Period ended on	September 30,				30.06.04	30.06.05
	2001	2002	2003	2004	Nine Months	Nine Months
Cash Flow from Financing Activities:						
Increase in Capital	5.83	8.18	6.99	12.75	2.90	44.43
Dividend paid	-	-	-	(0.19)	(0.19)	(13.86)
Repayment of short-term borrowings	(36.54)	308.75	(47.76)	(100.07)	-	482.29
Proceeds from long-term borrowings	-	40.00	-	114.11	13.33	61.23
Repayment of long-term borrowings	(40.73)	(55.31)	(49.72)	(65.54)	(7.77)	(112.79)
Interest paid	(81.99)	(68.08)	(106.35)	(99.03)	(72.63)	(89.13)
Net Cash Flow from Financing Activities	**(153.43)**	**233.53**	**(196.84)**	**(137.97)**	**(64.37)**	**372.17**
Net (Decrease)/Increase in cash and cash equivalents	**38.39**	**(20.87)**	**13.29**	**284.14**	**143.27**	**26.85**
Opening cash and cash equivalents	6.99	45.37	24.50	37.79	37.79	321.93
Closing cash and cash equivalents	45.37	24.50	37.79	321.93	181.06	348.78

Annexure – VI

ACCOUNTING RATIOS

(Rs. in millions)

Period ended on	September 30,					30.06.04	30.06.05
	2000	2001	2002	2003	2004	Nine Months	Nine Months
Net worth	94.23	112.53	155.20	187.74	243.25	288.44	607.41
Adjusted Profit after Tax	(26.97)	5.72	22.38	26.78	56.50	98.84	320.55
No. of shares outstanding at the end	8,264,000	11,909,500	12,756,000	13,302,700	14,707,200	13,302,700	20,000,000
Weighted average no. of shares outstanding	7,930,667	10,824,917	12,121,125	13,004,425	13,554,110	13,582,200	15,687,289
Earnings per share(EPS) (Rs.)	(3.40)	0.53	1.85	2.06	4.17	7.28	20.43
Return on Net worth(%)	(28.62)	5.08	14.42	14.27	23.23	34.27	52.77
Net Asset Value per share(Rs.)	11.40	9.45	12.17	14.11	16.54	21.68	30.37
Other Ratios							
Cash Earnings per Share	3.58	8.95	9.18	10.27	10.95	14.03	20.85

Calculation of Ratios

Earnings per share
(Adjusted Profit after Tax/Weighted average Number of shares)

Return on Net worth
(Adjusted Profit after Tax/Networth)*100

Net Asset Value per share
(Networth/No. of shares outstanding)

Cash Earnings per share							
((PAT+non-cash expenses)/ No. of shares outstanding)	**3.58**	**8.95**	**9.18**	**10.27**	**10.95**	**14.03**	**20.85**
PAT	**(26.97)**	**5.72**	**22.38**	**26.78**	**56.50**	**98.84**	**320.55**
Add: Non-cash expenses							
Depreciation	29.05	46.84	51.69	63.34	70.75	53.06	61.08
Deferred Expenditures (PT & SDF Interest)	27.45	54.05	43.01	46.36	32.02	29.23	34.88
Miscellaneous Expenses	0.02	0.02	0.02	0.12	1.79	5.56	0.52
Total	**29.55**	**106.62**	**117.10**	**136.60**	**161.06**	**186.69**	**417.03**

Annexure – VII

BORROWING STATUS AS ON JUNE 30, 2005

A] TERM LOANS

(Rs. in millions)

Sl. No	Name of the Institution/ Bank	Limit Sanctioned	Amount Availed	Balance	Interest	Repayment Schedule	Securities Offered
1	I D B I, Bangalore (FC Loan)	-	37.90	8.99	6.50%	1 lac USD/ Qtrly.	Ist *pari passu* charge on Fixed Assets of Sugar & Co-gen Unit
	I D B I, Bangalore	105.00	105.00	*89.25	11.50%	Rs. 52.50 Lacs/ Qtrly.	Ist *pari passu* charge on Fixed Assets of Sugar & Co-gen Unit
2	S D F, New Delhi	158.05	158.05	158.05	9.00%	Commences from year 2006	IInd charge on Fixed Assets of Sugar & Co-gen Unit
3	S D F, New Delhi	59.46	29.73	29.73	4.00%	Commences from year 2007-08	IInd charge on Fixed Assets of Sugar & Co-gen Unit
4	ING Vysya Bank, Bangalore	80.00	80.00	47.50	9.75%	Rs.50 Lacs/ Qtrly.	Ist charge on Fixed Assets of Distillery Unit
5	Vehicle loans from Banks	6.91	Grant of Individual Limit	4.90	Varied Rate	EMI as per Bank norms	Secured against hypothecation of specific vehicles.
		409.42	**410.68**	**338.43**			

* Part of rupee loan converted to FC Loan

B] WORKING CAPITAL LIMITS

Sl. No.	Name of the Bank	Nature of Facility	Limit Sanctioned	Interest	Utilised	Security Offered
1	State Bank of India	Cash Credit	150.00	Libor + 3%	136.72	Hypothecation of Current assets and letter of credits / third charge on fixed assets.
2	ING Vysya Bank	Cash Credit	100.00	10.25%	-	Hypothecation of Current assets and letter of credits / third charge on fixed assets.
	ING Vysya Bank	Bill Discounting	20.00	12.50%	-	KPTCL bill for collection and third / residuary charge on fixed assets
3	ICICI Bank	Demand Loan (one year)	140.00	6.50%	71.57	Hypothecation of current assets.
	ICICI, Mumbai	Cash Credit	150.00	10.25%	70.13	Hypothecation of current assets.
4	UTI Bank Ltd.	Cash Credit	250.00	9.30%	168.00	Hypothecation of current assets and third / residuary charge on fixed assets
5	IDBI, Bangalore	Short Term Loan	200.00	7.00%	200.00	Hypothecation of current assets and third / residuary charge on fixed assets
6	IDBI, Bangalore	Short Term Loan	100.00	7.25%	100.00	Hypothecation of current assets and third / residuary charge on fixed assets
			1,110.00		**746.42**	

C] NON-FUND BASED LIMITS

Sl. No.	Name of the Bank	Nature of Facility	Limit	Utilised	Security
1	ICICI Bank	FLC	77.00	77.00	Hypothecation of current assets.
2	State Bank Of India	FCL	100.00	-	Hypothecation of current assets and third / residuary charge on fixed assets.
3	ING Vysya Bank	Bank Guarantee	100.00	62.00	Hypothecation of current assets and third / residuary charge on fixed assets.
4	ICICI Bank (ad-hoc limit)	FLC	250.00	250.00	Hypothecation of current assets.
5	ICICI Bank (ad-hoc limit)	FLC	260.00	260.00	Hypothecation of current assets.
6	UTI Bank Ltd. (ad-hoc limit)	FLC	250.00	250.00	Hypothecation of current assets.
	TOTAL		**1,037.00**	**899.00**	

Annexure – VIII

BREAK-UP OF UNSECURED LOANS AS ON JUNE 30, 2005

(Rs. in millions)

Sl. No.	Name of the lender	Amount	Repayment Schedule	
			Date	Amount
I	**From Banks**			
	Gurlhosur Urban Co-op Credit Society Ltd., Saundatti	4.00	11-07-05	1.50
			16-07-05	1.50
			29-07-05	1.00
	Kundaranad Mahatma Gandhi UCC Society, Kundargi	2.00	08-07-05	0.20
			16-07-05	0.50
			18-07-05	0.30
			29-07-05	1.00
	Manoli Urban Co-op Bank Ltd.	5.00	19-07-05	2.00
			01-08-05	3.00
	Pachhapur Urban Bank, Pachhapur	15.00	11-07-05	2.00
			13-07-05	3.00
			01-08-05	10.00
	Shree Nag-Parshwa Co-op Credit Society Ltd.	1.50	29-07-05	1.50
	Shri Gajanan Co-op Credit Society Ltd., Sankeshwar	10.50	14-09-05	1.50
			18-10-05	2.50
			18-10-05	5.00
			11-08-05	1.50
	Shri Jadisiddeshwar UCCS Ltd., Saundatti	3.10	05-07-05	0.50
			07-05-05	0.60
			18-07-05	2.00
	Shri Renukadevi Urban Co-op Credit Society Ltd.	4.00	04-09-05	0.50
			15-09-05	0.20
			10-09-05	1.30
			29-09-05	2.00
	Sunadholi Mahila Credit Souharda Sahakari Niyamit	1.05	11-07-05	0.25
			30-07-05	0.80
	The Janata Urban Co-op Credit Society, Sankeshwar	3.00	31-08-05	3.00
	The Saundatti Urban Co-op Credit Society Ltd.	4.00	30-07-05	4.00
	Veer Rani K. Channamma UC Souharda SN. Sankeshwar	6.70	30-07-05	6.70
	Katkol Co-op, Munoli	0.03		
	ING Vysya Bank Limited, Belgaum	10.50		
	Bijapur Grameen Bank, Uttur	0.02		
	State Bank of India, Belgaum	0.48		
	Belgaum District Central Co-op Bank, Ghataprabha	0.24		
	Kolhapur District Central Co-op Bank, Gavase	0.10		
II	**From Others**			
	Purchase Tax deferment	129.51		
	Fixed Deposits	7.76		
	Interest on above Deposits	2.27		
		210.76		

Note : No loans have been taken from Promoter / Promoter Group / Group Companies

Annexure – IX

STATEMENT OF INVESTMENT AS ON JUNE 30, 2005

(Rs. in millions)

Sl. No.	Details of Investment	Aggregate Book Value (Rs.)	Aggregate Market Value (Rs.)	Diminution in the Value (Rs.)
1	National Saving Certificates	1,000	Unquoted	NIL
2	Shares in Esugarindia Clearing Corporation Ltd.	50,000	Unquoted	NIL
3	Shares in Belgaum District Central Co-operative Bank Ltd.	500,000	Unquoted	NIL
4	Shares in Pachhapur Urban Co- operative Bank Ltd., Pachhapur	1,000	Unquoted	NIL
5	Renuka Commodities, Dubai	4,968,000	Unquoted	NIL
	Total	**5,520,000**		

Note: There are no quoted investments.

Annexure – X

BREAK-UP OF SUNDRY DEBTORS AS ON JUNE 30, 2005

(Rs. in millions)

Name of the Customer	Amount
Karnataka State Beverages Corpn, Bangalore	14.90
Cadbury India Ltd. Group	18.97
HCCBPL Group	174.17
Sanjay Agencies, Kolkata	6.59
Aradhana Beverages & Foods Co.	0.04
Basanti Dwarka Foods Pvt Ltd., Malegaon	0.25
BG Chitale, Bhilwadi	0.29
Ghanashyamdas Muralidhar & Co, Rajasthan	0.34
Himalya Drug Co., Bangalore	0.65
Kirorimal Kashiram, Bangalore	0.03
M.R.Enterprises, Mangalore	0.33
Parle Products Ltd., Bangalore	1.64
Sri Ram Enterprises, Chennai	0.58
Sri Vidyatheertha Trading Pvt. Ltd., Bangalore	1.48
Stanmed Labs, Bangalore	0.16
United Brewerages, Taloja	0.31
Skol Bewerages, Raigad	0.33
Shri Gajanan Enterprises, Padubidri	0.26
S Shivamani, Hindupur	0.47
Rajalaxmi Sugars, Kolhapur	8.05
Maheshwari Traders, Bellary	0.17
Makson Healthcare Pvt. Ltd., Mandideep	0.30
MB Chemicals, Mumbai	0.01
Parimala Stores, Salem	0.00
Parle Products Ltd., Hubli	0.67
S.M.Sajju	0.01
Natural Sugar & Allied Industries, Latur	0.09
Rajiv Enterpries	3.51
KPTCL	64.97

(Rs. in millions)

Name of the Customer	Amount
Hubli Electric Supply Co.	7.96
Agri Manures, Kurnool	0.24
Bellary Agro Inputs, Bellary	0.22
CCIPL, New Delhi	0.03
Director of Agriculture, Punjab	0.34
Gokul Feeds	0.01
Jyoti Industies	0.06
M.R Traders, Nasruliagunj	0.04
M.S.Desai	0.30
Mahalaxmi Agro Industries	0.22
Manchani Agro Chemicals, M'nagar	0.12
P.I.Wadavadagi,Sattur, Dharwad	0.20
P.V.S Agro Feeds	0.01
Partake Agro Tech P Ltd., Kochi	0.05
Ramesh Enterprises, Sindhanur	0.06
Sangamnath Agro Industries	0.75
Shri Venkateshwar Agencies, Warangal	0.31
Sri Sai Narashimha Traders, Kurnol	0.22
Sudarshan Agro	0.02
	310.73
Less : Provision for Doubtful Debts	2.64
	308.09

AGING SCHEDULE OF SUNDRY DEBTORS AS ON JUNE 30, 2005

(Rs. in millions)

Age wise Break-up	Amount
Less than six months	290.28
More than six months	17.81
Total	**308.09**

There are no receivables from Promoter / Promoter Group / Group Companies

Annexure – XI

BREAK-UP OF LOANS & ADVANCES AS ON JUNE 30, 2005

(Rs. in millions)

Particulars	Amount
Advance Income Tax	53.88
Advance to Suppliers	26.82
Balance with Central Excise	17.03
Export Freight Reimbursement Receivable	12.47
Deposit Padmaja Enterprises	10.00
Advance for IPO	10.90
Export Freight Subsidy Receivable from State Govt.	8.11
Pre-paid Expenses	7.86
Pre-paid Insurance	7.82
Travel / Expenses Advance Staff	1.61
EMD Mohanrao Shinde SSK Ltd.	5.05
Interest Receivable	6.02
Advance for purchase of Property	2.55
Buffer Stock Interest Subsidy Receivable	1.64
Deposit - NCDEX Ltd., Mumbai	1.50
Advance to Staff	1.54
House Deposit	1.15
EMD Tasgaon SSK Ltd.	1.00
Others below Rs. 1 million individually	4.37
	181.33
Less : Provision for Doubtful Advances	1.11
	180.22

Note : The above advances include Travel advance balance in Managing Director's A/c of Rs.0.58 million

Annexure – XII

CAPITALISATION STATEMENT

(Rs. in millions)

	Pre-issue as at 30.06.2005	Adjusted for the Public Issue
Borrowing		
Short-term debt	827.67	827.67
Long-term debt	560.54	560.54
Total Debt	**1,388.21**	**1,388.21**
Shareholders' funds		
Share Capital		
- Equity	200.00	*
Less: Calls- in- arrears	-	-
Share premium	-	*
Reserves & surplus	408.09	408.09
Less: Miscellaneous Expenditure not written off	(0.68)	(0.68)
Total Shareholders' Funds	**607.41**	*
Long-term Debt/Equity Ratio	**0.92 : 1**	*

The post-issue capitalisation cannot be determined till the completion of the book building process

Annexure – XIII

NAME OF THE RELATED PARTIES WITH WHOM TRANSACTIONS WERE CARRIED OUT
(All the data are as of September 30, unless otherwise stated)

(Rs. in millions)

2001 – 02

1	**Key Management Personnel**	**Designation**
	i. Mr. Narendra Murkumbi	Managing Director
2	**Enterprises over which KMP or relatives of KMP are able to exercise significant influence.**	
	Name of the related Party	Nature of relationship
	i. M/s. Murkumbi Industries Pvt. Ltd.	Chairperson & Managing Director are directors
	ii. M/s. Murkumbi Bioagro Pvt. Ltd.	Chairperson & Managing Director are directors

Sr. No.	Nature of Transactions	Key Management Personnel	Related Parties
1	Remuneration Paid	1.14	
2	Unsecured Loan received		4.22
	Payables	**0.03**	**4.22**
	Receivable	**-**	**-**

2002 – 03

1	**Key Management Personnel**	**Designation**
	i. Mr. Narendra Murkumbi	Managing Director
2	**Enterprises over which KMP or relatives of KMP are able to exercise significant influence.**	
	Name of the related Party	**Nature of relationship**
	i. M/s. Murkumbi Industries Pvt. Ltd.	Chairperson & Managing Director are directors
	ii. M/s. Murkumbi Bioagro Pvt. Ltd.	Chairperson & Managing Director are directors

Sr. No.	Nature of Transactions	Key Management Personnel	Related Parties
1	Remuneration Paid	1.14	
2	Take over of Fixed Assets		20.95
3	Share Application money received		1.50
4	Unsecured Loan received		0.65
5	Take over of Liabilities		20.70
	Payables	**0.07**	**0.50**
	Receivable	-	-

2003 – 04

1	**Key Management Personnel**	**Designation**
	i. Mrs. Vidya Murkumbi	Executive Chairperson
	ii. Mr. Narendra Murkumbi	Managing Director
	iii. Mr. Nandan Yalgi	Director (Commercial)
2	**Enterprises over which KMP or relatives of KMP are able to exercise significant influence.**	
	Name of the related Party	**Nature of relationship**
	i. M/s. Murkumbi Industries Pvt. Ltd.	Executive Chairperson & Managing Director are directors
	ii. M/s. Murkumbi Bioagro Pvt. Ltd.	Executive Chairperson & Managing Director are directors

(Rs. in millions)

Sr. No.	Nature of Transactions	Key Management Personnel	Related Parties
1	Remuneration Paid	1.72	
2	Share Application money received		2.00
	Payables	**0.07**	**- NIL -**
	Receivables	**- NIL -**	**- NIL -**

2004 – 05 (June 30, 2005)

1	**Subsidiary Company**	Renuka Commodities DMCC, Dubai
2	**Key Management Personnel**	**Designation**
	i. Mrs. Vidya Murkumbi	Executive Chairperson
	ii. Mr. Narendra Murkumbi	Managing Director
	iii. Mr. Nandan Yalgi	Director (Commercial)
3	**Enterprises over which KMP or relatives of KMP are able to exercise significant influence.**	
	Name of the related Party	**Nature of relationship**
	i. M/s. Murkumbi Industries Pvt. Ltd.	Executive Chairperson & Managing Director are directors
	ii. M/s. Murkumbi Bioagro Pvt. Ltd.	Executive Chairperson & Managing Director are directors

(Rs. in millions)

Sr. No.	Nature of Transactions	Key Management Personnel	Related Parties
1	Remuneration Paid	3.81	
2	Investment in Subsidiary		4.97
	Payables	**0.15**	**- NIL -**
	Receivables	**- NIL -**	**- NIL -**

Annexure – XIV

CONTINGENT LIABILITIES

1. The Company has the following contingent liabilities for which no provisions have been made in the books of accounts of the Company for the period ended June 30th 2005.

Sl. No.	Particulars		Amount (Rs. in millions)
I	**GUARANTEES GIVEN ON BEHALF OF THIRD PARTIES**		
	In favour of	***Purpose***	
1	ICICI Ltd.	Guarantees in connection with loans granted to Sugarcane Growers.	9.00
2	ING Vysya Bank	Guarantee in connection with loans granted to Sugarcane Growers.	4.50
3	Union Bank of India, Munoli	To secure loans granted to cane harvesters and transport contractors.	100.00
4	State Bank of India	To secure loans granted to cane harvesters / Transport contractors for Unit II.	100.00
5	ICICI Bank Ltd.	To secure crop loan to farmers associated with SRSL of Rs.90 million.	13.50
		Total	**227.00**
II	**OTHERS**		
1	Capital Commitments	Estimated amount of contract remaining to be executed (net of advance)	15.27
2	Issue expenses on proposed initial public offering of securities	Estimated amount of issue related expenses	65.00
		Total	**80.27**

2. We have examined all the contracts, claims and litigations against the Company and have analysed the likely impact of the same as indicated above. We certify that apart from the contingent liabilities indicated above, the Company does not have any other contingent liabilities.

Annexure – XV

STATEMENT OF DIVIDEND PAID

(Rs. in millions)

	September 30,				Upto June
	2001	**2002**	**2003**	**2004**	**2005**
On Preference Shares					
Dividend per Share	-	-	2%	2%	2%
Amount paid	-	-	0.19	0.17	0.12
On Equity Shares					
Dividend per Share	-	-	-	10%	-
Amount paid	-	-	-	13.57	-

Annexure – XVI

BREAK-UP OF OTHER INCOME

(Rs. in millions)

Period ended on	September 30,					30.06.05
	2000	2001	2002	2003	2004	Nine-months
Interest Received	0.12	0.67	1.93	0.46	6.48	11.64
Weighment Recovery	0.01	0.02	0.01	-	-	-
Profit on sale of assets	-	0.65	-	-	-	-
Sundry Credit Balance written off / back	-	-	0.46	2.55	0.24	-
Misc. Income	0.01	0.29	0.16	2.52	7.04	**2.64**
Total	**0.13**	**1.64**	**2.56**	**5.53**	**13.76**	**14.28**

SEGMENT REPORT

(Rs. in millions)

	SUGAR					TRADING				
	September 30,			June-30	June-30	September 30,			June-30	June-30
	2002	2003	2004	2004	2005	2002	2003	2004	2004	2005
REVENUE										
External Sales	844.22	1,122.77	1,184.38	918.21	2,202.31	387.16	1,605.85	729.88	637.85	1,554.65
Inter-segment Sales	37.28	80.80	76.44	75.74	232.89					
Total Revenue	**881.50**	**1,203.57**	**1,260.82**	**993.95**	**2,435.20**	**387.16**	**1,605.85**	**729.88**	**637.85**	**1,554.65**
RESULT	**115.70**	**79.16**	**83.76**	**112.48**	**191.64**	**13.20**	**15.23**	**38.83**	**24.30**	**220.58**
Unallocated corporate expenses										
Operating Profit										
Interest Expenses										
Interest and other Income										
Profit from Ordinary Activities										
Extra-ordinary items										
Net Profit										
OTHER INFORMATION										
Segment assets	455.28	547.94	881.84	1,070.15	2,841.95	-	-	-	49.93	398.98
Unallocated corporate assets										
Total Assets	**455.28**	**547.94**	**881.84**	**1,070.15**	**2,841.95**	**-**	**-**	**-**	**49.93**	**398.98**
Segment liabilities	623.23	451.45	401.61	339.34	380.16	-	112.79	149.83	-	-
Unallocated corporate liabilities										
Total Liabilities	**623.23**	**451.45**	**401.61**	**339.34**	**380.16**	**-**	**112.79**	**149.83**	**-**	**-**
Capital Expenditure	469.95	522.71	622.67	531.22	691.71	-	-	-	-	-
Depreciation	52.38	76.07	101.44	95.10	124.93	-	-	-	-	-
Non-cash expenses										
Other than depreciation										

Annexure – XVII Contd.

(Rs. in millions)

	CO-GENERATION					DISTILLERY				
	September 30,			June-30	June-30	September 30,			June-30	June-30
	2002	2003	2004	2004	2005	2002	2003	2004	2004	2005
REVENUE										
External Sales	77.33	126.92	109.49	93.45	138.92	31.04	67.28	232.83	210.63	300.78
Inter-segment Sales	74.96	177.38	166.34	131.09	242.80	-	-	-	-	-
Total Revenue	**152.29**	**304.31**	**275.83**	**224.55**	**381.72**	**31.04**	**67.28**	**232.83**	**210.63**	**300.78**
RESULT	**49.39**	**138.29**	**84.09**	**80.10**	**44.24**	**15.81**	**26.42**	**132.71**	**111.55**	**165.74**
Unallocated corporate expenses										
Operating Profit										
Interest Expenses										
Interest and other Income										
Profit from Ordinary Activities										
Extra-ordinary items										
Net Profit										
OTHER INFORMATION										
Segment assets	186.32	276.16	284.03	239.24	222.22	108.25	151.20	159.67	178.63	177.05
Unallocated corporate assets										
Total Assets	**186.32**	**276.16**	**284.03**	**239.24**	**222.22**	**108.25**	**151.20**	**159.67**	**178.63**	**177.05**
Segment liabilities	95.98	79.15	56.25	63.95	29.73	40.00	32.50	62.50	67.50	47.50
Unallocated corporate liabilities										
Total Liabilities	**95.98**	**79.15**	**56.25**	**63.95**	**29.73**	**40.00**	**32.50**	**62.50**	**67.50**	**47.50**
Capital Expenditure	239.22	361.47	392.29	363.24	394.67	98.60	117.30	119.59	119.13	150.59
Depreciation	70.80	102.84	139.89	130.63	177.78	2.29	7.45	13.26	11.81	18.13
Non-cash expenses										
Other than depreciation										

Annexure – XVII Contd.

(Rs. in millions)

	OTHER					TOTAL				
	September 30,			June-30	June-30	September 30,			June-30	June-30
	2002	2003	2004	2004	2005	2002	2003	2004	2004	2005
REVENUE										
External Sales	-	6.14	4.28	4.15	4.74	1,339.75	2,928.96	2,260.86	1,864.28	4,201.40
Inter-segment Sales						112.24	258.19	242.78	206.84	475.69
Total Revenue	**-**	**6.14**	**4.28**	**4.15**	**4.74**	**1,451.99**	**3,187.14**	**2,503.64**	**2,071.12**	**4,677.09**
RESULT	**-**	**1.03**	**0.47**	**0.71**	**0.82**	**194.09**	**260.13**	**339.86**	**329.14**	**623.03**
Unallocated corporate expenses						89.61	102.40	88.63	124.55	166.53
Operating Profit						104.48	157.73	251.23	204.60	456.50
Interest Expenses						82.31	120.57	113.25	86.46	100.10
Interest and other Income						2.56	5.53	13.76	9.73	14.28
Profit from Ordinary Activities						24.73	42.69	151.74	127.87	370.68
Extra-ordinary items						-	-	-		-
Net Profit						**24.73**	**42.69**	**151.74**	**127.87**	**370.68**
OTHER INFORMATION										
Segment assets	-	7.14	11.03	9.55	9.50	749.85	982.44	1,336.57	1,547.51	3,649.70
Unallocated corporate assets						463.54	302.81	689.97	398.22	1,027.63
Total Assets	**-**	**-**	**11.03**	**9.55**	**9.50**	**1,213.39**	**1,285.26**	**2,026.54**	**1,945.73**	**4,677.33**
Segment liabilities	-	4.20	-	-	-	759.21	680.09	670.19	470.79	457.39
Unallocated corporate liabilities						296.43	412.43	1,043.69	1,186.56	3,628.94
Total Liabilities		**4.20**	**-**	**-**	**-**	**1,055.64**	**1,092.52**	**1,713.88**	**1,657.35**	**4,086.33**
Capital Expenditure	-	4.62	4.71	4.71	4.71	807.77	1,006.10	1,139.26	1,018.30	1,241.68
Depreciation Non-cash expenses	-	-	0.45	0.39	0.63	125.46	186.36	255.04	237.93	321.47
Other than depreciation						1.11	14.93	46.35	6.03	11.57

Annexure – XVIII

STATEMENT OF TAXATION

(Rs. in millions)

Year ended March 31,	2001	2002	2003	2004	2005
Tax at Notional Rate	**0.66**	**4.95**	**5.89**	**37.36**	**89.37**
Adjustments:					
Export Profits					
Difference between Tax Depreciation and Book Depreciation	175.41	39.04	49.36	70.41	58.94
Other Adjustments	(1.75)	(14.18)	(15.05)	(13.72)	(16.83)
Net Adjustments	**173.66**	**24.87**	**34.32**	**56.69**	**42.11**
Tax Saving thereon	**0.66**	**4.95**	**5.89**	**37.36**	**89.37**
Total Taxation	**-**	**-**	**-**	**-**	**-**
Taxation on extra-ordinary Items	-	-	-	-	-
Tax on profits before extra-ordinary items	-	-	-	-	-
Taxation (as per MAT)	**0.15**	**1.06**	**1.26**	**8.00**	**19.15**

Year ended March 31,	2001	2002	2003	2004	2005
Tax Rate			3.68	3.59	3.66
Tax at actual rate of profit					
Adjustments					
Permanent Differences					
i) Disallowances			0.35	0.20	-
Timing Differences :					
i) Depreciation			18.14	25.26	21.57
ii) Defferred Expenses			(5.29)	(5.23)	(5.21)
ii) Allowance of Expenses			-	-	0.65
Net Adjustments			13.21	20.23	17.01
Tax savings thereon			13.21	20.23	17.01
Total Taxation			**NIL**	**NIL**	**NIL**

Note : Though the Taxation at Normal rate is NIL, the Company has paid minimum alternate Tax (MAT)

Annexure – XIX

Eligibility Certificate

(Rs. in millions)

Period ended on	September 30,					
	2000	2001	2002	2003	2004	30.06.05
Net Tangible Assets	561.54	578.99	648.88	692.64	848.35	1,215.21
Monetary Assets	6.99	45.37	24.51	37.79	321.93	348.78
Net profits, as per Section 205 of the Companies Act	(26.97)	6.54	23.62	27.94	122.71	321.07
Net worth, as restated	94.23	112.53	155.20	187.74	243.25	607.41

	Calculation of Net Tangible Assets						
1	**Fixed Assest (Net Block)**	**608.51**	**667.44**	**818.93**	**882.05**	**957.74**	**1,059.21**
2	Current Assets	243.67	230.26	391.91	398.16	1,009.33	3,629.02
		243.67	**230.26**	**391.91**	**398.16**	**1,009.33**	**3,629.02**
3	Less :						
	Current Liabilities	88.80	139.79	73.79	148.60	779.20	2,645.35
	Secured Loans (Short Term Borrowing)	118.73	47.42	377.97	312.28	213.44	746.42
	Unsecured Loans (Short Term Borrowing)	83.12	131.50	110.20	126.70	126.07	81.25
		290.65	**318.71**	**561.96**	**587.57**	**1,118.72**	**3,473.02**
	Net Tangible Assets (1 + 2 - 3)	**561.54**	**578.99**	**648.88**	**692.64**	**848.35**	**1,215.21**

Annexure – XX

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Rs. in millions)

Period ended on	**30.06.2005 Nine months**
Income	
Sales:	
Of products manufactured by the Company	3,122.53
Less : Inter-segment revenue	(475.69)
Of products traded by the Company	2,580.75
Other income	14.28
Increase (decrease) in inventory	968.68
Total Income	**6,210.54**
Expenditure	
Raw materials and goods consumed	5,420.70
Less : Inter-segment Expenditure	(232.89)
Staff costs	64.08
Other Manufacturing expenses	416.01
Less : Inter-segment Expenditure	(242.80)
Administrative, Selling and distribution expenses	177.68
Interest	115.01
Depreciation	61.09
Miscellaneous expenditure written off	0.52
Total Expenditure	**5,779.39**
Net Profit before tax and extraordinary items	431.15
Provision for taxation	49.61
Net profit after tax and before extraordinary items	381.54
Extraordinary items (net of tax)	-
Net profit after extraordinary items	381.54
Earlier year balance carried forward	9.06
Prior Period Adjustment towards exception items	0.52
Appropriations	
Transfer to General Reserve	8.50
Proposed Dividend	0.12
Tax on Proposed Dividend	0.02
Balance carried to Balance sheet	**381.45**

Annexure – XXI

CONSOLIDATED BALANCE SHEET

(Rs. in millions)

	As at	30.06.2005
A.	Assets	
	Fixed Assets—gross block	1,389.23
	Less: Depreciation	329.92
	Net Block	**1,059.31**
	Less: Revaluation Reserve	-
	Net Block after adjustment for Revaluation Reserve	**1,059.31**
B.	Investments	0.55
C.	Current assets, loans and advances	
	Inventories	2,791.93
	Receivables	366.17
	Cash and bank balances	380.60
	Loans and advances	185.22
	Total Assets	**4,783.78**
D.	Liabilities & Provisions	
	Loan funds	
	Secured loans	1,177.45
	Unsecured loans	210.76
	Deferred Tax Liability (Net)	52.77
	Current liabilities and provisions	
	Sundry liabilities	2,627.22
	Provisions	47.69
E.	**Net worth**	**667.88**
	Represented by:	
	Shareholders funds	
	Share Capital	200.00
	Reserves & surplus	468.56
	Less: Revaluation Reserve	-
	Reserves (Net of Revaluation Reserve)	468.56
	Less: Miscellaneous expenditure not written off	(0.68)
	Total	**667.88**

Annexure – XXII

CONSOLIDATED CASH FLOW STATEMENT

(Rs. in millions)

Period ended on	30.06.05 Nine-months
Cash Flow From Operating Activities:	
Profit Before Extraordinary Items and Tax	**431.15**
Adjustments for:	
Depreciation	61.09
Interest Income	(11.64)
Interest Expense	115.01
Purchase Tax Deferment	23.92
Loss/(profit) on sale of assets	0.41
Miscellaneous expenses to the extent written off	(0.68)
Deferred revenue expenditure	-
Operating profit before working capital changes	**619.25**
Adjustments for:	
Trade receivables	(282.83)
Other receivables	(15.50)
Inventories	(2,357.59)
Trade and other payables	1,895.10
Cash generated from operations	**(141.56)**
Income-tax paid	(1.81)
Net Cash Flow from Operating Activities	**(143.37)**
Cash Flow from Investing Activities:	
Purchase of Fixed Assets	(165.94)
Sale/Loss of Fixed Assets	(0.41)
Purchase of Investments	(0.50)
Increase in Reserves	-
Interest received	11.64
Net Cash Flow From Investing Activities	**(155.22)**
Cash Flow From Financing Activities:	
Increase in Capital	44.43
Dividend paid	(13.86)
Repayment of short-term borrowings	61.23
Proceeds from long-term borrowings	482.29
Repayment of long-term borrowings	(112.79)
Interest paid	(104.04)
Net Cash Flow from Financing Activities	**357.26**
Net (Decrease)/Increase in cash and cash equivalents	**58.67**
Opening cash and cash equivalents	321.93
Closing cash and cash equivalents	380.60

Significant Accounting Policies and Material Notes on Consolidation Financial Statements

A. Significant Accounting Policies

1. Organization and Nature of Operations

Shree Renuka Sugars Limited ("SRSL" or the "Company"), a public limited company, was incorporated on October 25, 1995 and together with its wholly owned subsidiary, Renuka Commodities, DMCC ('together referred to as 'the Group') is presently engaged in the production, marketing, and trading of sugar. The Group is also involved in the manufacture and distribution of ethanol and rectified spirit and bio-fertilizers, both of which are by products of the sugar manufacturing process. The Group also has a captive power generation facility and sells its surplus power in the state of Karnataka.

The Group has its registered office at Belgaum in Karnataka and its corporate office at Mumbai, Maharashtra. The Group also has two sugar manufacturing units at Munoli, Karnataka and Ajara, Maharashtra. The power generation facility and the distillery for manufacture of ethanol and rectified spirit are located at Munoli, Karnataka.

2. Significant Accounting Policies

(a) *Basis of presentation*

The accompanying consolidated financial statements have been presented for the nine-month period ended June 30, 2005. The accompanying financial statements have been prepared on a going concern basis under the historical cost convention on the accrual basis of accounting in conformity with accounting principles generally accepted in India ("Indian GAAP"). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year, except as specified otherwise.

These consolidated financial statements do not include comparative financial information as these are the first consolidated financial statements of the Group. The consolidated financial statements of the Group are prepared and presented in Indian Rupees, the Group's functional currency.

(b) *Consolidation*

The accompanying Consolidated Financial Statements comprise the accounts of Shree Renuka Sugars Limited and its subsidiary, after eliminating all material inter-company accounts, transactions, profits and losses. A subsidiary is an entity in which the Group has either direct or indirect majority ownership interest and has the power to control the financial and operating policies of that entity.

(c) *Use of estimates*

In preparing the Group's financial statements in conformity with accounting principles generally accepted in India, the Group's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period; actual results could differ from those estimates. The management's estimates for future obligations under employee benefit plans, the useful life of tangible assets and the realization of sundry debtors and loans and advances represent particularly sensitive estimates.

(d) *Fixed assets*

Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Expenditure incurred during construction period has been added to the cost of the assets. These expenses have been added in the ratio of 63:37 to the sugar and power generation units.

(e) *Borrowing costs*

Financing cost incurred up to the date of completion of construction or installation of qualifying assets, on funds borrowed are also capitalized as a part of the cost of the asset.

(f) *Depreciation*

Depreciation is provided at the rates and in the manner prescribed in Schedule XIV of the Act. The sugar manufacturing units, the distillery and the bio-fertilizer units are depreciated using the straight line method, while the power generation facility is depreciated using the written down value method. As per estimates of management, these rates are representative of the economic useful life of these assets.

No depreciation is provided on assets held for sale and such assets are written down to their realizable values.

(g) *Leases*

Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

(h) *Investments*

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. Profit/ loss on sale of investments is computed with reference to their average cost.

(i) *Inventories*

Inventories are valued as follows:

Raw materials, stores and spares and packing materials

Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a First In First Out ('FIFO') basis.

Finished goods

Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods excludes excise duty.

Work-in-process

Lower of cost up to estimated stage of process and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

By-products

By-products are generally not assigned any value. However, inter-unit transfers of by-products are valued at the cost of transportation, duties, etc.

(j) *Revenue recognition*

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of trade discounts, excise duty, sales returns and sales tax.

Revenue from sale of power is recognized when the units generated are transmitted to the pooling station, in accordance with the terms and conditions of the power purchase agreement entered into by the Company with the power transmission companies.

(k) *Foreign currency translation*

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and investments in foreign companies are recorded at the exchange rates prevailing on the date of making the investments.

Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognized as income or as expenses in the period in which they arise, except for loans denominated in foreign currencies utilized for acquisition of fixed assets where the exchange gains/losses are adjusted to the cost of such assets.

Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the period.

Translation of financial statements of foreign subsidiaries

The consolidated financial statements are presented in Indian Rupees, which is the functional currency of the parent company, being the currency of the primary economic environment in which it operates.

In the consolidated financial statements, the separate financial statements of the subsidiary, originally presented in a currency different from the Group's presentation currency, have been converted into Indian Rupees. Assets and liabilities have been translated into Indian Rupees at the closing rate at the balance sheet date. Income and expenses have been converted into the Group's presentation currency at the average rates over the reporting period. The resulting translation adjustments are recorded under the currency translation reserve in equity.

The functional currency of Renuka Commodities, DMCC, a subsidiary in Dubai, UAE, is UAE Dirham ('AED').

(l) Retirement benefits

Contributions in respect of provided fund, and gratuity are made to the appropriate authorities / Trust set up by the Group for the purpose and charged to profit and loss account. Provisions for liabilities in respect of gratuity and leave encashment benefits are made based on actuarial valuation made by an independent actuary as at the balance sheet date.

(m) Income taxes

Tax expenses comprise both current and deferred taxes.

Deferred income taxes reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

(n) Miscellaneous expenditure.

Preliminary expenses are written-off over a period of five years from the year of commencement of commercial production.

Deferred revenue expenditure comprising of Voluntary Retirement Scheme expenses are written-off over a period of five years. Cane Development Expenses: Cane Development expenses are written off over a period of three years from the year of incidence.

(o) Government Grants

Government grants in the nature of promoter's contribution are credited to capital reserve and treated as a part of Shareholder's funds.

(p) *Commodity futures*

Transactions in commodity futures are accounted based on the mode of ultimate settlement. Transactions, which are ultimately settled net, without taking delivery, are recorded net with the gains /losses being recognized as income/ expenses in the financial statements. Transactions, which stipulate physical delivery of the goods and where the Company intends to take such delivery, are recorded at gross, as purchases and sales as part of the Company's sugar activities.

(q) *Contingent liabilities*

Depending on facts of each case and after due evaluation of relevant legal aspects, claims against the Group not acknowledged as debts are disclosed as contingent liabilities. In respect of statutory matters, contingent liabilities are disclosed only for those demand(s) that are contested by the Group.

(r) *Earnings per share*

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(s) *Segment reporting*

The accounting polices adopted for segment reporting are in line with the accounting polices of the Group with the following additional polices for segment reporting:

a) Inter-segment revenue have been accounted for based on the transaction price agreed to between segments which is primarily market led.

b) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.

c) Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Corporate Expenses".

B. Material Notes to Consolidated Financial Statements

1. Excise Duty on Finished Goods

Excise duty is generally provided on manufacture of goods, which are not exempt from the payment of duty. However, since the Group's finished goods are not segregated at the time of production into those for sale in domestic markets and those for sale in export markets, the Group is unable to determine the exact liability towards excise duty on finished goods. Accordingly, excise duty is provided/paid only at the time of clearance of the goods from the factory.

2. Valuation of Inventories

During the current year, due to change over of practice of valuation of inventory to a Cost basis, the value of inventories as of 30th September 2004 is higher by Rs. 55.13 millions. Correspondingly the closing balance of reserves and surplus has been reduced by Rs. 55.13 millions on account of change over and has been disclosed as an exceptional item in restated financials.

3. Leases

The Group has entered into various operating leases for office, residential and factory premises. These are generally short term leases and cancellable by serving adequate notice. The minimum amount of lease rentals payable on non-cancellable leases is as follows:

- Within a period of one year - Rs. 77.5 millions
- Period from one year to five years – Rs. 220 millions

4. Balances appearing under the head sundry creditors, sundry debtors, loans and advances and secured loans are subject to confirmation, adjustments, if any, on the receipt/reconciliation of such accounts.

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

You should read the following discussion of our financial condition and results of operations together with our audited restated unconsolidated financial statements for each of the FY years ended September 30, 2002, 2003 and 2004, the nine-months ended June 30, 2005 and for nine-months ended June 30, 2004, including the notes thereto and the reports thereon in the section titled "Report of our Statutory Auditor, M/s. Ashok Kumar, Prabhashankar & Co." on page 106 of this Red Herring Prospectus. These financial statements have been prepared in accordance with Indian GAAP. Sugar is a seasonal industry. Hence, to compare the performance of the Company for the nine-months period ending June 30, 2005, we have compared the performance with nine-months period ending June 30, 2004.

Our Financial Year (FY) ends on September 30 of each year, so all references to a particular FY are to the twelve-month period ended September 30 of that year. The term "Net Revenue" includes the revenues less excise duty and inter-segment revenues. The term "Revenues" or "Turnover" or "Sales" as used in this discussion refers to the item titled "Total Income" in our financial statements and segment results. The term "Total Income" includes the revenues less excise duty and inter-segment revenues, and also includes other income and change in inventory. The data for the sugar industry is generally available for a Sugar Year, which commences on October 1 and ends on September 30 of the succeeding year, so all references to a particular Sugar Year are to the twelve-month period ended September 30 of that year. Sugar is a seasonal industry, the period in which sugarcane is processed to produce sugar is termed the "crushing season". In Maharashtra and Karnataka, the crushing season typically starts in the month of October and extends up to March/April. Therefore, references to a particular crushing season are to the period between October of the first year to the March/April of the following year. The intervening period between two crushing seasons is termed "off-season".

In accordance with the Accounting Standard on Segment Reporting, i.e. AS 17, we report the financial statements of our business in five separate segments. These segments relate to our businesses in (a) Sugar, (b) Trading, (c) Co-generation, (d) Distillery and (e) Others. The term 'Inter-Segment Sales' means the sales from one segment of our business to another. There are references to the terms 'Segment Sales' and 'Segment Results' in this analysis. The term 'Segment Sales' of a particular business segment means the revenue earned by the respective segment not including revenue earned through inter-segment sales, but net of the Excise duty paid by the respective business segment. In the case of sugar segment, the Segment Sale also includes income on account of foreign exchange gains and contract cancellation compensation received by us.

The term 'Total Segmental Revenue' means the aggregate of external sales and inter-segment sales for each segment. The term 'Segment Results' means the gross profit earned by the respective segment of our business. This does not include incomes from investments by us, the unallocated expenses such as expenses on account of the head office, tax and the financing expenses of the Company.

OVERVIEW

We are a fully integrated sugar company taking sugarcane from the sugarcane field of the farmers and using it as input to manufacture sugar, Ethanol, electricity and also bio-fertilizers. We also import and process raw sugar to make refined sugar. We utilize all the by-products of sugar production in-house to produce power from Bagasse at our 20.5 MW cogeneration plant, ethyl alcohol from molasses from our 60 KLPD distillery and bio-fertilizers from the spent wash and press mud, thereby enhancing the revenues from sugarcane crushed. We are among the few sugar companies in India which manufacture refined sugar through Phosphoflotation process, as compared to Double-Sulphitation process 'plantation white sugar' produced by most of the sugar mills. We have a 1000 TPD sugar refinery, which refines raw sugar to give refined sugar. A significant portion of our free sale sugar is sold to corporate and industrial users of sugar including multinational companies like Hindustan Coca Cola Beverages Private Limited, Nestle' India Limited, Cadbury India Limited, etc., and the balance is sold to wholesalers. In FY 2004, 2003, and 2002 we sold 68.35%, 53.99%, and 47.92% of our total external sugar to corporate customers. We also have a strong presence in trading of white sugar and raw sugar.

We started operations in 1998 when we acquired a sugar plant at Hindupur in Andhra Pradesh. We operated a successful Voluntary Retirement Scheme and subsequently transferred all the plant and machinery along with the remaining employees of the said sugar mill to Munoli at Belgaum in 1999 and expanded capacity to 2,500 TCD. We commenced sugar production in November 1999. We added a 11.2 MW Cogeneration facility to the Munoli plant in FY 2000, which was increased, to 20.5 MW in FY 2003. A 60KLPD distillery was also added in FY 2002. We expanded our crushing capacity by leasing another 2,500 TCD sugar mill at Ajara in Maharashtra in FY 2005. In July 2005, we entered into an agreement with Mohanrao Shinde Sahakari Sakhar Karkhana Limited to take on a six-year lease a 2,500 TCD sugar mill located at Mohannagar, Taluka Miraj, District Sangli, Maharashtra. We plan to increase the capacity of this sugar mill to 4000 TCD by FY 2006.

Sugarcane is procured directly from farmers and crushed. The sugarcane juice is processed to give sugar and molasses. Bagasse is the fibrous residue from crushing of sugarcane, which is used as fuel in the cogeneration plant to generate steam and electricity.

The molasses produced during the process of sugar manufacturing is sent to the distillery where it is fermented by yeast to produce Ethanol. This Ethanol can be further dehydrated using molecular sieve beds to produce 99.5% pure Fuel Ethanol. Fuel ethanol so produced is used for blending with petrol under the National Ethanol Program.

We have achieved a turnover of Rs. 5,184.35 million in nine-month period ending June 30, 2005, as compared to Rs. 2116.57 million in nine month period ending June 30, 2004, which is an increase of 144.94%. Our profit before tax was Rs. 370.68 million in nine-months ending June 30, 2005 as compared to Rs. 127.87 million in nine-months ending June 30, 2004, which was an increase of 189.90% and our adjusted profit after tax was Rs. 320.55 million in nine-months ending June 30, 2005 as compared to Rs. 98.84 million in the nine-month period ending June 30, 2004, which was an increase of 224.31%.

The turnover in FY 2004 was Rs. 2,455.34 million, as compared to Rs. 3,019.59 million in FY 2003, which was a decrease of 18.69%. The profit before tax, however, increased to Rs. 151.74 million from Rs. 42.69 million in FY 2003, an increase of 255.43%. The adjusted profit after tax was at Rs. 56.50 million as compared to Rs. 26.78 million in FY 2003, an increase of 110.94%.

The turnover in FY 2003 was Rs. 3,019.59 million, as compared to Rs. 1,358.27 million in FY 2002, which was an increase of 122.31%. The profit before tax increased to Rs. 42.69 million from Rs. 24.73 million in FY 2002, which was an increase of 72.60%. The adjusted profit after tax was at Rs. 26.78 million as compared to Rs. 22.38 million in FY 2002, an increase of 19.67%.

SUMMARY OPERATING DATA

	FY 2002	FY 2003	FY 2004	Nine-months ended June 30, 2004	Nine-months ended June 30, 2005		
	Munoli	**Munoli**	**Munoli**	**Munoli**	**Munoli**	**Ajara**	**TOTAL**
Sugar							
Capacity (TCD)	2,500	2,500	2,500	2,500	2,500	2,500	5,000
Weighted Avg. Crushing Season Duration (Days)	210	237	208	217	267	106	-
Total sugarcane crushed (MT)	539,000	726,590	576,730	528,680	641,020	251,110	892,130
Raw Sugar Processed (MT)	-	13,679	44,635	35,816	116,232 *	-	116,232*
Sugar produced from cane	58,200	83,052	61,257	57,350	65,547	28,659	94,206
Sugar produced from raw sugar	-	12,965	41,625	33,507	110,138	-	110,138
Total Sugar Produced (MT)	**58,200**	**96,017**	**102,882**	**90,857**	**175,685**	**28,659**	**204,344**
Recovery (%)	10.8%	11.4%	10.6%	10.8%	10.2%	11.4%	-
Sugar Sales (MT)	**59,456**	**88,995**	**92,995**	**68,849**	**113,213**	**23,393**	**136,606**

	FY 2002	FY 2003	FY 2004	Nine-months ended June 30, 2004	Nine-months ended June 30, 2005		
	Munoli	Munoli	Munoli	Munoli	Munoli	Ajara	TOTAL
Cogeneration							
Power Generated (Units)	46,610,645	68,040,290	58,219,440	50,755,840	70,406,858	-	70,406,858
Import and DG set (Units)	336,540	369,613	628,992	287,248	178,236	-	178,236
Power Consumption (Units)	22,409,085	30,882,403	27,420,671	24,239,288	32,772,494	-	32,772,494
Power Export (Units)	**24,538,100**	**37,587,500**	**31,427,761**	**26,803,800**	**37,812,600**	**-**	**37,812,600**
Ethanol							
Spirit Production (litres)	3,910,220	8,226,388	12,211,910	10,608,254	12,490,899	-	12,490,899
Spirit Sales (litres)	3,030,178	6,351,280	1,707,760	1,259,760	12,783,640	-	12,783,640
Fuel Ethanol produced (litres)	-	2,028,092	9,404,764	9,404,764	861,555	-	861,555
Fuel Ethanol Sales (litres)	-	180,000	11,106,500	10,610,500	-	-	-

* Includes 4,830.7 MT of damaged white sugar stock which was reprocessed

Sugar

We acquired a plant at Hindupur in Andhra Pradesh in 1998 and transferred the equipment to Munoli, near Belgaum in Karnataka. We started our sugar production in November 1999 at Munoli. In 2004, we took an operating lease of two years for another sugar mill of 2,500 TCD capacity in Ajara at Kolhapur District in Maharashtra. Hence, as of March 31, 2005, our total crushing capacity was 5,000 TCD. In July 2005, we entered into an agreement with Mohanrao Shinde Sahakari Sakhar Karkhana Limited to operate on lease a sugar mill with 2,500 TCD capacity in the Sangli district in Maharashtra.

The revenue for sugar business arises primarily from the sales of sugar and other residual products. We used to sell molasses to third parties before our distillery became operational but now all of the molasses produced in our sugar plant is used in our distillery for production of Ethanol and Fuel Ethanol. Also, all the Bagasse from crushing of sugarcane is used as fuel in our cogeneration plant to generate steam and electricity. Details of the segmental results are given in the following table:

Details of Sugar Segment Revenues	FY '01-'02		FY '02-'03		FY '03-'04		Nine-months ended June 30, '04		Nine-months ended June 30, '05	
	Rs. Mn.	*%*	*Rs. Mn.*	*%*	*Rs. Mn.*	*%*	*Rs. Mn.*	*%*	*Rs. Mn.*	*%*
Sale of Sugar	810.73	*91.97%*	1,087.13	*90.33%*	1,171.87	*92.95%*	917.54	*92.31%*	2188.54	*89.87%*
Sale of Molasses	30.69	*3.48%*	31.95	*2.65%*	11.74	*0.93%*	11.74	*1.18%*	110.65	*4.54%*
Sale of Bagasse	37.28	*4.23%*	80.80	*6.71%*	76.44	*6.06%*	64.00	*6.44%*	130.76	*5.37%*
Sale of Residual Products	2.80	*0.32%*	3.69	*0.31%*	0.76	*0.06%*	0.67	*0.07%*	5.25	*0.22%*
Total Segment Revenues	**881.50**		**1,203.57**		**1,260.82**		**993.95**		**2435.20**	
Cost of Goods Sold	765.80		1,124.41		1,177.06		881.47		2243.55	
Gross Profit of Segment	**115.70**		**79.16**		**83.76**		**112.48**		**191.64**	

Co-generation

Bagasse is the dry, fibrous residue remaining after the extraction of juice from the crushed stalks of sugarcane, which is used as a fuel for boilers to generate steam which is used in sugar manufacturing process and to generate power. We set up a 11.2 MW cogeneration power plant at our Munoli plant in FY 2000 and increased its capacity to 20.5 MW in FY 2003. We also plan to set up another cogeneration plant at our Unit III at Sangli in Maharashtra with a capacity of 15 MW.

The revenue from co-generation was primarily from sale of electricity to Karnataka Power Transmission Corporation Limited (KPTCL). However, as per Government of Karnataka order number EN/13101/PSR/2003 Bangalore dated May 10, 2005, KPTCL has been recognized as a State Transmission Unit. Due to this, KPTCL has been barred from trading in electricity with effect from June 10, 2005 and consequently various Electricity Supply Companies ("ESCOM"), through transfer arrangements, have become transmission licensees. Therefore, our PPA has been transferred to Hubli Electricity Supply Company Limited ("HESCOM") from June 10, 2005 onwards.

Details of Cogeneration Segment Revenues	**FY '01-'02**		**FY '02-'03**		**FY '03-'04**		**Nine-months ended June 30, '04**		**Nine-months ended June 30, '05**	
	Rs. Mn.	***%***	***Rs. Mn.***	***%***	***Rs. Mn.***	***%***	***Rs. Mn.***	***%***	***Rs. Mn.***	***%***
Sale of Power to KPTCL	77.33	*0.51*	126.92	*41.71%*	109.49	*39.70%*	93.45	*41.62%*	138.71	*36.34%*
Sale of Power and Steam to Sugar Plant	70.29	*0.46*	140.95	*46.32%*	142.54	*51.67%*	111.60	*49.70%*	223.11	*58.45%*
Sale of Power and Steam to Distillery	4.67	*0.03*	36.43	*11.97%*	23.80	*8.63%*	19.50	*8.68%*	19.69	*5.16%*
Sale of Waste and other products	0.00	*0.00*	0.00	*0.00%*	0.00	*0.00%*	0.00	*0.00%*	0.22	*0.06%*
Total Segment Revenues	**152.29**		**304.31**		**275.83**		**224.55**		**381.72**	
Cost of Goods Sold	102.90		166.02		191.74		144.45		337.48	
Gross Profit of Segment	**49.39**		**138.29**		**84.09**		**80.10**		**44.24**	

Distillery

Molasses is the brown colored residue after sugar has been extracted from the juice. Molasses still contains some quantity of sugar, but this sugar cannot be extracted by usual technology. It is used as an input in distilleries where the sugar present in the molasses is fermented into ethyl alcohol by yeast. This ethyl alcohol is extracted from the residue mixture using fractional distillation process.

We commenced production in our distillery at Munoli in FY 2002 with a capacity of 60 Kilo-Litres per Day (KLPD). We plan to increase the capacity of the Munoli distillery to 120 KLPD. Further, we plan to set up another distillery at Unit III with capacity of 120 KLPD.

Details of Distillery Segment Revenues	**FY '01-'02**		**FY '02-'03**		**FY '03-'04**		**Nine-months ended June 30, '04**		**Nine-months ended June 30, '05**	
	Rs. Mn.	***%***	***Rs. Mn.***	***%***	***Rs. Mn.***	***%***	***Rs. Mn.***	***%***	***Rs. Mn.***	***%***
Sale of Rectified Spirit	30.79	99.20%	63.06	93.73%	28.65	12.31%	15.25	7.24%	298.87	99.37%
Sale of Denatured Spirit	0.25	0.80%	0.91	1.36%	0.52	0.22%	0.52	0.25%	1.91	0.63%
Sale of Anhydrous Denatured Ethanol	-	0.00%	3.31	4.91%	203.66	87.47%	194.85	92.51%		
Total Segment Revenues	**31.04**		**67.28**		**232.83**		**210.63**		**300.78**	
Cost of Goods Sold	15.23		40.86		100.12		99.08		135.03	
Gross Profit of Segment	**15.81**		**26.42**		**132.71**		**111.55**		**165.74**	

Trading

We are an active participant in trading of sugar. We engage in opportunistic purchase and sale of sugar depending upon sugar price trends. Trading in sugar allows us a better insight into the domestic and international sugar prices and trends. Trading in sugar gives the Company an enhanced trade-flow much larger than its own manufactured sugar. This translates into a deeper and wider exposure to price trends and customer buying patterns in both domestic and international sugar markets. We are a member of the National Commodity and Derivatives Exchange (NCDEX). The NCDEX exchange provides a platform for trading sugar futures contracts. Participation in these contracts places an obligation on the buyer or seller of the contract to make (seller) or accept (buyer) delivery of a specified quantity and quality of sugar at a specified time in the future.

The benefits of futures contracts are that it allows buyers and sellers of sugar to reduce the risk and uncertainty of transactions they wish to undertake at a future point in time – commonly referred to as hedging their position.

Also futures markets bring a wider pool of participants to the market. One buyer does not have to find a seller that they can contract with physically in order to minimize their price risk. Investment funds are often involved, benefiting from hedging their portfolio of assets and diversifying their risk to movements in traditional investment instruments – equities and bonds. This broad pool of participants benefits all parties as it allows for a more diverse range of expectations and therefore a more efficient mechanism to hedge prices.

We have set up Risk Management Committee to monitor price fluctuation and review financial and risk management policy of the Company.

Details of Trading Segment Revenues	**FY ’01-‘02**		**FY ’02-‘03**		**FY ’03-‘04**		**Nine-months ended June 30, ’04**		**Nine-months ended June 30, ‘05**	
	Rs. Mn.	***%***	***Rs. Mn.***	***%***	***Rs. Mn.***	***%***	***Rs. Mn.***	***%***	***Rs. Mn.***	***%***
Exports	387.16	100%	1,605.85	100%	729.88	100%	637.85	100.00%	1554.65	100.00%
Total Segment Revenues	**387.16**		**1,605.85**		**729.88**		**637.85**		**1554.65**	
Cost of Goods Sold	373.97		1,590.61		691.06		613.54		1334.07	
Gross Profit of Segment	**13.19**		**15.23**		**38.83**		**24.30**		**220.58**	

Other Operations

Other operations include sale of bio-fertilizers and compost made from the spent wash of the distillery, and residual products from the sugar plant.

Factors Affecting our Results of Operations

Sugar

Revenues

The revenue for sugar segment arises primarily from the sales of sugar, molasses and Bagasse.

Sugar Segment Sales accounted for 42.48%, 43.38%, 48.24%, 37.18%, 62.15% of the total turnover in nine months ending June 30, 2005, nine months ending June 30, 2004, FY 2004, 2003 and 2002 respectively.

The Government has been following a dual pricing policy for sugar, under which, a fixed percentage of the total production is to be necessarily sold by the sugar mills to the Government or its nominees at a predetermined price referred to as “*levy sugar*”. The sugar so collected is distributed to consumers through Fair Price Shops under the Public Distribution System. The balance sugar referred to as “*free sale sugar*” can be sold in the open market. The current ratio of *free sale* sugar to *levy sugar* is 90:10 i.e. 10% of sugar produced is to be sold at prices fixed by Government for different levy price zones in the country. Every month fixed quantities of *levy* and *free sale* sugar is released to each factory. In respect of *levy sugar*, specified buyers are nominated by the Government.

We sell the '*free sale* sugar' produced by us to a number of corporate customers, wholesalers, and agents.

Details of Sugar Sales	FY '01-'02		FY '02-'03		FY '03-'04		Nine-months ended June 30, '04 (unaudited)		Nine-months ended June 30, '05	
	Rs. Mn.	***%***	***Rs. Mn.***	***%***	***Rs. Mn.***	***%***	***Rs. Mn.***	***%***	***Rs. Mn.***	***%***
To Corporate Customers	388.49	47.92%	586.93	53.99%	800.95	68.35%	661.95	72.10%	1,283.74	58.66%
To Wholesalers	422.25	52.08%	500.20	46.01%	370.93	31.65%	255.59	27.90%	904.80	41.34%
Total Sugar Sales	**810.74**		**1,087.13**		**1,171.88**		**917.54**		**2,188.54**	

Corporate Customers including multinational companies like Hindustan Coca Cola Beverages Private Limited, Nestle' India Limited, Cadbury India Limited, etc. accounted for more than 68.35% of sugar sales in FY 2004, and 53.99% of the total free sale sugar sold in FY 2003. Liaison with corporate customers is maintained by our sales and marketing team. The sugar contracts are typically for one year. While there is no material premium/discount in prices when dealing with corporate customers, there are several benefits like:

- Committed and timely off-take of sugar
- Scope to fix prices in advance and reduce price risk
- Reduced working capital cost due to increased comfort with working-capital lenders
- Reduced dependence on brokers for the sale of sugar

The balance of the *free sale* sugar is sold through wholesalers. As per market practice, we take the assistance of agents in identifying these wholesalers. These agents also assist us in getting better realisation prices and collection of our sale proceeds. In consideration for these services, we pay them a commission based on the quantity sold. We select these agents based on their track record and history of association with us. The transportation costs of sugar from our factory/ depot are borne by the buyers.

Levy sugar is picked from the plant by government appointed buyers. In case the levy sugar is not picked up within three months of the release order, it is converted from levy sugar to *free sale* sugar and can be sold to any buyer.

Pricing of sugar

The *levy price* for North-West Karnataka and South Maharashtra, where our Units are located, are Rs. 13,453.30 per MT and Rs. 13,448.01 per MT, respectively in the SY 2005 *[Source: Cooperative Sugar, Volume 36, May 2005]*.

The price of *free sale* sugar is determined by market forces. The consumption of sugar in India has increased at a compounded annual growth rate of 3.83%, from 11.97 MMT in Sugar Year 1994 to 18.40 MMT in Sugar Year 2004 according to Indian Sugar Magazine. Supply of sugar has fluctuated in the last decade peaking at 20.14 MMT in Sugar Year 2003. In Sugar Year 2004, the production of sugar fell by 32.97% to 13.50 MMT. The average net price of our sugar increased from Rs. 11,628.80 per MT in FY 2003 to Rs. 12,547.20 per MT in FY 2004, which was an increase of 7.90%. The following table details the average prices of *free sale* sugar in India in the last two years and the first six months of the Sugar Year 2005.

All India Average Prices for Free Sale Sugar

(Rs. per MT of free sale sugar)

	Sugar Year 2003	**Sugar Year 2004**	**Sugar Year 2005**
October	11,600	11,290	14,710
November	11,140	12,030	14,650
December	10,810	11,770	15,360
January	10,710	11,660	16,630

(Rs. per MT of free sale sugar)

	Sugar Year 2003	Sugar Year 2004	Sugar Year 2005
February	10,660	12,930	16,500
March	10,540	12,770	16,640
April	10,650	13,420	16,377
May	10,580	13,990	16,145
June	10,810	14,220	16,050
July	11,810	14,060	
August	12,590	14,650	
September	12,340	14,720	
Average	**11,190**	**13,210**	

Source: ISMA, Cooperative Sugar (August 2005; Vol. 36, No. 12)

Volume of sales

The sugar industry in India is highly fragmented and the pricing power of individual companies is limited when dealing with wholesalers and agents. Part of the sugar is also exported. We exported 8,984 MT of our own manufactured sugar in FY 2004 as compared to 21,723 MT in FY 2003, which was a 58.64% decrease over the previous year.

Expenditure

Sugarcane

The cost of sugarcane constituted 61.00% of the total raw material cost for sugar segment, and 27.52% of the total turnover in FY 2004. The availability of sugarcane and its price is critical for our financial condition. In Maharashtra and Karnataka, we procure sugarcane directly from the farmers. Direct procurement from farmers allows us to procure fresh and mature cane. It also helps us reduce the time lost between harvesting and crushing. This is as opposed to states like Uttar Pradesh where cane is to be compulsorily procured from sugarcane co-operatives. It is mandatory that farmers should be paid within 14 days of delivery of the sugarcane.

Sugarcane Price

Under the Sugarcane (Control) Order, 1966, the sugarcane price is governed by notifications of the Government of India (GoI). The GoI determines the minimum sugarcane price payable to farmers, known as the Statutory Minimum Price ("SMP"). The base SMP is fixed corresponding to a recovery rate of 8.5% and an additional rate per metric tonne is fixed in case the average recovery achieved in the previous season is more than the base recovery of 8.5%. The SMP payable by each factory is computed based on the aforesaid parameters. The SMP for the crushing season 2004-2005 was Rs. 745.0 per MT for a base recovery of 8.5%. In addition, a charge of Rs. 8.8 per MT, for every increase in recovery by 0.1% over the base recovery rate of 8.5%, was payable.

The average recovery rate of our Munoli sugar mills in the crushing season 2003-2004 was 10.75%, which was above the base recovery rate of 8.5%. Hence, in the crushing season 2004- 2005, the SMP for our Munoli, and Ajara plants were fixed as Rs. 1030.0 per MT, and Rs. 903.4 per MT, respectively.

However, SMP is only the minimum price that needs to be statutorily paid to the farmers. In the recent past we have paid prices that were higher than SMP in order to attract the best quality cane, minimize diversion of sugarcane, and also to motivate more farmers to plant sugarcane.

In addition, to improve sugarcane yields and quality of the crop, we facilitate the farmers in availing loans through banks to the farmers for seeds and fertilizers by providing guarantees against defaults. Also, we provide fertilizers and other agri-inputs at subsidized prices to the farmers.

Raw Sugar

We also refine raw sugar to produce refined white sugar. Raw sugar is imported from countries like Brazil, South Africa, etc. Raw sugar refining allows us to run the refinery and distillery even in off-season and increase capacity utilizations.

Raw Sugar Price

Raw sugar prices are governed by international market forces and supply and demand scenario. Raw sugar imports are allowed under the Advanced Licensing Scheme. Sugar mills which import raw sugar have to export 95% of the quantity imported within 24 months of the issue of license, failing which the following payments will need to be made:

1) Customs Duty of 60% to be paid on the CIF price;
2) Countervailing Duty and Education Cess Rs. 867/- per MT of raw sugar imported, which is Cenvatable;
3) Interest at the rate of 15% applicable from the date of clearance from the port on the customs duty amount; and
4) An amount equivalent to 3% of the CIF value of the total amount of raw sugar imported.

However, the export obligation period may be extended upon fulfilling certain conditions and payment of certain fees. For details please refer to the section titled "Regulation and Policy – Foreign Trade Policy" on page 78 of this Red Herring Prospectus.

We refined 44,635 MT of raw sugar in FY 2004 as compared to 13,679 MT in FY 2003.

Interest on working capital finance

Our operations, including our sugar operations, are working capital intensive. The entire sugar production takes place in the crushing season, which has duration of around 6-7 months while the sales take place throughout the year. Sales of sugar by us are as determined by the Directorate of Sugar, Ministry of Consumer Affairs, Food and Public Distribution, Government of India based on the total availability of sugar in the country and the total demand for sugar in the country. Further, we are required to pay sugarcane price within the statutory time limits. Hence, considerable working capital finance is required to fund the inventories of manufactured goods. The interest component of the working capital finance is dependent on the average period of inventory holding. Faster liquidation of sugar stock results in lower interest on working capital finance.

Co-generation

Co-generation is a high margin segment since the primary raw material – Bagasse, is a by-product of the sugar mill and running costs are minimal.

Revenue

Co-generation Segment Sales accounted for 2.68%, 4.42%, 4.46%, 4.20%, 5.69% of the total turnover in nine months ending June 30, 2005, nine months ending June 30, 2004, FY 2004, FY 2003 and FY 2002 respectively.

Price of electricity

The electricity produced by the co-generation power plant, less the captive consumption, is sold to the Karnataka Power Transmission Corporation Limited ("KPTCL"), as per a 10 year Power Purchase Agreement ("PPA") signed with KPTCL (erstwhile "Karnataka Electricity Board"), commencing from 1999. The PPA provides for the purchase of power from us at a base price applicable for the year 1994-'95 of Rs. 2.25 per unit, with an escalation of 5% per annum over the tariff applicable for the previous year. According as the PPA, the sale price of power from the FY 2004 and FY 2005 should be Rs. 3.49 and Rs. 3.67 per unit respectively. Although we have billed KPTCL at these rates, KPTCL has made payments to us at a rate of Rs. 3.32 per unit since FY 2003 without any increase in price. The total amount outstanding on KPTCL as on June 30, 2005 due to difference in billed amount and amount that was actually paid is Rs. 24.07 million.

As per Government of Karnataka order number EN/13101/PSR/2003 Bangalore dated May 10, 2005, KPTCL has been recognized as a State Transmission Unit. Due to this, KPTCL has been barred from trading in electricity with effect from June 10, 2005 and consequently various Electricity Supply Companies ("ESCOM"), through transfer arrangements, have become transmission licensees. Therefore, our PPA has been transferred to Hubli Electricity Supply Company Limited ("HESCOM") from June 10, 2005 onwards.

Expenditure

Prices of Bagasse and Coal

Our cogeneration plant uses Bagasse as primary fuel. However, coal can also be used as a fuel in one of our boilers.

In FY 2004, all the Bagasse used in our boilers was from our sugarcane crushing plant, and we did not buy any Bagasse from third parties. However, we used to buy Bagasse from other sugar factories in the previous years. The price of Bagasse depends on a number of factors, the most important of which is the quantum of the sugarcane crop and the price being offered for Bagasse by other industries like paper mills. Transfer price of Bagasse for the inter-segment sales is determined based on the market price of Bagasse in that Financial Year.

The cost of coal was Rs. 16.08 million, which constituted 14.69% of the external sales from co-generation, and 0.65% of total revenues in FY 2004. In FY 2004, we only used imported coal amounting to 5,144 MT. Coal is used in our boilers to raise steam as a fuel supplementary to Bagasse.

Distillery

Revenue

Distillery Segment Sales accounted for 5.80%, 9.95%, 9.48%, 2.23%, 2.29% of the total turnover in nine months ending June 30, 2005, nine months ending June 30, 2004, FY 2004, FY 2003 and FY 2002 respectively.

The Ethanol produced by us is sold either as denatured spirit, or rectified spirit, or as anhydrous denatured ethanol (Fuel Ethanol). Primary users of denatured spirit are industrial users, while rectified spirit is mainly sold for potable uses to liquor manufacturers. Fuel Ethanol is used as motor fuel by blending it with petrol. We were able to realize an average price of Rs. 18.36 per litre for our Ethanol in FY 2004 which was 53.23% higher than the average price realized in FY 2003 of Rs. 11.98 per litre. Total Segment Sale from distillery in FY 2004 was Rs. 232.83 million, which was a 246.08% increase over previous year when the Segment Sale was Rs. 67.28 million.

Trading

Trading Segment Sales accounted for 29.99%, 30.14%, 29.73%, 53.18%, 28.50% of the total turnover in nine months ending June 30, 2005, nine months ending June 30, 2004, FY 2004, FY 2003 and FY 2002 respectively.

We engage in opportunistic trading activity depending on prevailing sugar prices and price differentials. Our trading activities include buying sugar from other sugar mills and exporting the same to our regular overseas buyers, procuring sugar from other sugar mills and selling the same to our local brokers, and also selling raw sugar on high seas to various sugar mills in India.

Other Factors Affecting Results of Operations of our Company

Staff Costs

Staff Costs include salaries and wages, bonuses, allowances, benefits, contribution to provident and other funds and welfare expenses. These expenses represent 1.24% of our turnover in nine-month period ending June 30, 2005, 1.04% of our turnover in nine-month period ending June 30, 2004, 1.22% of our turnover in FY 2004, 0.86% in FY 2003, and 1.73% in FY 2002.

Administration, Selling and Distribution Expenses

Administrative, selling and distribution expenses includes freight outwards, discount on sales, sales promotions, sales commissions, incentives, repair and maintenance of buildings, rents, security, insurance, stationery, fees, advertisement and publicity, and expenses for travel and communication. These expenses represent 3.12% of our turnover in nine-month period ending June 30, 2005, 5.48% of our turnover in nine-month period ending June 30, 2004, 4.99% of our turnover in FY 2004, 7.13% in FY 2003, and 6.34% in FY 2002.

Taxes and Duties

We pass on the liability on account of excise duty, sales tax, the administrative charges on the sale of Ethanol and excise duty on the sale of sugar to our customers. We bear the tax on purchase of sugarcane and the direct taxes on our income. Other applicable taxes are Central Excise, State Excise, Service Tax, Purchase tax, Entry Tax, VAT, Income Tax, and Wealth Tax. The total tax provisions (including current tax and deferred tax) were approximately 13.38% of our Net Profit before tax and extraordinary items in nine-month period ending June 30, 2005, 22.70% in nine-month period ending June 30, 2004, 25.72% in FY 2004, 34.56% in FY 2003, and 4.49% in FY 2002.

We have been paying income tax at Minimum Alternate Tax ("MAT") which was lower than the corporate tax rate. However, from FY 2005 onwards we will have to pay tax at the applicable corporate tax rate.

The profits of the co-generation plant are exempt from income tax for a period of 10 consecutive years within the first 15 years from the commencement of generation of electricity in accordance with the provisions of Section 80 IA of the income tax Act, 1961. We will start availing this benefit from FY 2005 and this benefit will continue till FY 2014.

Employee Share Purchase Scheme

After the listing of our Equity Shares in this Offer, we intend to adopt an Employee Stock Option Scheme (the "ESOP") in which select employees and directors of the Company and its subsidiary can participate subject to such approvals as may be necessary. These employees will be selected based on certain criteria determined by our management. The ESOP will comply with the SEBI (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999. The ESOP to be granted pursuant to the ESPS may be up to 2.0% of our post-Issue paid-up capital. The issue of ESOP is likely to occur before the end of fiscal 2006. Any issuance of ESOP will result in a charge to our income statement equal to the product of such number of ESOPs granted and the difference between the market price of our Equity Shares as on the date of their grant and the exercise price, which we currently expect will be Issue Price. This will be amortized in terms of the SEBI (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999.

RESULTS OF OPERATIONS

The following table sets forth certain information with respect to our revenues, expenditures and profits, as a percentage of total revenues, for the periods indicated.

	FY 2002		FY 2003		FY 2004		Nine-months ended June 30, 2004		Nine- months ended June 30, 2005	
	Rs. Mn.	***% of turnover***	**Rs. Mn.**	***% of turnover***	**Rs. Mn.**	***% of turnover***	**Rs. Mn.**	***% of turnover***	**Rs. Mn.**	***% of turnover***
Income										
Sales:										
Of products manufactured by the Company	1,064.84	*78.39%*	1,581.30	*52.37%*	1,773.76	*72.24%*	1,433.27	*67.72%*	3,122.44	*60.23%*
Less : Inter-segment revenue	(112.24)	*-8.26%*	(258.19)	*-8.55%*	(242.78)	*-9.89%*	(206.84)	*-9.77%*	(475.69)	*-9.18%*
Of products traded by the Company	387.16	*28.50%*	1,605.85	*53.18%*	729.88	*29.73%*	637.85	*30.14%*	1,554.65	*29.99%*
Net Revenue	1,339.75	*98.62%*	2,928.96	*97.00%*	2,260.86	*92.08%*	1,864.28	*88.08%*	4,201.40	*81.04%*
Other income	2.56	*0.19%*	5.53	*0.18%*	13.76	*0.56%*	9.73	*0.46%*	14.28	*0.28%*
Increase (decrease) in inventory	15.95	*1.17%*	85.11	*2.82%*	180.71	*7.36%*	242.56	*11.46%*	968.68	*18.68%*
Total Income	**1,358.27**	***100.00%***	**3,019.59**	***100.00%***	**2,455.34**	***100.00%***	**2,116.57**	*100.00%*	**5,184.35**	***100.00%***

	FY 2002		FY 2003		FY 2004		Nine-months ended June 30, 2004		Nine-months ended June 30, 2005	
	Rs. Mn.	***% of turnover***	**Rs. Mn.**	***% of turnover***	**Rs. Mn.**	***% of turnover***	**Rs. Mn.**	***% of turnover***	**Rs. Mn.**	***% of turnover***
Expenditure										
Raw materials & goods consumed	1,071.16	*78.86%*	2,541.86	*84.18%*	1,950.73	*79.45%*	1,705.58	*80.58%*	4,485.87	*86.53%*
Less : Inter-segment Expenditure	(37.28)	*-2.74%*	(80.80)	*-2.68%*	(76.44)	*-3.11%*	(75.74)	*-3.58%*	(232.89)	*(4.49)%*
Staff costs	23.47	*1.73%*	26.07	*0.86%*	30.06	*1.22%*	22.00	*1.04%*	64.08	*1.24%*
Other Manufacturing expenses	130.95	*9.64%*	267.86	*8.87%*	257.28	*10.48%*	206.78	*9.77%*	416.01	*8.02%*
Less : Inter-segment Expenditure	(74.96)	*-5.52%*	(177.38)	*-5.87%*	(166.34)	*-6.77%*	(131.09)	*-6.19%*	(242.80)	*(4.68)%*
Administrative, selling & distribution expenses	86.18	*6.34%*	215.26	*7.13%*	122.52	*4.99%*	116.09	*5.48%*	161.70	*3.12%*
Interest	82.31	*6.06%*	120.57	*3.99%*	113.25	*4.61%*	86.46	*4.08%*	100.10	*1.93%*
Depreciation	51.69	*3.81%*	63.34	*2.10%*	70.75	*2.88%*	53.06	*2.51%*	61.08	*1.18%*
Miscellaneous expenditure written off	0.02	*0.00%*	0.12	*0.00%*	1.79	*0.07%*	5.56	*0.26%*	0.52	*0.01%*
Total Expenditure	**1,333.53**	***98.18%***	**2,976.90**	***98.59%***	**2,303.60**	***93.82%***	**1,988.70**	*93.96%*	**4,813.67**	*92.85%*
Net Profit before tax and extraordinary items	24.73	*1.82%*	42.69	*1.41%*	151.74	*6.18%*	127.87	*6.04%*	370.68	*7.15%*
Provision for taxation	1.11	*0.08%*	14.75	*0.49%*	29.03	*1.18%*	29.03	*1.37%*	49.61	*0.96%*
Net profit after tax and before extraordinary items	23.62	*1.74%*	27.94	*0.93%*	122.71	*5.00%*	98.84	*4.67%*	321.07	*6.19%*
Extraordinary items (net of tax)	-	*0.00%*	-	*0.00%*	-	*0.00%*	-	*0.00%*	-	*0.00%*
Net profit after extraordinary items	**23.62**	***1.74%***	**27.94**	***0.93%***	**122.71**	***5.00%***	**98.84**	*4.67%*	**321.07**	***6.19%***
Prior Period Adjustment towards exception items										
Inventory	-		-		55.13	*2.25%*	-	*0.00%*	-	*0.00%*
Income Tax	-		-		10.00	*0.41%*	-	*0.00%*	-	*0.00%*
Depreciation and Others	1.24	*0.09%*	1.15	*0.04%*	1.09	*0.04%*	-	*0.00%*	0.52	*0.01%*
Adjusted Profit after Tax	**22.38**	***1.65%***	**26.78**	***0.89%***	**56.50**	***2.30***	**98.84**	*4.67%*	**320.55**	***6.18%***
Earlier year balance carried forward	(21.25)	*(1.56)%*	1.13	*0.04%*	15.10	*0.61%*	15.10	*0.71%*	9.06	*0.17%*
Appropriations	-	*0.00%*	-	*0.00%*	-	*0.00%*	-	*0.00%*	-	*0.00%*
Transfer to general reserve	-	*0.00%*	12.61	*0.42%*	47.00	*1.91%*	-	*0.00%*	8.50	*0.16%*
Proposed dividend	-	*0.00%*	0.19	*0.01%*	13.74	*0.56%*	-	*0.00%*	0.12	*0.00%*
Tax on proposed dividend	-	*0.00%*	0.02	*0.00%*	1.80	*0.07%*	-	*0.00%*	0.02	*0.00%*
Balance carried to Balance sheet	**1.13**	***0.08%***	**15.10**	***0.50%***	**9.06**	***0.37%***	**113.94**	*5.38%*	**320.98**	***6.19%***

COMPARISON OF NINE MONTHS ENDED JUNE 30, 2005 WITH NINE MONTHS ENDED JUNE 30, 2004

Revenues

Our total turnover including total revenues net of excise duty, other income, and change in stock, for the nine-month period ending June 30, 2005 was Rs. 5,184.35 million as compared to Rs. 2,116.57 million in the nine-month period ending June 30, 2004, which is an increase of 144.94%. Our total turnover increased due to an increase in the segment sales of sugar to Rs. 2,202.31 million in nine-month period ending June 30, 2005 from Rs. 918.21 million in nine-month period ending June 30, 2004, which was an increase of 139.85%; an increase in segment sales from sugar trading to Rs. 1,554.65 million from Rs. 637.85 million, which was an increase of 143.73%; an increase in segment sales from cogeneration to Rs. 138.92 million from Rs. 93.45 million, which was an increase of 48.65%; an increase in segment sales from the distillery to Rs. 300.78 million from Rs. 210.63 million, which was an increase of 42.80%; and an increase in segment sales from Others to Rs. 4.74 million from Rs. 4.15 million, which was an increase of 14.35%.

The increase of 139.85% in sales from sugar plant was primarily due to increase in production due to processing of raw sugar at Munoli, and addition of Unit II at Ajara in Maharashtra in the 2004-2005 season. The cane crushed at both the plants totalled 892,130 MT in the nine-month period ending June 30, 2005, as compared to 528,680 MT in the nine-month period ending June 30, 2004. The Munoli sugar mill crushed 641,020 MT of sugarcane in the nine-month period ending June 30, 2005, as compared to 528,680 MT in the nine-month period ending June 30, 2004. Also, raw sugar refined increased to 116,232 MT in nine-month period ending June 30, 2005 (including 4,830.7 MT of damaged white sugar, which was reprocessed) from 35,816 MT in nine-month period ending June 30, 2004. In addition, the Ajara mill crushed 251,110 MT of sugarcane in the nine-month period ending June 30, 2005.

Sales from sugar trading increased by 143.73% since we started trading raw sugar in addition to white sugar. In this period, India imported 1,662,266 MT of raw sugar as compared to 298,282 MT in the nine-month period ending June 30, 2004. Due to our prior experience in international operations, we were able to capitalize on this sudden surge in imports of raw sugar.

Income from cogeneration plant increased by 48.65% due to longer duration of operation, leading to more optimum capacity utilisation and higher production of electricity. We exported 37,812,600 units of electricity to KPTCL/HESCOM in the nine-month period ending June 30, 2005, as compared to 26,803,800 units in the nine-month period ending June 30, 2004.

Sales from distillery plant in the nine-month period ending June 30, 2005 increased by 42.80% from the nine-month period ending June 30, 2004. The sales from distillery in the nine-month period ending June 30, 2005 were totally from sales of Ethanol. We sold 12,783,640 litres of Ethanol and no amount of Fuel Ethanol. This is as opposed to the nine-month period ending June 30, 2004 where we sold 10,610,500 liters of Fuel Ethanol and only 1,259,760 liters of Ethanol. We have not sold any Fuel Ethanol during this period. However, we have submitted our bids to public sector oil marketing companies. The public sector oil marketing companies have not finalized the tenders and suppliers as of June 30, 2005. Further, we were able to realize higher prices for our Ethanol. Average prices for Ethanol realized for the nine-month period ending June 30, 2005 was Rs. 26,307.32 per kiloliter as compared to Rs. 17,631.00 per kiloliter in the nine-month period ending June 30, 2004

Other income in the nine-month period ending June 30, 2005 was Rs. 14.28 million as compared to Rs. 9.73 million in the nine-month period ending June 30, 2004 which was an increase of 46.77%.

Expenditures

Our total expenditure excluding provisions for tax was Rs. 4,813.67 million in nine-month period ending June 30, 2005 which was an increase of 142.05%, as compared to Rs. 1,988.70 million in nine-month period ending June 30, 2004. Our total expenditure excluding tax as a percentage of total turnover decreased to 92.85% in the nine-month period ending June 30, 2005 from 93.96% in the same period in 2004.

Raw Materials and Goods Consumed

Consumption of Raw Materials – Sugar Segment

The total consumption of raw materials for the sugar plant in nine-month period ending June 30, 2005 was Rs. 2,750.18 million as compared to Rs. 946.11 million in nine-months ending June 30, 2004. This was an increase of 190.68%. Increase in sugarcane crushed, imports of raw sugar, and higher price paid for sugarcane were primary reasons for this increase. The cane crushed at both the plants totalled 892,130 MT in the nine-month period ending June 30, 2005, as compared to 528,680 MT in the nine-month period ending June 30, 2004. We increased refining of raw sugar to 116,232 MT in nine-month period ending June 30, 2005 from 35,816 MT in nine-month period ending June 30, 2004. Average price paid for sugarcane was also higher at Rs. 1,491.65 per MT for the nine-month period ended June 30, 2005, as compared to Rs. 1,160.04 per MT for nine-month period ended June 30, 2004 which was higher by 28.58%. Due to lower sugarcane production in the region, we paid higher prices for sugarcane which were around 39% more than the SMP. The SMP itself was higher for the 2004-2005 season at Rs. 1,030 per MT for Munoli as compared to 2003-2004 season at Rs. 968 per MT.

Sugar Purchases for Trading – Cost of Sales

Cost of Sugar purchases for trading purposes is covered under this head. Sugar purchases grew to Rs. 1,334.07 million in nine-months ending June 30, 2005 from Rs. 613.54 million in nine-months ending June 30, 2004. This was due to increase in sugar trading in 2004-2005. As a percent of segment revenues of traded sugar, cost of sugar purchases declined to 85.81% in nine-month period ending June 30, 2005 from 96.19% in nine-month period ending June 30, 2004.

Consumption of Raw Materials –Cogeneration Segment

The total consumption of raw materials for the cogeneration segment– mainly Bagasse and coal, in nine-month period ending June 30, 2005 was Rs. 287.14 million as compared to Rs. 102.61 million in nine-month period ending June 30, 2004, which was an increase of 179.82%. This increase was primarily because of increase in total power production to 70,406,858 units in nine-months ending June 30, 2005 as compared to 50,755,840 units in nine-months ending June 30, 2004. We also used imported coal in conjunction with Bagasse to generate steam and power for the sugar refinery, leading to more optimum capacity utilisation and higher production of electricity.

Consumption of Raw Materials –Distillery Segment

Raw materials for the distillery consist mainly of molasses. The total cost of raw materials for the distillery segment in 9 month period ending June 30, 2005 was Rs. 113.99 million as compared to Rs. 42.34 million in nine months ending June 30, 2004. This was an increase in cost of 169.22%.

Staff Costs

The staff cost for the nine-month period ending June 30, 2005 increased to Rs. 64.08 million as compared to Rs. 22.00 million in the nine-month period ending June 30, 2004, which was an increase of 191.27%. Increase in number of employees due to addition of new plant at Ajara is the primary reason for this increase.

Manufacturing expenses

Manufacturing costs include Power & Fuel, salaries and wages, stores and spares, consumables, repairs and maintenance, inward transportation, hire charges, and sundry manufacturing expenses. Our expenditure on account of manufacturing expenses has increased to Rs. 416.01 million in nine-month period ending June 30, 2005 from Rs. 206.78 million in nine-month period ending June 30, 2004, which is an increase of 101.18%. The increase has been primarily because of increase in production. As a percentage of total turnover the manufacturing costs declined to 8.02% in nine-month period ending June 30, 2005 from 9.77% in nine-month period ending June 30, 2004 due to economies of scale achieved because of increased production.

Administrative, Selling and Distribution Expenses

Administrative, selling and distribution expenses includes freight outwards, discount on sales, sales promotions, , sales commissions, incentives, repair and maintenance of buildings, rents, security, insurance, stationery, fees, advertisement and publicity, and expenses for travel and communication. Our cost of administration, selling and distribution has increased to Rs. 161.70 million in nine-month period ending June 30, 2005 from Rs. 116.09 million in nine-month period ending June 30, 2004. This is an increase of 39.29%. This is primarily due to increased business activities in FY 2004 in all business segments. Further, increased trading activities resulted in higher transportation expenses. As a percentage of total revenues the administrative expenses have declined to 3.12% in nine-month period ending June 30, 2005 from 5.48% in nine-month period ending June 30, 2004.

Interest

Interest cost in nine-month period ending June 30, 2005 increased to Rs. 100.10 million from Rs. 86.46 million in nine-month period ending June 30, 2004, which is an increase of 15.78%. This increase was primarily because of charges on higher working capital requirements due to higher production. As a percentage of total revenues the interest cost has declined to 1.93% in nine-month period ending June 30, 2005 from 4.08% in nine-month period ending June 30, 2004.

Depreciation

Depreciation in nine-month period ending June 30, 2005 increased to Rs. 61.08 million from Rs. 53.06 million in nine-month period ending June 30, 2004, which is an increase of 15.12%.

Miscellaneous Expenses Written Off

Preliminary Expenses Written Off in nine-month period ending June 30, 2005 dropped to Rs. 0.52 million from Rs. 5.56 million in nine-month period ending June 30, 2004, which is a decrease of 90.72%. This is primarily because a total of preliminary expenses to the extent of Rs. 5.05 million were written-off for the nine-months ending June 30, 2004 but not during the nine-months period ending June 30, 2005.

Profit Before Tax

Our Profit Before Tax in nine-month period ending June 30, 2005 was Rs. 370.68 million as compared to Rs. 127.87 million in nine-month period ending June 30, 2004. This represents an increase of 189.90%. This increase is due to the changes in various revenue and cost items as discussed above.

Provision for Income Tax

Provision for Income Tax rose to Rs. 49.61 million in nine-month period ending June 30, 2005 from Rs. 29.03 million in nine-month period ending June 30, 2004 – an increase of 70.92%. The increase was primarily due to increase in taxable income and increase in applicable tax rate. We were paying tax at a lower MAT rate till FY 2004. However, from FY 2005 onwards we will have to pay tax at the applicable corporate tax rate.

Adjusted Profit after Tax

Our Profit after Tax in nine-month period ending June 30, 2005 was Rs. 320.55 million as compared to Rs. 98.84 million in nine-month period ending June 30, 2004. This represents an increase of 224.31%. This increase is due to the changes in various revenue and cost items as discussed above.

COMPARISON OF FY 2004 WITH FY 2003

Revenues

Our total turnover including total segment revenue, other income, change in stock, and less of excise duty for FY 2004 was Rs. 2,455.34 million as compared to Rs. 3,019.59 million in FY 2003, which is a decrease of 18.69%. Our total turnover decreased due to a decrease in segment sales from trading to Rs. 729.88 million in FY 2004 from Rs. 1,605.85 million in FY 2003, which was a decrease of 54.55%; a decrease in segment sales from cogeneration to Rs. 109.50 million in FY 2004 from Rs. 126.92 million in FY 2003, which was a decrease of 13.73%; and a decrease in segment sales from Others to Rs. 4.28 million in FY 2004 from Rs. 6.14 million in FY 2003, which was a decrease of 30.33%. The decrease was partly offset by an increase in the segment sales from sugar to Rs. 1,184.38 million in FY 2004 from Rs. 1,122.77 million in FY 2003, which was an increase of 5.49%; an increase in segment sales from the distillery to Rs. 232.83 million in FY 2004 from Rs. 67.28 million in FY 2003, which was an increase of 246.08%.

Despite lower sugarcane availability, segment sales from sugar increased by 5.49% because of higher amount of raw sugar processed. The industry was affected by drought and pest attacks during this period leading to lower sugarcane availability. In FY 2004 we crushed only 576,730 MT of sugarcane as compared to 726,590 MT of cane in FY 2003. This was a decrease of 20.62%. As a result the sugar produced from sugarcane was only 61,257 MT in FY 2004 as compared to 83,052 MT in FY 2003. To maintain the sugar output we refined 44,635 MT of raw sugar in FY 2004 as compared to 13,679 MT in FY 2003. Total sugar produced from raw sugar was 41,625 MT in FY 2004 as compared to 12,965 MT in FY 2003. As a result we produced 102,882 MT of sugar in FY 2004 as compared to 96,017 MT in FY 2003, which was a marginal increase of 7.15%. Average sugar prices realized by us increased to Rs. 12,547.20 per MT in FY 2004 as compared to Rs. 11,628.80 per MT in FY 2003, which was an increase of 7.90%.

Sugar trading revenues saw a decline of 54.55% in FY 2004 as compared to FY 2003. Sugar trading revenue mainly represents the revenue of merchant exports, which declined in FY 2004 considerably as compared to FY 2003. The reduction in merchant exports was essentially because of increase in domestic prices and reduced attractiveness of exports.

Cogeneration revenues decreased by 13.73% because of lower fuel availability. The sugarcane crushed in FY 2004 was lower than the crushing in FY 2003 as mentioned above. This resulted in lesser amount of Bagasse available for cogeneration. To mitigate the effect somewhat we bought Bagasse from third parties to supplement our in-house Bagasse.

Distillery revenues increased by 246.08% because of ramp-up of capacity and increased capacity utilisation. We supplemented the in-house supply of molasses by purchase from third parties, to cater to the high demand of Fuel Ethanol created by oil companies.

Other income increased by 148.87% in FY 2004 to Rs. 13.76 million from Rs. 5.53 million in FY 2003.

Expenditures

Our total expenditure excluding provisions for tax was Rs. 2,303.60 million in FY 2004, which was a decrease of 22.62%, as compared to Rs. 2,976.90 million in FY 2003. Our total expenditure excluding tax as a percentage of total revenue decreased to 93.82% in FY 2004 from 98.59% in FY 2003.

Raw Materials and Goods Consumed

Consumption of Raw Materials – Sugar Segment

The total consumption of raw materials for the sugar plant (mainly sugarcane) in FY 2004 was Rs. 1,107.71 million as compared to Rs. 927.29 million in FY 2003. This was an increase of 19.46%. The increase of 19.46% was due to higher raw sugar imported, higher prices paid for the sugarcane and imported raw sugar. The increase was partly offset by lower sugarcane crushed. In FY 2004 we crushed only 576,730 MT of sugarcane as compared to 726,590 MT of cane in FY 2003. This was a decrease of 20.62%. To maintain the sugar output we refined 44,635 MT of raw sugar in FY 2004 as compared to 13,679 MT in FY 2003. We paid a higher price for sugarcane at Rs. 1,172 per MT in FY 2004 as compared to Rs. 1016 per MT in FY 2003. Also, the average raw sugar price in FY 2004 was higher than in the previous year.

Sugar Purchases for Trading – Cost of Sales

Cost of Sugar purchases for trading purpose is covered under this head. Sugar purchases dropped to Rs. 652.08 million in FY 2004 from Rs. 1,473.41 million in FY 2003, which was a decrease of 55.74%. This was primarily due to decline in sugar trading in FY 2004 due to the reasons as indicated earlier. As a percent of segment revenues of traded sugar, cost of sugar purchases declined to 89.34% in FY 2004 from 91.75% in FY 2003.

Consumption of Raw Materials –Cogeneration Segment

The total consumption of raw materials for the cogeneration plant – mainly bagasse and coal, in FY 2004 was Rs. 136.25 million as compared to Rs. 116.87 million in FY 2003. This was an increase of 16.58%. The increase was despite the fact that the total power generated in FY 2004 was lower at 58,219,440 units as compared to 68,040,290 units in FY 2003. The increase in cost was primarily because we had to procure bagasse from third parties since in-house bagasse available was lower due to lower amount of sugarcane crushed. We crushed only 576,730 MT in FY 2004 as compared to 726,590 MT in FY 2003.

Consumption of Raw Materials –Distillery Segment

Raw materials for the distillery consist mainly of molasses. The total consumption of raw materials for the distillery plant in FY 2004 was Rs. 54.17 million as compared to Rs. 23.73 million in FY 2003. This was an increase in cost of 128.26%. The increase in cost was due to higher production. Both, in FY 2004 and in FY 2003, we bought molasses from outside since our in-house molasses was not sufficient to run the distillery at optimum capacity.

Staff Costs

The staff cost for FY 2004 increased to Rs. 30.06 million from Rs. 26.07 million in FY 2003. This was an increase of 15.31%.

Manufacturing expenses

Manufacturing costs include Power & Fuel, salaries and wages, stores and spares, consumables, repairs and maintenance, inward transportation, hire charges, and sundry manufacturing expenses. Our expenditure on account of manufacturing expenses was Rs. 257.28 million in FY 2004 as compared to Rs. 267.86 million in FY 2003. This was a decrease in cost of 3.95%. The decrease was primarily due to combined effect of lower cane crushed, lower power generated and higher Ethanol produced.

Administrative, Selling and Distribution Expenses

Administrative, selling and distribution expenses includes freight outwards, discount on sales, sales promotions, sales commissions, incentives, repair and maintenance of buildings, rents, security, insurance, stationery, fees, advertisement and publicity, and expenses for travel and communication. Our cost of administration, selling and distribution has decreased to Rs. 122.52 million in FY 2004 from Rs. 215.26 million in FY 2003. This is a decrease of 43.08%. This is primarily due to lower trading activity in FY 2004 and consequent reduction in freight outward expenses. As a percentage of total revenues the administrative expenses have declined to 4.99% in FY 2004 from 7.13% in FY 2003.

Interest

Interest cost in FY 2004 decreased to Rs. 113.25 million from Rs. 120.57 million in FY 2003, which is a decrease of 6.07%. As a percentage of total revenues the interest cost has increased to 4.61% in FY 2004 from 3.99% in FY 2003.

Depreciation

Depreciation in FY 2004 increased to Rs. 70.75 million from Rs. 63.34 million in FY 2003, which is an increase of 11.69%.

Miscellaneous Expenses Written Off

Preliminary Expenses Written Off in FY 2004 rose to Rs. 1.79 million from Rs. 0.12 million in FY 2003.

Profit Before Tax

Our Profit before Tax in FY 2004 was Rs. 151.74 million as compared to Rs. 42.69 million in FY 2003. This represents an increase of 255.43%. This increase is due to the changes in various revenue and cost items as discussed above.

Provision for Income Tax

Provision for Income Tax rose to Rs. 29.03 million in FY 2004 from Rs. 14.75 million in FY 2003 – an increase of 96.75% which was primarily due to provision for deferred tax liability.

Adjusted Profit after Tax

Our Adjusted Profit after Tax in FY 2004 was Rs. 56.50 million as compared to Rs. 26.78 million in FY 2003. This represents an increase of 110.94%. This increase is due to the changes in various revenue and cost items as discussed above.

COMPARISON OF FY 2003 WITH FY 2002

Revenues

Our total turnover including total segment revenue, other income, change in stock, and less of excise duty for FY 2003 was Rs. 3,019.59 million as compared to Rs. 1,358.27 million in FY 2002, which was an increase of 122.31%. Our total turnover increased due to an increase in the segment sales from sugar plant to Rs. 1,122.77 million in FY 2003 from Rs. 844.22 million in FY 2002, which was an increase of 32.99%; an increase in the segment sales from sugar trading to Rs. 1,605.85 million in FY 2003 from Rs. 387.16 million in FY 2002, which was an increase of 314.78%; an increase in segment sales from cogeneration to Rs. 126.92 million in FY 2003 from Rs. 77.33 million in FY 2002, which was an increase of 64.13%; and an increase in segment sales from the distillery plant to Rs. 67.28 million in FY 2003 from Rs. 31.04 million in FY 2002, which was an increase of 116.72%. In the 'Others' segment we also started Bio-Fertilizers business in FY 2003 which contributed to the segment sales of Others to reach Rs. 6.14 million in its first year.

The increase in total turnover of 122.31% was due to increased revenues in all business segments. Sales from sugar plant increased due to higher sugarcane crushed and also raw sugar processed. We crushed 726,590 MT of sugarcane in FY 2003 as compared to 539,000 MT of sugarcane in FY 2002, which was an increase of 34.80%. Total sugar produced from sugarcane increased to 83,052 MT in FY 2003 as compared to 58,200 MT in FY 2002. We also processed 13,679 MT of raw sugar for the first time in our refinery to give 12,965 MT of refined sugar. There was no raw sugar processing in FY 2002. Average sugar prices realized by us decreased to Rs. 11,628.80 per MT in FY 2003 as compared to Rs. 12,636.48 per MT in FY 2002. This was a decrease of 7.97%.

Trading of sugar increased by more than three times due to massive rise in exports of sugar from India caused by a bumper sugarcane crop and exports incentives provided by GoI and State governments. We capitalized on this opportunity and aggressively moved into merchant exports of sugar during FY 2003. Cogeneration capacity was increased from 11.5 MW to 20.5 MW in FY 2003 resulting in higher electricity production. Distillery revenues increased by 116.72% because of optimum and higher capacity utilisation as compared to FY 2002 which was first year of operations and the plant was not running at full capacity.

Other income increased by 115.89% in FY 2003 to Rs. 5.53 million from Rs. 2.56 million in FY 2002.

Expenditures

Our total expenditure excluding provisions for tax was Rs. 2,976.90 million in FY 2003 which was an increase of 123.23%, as compared to Rs. 1,333.53 million in FY 2002. Our total expenditure excluding tax as a percentage of total revenue increased to 98.59% in FY 2003 from 98.18% in FY 2002.

Raw Materials and Goods Consumed

Consumption of Raw Materials – Sugar Segment

The total consumption of raw materials for the sugar plant (mainly sugarcane) in FY 2003 was Rs. 927.29 million as compared to Rs. 572.81 million in FY 2002. This was an increase of 61.89%. The increase of 61.89% was due to the combined effect of higher sugarcane processed, raw sugar processed and lower prices paid for the sugarcane. In FY 2003 we crushed 726,590 MT of sugarcane as compared to 539,000 MT of cane in FY 2002. This was an increase of 34.80%. We also refined 13,679 MT of raw sugar in FY 2003 as compared to nil in FY 2002. We paid a lower price for sugarcane at Rs. 1,016 per MT in FY 2003 as compared to Rs. 1,034 per MT in FY 2002.

Sugar Purchases for Trading – Cost of Sales

Cost of Sugar purchases for trading purposes is covered under this head. Sugar purchases rose to Rs. 1,473.41 million in FY 2003 from Rs. 421.33 million in FY 2002. This was an increase of 249.71%, this was due to increase in sugar trading in FY 2003 due to the reasons as mentioned above. As a percent of segment revenues of traded sugar, cost of sugar purchases declined to 91.75% in FY 2003 from 108.83% in FY 2002.

Consumption of Raw Materials –Cogeneration Segment

The total consumption of raw materials for the cogeneration segment – mainly Bagasse, in FY 2003 was Rs. 116.87 million as compared to Rs. 60.68 million in FY 2002. This was an increase of 92.60%. The increase was because of higher production due to increased capacity. Also, we had to buy Bagasse from outside to keep the boilers running at capacity.

Consumption of Raw Materials –Distillery Segment

Raw materials for the distillery consist mainly of molasses. The total consumption of raw materials for the distillery segment in FY 2003 was Rs. 23.73 million as compared to Rs. 16.34 million in FY 2002. This was an increase in cost of 45.18%. The increase in cost was due to higher production, and more molasses bought from outside. The raw material cost for distillery as a percent of distillery segmental revenues declined to 35.27% in FY 2003 from 52.65% in FY 2002.

Staff Costs

The staff cost for FY 2003 increased to Rs. 26.07 million from Rs. 23.47 million in FY 2002. This was an increase of 11.06%.

Manufacturing expenses

Manufacturing costs include Power and Fuel, salaries and wages, stores and spares, consumables, repairs and maintenance, inward transportation, hire charges, and sundry manufacturing expenses. Our expenditure on account of manufacturing expenses was Rs. 267.86 million in FY 2003 as compared to Rs. 130.95 million in FY 2002. This was a increase in cost of 104.55%. The increase is due to higher production in all segments – sugar, cogeneration, distillery and Others.

Administrative, Selling and Distribution Expenses

Administrative, selling and distribution expenses includes freight outwards, discount on sales, sales promotions, sales commissions, incentives, repair and maintenance of buildings, rents, security, insurance, stationery, fees, advertisement and publicity, and expenses for travel and communication. Our cost of administration, selling and distribution has increased to Rs. 215.26 million in FY 2003 from Rs. 86.18 million in FY 2002. This is an increase of 149.78%. The increase was due to increase in capacity of cogeneration, and ramp up of distillery capacity utilization. This increase was primarily due to increased trading activity and inward freight paid for imported raw sugar. As a percentage of total revenues the administrative expenses have declined to 7.13% in FY 2003 from 6.34% in FY 2002.

Interest

Interest cost increased to Rs. 120.57 million in FY 2003 from Rs. 82.31 million in FY 2002, which is an increase of 46.49%. The financial expenses were higher due to higher working capital required for higher production in all business segments. As a percentage of total revenues the interest cost has declined to 3.99% in FY 2003 from 6.06% in FY 2002.

Depreciation

Depreciation in FY 2003 increased to Rs. 63.34 million from Rs. 51.69 million in FY 2002, which is an increase of 22.55%.

Profit Before Tax

Our Profit Before Tax in FY 2003 was Rs. 42.69 million as compared to Rs. 24.73 million in FY 2002. This represents an increase of 72.60%. This increase is due to the changes in various revenue and cost items as discussed above.

Provision for Income Tax

Provision for Income Tax rose to Rs. 14.75 million in FY 2003 from Rs. 1.10 million in FY 2002.

Adjusted Profit after Tax

Our Adjusted Profit after Tax in FY 2003 was Rs. 26.78 million as compared to Rs. 22.38 million in FY 2002. This represents an increase of 19.67%. This increase is due to the changes in various revenue and cost items as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

We depend on both internal and external sources of liquidity to fund working capital and capital requirements. We have historically funded our working capital requirements and capital expenditures from internally generated funds, and debt financing. In respect of the debt funding of working capital, we make use of cash credit limits from banks in conjunction with foreign currency loans whereas for project or capital expenditure debt financing, we generally enter into long-term borrowings in the form of term loans, which may be in Rupees or foreign currencies. As of June 30, 2005, we had cash and cash equivalents of Rs. 348.78 million, which represented an increase of Rs. 167.72 million over the cash and cash equivalent as of June 30, 2004 when it was Rs. 181.06 million. As of September 30, 2004, we had cash and cash equivalents of Rs. 321.93 million, which represented an increase of Rs. 284.14 million over September 30, 2003 when it was Rs. 37.79 million. As of June 30, 2005, we also had committed but undrawn credit facilities of Rs. 29.73 million in respect of term loans and Rs. 371.27 million in respect of working capital finance.

Cash Flow

The table below summarizes our restated cash flow statement in the last three FY years and nine months periods ending June 30, 2005 and June 30, 2004.

Cash Flows (Rs. million)	FY '01-'02	FY '02-'03	FY '03-'04	Nine-months ended Jun 30, '04	Nine-months ended Jun 30, '05
Net cash from/(used) in operating activities	(63.42)	336.86	563.43	271.70	(185.24)
Net cash from /(used) in investing activities	(190.98)	(126.73)	(141.32)	(64.06)	(160.08)
Net cash from/(used) in financing activities	233.53	(196.84)	(137.97)	(64.37)	372.17
Net increase/(decrease) in cash and cash equivalents	(20.87)	13.29	284.14	143.27	26.85
Closing cash and cash equivalents	24.51	37.79	321.93	181.06	348.78

Net Cash from Operations

Our net cash outflow from operating activities was Rs. 185.24 million in the nine-month period ending June 30, 2005. We had net profits before extraordinary items and tax of Rs. 370.68 million. Our net cash from operating activities excludes non-cash items of depreciation of Rs. 61.08 million, net interest expenses of Rs. 88.46 million, loss on sales of assets of Rs. 0.41 million, purchase tax deferment of Rs. 23.92 million, and miscellaneous expenses written off to the extent of Rs. 0.68 million. Further, adjustments for changes in receivables to the extent of Rs. 235.25 million, inventories to the extent of Rs. 2,357.59 million, payables to the extent of Rs. 1,865.54 million, have been made. The income tax paid for the period was Rs. 1.81 million.

Our net cash inflow from operating activities was Rs. 563.43 million in FY 2004. We had net profits before extraordinary items and tax of Rs. 151.74 million. Our net cash from operating activities excludes non-cash items of depreciation of Rs. 70.75 million, net interest expenses of Rs. 106.77 million, loss on sales of assets of Rs. 0.27 million, purchase tax deferment of Rs. 17.80 million, and miscellaneous expenses written off to the extent of Rs. 0.02 million. Further, adjustments for changes in receivables to the extent of Rs. 76.56 million, inventories to the extent of Rs. 305.60 million, payables to the extent of Rs. 596.49 million, have been made. The income tax paid for the period was Rs. 0.02 million.

Net Cash used in Investing Activities

The net cash outflow from our investment activities in nine-month period ending June 30, 2005 was Rs. 160.08 million. This was because there was a net outflow of Rs. 165.84 million due to purchase of assets, and outflow of Rs. 0.41 million due to sale of certain assets. There was an outflow of Rs. 5.47 million due to purchase of investments. We also received Rs. 11.64 million as interests.

The net cash outflow from our investment activities in FY 2004 was Rs. 141.32 million. This was because there was a net outflow of Rs. 147.26 million due to purchase of assets, and outflow of Rs. 0.54 million due to purchase of certain assets. We also received Rs. 6.48 million as interests in this period.

Net Cash used in Financing Activities

The net cash inflow from our financing activities in the nine-month period ending June 30, 2005 was Rs. 372.17 million. This inflow included proceeds from long term borrowings of Rs. 61.23 million, and net proceeds from short term borrowings of Rs. 482.29 million. Increase in capital was Rs. 44.43 million. Cash outflows were dividends to the extent of Rs. 13.86 million, repayment of long-term borrowings of Rs. 112.79 million and payment of interest of Rs. 89.13 million.

The net cash outflow from our financing activities in FY 2004 was Rs. 137.97 million. This outflow included proceeds from long term borrowings of Rs. 114.11 million, and increase in capital of Rs. 12.74 million. Cash outflows were dividends to the extent of Rs. 0.19 million, repayment of long-term borrowings of Rs. 65.53 million, net repayment of short term borrowings of Rs. 100.07 million and payment of interest of Rs. 99.03 million.

INDEBTEDNESS

We rely on both Rupee and foreign currency denominated borrowings. Traditionally, a significant part of our external funding has been Rupee loans from banks in India and other agencies. We have both secured and unsecured borrowings.

The following table presents our secured debt as of June 30, 2005 as per Annexure VII of the Auditors' Report:

Sr. No.	Name of lender	Outstanding (Rs. million)	Rate of interest	Security
1	I D B I, Bangalore	89.25	11.50%	Ist *pari passu* charge on Fixed Assets of Sugar & Co-gen Unit
	I D B I, Bangalore (FC Loan)	8.99	6.50%	Ist *pari passu* charge on Fixed Assets of Sugar & Co-gen Unit
2	S D F, New Delhi	158.05	9.00%	IInd charge on Fixed Assets of Sugar & Co-gen Unit
3	S D F, New Delhi	29.73	4.00%	IInd charge on Fixed Assets of Sugar & Co-gen Unit
4	ING Vysya Bank, Bangalore	47.50	9.75%	Ist charge on Fixed Assets of Distillery Unit
5	Vehicle loans from Banks	4.90	Varied Rate	Secured against hypothecation of specific vehicles

The following table presents our unsecured debts as of June 30, 2005:

Particulars	Amount as on Sep. 30, 2004 (Rs. million)
Intercorporate Deposits	
Other than Promoters, Promoter Group & Group Companies of Promoters	—
Sub Total (A)	**—**
Fixed Deposits(Public)	
Fixed Deposits from Promoters, Promoter Group & Group Companies of Promoters	—
Others	7.76
Sub Total (B)	**7.76**
Others Loans	
From Promoters, Promoter Group & Group Companies of Promoters	—
From Banks	71.22
From Others	131.78
Sub Total (C)	**203.00**
TOTAL (A+B+C)	**210.76**

Capital Expenditures

Our capital expenditures are primarily for various projects undertaken including modernization and technology upgradation resulting in better operational efficiencies and cost control, balancing of the plant and de bottlenecking, installation of new capacity and expansion of existing capacity. Our capital expenditure in FY 2002, 2003 and 2004 was Rs. 203.22 million, Rs. 129.55 million and Rs. 147.26 million, respectively.

For further discussion of our expansion plans, see the section titled “Objects of the Issue” on page 29 of this Red Herring Prospectus. Our capital expenditure is subject to modification as a result of a variety of factors, including availability of internal and external resources, changes to expansion plans and other factors.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Currency Exchange Rates

While our principal revenues are in Rupees, we have also borrowed funds in U.S. Dollars. Principal and interest payments on these borrowings are denominated in U.S. Dollars. As of June 30, 2005, we had Rs. 145.71 million equivalent of foreign currency borrowings outstanding. In addition, we are exposed to foreign exchange fluctuations in respect of international trade of products and trading. We hedge our exposure at appropriate times based on professional advice. However, we cannot assure that it will always work out in our favor and fully protect us from foreign exchange exposure.

We import raw sugar against Letter of Credits which are payable on sight or with a usance period.

Interest Rates

All our term loans are based on fixed interest rates. Further, our working capital loans are based on annually sanctioned limits which carry fixed interest rates. These rates are renewed every year. Our foreign currency loan from State Bank of India is linked to the London Inter Bank Offer Rate (“LIBOR”).

Off-Balance Sheet Arrangements

The Company has following contingent liabilities for which no provisions have been made in the books of accounts of the Company for a period ended June 30, 2005.

Sr. No.		Particulars	Amount (Rs. million)
I	**Guarantees Issued:**		
	In favour of	***Purpose***	
1	ICICI Limited	Guarantee in connection with loans granted to sugarcane growers	9.00
2	ING Vysya Bank	Guarantee in connection with loans granted to sugarcane growers	4.50
3	Union Bank of India, Munoli	To secure loans granted to cane harvesters and transport contractors	100.00
4	State Bank of India	To secure loans granted to cane harvesters/ transport contractors for Unit II	100.00
5	ICICI Bank Limited	To secure crop loan to farmers associated with SRSL of Rs. 90 mn.	13.50
			227.00
II	**Others**		
	Capital Commitments	Estimated amount of contract remaining to be executed (net of advance)	15.27
	Issue expenses on proposed Initial Public Offering of securities	Estimated amount of issue related expenses	65.00
			80.27

SIGNIFICANT DEVELOPMENTS AFTER JUNE 30, 2005 THAT MAY EFFECT THE FUTURE OF OUR OPERATIONS

The following events have taken place after June 30, 2005:

1. Our Company has taken on '*bhadetatwawar*' i.e. on lease (though the same does not mean in legal terms of Transfer of Property Act "to give on lease" as such) a sugar factory registered as a co-operative society, Mohanrao Shinde Sahakari Sakhar Karkhana Limited, Mohannagar village, Taluka Miraj, District Sangli, Maharashtra, registered under the Maharashtra Co-operative Societies Act, 1960 vide an agreement dated July 2005 for a period of six years for the crushing season 2005-2006 to 2010-2011. The crushing capacity of the sugar factory will be 4000 TCD after installation of certain balancing equipment.
2. We have taken a long-term loan from ING Vysya Bank of Rs. 35.00 million for purchase of property in Mumbai for our proposed corporate office.
3. Our Company, Mr. Narendra Murkumbi, Mrs. Vidya M. Murkumbi, Murkumbi Bioagro Private Limited, Murkumbi Industries Private Limited, Mr. Shanmukhappa B. Sidnal, Mr. Shashikant S. Sidnal, Mr. Shivkant Sidnal and Mr. Babu Mugabasav have entered into a Memorandum of Settlement (MoS) dated July 10, 2005, pursuant to which all parties have agreed to settle all suits or legal proceedings initiated by the parties against each other in all capacities out of court. In terms of the MoS, we have paid a sum of Rs. 3.5 million to Mr. Shanmukhappa Sidnal and Rs. 7.36 million to Mr. Shashikant Sidnal (including repayment of an advance of Rs. 2.81 million and Rs. 2.55 million as interest thereon).
4. Certain persons have approached us in the past contending that they have given monies to Mr. Babu Mugabasav, Mr. Shanmukhappa Sidnal, Mr. Shashikant S. Sidnal towards share application money and submitted copies of receipts / counterfoil of application submitted by them to the aforesaid persons. Thereafter we have placed an advertisement in the local newspaper, requesting any person who may have similarly given monies to these aforesaid persons, to approach us with a valid proof of the same. In this regard 179 persons approached us and we have repaid a total amount of Rs. 1.77 million (including interest) to such persons.
5. On August 14, 2005 we have entered into a memorandum of understanding (MoU) with Haripriya Sugar Works Limited, a company incorporated under the Companies Act 1956 and having its registered address at CTS No 2376, Main Road, Athani, District Belgaum, and a factory at Burlatti Village of Taluka Athani, District Belgaum, to acquire all assets (excluding receivables) of Haripriya Sugar Works Limited (Haripriya Sugar) including land admeasuring 162 acres and 29 guntas situated at village Burlatti (old Kokantur), Taluka Athani, District Belgaum, Karnataka for a sum of Rs. 40 million. Haripriya Sugar had intended to set up a sugar mill with 5000 TCD capacity at this location and towards this end has obtained (a) Single Window Clearance from Udgoy Mitra, Government of Karnataka vide order No. CI 25 TC 2000, Bangalore, dated June 29, 2000; (b) Allotment of cane area of 23 villages of Athani Taluka are allotted by Department of Commerce & Industry, Government of Karnataka by Notification No. CI 34 SGF 2000 dated June 30, 2000; and (c) Exemption of payment of stamp duty and registration fees on purchase of land and waiver of Conversion charges vide letter of Joint Direstor (Industrial Development) Department of Commerce & Industries, Government of Karnataka bearing No. IDF/E1/2000.01 dated January 12, 2001. In terms of the said MoU, Haripriya Sugar has agreed to transfer/assign the aforesaid government approvals in favour of our Company and assist in transferring/assigning the aforesaid government approvals in our favour. We would utilise internal accruals for payment of consideration for acquisition of this land.

   The transfer of the land is subject to obtaining requisite approvals from Government of Karnataka under Karnataka Land Reform Act, 1961 and under Karnataka Land Grant Rules, 1969. We have paid as advance a sum of Rs. 5.1 million and the balance consideration would be paid after receipt of government approvals for transfer of land as stated above.

   Except as stated above and elsewhere in this Red Herring Prospectus and in compliance with AS4, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Red Herring Prospectus which materially and adversely affect or are likely to affect, the trading and profitability of the Company and our subsidiary (taken as a whole), or the value of the consolidated assets or their ability to pay their material liabilities within the next 12 months.

Auditor's Certificate

We hereby confirm that financial statements of Shree Renuka Sugars Limited (the Company) having its Registered Office at

BC 105 Havelock Road, Camp, Belgaum 590 001 for the nine-month period ended June 30, 2005 which have been audited by us in terms of the audit report dated September 9, 2005 have been prepared in accordance with Accounting Standard (AS) 4 “Contingencies and Events Occurring after the Balance Sheet Date” issued by “Institute of Chartered Accountants of India”. All significant events, if any, which have occurred between the balance sheet date i.e. June 30, 2005 and the date of our audit report i.e. September 9, 2005 have been considered in preparation of the said financial statements as required under the said standard.

For **Ashok Kumar, Prabhashankar & Co.**
Chartered Accountants

Place : Bangalore
Date : 9th September 2005

K. N. Prabhashankar
Partner

Except as stated in this Red Herring Prospectus, there are no subsequent developments after the date of the Auditor’s report dated September 9, 2005, which we believe are expected to have material impact on the consolidated reserves, profits, earnings per share or book value of the Company.

UNUSUAL OR INFREQUENT EVENTS OR TRANSACTIONS

There have been no other events or transactions to our knowledge, which may be described as “unusual” or “infrequent”, except as disclosed as Non-recurring items in the section titled “Management Discussion and Analysis of Financial Conditions and Results of Operations”.

SIGNIFICANT ECONOMIC/ REGULATORY CHANGES

Except as described in section “Regulations and Policies” in this Red Herring Prospectus, there have been no significant economic/ regulatory changes except that there has been an addition of Service Tax with effect from January 1, 2005 on goods transportation at the rate of 10%, which is cenvatable. Also, education cess of 2% on this service tax will be applicable. Also, Fringe Benefit Tax may increase our tax liability.

KNOWN TRENDS OR UNCERTAINTIES

Except as described in this Red Herring Prospectus in general and the section titled “Risk Factors” and “Management Discussion and Analysis of Financial Conditions and Results of Operations”, in particular, to our knowledge, there are no known trends or uncertainties that have or had or expected to have any material adverse impact on revenues or income of our Company from continuing operations.

FUTURE RELATIONSHIP BETWEEN COST AND INCOME

There is no future relationship between cost and income that will have a material adverse impact on the operations and finances of our Company.

NEW PRODUCTS OR BUSINESS SEGMENT

To our knowledge, there are no new products or business segments, which are planned by our Company.

COMPETITIVE CONDITIONS

Refer to the sections titled “Our Business” and “Risk Factors” regarding competition on pages 59 and xi respectively of this Red Herring Prospectus.

UNCONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE NINE-MONTHS ENDED JUNE 30, 2005 AS AUDITED BY INDEPENDENT AUDITOR, GRANT THORNTON

To

The Board of Directors of Shree Renuka Sugars Limited:

1. We have audited the attached Balance Sheet of Shree Renuka Sugars Limited, ('the Company') as at June 30, 2005, and also the related Profit and Loss Account and Statement of Cash Flows for the nine-months ended on that date annexed thereto. The comparative financial information as at and for the nine-months ended June 30, 2004 has not been audited by us. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not observe the counting of the physical inventories as of June 30, 2005, since that date was prior to the time we were engaged to carry out the audit of the Company. Accordingly, the valuation of inventories has been carried out on the physical quantities of inventories as certified by management.
4. As described in Note 2(a) to the financial statements, these financial statements do not include comparative financial information for the balance sheet as at September 30, 2004, as required by AS 25 – Interim Financial Reporting ('AS 25'). Accordingly, the comparative amounts for the balance sheet and related notes are not entirely comparable.
5. In our opinion, except for the effects of items discussed in paragraphs 3 and 4 above, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2005, and of its financial performance and its cash flows for the nine-months then ended, in accordance with accounting principles generally accepted in India.

Grant Thornton

New Delhi

September 2, 2005

BALANCE SHEET

All amounts in millions of Indian Rupees, unless otherwise stated

	Notes	**June 30, 2005**	June 30, 2004 (Unaudited)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	3	**200.00**	145.72
Reserves and surplus	4	**408.10**	148.75
		608.10	294.47
Loan Funds			
Secured loans	5	**1,177.45**	711.00
Unsecured loans	6	**199.40**	251.26
		1,376.85	962.26
Deferred Tax Liability (net)	7	**52.77**	33.43
TOTAL		**2,037.72**	1,290.16
APPLICATION OF FUNDS			
Fixed Assets	8		
Gross block		**1,332.42**	1,096.57
Less : Depreciation		**329.93**	243.77
Net block		**1,002.49**	852.80
Capital work-in-progress including capital advances		**56.72**	45.05
Investments	9	**5.52**	0.05
Current Assets, Loans and Advances			
Inventories	10	**2,791.93**	659.18
Sundry debtors	11	**308.09**	74.78
Cash and bank balances	12	**348.78**	181.06
Other current assets	13	**61.58**	61.59
Loans and advances	14	**73.89**	71.27
Less: Current Liabilities and Provisions			
Current liabilities	15	**2,603.83**	650.96
Provisions	16	**8.13**	10.70
Net Current Assets		**972.31**	386.22
Miscellaneous Expenditure (to the extent not written off or adjusted)	17	**0.68**	6.04
TOTAL		**2,037.72**	1,290.16

The accompanying notes are an integral part of these financial statements.

PROFIT AND LOSS ACCOUNT

All amounts in millions of Indian Rupees, unless otherwise stated

	Notes	Nine-months ended June 30, 2005	Nine-months ended June 30, 2004 (Unaudited)
INCOME			
Revenues	18	**4,427.80**	1,980.99
Less : Excise duty		**226.39**	116.71
Revenues (net)		**4,201.41**	1,864.28
Other income	19	**14.28**	9.73
TOTAL		**4,215.69**	1,874.01
EXPENDITURE			
Raw material consumed	20	**3,022.91**	1,026.20
Cost of traded goods	21	**1,334.07**	613.54
Increase in inventories	22	**(988.71)**	(244.84)
Personnel expenses	23	**80.98**	26.10
Operating and other expenses	24	**220.93**	160.78
Depreciation	8	**61.08**	53.06
Financial expenses	25	**100.10**	86.46
Research & Development		**13.63**	24.85
Profit before exceptional item and taxation		**370.70**	127.86
Exceptional item – Valuation of inventories	28	**55.13**	-
Less: Drawn from opening balance of profit and loss account		**(55.13)**	-
		370.70	127.86
Provision for tax			
Current tax		**27.50**	8.80
Deferred tax		**22.11**	20.23
Total tax expense		**49.61**	29.03
Profit after tax and before prior period items		**321.09**	98.83
Prior Period Items			
Depreciation (Net of deferred taxes of Rs. 2.77 million)		**4.81**	-
Income Taxes of earlier periods		**10.00**	-
Net profit		**306.28**	98.83
Balance brought forward from previous period		**9.06**	15.10
Adjustment towards exceptional item		**55.13**	-
Profit available for appropriation		**260.21**	113.93
Dividend on Preference Shares		**0.12**	-
Corporate Dividend Tax		**0.02**	-
Capital redemption reserve		**8.50**	-
Surplus carried to Balance Sheet	**4**	**251.57**	113.93
Basic and Diluted Earnings Per Share (in Rupees) [Nominal value of shares Rs. 10]	26	**20.46**	7.41

The accompanying notes are an integral part of these financial statements.

CASH FLOW STATEMENT

All amounts in millions of Indian Rupees, unless otherwise stated

	Nine-months ended June 30, 2005	Nine-months ended June 30, 2004 (Unaudited)
Cash Flow from Operating Activities:		
Profit before exceptional item and taxation	**370.70**	127.86
Adjustments to reconcile profit before tax to net cash provided by operating activities:		
Depreciation	**61.08**	53.06
Interest Income	**(11.64)**	(1.67)
Financial Expenses	**100.10**	86.46
Purchase Tax Deferment	**23.90**	15.41
Loss on sale of fixed assets	**0.41**	0.07
Miscellaneous expenses to the extent not written off	**(0.68)**	(6.03)
Operating profit before working capital changes	**543.87**	275.16
Changes in operating assets and liabilities		
Trade receivables	**(224.76)**	(9.41)
Other receivables	**(10.49)**	(25.37)
Inventories (including effect of exceptional item of Rs. 55.13 million)	**(2,357.59)**	(471.69)
Trade and other payables	**1,865.54**	504.40
Cash generated from operations	**(183.43)**	273.09
Income-tax paid	**(1.81)**	(1.39)
Net Cash Flow from Operating Activities	**(185.24)**	271.70
Cash Flow from Investing Activities:		
Purchase of fixed assets	**(165.84)**	(65.59)
Sale of fixed assets	**(0.41)**	(0.15)
Purchase of investments	**(5.47)**	-
Interest received	**11.64**	1.67
Net Cash Flow from Investing Activities	**(160.08)**	(64.07)
Cash Flow from Financing Activities:		
Increase in Capital	**44.43**	2.90
Dividend paid	**(13.86)**	(0.19)
Proceeds from long-term borrowings	**61.23**	-
Proceeds from short-term borrowings	**482.29**	13.33
Repayment of long-term borrowings	**(112.79)**	(7.77)
Interest paid	**(89.13)**	(72.63)
Net Cash Flow From Financing Activities	**372.17**	(64.36)
Net increase in cash and cash equivalents	**26.85**	143.27
Opening cash and cash equivalents	**321.93**	37.79
Closing cash and cash equivalents	**348.78**	181.06

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

All amounts in millions of Indian Rupees, unless otherwise stated

1. Organization and Nature of Operations

Shree Renuka Sugars Limited ("SRSL" or the "Company"), a public limited company, was incorporated on October 25, 1995 and is presently engaged in the production, marketing, and trading of sugar. The Company is also involved in the manufacture and distribution of ethanol, rectified spirit and bio-fertilizers, which are by-products of the sugar manufacturing process. The Company also has a captive power generation facility and sells its surplus power in the State of Karnataka.

The Company has its registered office at Belgaum in Karnataka and its corporate office at Mumbai in Maharashtra. The Company also has two sugar manufacturing units at Munoli in Karnataka and Ajara in Maharashtra. The power generation facility and the distillery for manufacture of ethanol and rectified spirit are located at Munoli in Karnataka.

2. Significant Accounting Policies

(a Basis of presentation

The accompanying financial statements have been presented for the nine-month period ended June 30, 2005. These financial statements do not include comparative financial information for the balance sheet as at September 30, 2004, as required by AS 25 – Interim Financial Reporting ('AS 25'). Accordingly, the comparative amounts for the balance sheet and related notes are not entirely comparable.

The accompanying financial statements have been prepared on a going concern basis under the historical cost convention on the accrual basis of accounting in conformity with accounting principles generally accepted in India ("Indian GAAP"), except for non-compliance with AS 25, as mentioned above. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year, except as described in note 28.

(b) Use of estimates

In preparing the Company's financial statements in conformity with accounting principles generally accepted in India, the Company's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period; actual results could differ from those estimates. The management's estimates for future obligations under employee benefit plans, the useful life of tangible assets and the realization of sundry debtors and loans and advances represent particularly sensitive estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any cost attributable to bringing the asset to its working condition for its intended use. Expenditure incurred during construction period has been added to the cost of the assets. These expenses have been added in the ratio of 63:37 to the sugar and power generation units.

(d) Borrowing costs

Financing cost incurred up to the date of completion of construction or installation of qualifying assets, on funds borrowed are also capitalized as a part of the cost of the asset.

(e) Depreciation

Depreciation is provided at the rates and in the manner prescribed in Schedule XIV of the Indian Companies Act, 1956. The sugar manufacturing units, the distillery and the bio-fertilizer units are depreciated using the straight line method, while the power generation facility is depreciated using the written down value method. As per estimates of management, these rates are representative of the economic useful life of these assets.

No depreciation is provided on assets held for sale and such assets are written down to their realizable values.

(f) Leases

Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(g) *Investments*

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. Profit/ loss on sale of investments is computed with reference to their average cost.

(h) *Inventories*

Inventories are valued as follows:

Raw materials, stores and spares and packing materials

Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a First In First Out ('FIFO') basis.

Finished goods

Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods excludes excise duty.

Work-in-process

Lower of cost upto estimated stage of process and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

By-products

By-products are valued at cost. Inter-unit transfers of by-products also include the cost of transportation, duties, etc.

(i) *Revenue recognition*

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of trade discounts, excise duty, sales returns and sales tax.

Revenue from sale of power is recognized when the units generated are transmitted to the pooling station, in accordance with the terms and conditions of the power purchase agreement entered into by the Company with the power transmission companies.

(j) *Foreign currency translation*

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate at the date of the Balance Sheet. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and investments in foreign companies are recorded at the exchange rates prevailing on the date of making the investments.

Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognized as income or as expenses in the period in which they arise, except for loans denominated in foreign currencies utilised for acquisition of fixed assets where the exchange gains/losses are adjusted to the cost of such assets.

Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the period.

(k) Retirement benefits

Contributions in respect of provident fund and gratuity are made to the appropriate authorities/ Trust set up by the Company for the purpose and charged to Profit and Loss Account. Provisions for liabilities in respect of gratuity and leave encashment benefits are made based on actuarial valuation made by an independent actuary as at the Balance Sheet date.

(l) Income taxes

Tax expenses comprise both current and deferred taxes.

Deferred income taxes reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

(m) Miscellaneous expenditure.

Preliminary expenses are written-off over a period of five years from the year of commencement of commercial production.

Deferred revenue expenditure comprising of Voluntary Retirement Scheme expenses are written-off over a period of five years.

(n) Government Grants

Government grants in the nature of promoter's contribution are credited to capital reserve and treated as a part of Shareholders' funds.

(o) Commodity futures

Transactions in commodity futures are accounted based on the mode of ultimate settlement. Transactions, which are ultimately settled net, without taking delivery, are recorded net with the gains /losses being recognized as income/ expenses in the financial statements. Transactions, which stipulate physical delivery of the goods and where the Company intends to take such delivery, are recorded at gross, as purchases and sales as part of the Company's trading activities.

(p) Contingent liabilities

Depending on facts of each case and after due evaluation of relevant legal aspects, claims against the Company not acknowledged as debts are disclosed as contingent liabilities. In respect of statutory matters, contingent liabilities are disclosed only for those demand(s) that are contested by the Company.

(q) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

r. *Segment reporting*

The accounting polices adopted for segment reporting are in line with the accounting polices of the Company, with the following additional polices for segment reporting:

(i) Inter-segment revenue has been accounted for based on the transaction price agreed to between segments which is primarily market led.

(ii) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.

(iii) Gains/losses from transactions in commodity futures, which are ultimately settled net, without taking delivery, are recorded as 'Other revenues' under the trading segment.

(iv) Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Corporate Expenses".

3. Share Capital **(Rs. in millions)**

	June 30, 2005	June 30, 2004 (Unaudited)
Authorised		
35,000,000 equity shares of Rs. 10 each	**350.00**	200.00
5,000,000 2% Cumulative redeemable preference shares of Rs. 10 each	**50.00**	50.00
Issued & Subscribed		
20,000,000, equity shares of Rs. 10 each fully paid (Previous period: 13,582,200)	**200.00**	135.82
NIL (Previous period: 849,500) 2% Cumulative redeemable preference shares of Rs.10 each		8.50
Share application money		1.40
	200.00	145.72

The Cumulative Redeemable Preference Shares are redeemable on the expiry of eighteen years from the date of issue in three equal annual instalments or earlier at the option of the Company.

4. Reserves and Surplus **(Rs. in millions)**

	June 30, 2005	June 30, 2004 (Unaudited)
Capital Reserves	**18.75**	18.75
Others	**0.26**	0.26
	19.01	19.01
General Reserves	**50.00**	-
Loan Redemption Reserve	**79.02**	15.81
Capital Redemption Reserve	**8.50**	-
	137.52	15.81
Profit and Loss Account	**251.57**	113.93
Reserves and Surplus	**408.10**	148.75

Capital reserves represent government grants which have been received as capital contribution towards setting up of the manufacturing facilities.

Loan redemption reserve represents a reserve set up for redemption of loans from the Sugar Development Fund. These reserves are merely an appropriation from the profit and loss account.

Capital redemption reserve represents a reserve set up for redemption of preference share capital by an appropriation from the profit and loss account.

5. Secured Loans **(Rs. in millions)**

	June 30, 2005	June 30, 2004 (Unaudited)
Cash/ Export Credit facilities from banks (Secured by hypothecation of stocks and book debts)	**746.42**	299.27
Term loans from banks and financial institutions (Secured by first/second charge on the immovable property of the Company)	**338.43**	333.64
Interest accrued and not due	**92.60**	78.09
	1,177.45	711.00

Interest accrued and not due represents interest on certain long-term borrowings, where the payment of interest has also been deferred for a period of time, and is therefore considered to be in the nature of a borrowing and included as part of secured loans.

Repayments due within one year in respect of secured loans aggregate Rs. 51.62 million.

6. Unsecured Loans **(Rs. in millions)**

	June 30, 2005	June 30, 2004 (Unaudited)
Fixed deposits	**10.04**	15.81
Short-term loans from banks	**59.85**	132.25
Deferred Purchase Tax Credit	**129.51**	103.20
	199.40	251.26

7. Deferred Tax Liability, net **(Rs. in millions)**

	June 30, 2005	June 30, 2004 (Unaudited)
Deferred Tax Liability		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	**70.06**	43.40
Others	**1.20**	0.55
Gross Deferred Tax Liability	**71.26**	43.95
Deferred Tax Asset		
Provision for Deferred interest on SDF Loan	**15.54**	10.34
Others	**2.95**	0.18
Gross Deferred Tax Asset	**18.49**	10.52
Net Deferred Tax Liability	**52.77**	33.43

8. Fixed Assets

(Rs. in millions)

	October 1, 2004	Additions	Deductions/ Adjustments	June 30, 2005
Gross Block				
Land — Freehold	**57.60**	0.36	0.64	**57.32**
Buildings	**169.72**	30.56	-	**200.28**
Plant and Machinery	**969.54**	71.86	-	**1,041.40**
Furniture and Fittings	**12.60**	4.02	-	**16.62**
Vehicles	**13.84**	2.96	-	**16.80**
Total	**1,223.29**	109.76	0.64	**1,332.42**
Previous period	*1,076.03*	*20.54*	-	*1,096.57*
Accumulated Depreciation				
Land — Freehold	**-**	-	-	**-**
Buildings	**21.42**	5.98	-	**27.40**
Plant and Machinery	**233.62**	52.87	(7.59)	**294.08**
Furniture and Fittings	**3.23**	1.12	-	**4.35**
Vehicles	**2.99**	1.11	-	**4.10**
Total	**261.26**	61.08	(7.59)	**329.93**
Previous period	*190.78*	*53.06*	*0.07*	*243.77*
Net Block				
Land — Freehold	**57.60**			**57.32**
Buildings	**148.31**			**172.88**
Plant and Machinery	**735.91**			**747.32**
Furniture and Fittings	**9.37**			**12.27**
Vehicles	**10.85**			**12.70**
Total	**962.03**			**1,002.49**
Previous period	*885.25*			*852.80*

Fixed assets include land aggregating Rs. 6.53 million and Buildings aggregating Rs. 18.98 million, which have been retired from active use and are held for sale. Management is in the process of negotiating the sale and obtaining the necessary regulatory approvals for the proposed sale. The Company has received an amount of Rs. 9 million as advance towards sale of this land, which is included under current liabilities. Considering that the Company is not currently using these assets, they are not being depreciated. The Company does not anticipate any material losses on this sale, and accordingly carries these assets at their net book values, which approximate the net realizable values of these assets.

9. Investments

(Rs. in millions)

	June 30, 2005	June 30, 2004 (Unaudited)
Long-Term Investments (at cost)		
Trade (unquoted)		
5000 equity shares of Rs. 10 each fully paid-up in Esugar India Clearing Corporation Limited	**0.05**	0.05
500 equity shares of Rs. 10 each fully paid-up in Pachhapur Urban Bank Ltd.	**0.00**	0.00
5000 equity shares of Rs. 100 each fully paid-up in BDCC Bank, Belgaum	**0.50**	-
In Subsidiary Companies		
Unquoted, fully paid-up		
40 equity shares of AED 10000 each in Renuka Commodities, DMCC, Dubai	**4.97**	-
	5.52	0.05

10. Inventories

(Rs. in millions)

	June 30, 2005	June 30, 2004 (Unaudited)
Raw materials and components	**1,043.66**	191.83
Stores and spares	**58.36**	35.14
Intermediate product	**41.60**	19.10
Work-in- progress	**4.08**	-
Finished Goods		
Manufactured	**1,245.25**	363.18
Others	**398.98**	49.93
	2,791.93	659.18

11. Sundry Debtors

(Rs. in millions)

	June 30, 2005	June 30, 2004 (Unaudited)
Unsecured, considered good	**308.09**	74.78
Unsecured, considered doubtful	**2.64**	-
	310.73	74.78
Less : Provision for doubtful debts	**2.64**	-
	308.09	74.78

12. Cash and Bank Balances **(Rs. in millions)**

	June 30, 2005	June 30, 2004 (Unaudited)
Cash on hand	**2.20**	0.77
Balances with scheduled banks:		
On current accounts	**81.91**	17.08
On deposit accounts	**241.14**	163.21
Balance with other banks:		
On current accounts	**23.53**	-
	348.78	181.06

Balances with bank in deposit accounts represent amounts that have been provided as margin money or those that have been pledged with government authorities towards guarantees, etc.

13. Other Current Assets **(Rs. in millions)**

	June 30, 2005	June 30, 2004 (Unaudited)
Export incentives accrued	**20.58**	15.77
Exchange gain accrued on forward contract	**0.11**	-
Interest accrued	**6.02**	1.05
Others	**35.97**	44.77
	62.68	61.59
Less: Provision	**1.10**	-
	61.58	61.59

Other current assets include an amount of Rs. 10.89 million representing expenses incurred towards the proposed initial public offering ('IPO') of the Company's shares. On completion of the IPO, these expenses are expected to be adjusted against the securities premium account, as permitted by the Companies Act, 1956.

14. Loans and advances **(Rs. in millions)**

	June 30, 2005	June 30, 2004 (Unaudited)
Advances recoverable in cash or kind or for value to be received	**26.82**	57.25
Balances with customs, excise, etc.	**17.04**	4.89
Deposits	**20.89**	3.37
Advance income taxes (net of provision for taxes)	**9.14**	5.76
	73.89	71.27

15. Current Liabilities

(Rs. in millions)

	June 30, 2005	June 30, 2004 (Unaudited)
Sundry creditors	**2,402.61**	402.16
Advance from customers	**32.16**	166.15
Sundry deposits	**102.54**	62.21
Interest accrued but not due on loans	**10.11**	0.77
Bank overdrafts (as per books of account)	**11.37**	0.15
Other Liabilities	**45.04**	19.52
	2,603.83	650.96

16. Provisions

(Rs. in millions)

	June 30, 2005	June 30, 2004 (Unaudited)
Provision for taxation (net of advance payments)	**2.95**	10.19
Provision for gratuity	**3.32**	0.51
Provision for leave encashment	**1.86**	-
	8.13	10.70

17. Miscellaneous Expenditure

(Rs. in millions)

	June 30, 2005	June 30, 2004 (Unaudited)
Cane Development Expenditure	**—**	5.10
Expenditure towards Voluntary Retirement Scheme	**0.68**	0.94
	0.68	6.04

18. Revenues

(Rs. in millions)

	Nine-months ended June 30, 2005	Nine-months ended June 30, 2004 (Unaudited)
Sale of Manufactured Sugar	**2,243.59**	**974.42**
Sale of Traded Sugar	**1,554.65**	**637.85**
Sale of Power	**138.92**	**93.45**
Sale of Ethanol and other products	**407.46**	**271.13**
Others	**83.18**	**4.14**
	4,427.80	**1,980.99**

As part of its business activities, the Company enters into forward contracts for purchase and sale of raw/ processed sugar. Forward contracts which require settlement by way of physical delivery and contracts which management intends to settle by way of physical delivery are recorded at their gross values as Purchases and Sales and are included in 'Cost of Traded Goods' and 'Sale of Traded Sugar' respectively in the financial statements of the Company. 'Cost of Traded Goods' includes Rs. 220.99 million on account of such contracts; these goods are included in inventory as at the end of the period. All other forward contracts are recorded net in the financial statements of the Company and the resulting gain/ loss is recorded as 'Other Revenues' in the financial statements of the Company.

19. Other Income **(Rs. in millions)**

	Nine-months ended June 30, 2005	Nine-months ended June 30, 2004 (Unaudited)
Interest on Bank deposits (TDS Rs.0.59 millions Previous period: Rs.0.04 millions)	**11.64**	1.60
Miscellaneous Income	**2.64**	8.13
	14.28	9.73

20. Raw Materials Consumed **(Rs. in millions)**

	Nine-months ended June 30, 2005	Nine-months ended June 30, 2004 (Unaudited)
Inventories as at October 01, 2004	**76.81**	22.74
Add: Purchases	**3,989.76**	1,195.29
	4,066.57	1,218.03
Less: Inventories as at June 30, 2005	**1,043.66**	191.83
	3,022.91	1,026.20

21. Cost of Traded Goods **(Rs. in millions)**

	Nine-months ended June 30, 2005	Nine-months ended June 30, 2004 (Unaudited)
Inventories as at October 01, 2004	**11.42**	-
Add: Purchases	**1,721.63**	663.47
	1,733.05	663.47
Less: Inventories as at June 30, 2005	**398.98**	49.93
	1,334.07	613.54

During the course of business, the Company sells raw sugar to other sugar manufacturers and purchases processed sugar from them. During the period ended June 30, 2005, the Company sold 17,275 tons of raw sugar and in exchange purchased 14,075 tons of processed sugar. These were recorded as sale of traded sugar and purchase of traded goods for an aggregate value of Rs. 215.94 million.

22. Decrease/(Increase) in Inventories

(Rs. in millions)

	Nine-months ended June 30, 2005	Nine-months ended June 30, 2004 (Unaudited)
Inventories as at October 01, 2004		
- Work-in-progress	**13.84**	4.00
- Manufactured Finished goods and intermediate products	**288.38**	133.44
	302.22	137.44
Inventories as at June 30, 2005		
- Work-in-progress	**4.08**	-
- Manufactured Finished goods and intermediate products	**1,286.85**	382.28
	1,290.93	382.28
	(988.71)	(244.84)

23. Personnel Expenses

(Rs. in millions)

	Nine-months ended June 30, 2005	Nine-months ended June 30, 2004 (Unaudited)
Salaries, wages and bonus	**64.08**	22.00
Contribution to provident fund & others	**4.63**	1.93
Contribution to gratuity	**6.86**	0.17
Contribution to leave encashment	**2.92**	0.91
Workmen and staff welfare expenses	**2.49**	1.09
	80.98	26.10

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24. **Operating and Other Expenses** **(Rs. in millions)**

	Nine-months ended June 30, 2005	Nine-months ended June 30, 2004 (Unaudited)
Consumption of stores and spares	**12.19**	10.08
Processing charges	**28.92**	24.48
Power and fuel	**4.10**	1.51
Freight and forwarding charges	**71.68**	67.49
Rent	**20.47**	0.56
Rates and taxes	**6.19**	4.80
Insurance	**12.60**	5.16
Repairs and maintenance		
- Plant & Machinery	**4.30**	4.15
- Building	**0.88**	0.40
- Others	**6.13**	4.65
Advertising and sales promotion	**3.90**	1.30
Brokerage and discounts	**14.14**	8.00
Commission and market development incentives	**5.39**	3.85
Travelling and conveyance	**7.50**	7.01
Communication costs	**3.51**	2.64
Printing and stationery	**1.74**	0.92
Legal and professional fees	**2.91**	3.71
Directors' sitting fees	**0.20**	0.11
Auditor's remuneration	**0.14**	0.16
Donations and contributions	**1.11**	0.06
Provision for doubtful debts and advances	**3.84**	-
Loss on sale of fixed assets (net)	**0.41**	0.15
Deferred revenue expenses	**0.52**	5.56
Others	**8.16**	4.03
	220.93	160.78

25. **Financial Expenses** **(Rs. in millions)**

	Nine-months ended June 30, 2005	Nine-months ended June 30, 2004 (Unaudited)
Interest		
- on term loans	**26.89**	21.22
- on working capital	**42.87**	35.07
- on deposits from Banks	**9.19**	10.08
- others	**8.75**	1.08
Bank charges	**12.40**	19.01
	100.10	86.46

26. Earnings Per Share

The calculations of earnings per share (basic and diluted) are based on the earnings and numbers of shares as computed below.

(Rs. in millions)

	Nine-months ended June 30, 2005	Nine-months ended June 30, 2004 (Unaudited)
Reconciliation of earnings		
Profit for the nine-months ended June 30, 2005	**321.07**	98.84
Less: Preference dividends (including tax thereon)	**(0.14)**	-
Net profit attributable to equity shareholders	**320.93**	98.84
Reconciliation of number of shares	**Shares**	
Shares outstanding at the beginning of the period	14,707,200	13,302,700
Shares outstanding at the end of the period	20,000,000	13,582,200
Weighted average number of equity shares	**15,687,289**	13,337,638
Basic and Diluted Earnings Per Share (in Rs.)	**20.46**	7.41

27. Excise Duty on Finished Goods

Excise duty is generally provided on manufacture of goods, which are not exempt from the payment of duty. However, since the Company's finished goods are not segregated at the time of production into those for sale in domestic markets and those for sale in export markets, the Company is unable to determine the exact liability towards excise duty on finished goods. Accordingly, excise duty is provided/ paid only at the time of clearance of the goods from the factory.

28. Valuation of Inventories

The Company has been accounting for inventories based on the inter-segment transfer prices, by considering those transfer prices as the cost for those segments. As a result, the value of inventories included an element of unrealized profit at an enterprise level. From the current period, the Company has changed its practice of valuation of inventories to a cost basis, whereby the inter-segment transfers of inventories are valued at cost instead of inter-segment acquisition cost. As a result of this change in practice, the value of inventories as at June 30, 2005 is lower than the value that would have been determined had the earlier practice been followed. The impact of the same on the current period's profit has not been ascertained. Further, the opening balance of reserves and surplus has been reduced by Rs. 55.13 million on account of the effects relating to the earlier years, which has been disclosed as an exceptional item in these financial statements.

29. Leases

The Company has entered into various operating leases for office, residential and factory premises. These are generally short-term leases and cancellable by serving adequate notice. The minimum amount of lease rentals payable on non-cancellable leases is as follows:

- Within a period of one year - Rs. 77.5 million
- Period from one year to five years - Rs. 220 million

30. Outstanding Commitments

As at June 30, 2005, the Company had the following outstanding commitments:

- Bank Guarantees outstanding - Rs. 227 million
- Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for - Rs. 15.27 million
- Expenses relating to IPO – Rs. 65 million

31. Balances appearing under the head sundry creditors, sundry debtors, loans and advances and secured loans are subject to confirmation, adjustments, if any, on the receipt/reconciliation of such accounts.

32. Related party disclosures

Related parties

(a) Subsidiary Company – Renuka Commodities DMCC

(b) Key managerial persons

1. Mrs. Vidya Murkumbi
2. Mr. Narendra Murkumbi
3. Mr. Nandan Yalgi

Transactions with related parties

a) Transactions with subsidiary company

- Nature of transaction	Advances given
- Volume of transactions during the period	Rs. 0.53 million
- Outstanding as at the end of the period	Rs. 0.53 million
- Investment in subsidiary	Rs. 4.97 million

b) Transactions with key management personnel

- Remuneration including contributions to PF	Rs. 3.81 million
- Outstanding remuneration payable	Rs. 0.15 million
- Advances to subsidiary	Rs. 0.53 million

33. Segment Information

	Sugar Manufacturing		Sugar Trading		Co-generation		Distillery		Others		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
REVENUE														
External Revenues	2,123.87	918.21	1,554.65	637.85	138.92	93.45	300.78	210.63	4.74	4.15			4,122.96	1,864.29
Other Revenues	-	-	78.44	-	-	-	-	-	-	-	-	-	78.44	-
Inter-segment Revenues	232.89	75.74	-	-	242.80	131.09	-	-	-	-	(475.69)	(206.83)	-	-
Total Revenue	**2,356.76**	**993.95**	**1,633.09**	**637.85**	**381.72**	**224.54**	**300.78**	**210.63**	**4.74**	**4.15**	**(475.69)**	**(206.83)**	**4,201.40**	**1,864.29**
RESULT	**113.20**	**112.48**	**299.02**	**24.30**	**44.24**	**80.10**	**165.74**	**111.55**	**0.82**	**0.71**	**-**	**-**	**623.02**	**329.14**
Unallocated corporate expenses													166.50	124.55
Operating Profit													456.52	204.59
Interest Expenses													100.10	86.46
Interest and other Income													14.28	9.73
Net Profit before tax													**370.70**	**127.86**
OTHER INFORMATION														
Segment assets	2,841.95	1,070.15	398.98	49.93	222.22	239.24	177.05	178.63	9.50	9.55			3,649.70	1,547.51
Unallocated corporate assets													1,038.53	398.22
Total Assets	**2,841.95**	**1,070.15**	**398.98**	**49.93**	**222.22**	**239.24**	**177.05**	**178.63**	**9.50**	**9.55**			**4,688.22**	**1,945.73**
Segment liabilities	380.16	339.34	-	-	29.73	63.95	47.50	67.50	-	-			457.39	470.79
Unallocated corporate liabilities													3,628.94	1,186.56
Total Liabilities	**380.16**	**339.34**	**-**	**-**	**29.73**	**63.95**	**47.50**	**67.50**	**-**	**-**			**4,086.33**	**1,657.35**
Capital Expenditure	691.71	531.22	-	-	394.67	363.24	150.59	119.13	4.71	4.71			1,241.68	1,018.30
Depreciation	124.93	95.10	-	-	177.78	130.63	18.13	11.81	0.63	0.39			321.47	237.93
Other than depreciation													0.68	6.03

34. Subsequent Events

Lease of new manufacturing facility

The Company has taken on lease a sugar factory, which is registered as a co-operative society, Mohanrao Shinde Sahakari Sakhar Karkhana Limited, Mohannagar village, Taluka Miraj, District Sangli, Maharashtra, vide an agreement dated July 2005 for a period of six years for the crushing season 2005-2006 to 2010-2011. The crushing capacity of the sugar factory will be 4000 TCD after installation of certain balancing equipment.

The Company also proposes to buy 30 acres of land at the premises of the sugar factory for the purpose of setting up a distillery which will be owned by the Company even after the term of this agreement expires. The Company will also set up co-generation facility at the sugar factory with a minimum capacity of 12 MW which will be the property of the sugar factory after the term of this agreement expires and the sugar factory has agreed to supply a specified quantity of free electricity and steam to the Company for operation of the distillery for a period of six years subsequent to the expiry of this agreement. The sugar factory shall have the right to sell any surplus power generated during the six years after the expiry of this agreement.

The said agreement grants exclusive ownership over sugar manufactured, Molasses, Bagasse, press mud and other by-products during the contract period to the Company.

Proposed acquisition of new manufacturing facility

On August 14, 2005 the Company entered into a memorandum of understanding ('MoU') with Haripriya Sugar Works Limited to acquire all property (excluding receivables) of Haripriya Sugar Works Limited ('Haripriya Sugar') including land admeasuring 162 acres and 29 guntas situated at village Burlatti, District Belgaum, Karnataka. Haripriya Sugar had intended to set up a sugar mill with 5000 TCD capacity at this location and towards this end has obtained various government approvals. In terms of the said MoU, Haripriya Sugar has agreed to transfer/assign/give no objection/help in obtaining the aforesaid government approvals. The Company has paid as advance a sum of Rs. 5.1 million and the balance consideration would be paid after receipt of government approvals.

Initial Public Offering of the Company's equity shares

The Company is planning an initial public offering of its shares to the public, pursuant to which the Company's equity shares would be listed on The National Stock Exchange of India Limited and The Stock Exchange, Mumbai. The Company filed a Draft Red Herring Prospectus with the Securities and Exchange Board of India on August 2, 2005, and has obtained approvals from the stock exchanges for the public offering and subsequent listing.

35. Comparative information

The comparative financial information as at and for the nine-months ended June 30, 2004 has not been audited and has been compiled based on management information.

UNCONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED SEPTEMBER 30, 2004 AND SEPTEMBER 30, 2003 AS AUDITED BY INDEPENDENT AUDITOR, GRANT THORNTON

To

The Board of Directors of Shree Renuka Sugars Limited:

1. We have reviewed the attached Balance Sheets of Shree Renuka Sugars Limited ('the Company') as at September 30, 2004 and September 30, 2003, and also the related Profit and Loss Accounts for the year ended on those dates annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.
2. We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit, and, accordingly, we do not express an audit opinion.
3. Management has informed us that inventory has been stated at its cost or net realizable value, which ever is lower. Management's computation, which we have reviewed, shows that the cost of finished goods, work-in-process and by-products, include the cost of inter-divisional transfers at the inter-divisional acquisition cost, which is not in accordance with Accounting Standard 2 – Inventories, issued by the Institute of Chartered Accountants of India. The impact of the same on the closing value of inventories, reserves and surplus and on the profit for the years is not easily ascertainable.
4. Based on our review, except for the effects of the item described in paragraph 3, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects in accordance with accounting principles generally accepted in India.

Grant Thornton

New Delhi

June 29, 2005

BALANCE SHEET

(All amounts in millions of Indian Rupees, unless otherwise stated)

	Notes	September 30, 2004	September 30, 2003
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	3	**155.57**	142.83
Reserves and surplus	4	**157.09**	49.91
		312.66	192.74
Loan Funds			
Secured loans	5	**679.58**	712.37
Unsecured loans	6	**228.02**	218.28
		907.60	930.65
Deferred Tax Liability (net)	7	**33.43**	13.21
TOTAL		**1,253.69**	1,136.60
APPLICATION OF FUNDS			
Fixed Assets	8		
Gross block		**1223.29**	1,076.04
Less : Depreciation		**261.26**	190.77
Net block		**962.03**	885.27
Investments	9	**0.05**	0.05
Current Assets, Loans and Advances			
Inventories	10	**493.08**	187.49
Sundry debtors	11	**83.34**	65.38
Cash and bank balances	12	**321.93**	37.79
Other current assets	13	**84.13**	87.97
Loans and advances	14	**81.98**	19.54
Less: Current Liabilities and Provisions			
Current liabilities	15	**747.12**	147.06
Provisions	16	**25.73**	1.60
Net Current Assets		**291.61**	249.52
Miscellaneous Expenditure (to the extent not written off or adjusted)	17	**-**	1.76
TOTAL		**1,253.69**	1,136.60

The accompanying notes are an integral part of these financial statements.

PROFIT AND LOSS ACCOUNT

(All amounts in millions of Indian Rupees, unless otherwise stated)

	Notes	September 30, 2004	September 30, 2003
INCOME			
Revenues	18	**2,399.17**	3,040.15
Less : Excise duty		**(138.31)**	(111.19)
Revenues (net)		**2,260.86**	**2,928.96**
Other income	19	**13.76**	5.53
TOTAL		**2,274.62**	**2,934.49**
EXPENDITURE			
Raw material consumed	20	**1,223.43**	1,011.64
Cost of traded goods	21	**652.08**	1473.41
Increase in inventories	22	**(180.71)**	(85.11)
Personnel expenses	23	**30.75**	26.86
Operating and other expenses	24	**175.30**	266.78
Depreciation		**70.75**	63.34
Financial expenses	25	**113.25**	120.57
Research & Development		**38.03**	14.31
Profit before tax		**151.74**	42.69
Provision for tax			
Current tax		**8.80**	1.55
Deferred tax		**20.23**	13.21
Total tax expense		**29.03**	14.76
Net profit		**122.71**	27.93
Balance brought forward from previous period		**15.10**	3.18
Profit available for appropriation		**137.81**	31.11
Dividend		13.74	0.19
Tax on dividend		1.79	0.02
Transfer to :			
Loan redemption reserve		63.22	15.80
General Reserve		50.00	-
Surplus carried to Balance Sheet		**9.06**	15.10
Basic and Diluted Earnings Per Share (in Rupees) [Nominal value of shares Rs. 10]	26	**9.02**	**2.13**

The accompanying notes are an integral part of these financial statements.

CASH FLOW STATEMENT

(All amounts in millions of Indian Rupees, unless otherwise stated)

	September 30, 2004	September 30, 2003
Cash Flow From Operating Activities:		
Profit Before Tax	**151.74**	**42.69**
Adjustments to reconcile profit before tax to net cash provided by operating activities:		
Depreciation	70.75	63.34
Interest Income	(6.48)	(0.46)
Financial Expenses	113.25	120.57
Purchase Tax Deferment	17.80	32.13
Loss on sale of fixed assets	0.27	0.26
Miscellaneous expenses to the extent not written off	0.02	0.02
Miscellaneous expenditure written off	1.77	(1.77)
Operating profit before working capital changes	**349.12**	**256.78**
Changes in operating assets and liabilities		
Trade receivables	(17.96)	37.35
Other receivables	(58.60)	60.33
Inventories	(305.60)	(90.65)
Trade and other payables	596.49	74.49
Cash generated from operations	**563.45**	**338.30**
Income-tax paid	(0.02)	(1.44)
Net Cash Flow from Operating Activities	**563.43**	**336.86**
Cash Flow from Investing Activities:		
Purchase of fixed assets	(147.26)	(129.55)
Sale of fixed assets	(0.54)	2.15
Purchase of investments	-	(0.05)
Increase in reserves	-	0.26
Interest received	6.48	0.46
Net Cash Flow from Investing Activities	**(141.32)**	**(126.73)**
Cash Flow from Financing Activities:		
Increase in capital	12.75	6.99
Dividend paid	(0.19)	-
Repayment of short-term borrowings	(100.07)	(47.76)
Proceeds from long-term borrowings	114.11	-
Repayment of long-term borrowings	(65.53)	(49.72)
Interest paid	(99.03)	(106.35)
Net Cash Flow from Financing Activities	**(137.96)**	**(196.84)**
Net increase in cash and cash equivalents	**284.15**	**13.29**
Opening cash and cash equivalents	37.79	24.51
Closing cash and cash equivalents	**321.92**	**37.79**

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

All amounts in millions of Indian Rupees, unless otherwise stated

1. Organization and Nature of Operations

Shree Renuka Sugars Limited ("SRSL" or the "Company"), a public limited company, was incorporated on October 25, 1995 and is presently engaged in the production, marketing, and trading of sugar. The Company is also involved in the manufacture and distribution of ethanol, rectified spirit and bio-fertilizers, which are by-products of the sugar manufacturing process. The Company also has a captive power generation facility and sells its surplus power in the State of Karnataka.

The Company has its registered office at Belgaum in Karnataka and its corporate office at Mumbai (Maharashtra). The Company also has two sugar manufacturing units at Munoli in Karnataka and Ajara in Maharashtra. The power generation facility and the distillery for manufacture of ethanol and rectified spirit are located at Munoli in Karnataka.

2. Significant Accounting Policies

a) *Basis of presentation*

The accompanying financial statements have been presented for the years ended September 30, 2004 and September 30, 2003. The accompanying financial statements have been prepared on a going concern basis under the historical cost convention on the accrual basis of accounting in conformity with accounting principles generally accepted in India ("Indian GAAP"). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

b) *Use of estimates*

In preparing the Company's financial statements in conformity with accounting principles generally accepted in India, the Company's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period; actual results could differ from those estimates. The management's estimates for future obligations under employee benefit plans, the useful life of tangible assets and the realization of sundry debtors and loans and advances represent particularly sensitive estimates.

c) *Fixed assets*

Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Expenditure incurred during construction period has been added to the cost of the assets. These expenses have been added in the ratio of 63:37 to the sugar and power generation units.

d) *Borrowing costs*

Financing cost incurred up to the date of completion of construction or installation of qualifying assets, on funds borrowed are also capitalized as a part of the cost of the asset.

e) *Depreciation*

Depreciation is provided at the rates and in the manner prescribed in Schedule XIV of the Indian Companies Act, 1956. The sugar manufacturing units, the distillery and the bio-fertilizer units are depreciated using the straight line method, while the power generation facility is depreciated using the written down value method. As per estimates of management, these rates are representative of the economic useful life of these assets.

No depreciation is provided on assets held for sale and such assets are written down to their realizable values.

f) *Leases*

Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

g) *Investments*

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost.

However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. Profit/ loss on sale of investments is computed with reference to their average cost.

h) Inventories

Inventories are valued as follows:

Raw materials, stores and spares and packing materials

Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a First In First Out ('FIFO') basis.

Finished goods

Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods excludes excise duty. Cost of finished goods also includes the cost of by-products, which have been valued at Inter-segment acquisition costs.

Work-in-process

Lower of cost upto estimated stage of process and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of work-in-process also includes the cost of by-products, which have been valued at Inter-segment acquisition costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

By-products

By-products are valued inter-segment transfer price. Inter-unit transfers of by-products also include the cost of transportation, duties, etc.

i) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of trade discounts, excise duty, sales returns and sales tax.

Revenue from sale of power is recognized when the units generated are transmitted to the pooling station, in accordance with the terms and conditions of the power purchase agreement entered into by the Company with the power transmission companies.

j) Foreign currency translation

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate at the date of the Balance Sheet. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and investments in foreign companies are recorded at the exchange rates prevailing on the date of making the investments.

Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognized as income or as expenses in the period in which they arise, except for loans denominated in foreign currencies utilised for acquisition of fixed assets where the exchange gains/losses are adjusted to the cost of such assets.

Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the period.

k) Retirement benefits

Contributions in respect of provident fund, and gratuity are made to the appropriate authorities/Trust set up by the Company for the purpose and charged to Profit and Loss Account. Provisions for liabilities in respect of gratuity and leave encashment benefits are made based on actuarial valuation made by an independent actuary as at the Balance Sheet date.

l) Income taxes

Tax expenses comprise both current and deferred taxes.

Deferred income taxes reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

m) Miscellaneous expenditure.

Preliminary expenses are written-off over a period of five years from the year of commencement of commercial production.

Deferred revenue expenditure comprising of Voluntary Retirement Scheme expenses are written-off over a period of five years.

n) Government Grants

Government grants in the nature of promoter's contribution are credited to capital reserves and treated as a part of Shareholders' funds.

o) Contingent liabilities

Depending on facts of each case and after due evaluation of relevant legal aspects, claims against the Company not acknowledged as debts are disclosed as contingent liabilities. In respect of statutory matters, contingent liabilities are disclosed only for those demand(s) that are contested by the Company.

p) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

q) Segment reporting

The accounting polices adopted for segment reporting are in line with the accounting polices of the Company, with the following additional polices for segment reporting:

a) Inter-segment revenue have been accounted for based on the transaction price agreed to between segments which is primarily market led.

b) Revenue and expenses has been identified to segments on the basis of their relationship to the operating activities of the segment.

c) Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Corporate Expenses".

3. Share Capital

(Rs. in million)

	September 30, 2004	September 30, 2003
Authorised		
35,000,000 (Previous period: 20,000,000) equity shares of Rs. 10 each	**350.00**	200.00
5,000,000 (Previous period: 5,000,000) 2% Cumulative redeemable preference shares of Rs. 10 each	**50.00**	50.00
Issued		
14,707,200 (Previous period: 13,302,700) equity shares of Rs. 10 each fully paid	**147.07**	133.03
849,500 (Previous period: 849,500) 2% Cumulative redeemable preference shares of Rs. 10 each	**8.50**	8.50
Subscribed		
14,707,200 (Previous period: 13,302,700) equity shares of Rs. 10 each fully paid	**147.07**	133.03
849,500 (Previous period: 849,500) 2% Cumulative redeemable preference shares of Rs. 10 each	**8.50**	8.50
Equity Share application money (pending allotment)	**-**	1.30
	155.57	142.83

2 The Cumulative Redeemable Preference Shares are redeemable on the expiry of eighteen years from the date of issue in three equal annual instalments or earlier at the option of the Company.

4. Reserves and Surplus

(Rs. in million)

	September 30, 2004	September 30, 2003
Capital Reserve	**18.75**	18.75
Others	**0.26**	0.26
	19.01	19.01
General Reserves	**50.00**	-
Loan Redemption Reserve	**79.02**	15.80
	129.02	15.80
Profit for the year	**9.06**	15.10
Reserves and Surplus	**157.09**	49.91

Capital reserves represent government grants, which have been received as capital contribution towards setting up of the manufacturing facilities.

Loan redemption reserve represents a reserve set up for redemption of loans from the Sugar Development Fund. These reserves are merely an appropriation from the profit and loss account.

5. Secured Loans

(Rs. in million)

	September 30, 2004	September 30, 2003
Loans and advances from banks		
Cash/ Export Credit facilities (Secured by hypothecation of stocks and book debts)	**206.15**	301.36
Term loans (Secured by first/second charge on the immovable property of the Company)	**389.99**	341.41
Interest accrued and not due	**83.44**	69.60
	679.58	712.37

Interest accrued and not due represents interest on certain long-term borrowings, where the payment of interest has also been deferred for a period of time, and is therefore considered to be in the nature of a borrowing and included as part of secured loans.

Payments due within one year in respect of secured loans aggregates Rs. 81.20 million

6. Unsecured Loans

(Rs. in million)

	September 30, 2004	September 30, 2003
Fixed deposits	**9.89**	19.32
Short-term loans from banks	**112.54**	111.16
Deferred Purchase Tax Credit	**105.59**	87.80
	228.02	218.28

7. Deferred Tax Liability, net

(Rs. in million)

	September 30, 2004	September 30, 2003
Deferred Tax Liability		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	**43.40**	18.14
Others	**0.55**	0.36
Gross Deferred Tax Liability	**43.95**	18.50
Deferred Tax Asset		
Provision for Deferred interest on Sugar Development Fund loan	**10.33**	5.23
Others	**0.19**	0.06
Gross Deferred Tax Asset	**10.52**	5.29
Net Deferred Tax Liability	**33.43**	13.21

8. Fixed Assets **(Rs. in million)**

	October 1, 2003	Additions	Deductions/ Adjustments	September 30, 2004
Gross Block				
Land—Freehold	50.49	7.11	-	**57.60**
Buildings	154.83	14.89	-	**169.72**
Plant and Machinery	851.27	118.26	-	**969.53**
Furniture and Fittings	9.53	3.17	0.10	**12.60**
Vehicles	9.92	4.63	0.71	**13.84**
Total	**1076.04**	**148.06**	**0.81**	**1223.29**
Accumulated Depreciation				
Land—Freehold	-	-	-	-
Buildings	15.47	5.94	-	**21.41**
Plant and Machinery	171.09	62.54	-	**233.63**
Furniture and Fittings	2.13	1.12	**0.02**	**3.23**
Vehicles	2.08	1.15	**0.24**	**2.99**
Total	**190.77**	**70.75**	**0.26**	**261.26**
Net Block				
Land—Freehold	50.49			57.60
Buildings	139.34			148.31
Plant and Machinery	680.18			735.90
Furniture and Fittings	7.39			9.37
Vehicles	7.83			10.85
Total	**885.27**			**962.03**

Fixed assets include land aggregating Rs. 6.53 million and Buildings aggregating Rs. 18.98 million, which have been retired from active use and are held for sale. Management is in the process of negotiating the sale and obtaining the necessary regulatory approvals for the proposed sale. The Company has received an amount of Rs. 9 million as advance towards sale of this land, which is included under current liabilities. Considering that the Company is not currently using these assets, they are not being depreciated. The Company does not anticipate any material losses on this sale, and accordingly carries these assets at their net book values, which approximate the net realizable values of these assets.

9. Investments **(Rs. in million)**

	September 30, 2004	September 30, 2003
Long Term Investments (at cost)		
Trade (unquoted)		
5,000 equity shares of Rs. 10 each fully paid-up in Esugar India Clearing Corporation Limited	**0.05**	0.05
	0.05	0.05

10. Inventories

(Rs. in million)

	September 30, 2004	September 30, 2003
Raw materials and components	**113.73**	20.01
Stores and spares	**47.50**	27.30
Intermediate Product	**23.51**	1.25
Work-in- progress	**13.84**	4.00
Finished Goods		
Manufactured	**283.08**	134.93
Others	**11.42**	—
	493.08	187.49

11. Sundry Debtors

(Rs. in million)

	September 30, 2004	September 30, 2003
Unsecured, considered good	**83.34**	65.38
	83.34	65.38

12. Cash and Bank Balances

(Rs. in million)

	September 30, 2004	September 30, 2003
Cash on hand	**1.10**	0.62
Balances with scheduled banks:		
On current accounts	**19.34**	23.94
On deposit accounts	**298.49**	9.68
Balance with other banks:		
On current accounts	**3.00**	3.55
	321.93	37.79

Balances with bank in deposit accounts represent amounts that have been provided as margin money or those that have been pledged with government authorities towards guarantees, etc.

13. Other Current Assets

(Rs. in million)

	September 30, 2004	September 30, 2003
Export incentives accrued	**23.88**	16.20
Exchange gain accrued on forward contract	**2.15**	-
Interest accrued	**4.81**	0.14
Others	**53.29**	71.63
	84.13	87.97

14. Loans and advances **(Rs. in million)**

	September 30, 2004	September 30, 2003
Advances recoverable in cash or kind or for value to be received	**27.86**	12.88
Balances with customs, excise, etc.	**12.66**	3.93
Deposits	**27.04**	1.81
Advance Income Taxes (net of provision for taxes)	**14.42**	0.92
	81.98	19.54

15. Current Liabilities **(Rs. in million)**

	September 30, 2004	September 30, 2003
Sundry creditors	**399.82**	39.61
Advance from customers	**244.78**	82.49
Sundry deposits	**70.87**	14.42
Interest accrued but not due on loans	**4.94**	—
Bank overdrafts (as per books)	**3.64**	0.06
Other liabilities	**23.07**	10.48
	747.12	147.06

16. Provisions **(Rs. in million)**

	September 30, 2004	September 30, 2003
Provision for taxation (net of advance payments)	**10.20**	1.39
Provision for preference shares dividend	**0.17**	0.19
Provision for equity shares dividend	**13.56**	-
Provision for corporate dividend tax	**1.80**	0.02
	25.73	1.60

17. Miscellaneous Expenditure **(Rs. in million)**

	September 30, 2004	September 30, 2003
Preliminary Expenses	**-**	0.01
Deferred Revenue Expenditure	**-**	1.75
	-	1.76

18. Revenues **(Rs. in million)**

	September 30, 2004	September 30, 2003
Sale of Manufactured Sugar	**1,255.59**	1,179.67
Sale of Traded Sugar	**729.88**	1,605.85
Sale of Power	**109.49**	126.92
Sale of Ethanol and other products	**299.92**	121.56
Others	**4.29**	6.15
	2,399.17	3,040.15

19. Other Income **(Rs. in million)**

	September 30, 2004	September 30, 2003
Interest on Bank deposits (Tax Deducted at Source Rs. 0.89 million Previous period: Rs. 0.14 million)	**6.48**	0.46
Miscellaneous	**7.28**	5.07
	13.76	5.53

20. Raw Materials Consumed **(Rs. in million)**

	September 30, 2004	September 30, 2003
Inventories as at October 01, 2005	**22.74**	18.42
Add: Purchases	**1316.69**	1015.96
	1339.43	1034.38
Less: Inventories as at September 30, 2005	**(116.00)**	(22.74)
	1223.43	1011.64

21. Cost of Traded Goods **(Rs. in million)**

	September 30, 2004	September 30, 2003
Inventories as at October 01	**-**	-
Add: Purchases	**663.50**	1473.41
	663.50	1473.41
Less: Inventories as at September 30	**(11.42)**	-
	652.08	1473.41

22. Decrease/(Increase) in Inventories

(Rs. in million)

	September 30, 2004	September 30, 2003
Inventories as at October 01		
- Work-in-progress	**4.00**	—
- Manufactured Finished goods	**133.44**	52.34
	137.44	52.34
Inventories as at September 30		
- Work-in-progress	**13.84**	4.00
- Manufactured Finished goods	**304.31**	133.45
	(318.15)	(137.45)
	(180.71)	(85.11)

23. Personnel Expenses

(Rs. in million)

	September 30, 2004	September 30, 2003
Salaries, wages and bonus	**24.99**	22.50
Contribution to provident fund and others	**2.46**	2.20
Contribution to gratuity	**1.43**	0.34
Workmen and staff welfare expenses	**1.87**	1.82
	30.75	26.86

24. Operating and Other Expenses

(Rs. in million)

	September 30, 2004	September 30, 2003
Consumption of stores and spares	**13.51**	19.95
Processing charges	**28.18**	20.33
Power and fuel	**1.12**	1.12
Freight and forwarding charges	**65.05**	140.87
Rent	**0.87**	1.14
Rates and taxes	**3.39**	1.19
Insurance	**4.18**	3.34
Repairs and maintenance		
- Plant & Machinery	**5.20**	5.81
- Building	**0.43**	0.55
- Others	**6.38**	4.81
Advertising and sales promotion	**0.34**	0.06
Brokerage and discounts	**5.44**	33.30

(Rs. in million)

	September 30, 2004	September 30, 2003
Commission & market development incentives	**7.38**	4.24
Traveling and conveyance	**9.30**	6.58
Communication costs	**3.65**	2.98
Printing and stationery	**1.20**	1.28
Legal and professional fees	**5.97**	6.96
Directors' sitting fees	**0.14**	0.00
Auditor's remuneration	**0.29**	0.21
Donations and contributions	**0.57**	0.41
Provision for doubtful debts and advances	**—**	—
Loss on sale of fixed assets (net)	**0.27**	0.26
Deferred revenue expenses	**1.79**	0.12
Others	**10.65**	11.27
	175.30	266.78

25. Financial Expenses

(Rs. in million)

	September 30, 2004	September 30, 2003
Interest		
- on term loans	**32.26**	46.64
- on working capital	**42.39**	48.37
- on deposits from Banks	**18.31**	16.12
- others	**1.95**	1.17
Bank charges	**18.34**	8.27
	113.25	120.57

26. Earnings Per Share

The calculations of earnings per share (basic and diluted) are based on the earnings and numbers of shares as computed below.

(Rs. in million)

	September 30, 2004	September 30, 2003
Reconciliation of earnings		
Profit after tax for the six months ended March 31	**122.71**	27.94
Less:		
Preference dividends (including tax thereon)	0.19	0.21
Net profit attributable to equity shareholders	**122.52**	**27.73**
Reconciliation of number of shares	**Shares**	**Shares**
Shares outstanding at the beginning of the period	13,302,700	12,756,000
Shares outstanding at the end of the period	14,707,200	13,302,700
Weighted average number of equity shares	13,569,336	13,008,931
Basic and Diluted Earnings Per Share (in Rupees)	**9.02**	**2.13**

27. Excise Duty on Finished Goods

Excise duty is generally provided on manufacture of goods, which are not exempt from the payment of duty. However, since the Company's finished goods are not segregated at the time of production into those for sale in domestic markets and those for sale in export markets, the Company is unable to determine the exact liability towards excise duty on finished goods. Accordingly, excise duty is provided/paid only at the time of clearance of the goods from the factory.

28. Outstanding Commitments

As at March 31, 2005, the Company had the following outstanding commitments:

- Bank Guarantees outstanding – Rs. 113.5 million (Previous period: Rs. 17.58 million)
- Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for – Rs. 36.72 million (Previous period: Rs. 18.72 million)

29. Balances appearing under the head sundry creditors, sundry debtors, loans and advances and secured loans are subject to confirmation, adjustments, if any, on the receipt/reconciliation of such accounts.

30. Related party disclosures

Related parties

Key managerial persons

1. Mrs Vidya Murkumbi
2. Mr. Narendra Murkumbi
3. Mr. Nandan Yalgi

Transactions with related parties

Transactions with key management personnel

- Remuneration including contributions to PF – Rs. 1.71 million (Previous year – Rs. 1.14 million)
- Outstanding remuneration payable – Rs. 0.08 million (Previous year – Rs. .07 million)

31. Segment Information

(Rs. in million)

	Sugar		Co-generation		Distillery		Trading		Others		Eliminations		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
REVENUE														
External Sales	1,255.59	1,179.67	109.49	126.92	299.92	121.56	729.88	1,605.85	4.28	6.14			2,399.17	3,040.15
Inter-segment Sales	76.44	80.80	166.34	177.39	-	-	-	-	-	-	(242.78)	(258.19)	-	-
Total Revenue	**1,332.03**	**1,260.47**	**275.83**	**304.31**	**299.92**	**121.56**	**729.88**	**1,605.85**	**4.28**	**6.14**	**(242.78)**	**(258.19)**	**2,399.17**	**3,040.15**
RESULT	83.76	79.16	84.09	138.29	132.71	26.42	38.83	15.23	0.47	1.03			339.85	260.13
Unallocated corporate Expenses													88.63	102.40
Operating Profit													251.23	157.73
Interest Expenses													113.25	120.57
Interest and other Income													13.76	5.53
Net Profit before tax													**151.74**	**42.69**
OTHER INFORMATION														
Segment assets	881.84	547.94	284.03	276.16	159.67	151.20	-	-	11.03	7.14			1336.57	982.44
Unallocated corporate Assets													689.97	302.81
Total Assets	**881.84**	**547.94**	**284.03**	**276.16**	**159.67**	**151.20**	**-**	**-**	**11.03**	**7.14**			**2,026.54**	**1285.25**
Segment liabilities	401.61	451.45	56.25	79.15	62.50	32.50	149.83	112.79	-	4.20			670.19	680.09
Unallocated corporate liabilities													1,043.69	412.43
Total Liabilities	**401.61**	**451.45**	**56.25**	**79.15**	**62.50**	**32.50**	**149.83**	**112.79**	**-**	**4.20**			**1,713.88**	**1092.52**
Capital Expenditure	622.67	522.71	392.29	361.47	119.59	117.30	-	-	4.71	4.62			1,139.26	1,006.10
Depreciation	101.44	76.07	139.89	102.84	13.26	7.45	-	-	0.45	-			255.04	186.36
Non cash expenses other than depreciation													46.35	14.93

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32. Subsequent Events

Lease of manufacturing facilities

The Company has taken on lease a sugar factory in Ajara, District Kolhapur, Maharashtra, vide lease agreement dated October 29, 2004 for a period of two years for the crushing season 2004-2005 and 2005-2006 being October 1st, 2004 to September 30th, 2006.

The Company has qualified as the highest bidder for the lease of a sugar manufacturing facility at Mohannagar village of Taluka Miraj, District Sangli with a capacity of 4000 tonnes crushed per day for a period of six years from the Mohanrao Shinde Sahakari Sakhar Karkhana Limited (a co-operative sugar factory). The Company is in the process of finalizing the terms of the contract with for this lease.

Initial Public Offering of the Company's equity shares

The Company is planning an initial public offering of its shares to the public, pursuant to which the Company's equity shares would be listed on The National Stock Exchange of India Limited and The Stock Exchange, Mumbai.

33. Prior Year Comparatives

Previous period's figures have been regrouped / reclassified wherever necessary to conform to current period's classification.

CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE NINE MONTHS ENDED JUNE 30, 2005 AS AUDITED BY INDEPENDENT AUDITOR, GRANT THORNTON

To

The Board of Directors of Shree Renuka Sugars Limited:

1. We have audited the attached Consolidated Balance Sheet of Shree Renuka Sugars Limited, ('the Company') and its subsidiary (together referred to as 'the Group') as at June 30, 2005, and also the related Consolidated Profit and Loss Account and Consolidated Statement of Cash Flows for the nine-months ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not observe the counting of the physical inventories as of June 30, 2005, since that date was prior to the time we were engaged to carry out the audit of the Group. Accordingly, the valuation of inventories has been carried out on the physical quantities of inventories as certified by management.
4. In our opinion, except for the effects of the matter described in the preceding paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Shree Renuka Sugars Limited and its subsidiary as of June 30, 2005, and of its consolidated financial performance and its consolidated cash flows for the nine-months then ended, in accordance with accounting principles generally accepted in India.

Grant Thornton

New Delhi

September 2, 2005

CONSOLIDATED BALANCE SHEET

All amounts in millions of Indian Rupees, unless otherwise stated

	Notes	June 30, 2005
SOURCES OF FUNDS		
Shareholders' Funds		
Share Capital	3	**200.00**
Reserves and surplus	4	**468.56**
		668.56
Loan Funds		
Secured loans	5	**1,177.45**
Unsecured loans	6	**199.40**
		1,376.85
Deferred Tax Liability (net)	7	**52.77**
TOTAL		**2,098.18**
APPLICATION OF FUNDS		
Fixed Assets	8	
Gross block		**1,332.52**
Less : Depreciation		**329.94**
Net block		**1,002.58**
Capital work-in-progress including capital advances		**56.72**
Investments	9	**0.55**
Current Assets, Loans and Advances		
Inventories	10	**2,791.93**
Sundry debtors	11	**366.17**
Cash and bank balances	12	**380.61**
Other current assets	13	**66.59**
Loans and advances	14	**73.89**
Less: Current Liabilities and Provisions		
Current liabilities	15	**2,633.40**
Provisions	16	**8.14**
Net Current Assets		**1,037.65**
Miscellaneous Expenditure (to the extent not written off or adjusted)	17	**0.68**
TOTAL		**2,098.18**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

All amounts in millions of Indian Rupees, unless otherwise stated

	Notes	Nine-months ended June 30, 2005
INCOME		
Revenues	18	**5,453.96**
Less : Excise duty		**226.39**
Revenues (net)		**5,227.57**
Other income	19	**14.28**
TOTAL		**5,241.85**
EXPENDITURE		
Raw material consumed	20	**3,022.91**
Cost of traded goods	21	**2,268.89**
Increase in inventories	22	**(988.71)**
Personnel expenses	23	**80.98**
Operating and other expenses	24	**236.90**
Depreciation	8	**61.09**
Financial expenses	25	**115.00**
Research & Development		**13.63**
Profit before exceptional item and taxation		**431.16**
Exceptional item – Valuation of inventories	28	**55.13**
Less: drawn from opening balance of profit and loss account		**(55.13)**
		431.16
Provision for tax		
Current tax		**27.50**
Deferred tax		**22.11**
Total tax expense		**49.61**
Profit after tax and before prior period items		**381.55**
Prior period items		
Depreciation (Net of deferred taxes of Rs. 2.77 million)		**4.81**
Income Taxes of earlier periods		**10**
Net profit		**366.74**
Balance brought forward from previous period		**9.06**
Adjustment towards exceptional item		**55.13**
Profit available for appropriation		**320.67**
Dividend on Preference Shares		**0.12**
Corporate Dividend Tax		**0.02**
Capital redemption reserve		**8.5**
Surplus carried to Balance Sheet	4	**312.03**
Basic and Diluted Earnings Per Share (in Rupees) [Nominal value of shares Rs. 10]	26	**24.31**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

All amounts in millions of Indian Rupees, unless otherwise stated

	Nine-months ended June 30, 2005
Cash Flow from Operating Activities:	
Profit before exceptional item and taxation	**431.16**
Adjustments to reconcile profit before tax to net cash provided by operating activities:	
Depreciation	**61.09**
Interest Income	**(11.64)**
Financial Expenses	**115.00**
Purchase Tax Deferment	**23.92**
Loss on sale of fixed assets	**0.41**
Miscellaneous expenses to the extent not written off	**(0.68)**
Operating profit before working capital changes	**619.26**
Changes in operating assets and liabilities	
Trade receivables	**(282.83)**
Other receivables	**(15.50)**
Inventories (including effect of exceptional item of Rs. 55.13 million)	**(2,357.59)**
Trade and other payables	**1,895.10**
Cash generated from operations	**(141.56)**
Income-tax paid	**(1.81)**
Net Cash Flow from Operating Activities	**(143.37)**
Cash Flow from Investing Activities:	
Purchase of fixed assets	**(165.94)**
Sale of fixed assets	**(0.41)**
Purchase of investments	**(0.50)**
Interest received	**11.64**
Net Cash Flow from Investing Activities	**(155.21)**
Cash Flow from Financing Activities:	
Increase in Capital	**44.43**
Dividend paid	**(13.86)**
Proceeds from short-term borrowings	**61.23**
Proceeds from long-term borrowings	**482.29**
Repayment of long-term borrowings	**(112.79)**
Interest paid	**(104.04)**
Net Cash Flow from Financing Activities	**357.26**
Net increase in cash and cash equivalents	**58.68**
Opening cash and cash equivalents	**321.93**
Closing cash and cash equivalents	**380.61**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

All amounts in millions of Indian Rupees, unless otherwise stated

1. Organization and Nature of Operations

Shree Renuka Sugars Limited ("SRSL" or the "Company"), a public limited company, was incorporated on October 25, 1995 and together with its wholly owned subsidiary, Renuka Commodities, DMCC (together referred to as 'the Group') is presently engaged in the production, marketing and trading of sugar. The Group is also involved in the manufacture and distribution of ethanol, rectified spirit and bio-fertilizers, which are by-products of the sugar manufacturing process. The Group also has a captive power generation facility and sells its surplus power in the State of Karnataka. Renuka Commodities, DMCC is incorporated in Dubai, UAE.

The Group has its registered office at Belgaum in Karnataka and its corporate office at Mumbai (Maharashtra). The Group also has two sugar manufacturing units at Munoli in Karnataka and Ajara in Maharashtra. The power generation facility and the distillery for manufacture of ethanol and rectified spirit are located at Munoli in Karnataka.

2. Significant Accounting Policies

a) Basis of presentation

The accompanying consolidated financial statements have been presented for the nine-month period ended June 30, 2005. The accompanying financial statements have been prepared on a going concern basis under the historical cost convention on the accrual basis of accounting in conformity with accounting principles generally accepted in India ("Indian GAAP"). The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year, except as described in note 28.

These consolidated financial statements do not include comparative financial information as these are the first consolidated financial statements of the Group. The consolidated financial statements of the Group are prepared and presented in Indian Rupees, the Company's functional currency.

b) Consolidation

The accompanying Consolidated Financial Statements comprise the accounts of Shree Renuka Sugars Limited and its subsidiary, after eliminating all material inter-company accounts, transactions, profits and losses. A subsidiary is an entity in which the Group has either direct or indirect majority ownership interest and has the power to control the financial and operating policies of that entity.

c) Use of estimates

In preparing the Group's financial statements in conformity with accounting principles generally accepted in India, the Group's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period; actual results could differ from those estimates. The management's estimates for future obligations under employee benefit plans, the useful life of tangible assets and the realization of sundry debtors and loans and advances represent particularly sensitive estimates.

d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Expenditure incurred during construction period has been added to the cost of the assets. These expenses have been added in the ratio of 63:37 to the sugar and power generation units.

e) Borrowing costs

Financing cost incurred up to the date of completion of construction or installation of qualifying assets, on funds borrowed are also capitalized as a part of the cost of the asset.

f) Depreciation

Depreciation is provided at the rates and in the manner prescribed in Schedule XIV of the Indian Companies Act, 1956. The sugar manufacturing units, the distillery and the bio-fertilizer units are depreciated using the straight line method, while the power generation facility is depreciated using the written down value method. As per estimates of management, these rates are representative of the economic useful life of these assets.

No depreciation is provided on assets held for sale and such assets are written down to their realizable values.

g) *Leases*

Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

h) *Investments*

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. Profit/ loss on sale of investments is computed with reference to their average cost.

i) *Inventories*

Inventories are valued as follows:

Raw materials, stores and spares and packing materials

Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a First In First Out ('FIFO') basis.

Finished goods

Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods excludes excise duty.

Work-in-process

Lower of cost upto estimated stage of process and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

By-products

By-products are valued at cost. Inter-unit transfers of by-products also include the cost of transportation, duties, etc.

j) *Revenue recognition*

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of trade discounts, excise duty, sales returns and sales tax.

Revenue from sale of power is recognized when the units generated are transmitted to the pooling station, in accordance with the terms and conditions of the power purchase agreement entered into by the Company with the power transmission companies.

k) *Foreign currency translation*

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate at the date of the Balance Sheet. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and investments in foreign companies are recorded at the exchange rates prevailing on the date of making the investments.

Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognized as income or as expenses in the period in which they arise, except for loans denominated in foreign currencies utilised for acquisition of fixed assets where the exchange gains/losses are adjusted to the cost of such assets.

Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the period.

Translation of financial statements of foreign subsidiaries

The consolidated financial statements are presented in Indian Rupees, which is the functional currency of the parent company, being the currency of the primary economic environment in which it operates.

In the consolidated financial statements, the separate financial statements of the subsidiary, originally presented in a currency different from the Group's presentation currency, have been converted into Indian Rupees. Assets and liabilities have been translated into Indian Rupees at the closing rate at the balance sheet date. Income and expenses have been converted into the Group's presentation currency at the average rates over the reporting period. The resulting translation adjustments are recorded under the currency translation reserve in equity.

The functional currency of Renuka Commodities, DMCC, a subsidiary in Dubai, UAE, is UAE Dirham ('AED').

l) Retirement benefits

Contributions in respect of provident fund and gratuity are made to the appropriate authorities/ Trust set up by the Group for the purpose and charged to Profit and Loss Account. Provisions for liabilities in respect of gratuity and leave encashment benefits are made based on actuarial valuation made by an independent actuary as at the Balance Sheet date.

m) Income taxes

Tax expenses comprise both current and deferred taxes.

Deferred income taxes reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

n) Miscellaneous expenditure

Preliminary expenses are written-off over a period of five years from the year of commencement of commercial production.

Deferred revenue expenditure comprising of Voluntary Retirement Scheme expenses are written-off over a period of five years.

o) Government Grants

Government grants in the nature of promoter's contribution are credited to capital reserves and treated as a part of Shareholders' funds.

p) Commodity futures

Transactions in commodity futures are accounted based on the mode of ultimate settlement. Transactions, which are ultimately settled net, without taking delivery, are recorded net with the gains /losses being recognized as income/ expenses in the financial statements. Transactions, which stipulate physical delivery of the goods and where the Company intends to take such delivery, are recorded at gross, as purchases and sales as part of the Company's trading activities.

q) *Contingent liabilities*

Depending on facts of each case and after due evaluation of relevant legal aspects, claims against the Group not acknowledged as debts are disclosed as contingent liabilities. In respect of statutory matters, contingent liabilities are disclosed only for those demand(s) that are contested by the Group.

r) *Earnings per share*

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

s) *Segment reporting*

The accounting polices adopted for segment reporting are in line with the accounting polices of the Group, with the following additional polices for segment reporting:

(i) Inter-segment revenue has been accounted for based on the transaction price agreed to between segments which is primarily market led.

(ii) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.

(iii) Gains/losses from transactions in commodity futures, which are ultimately settled net, without taking delivery, are recorded as 'Other revenues' under the trading segment.

(iv) Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Corporate Expenses".

3. Share Capital **(Rs. in million)**

	June 30, 2005
Authorised	
35,000,000 equity shares of Rs. 10 each	**350.00**
5,000,000 2% Cumulative redeemable preference shares of Rs. 10 each	**50.00**
Issued & Subscribed	
20,000,000, equity shares of Rs. 10 each fully paid	**200.00**
	200.00

849,500 2% Cumulative Redeemable Preference Shares were redeemed by the Company during the current period.

4. Reserves and Surplus **(Rs. in million)**

	June 30, 2005
Capital Reserves	**18.75**
Others	**0.26**
	19.01
General Reserves	**50.00**
Loan Redemption Reserve	**79.02**
Capital Redemption Reserve	**8.50**
	137.52
Profit for the year	**312.03**
Reserves and Surplus	**468.56**

Capital reserves represent government grants which have been received as capital contribution towards setting up of the manufacturing facilities.

Loan redemption reserve represents a reserve set up for redemption of loans from the Sugar Development Fund. These reserves are merely an appropriation from the profit and loss account.

Capital redemption reserve represents a reserve set up for redemption of preference share capital by an appropriation from the profit and loss account.

5. Secured Loans **(Rs. in million)**

	June 30, 2005
Cash/ Export Credit facilities from banks	**746.42**
(Secured by hypothecation of stocks and book debts)	
Term loans from banks and financial institutions	**338.43**
(Secured by first/second charge on the immovable property of the Company)	
Interest accrued and not due	**92.60**
	1,177.45

Interest accrued and not due represents interest on certain long-term borrowings, where the payment of interest has also been deferred for a period of time, and is therefore considered to be in the nature of a borrowing and included as part of secured loans.

Repayments due within one year in respect of secured loans aggregate Rs. 51.62 million.

6. Unsecured Loans **(Rs. in million)**

	June 30, 2005
Fixed deposits	**10.04**
Short-term loans from banks	**59.85**
Deferred Purchase Tax Credit	**129.51**
	199.40

7. Deferred Tax Liability, net **(Rs. in million)**

	June 30, 2005
Deferred Tax Liability	
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	**70.06**
Others	**1.20**
Gross Deferred Tax Liability	**71.26**
Deferred Tax Asset	
Provision for Deferred interest on SDF Loan	**15.54**
Others	**2.95**
Gross Deferred Tax Asset	**18.49**
Net Deferred Tax Liability	**52.77**

8. Fixed Assets **(Rs. in million)**

	October 1, 2004	Additions	Deductions/ Adjustments	June 30, 2005
Gross Block				
Land- Freehold	**57.60**	0.36	0.64	**57.32**
Buildings	**169.72**	30.56	-	**200.28**
Plant and Machinery	**969.54**	71.86	-	**1,041.40**
Furniture and Fittings	**12.60**	4.12	-	**16.72**
Vehicles	**13.84**	2.96		**16.79**
Total	**1,223.30**	109.86	0.64	**1,332.51**
Accumulated Depreciation				
Land- Freehold	**-**	-	-	**-**
Buildings	**21.42**	5.98	-	**27.40**
Plant and Machinery	**233.62**	52.87	(7.59)	**294.08**
Furniture and Fittings	**3.23**	1.13	-	**4.36**
Vehicles	**2.99**	1.11	-	**4.10**
Total	**261.26**	61.09	(7.59)	**329.94**
Net Block				
Land- Freehold	**57.60**			57.32
Buildings	**148.31**			172.89
Plant and Machinery	**735.91**			747.32
Furniture and Fittings	**9.37**			12.37
Vehicles	**10.85**			12.69
Total	**962.04**			**1,002.60**

Fixed assets include land aggregating Rs. 6.53 million and Buildings aggregating Rs. 18.98 million, which have been retired from active use and are held for sale. Management is in the process of negotiating the sale and obtaining the necessary regulatory approvals for the proposed sale. The Group has received an amount of Rs. 9 million as advance towards sale of this land, which is included under current liabilities. Considering that the Group is not currently using these assets, they are not being depreciated. The Group does not anticipate any material losses on this sale, and accordingly carries these assets at their net book values, which approximate the net realizable values of these assets.

9. Investments **(Rs. in million)**

	June 30, 2005
Long Term Investments (at cost)	
Trade (unquoted)	
5000 equity shares of Rs. 10 each fully paid-up in Esugar India Clearing Corporation Limited	**0.05**
500 equity shares of Rs. 10 each fully paid-up in Pachhapur Urban Bank Ltd.	**0.00**
5000 equity shares of Rs. 100 each fully paid-up in BDCC Bank, Belgaum	**0.50**
	0.55

10. Inventories

(Rs. in million)

	June 30, 2005
Raw materials and components	**1,043.66**
Stores and spares	**58.36**
Intermediate product	**41.60**
Work-in- progress	**4.08**
Finished Goods	
Manufactured	**1,245.25**
Others	**398.98**
	2,791.93

11. Sundry Debtors

(Rs. in million)

	June 30, 2005
Unsecured, considered good	**366.17**
Unsecured, considered doubtful	**2.64**
	368.81
Less : Provision for doubtful debts	**2.64**
	366.17

12. Cash and Bank Balances

(Rs. in million)

	June 30, 2005
Cash on hand	**2.31**
Balances with scheduled banks:	
On current accounts	**83.99**
On deposit accounts	**270.78**
Balance with other banks:	
On current accounts	**23.53**
	380.61

Balances with bank in deposit accounts represent amounts that have been provided as margin money or those that have been pledged with government authorities towards guarantees, etc.

13. Other Current Assets

(Rs. in million)

	June 30, 2005
Export incentives accrued	**20.58**
Exchange gain accrued on forward contract	**0.12**
Interest accrued	**6.02**
Others	**40.97**
	67.69
Less: Provision	**1.10**
	66.59

Other current assets include an amount of Rs. 10.89 million representing expenses incurred towards the proposed initial public offering ('IPO') of the Company's shares. On completion of the IPO, these expenses are expected to be adjusted against the securities premium account, as permitted by the Companies Act, 1956.

14. Loans and advances **(Rs. in million)**

	June 30, 2005
Advances recoverable in cash or kind or for value to be received	**26.82**
Balances with customs, excise, etc.	**17.04**
Deposits	**20.89**
Advance income taxes (net of provision for taxes)	**9.14**
	73.89

15. Current Liabilities **(Rs. in million)**

	June 30, 2005
Sundry creditors	**2,402.65**
Advance from customers	**32.16**
Sundry deposits	**102.54**
Interest accrued but not due on loans	**10.12**
Bank overdrafts (as per books of account)	**11.37**
Other Liabilities	**74.56**
	2,633.40

16. Provisions **(Rs. in million)**

	June 30, 2005
Provision for taxation (net of advance payments)	**2.95**
Provision for gratuity	**3.33**
Provision for leave encashment	**1.86**
	8.14

17. Miscellaneous Expenditure **(Rs. in million)**

	June 30, 2005
Cane Development Expenditure	**—**
Expenditure towards Voluntary Retirement Scheme	**0.68**
	0.68

18. Revenues **(Rs. in million)**

	Nine-months ended June 30, 2005
Sale of Manufactured Sugar	**2,243.59**
Sale of Traded Sugar	**2,580.81**
Sale of Power	**138.92**
Sale of Ethanol and other products	**407.46**
Others	**83.18**
	5,453.96

As part of its business activities, the Group enters into forward contracts for purchase and sale of raw/ processed sugar. Forward contracts which require settlement by way of physical delivery and contracts which management intends to settle by way of physical delivery are recorded at their gross values as Purchases and Sales and are included in 'Cost of Traded Goods' and 'Sale of Traded Sugar' respectively in the financial statements of the Group. 'Sale of Traded Sugar' includes Rs. 1026.10 million and 'Cost of Traded Goods' includes Rs. 1,155.82 million on account of such contracts, including goods with a value of Rs. 220.99 million, which is included in the closing stock of inventories. All other forward contracts are recorded net in the financial statements of the Group and the resulting gain/ loss is recorded as 'Other Revenues' in the financial statements of the Group.

19. Other Income **(Rs. in million)**

	Nine-months ended June 30, 2005
Interest on Bank deposits (TDS Rs. 0.51 Previous period: Rs. 0.04)	**11.64**
Miscellaneous Income	**2.64**
	14.28

20. Raw Materials Consumed **(Rs. in million)**

	Nine-months ended June 30, 2005
Inventories as at October 01, 2004	**76.81**
Add: Purchases	**3,989.76**
	4,066.57
Less: Inventories as at June 30, 2005	**1,043.66**
	3,022.91

21. Cost of Traded Goods **(Rs. in million)**

	Nine-months ended June 30, 2005
Inventories as at October 01, 2004	**11.42**
Add: Purchases	**2,656.45**
	2,667.87
Less: Inventories as at June 30, 2005	**398.98**
	2,268.89

During the course of business, the Company sells raw sugar to other sugar manufacturers and purchases processed sugar from them. During the period ended June 30, 2005, the Group sold 17,275 tons of raw sugar and in exchange purchased 14,075 tons of processed sugar. These were recorded as sale of traded sugar and purchase of traded goods for an aggregate value of Rs. 215.94 million.

22. Decrease/(Increase) in Inventories **(Rs. in million)**

	Nine-months ended June 30, 2005
Inventories as at October 01, 2004	
- Work-in-progress	**13.84**
- Manufactured Finished goods and intermediate products	**288.38**
	302.22
Inventories as at June 30, 2005	
- Work-in-progress	**4.08**
- Manufactured Finished goods and intermediate products	**1,286.85**
	1,290.93
	(988.71)

23. **Personnel Expenses** **(Rs. in million)**

	Nine-months ended June 30, 2005
Salaries, wages and bonus	64.08
Contribution to provident fund & others	4.63
Contribution to gratuity	6.86
Contribution to leave encashment	2.92
Workmen and staff welfare expenses	2.49
	80.98

24. **Operating and Other Expenses** **(Rs. in million)**

	Nine-months ended June 30, 2005
Consumption of stores and spares	**12.19**
Processing charges	**28.92**
Power and fuel	**4.10**
Freight and forwarding charges	**71.68**
Rent	**20.93**
Rates and taxes	**6.48**
Insurance	**12.60**
Repairs and maintenance	
- Plant & Machinery	**4.30**
- Building	**0.88**
- Others	**6.13**
Advertising and sales promotion	**18.71**
Brokerage and discounts	**14.14**
Commission and market development incentives	**5.39**
Travelling and conveyance	**7.51**
Communication costs	**3.52**
Printing and stationery	**1.75**
Legal and professional fees	**3.25**
Directors' sitting fees	**0.20**
Auditor's remuneration	**0.14**
Donations and contributions	**1.11**
Provision for doubtful debts and advances	**3.84**
Loss on sale of fixed assets (net)	**0.41**
Deferred revenue expenses	**0.52**
Others	**8.20**
	236.90

25. Financial Expenses **(Rs. in million)**

	Nine-months ended June 30, 2005
Interest	
- on term loans	**26.89**
- on working capital	**42.87**
- on deposits from Banks	**9.19**
- others	**23.56**
Bank charges	**12.49**
	115.00

26. Earnings Per Share **(Rs. in million)**

The calculations of earnings per share (basic and diluted) are based on the earnings and numbers of shares as computed below.

	Nine-months ended June 30, 2005
Reconciliation of earnings	
Profit for the nine-months ended June 30, 2005	**381.55**
Less: Preference dividends (including tax thereon)	**(0.14)**
Net profit attributable to equity shareholders	**381.41**
Reconciliation of number of shares	**Shares**
Shares outstanding at the beginning of the period	14,707,200
Shares outstanding at the end of the period	20,000,000
Weighted average number of equity shares	**15,687,289**
Basic and Diluted Earnings Per Share (in Rs.)	**24.31**

27. Excise Duty on Finished Goods

Excise duty is generally provided on manufacture of goods, which are not exempt from the payment of duty. However, since the Group's finished goods are not segregated at the time of production into those for sale in domestic markets and those for sale in export markets, the Group is unable to determine the exact liability towards excise duty on finished goods. Accordingly, excise duty is provided/ paid only at the time of clearance of the goods from the factory.

28. Valuation of Inventories

The Group has been accounting for inventories based on the inter-segment transfer prices, by considering those transfer prices as the cost for those segments. As a result, the value of inventories included an element of unrealized profit at an enterprise level. From the current period, the Group has changed its practice of valuation of inventories to a cost basis, whereby the inter-segment transfers of inventories are valued at cost instead of Inter-segment acquisition cost. As a result of this change in practice, the value of inventories as at June 30, 2005 is lower than the value that would have been determined had the earlier practice been followed. The impact of the same on the current period's profit has not been ascertained. Further, the opening balance of reserves and surplus has been reduced by Rs. 55.13 million on account of the effects relating to the earlier years, which has been disclosed as an exceptional item in these financial statements.

29 Leases

The Group has entered into various operating leases for office, residential and factory premises. These are generally short-term leases and cancellable by serving adequate notice. The minimum amount of lease rentals payable on non-cancellable leases is as follows:

- Within a period of one year - Rs. 77.5 million
- Period from one year to five years - Rs. 220 million

30. Outstanding Commitments

As at June 30, 2005, the Group had the following outstanding commitments:

- Bank Guarantees outstanding - Rs. 227 million
- Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for - Rs. 15.27 million
- Expenses relating to IPO – Rs. 65 million

31. Balances appearing under the head sundry creditors, sundry debtors, loans and advances and secured loans are subject to confirmation, adjustments, if any, on the receipt/reconciliation of such accounts.

32. Related party disclosures

Related parties

(a) Key managerial persons

1. Mrs Vidya Murkumbi
2. Mr. Narendra Murkumbi
3. Mr. Nandan Yalgi

Transactions with related parties

b) Transactions with key management personnel

- Remuneration including contributions to PF	Rs. 3.81 million
- Outstanding remuneration payable	Rs. 0.15 million

33. Segment Information **(Rs. in million)**

	Sugar Manufa-cturing	Sugar Trading	Co-generation	Distillery	Others	Elimina-tions	Total
	2005	**2005**	**2005**	**2005**	**2005**	**2005**	**2005**
REVENUE							
External Sales	2,123.87	2,580.81	138.92	300.78	4.75		5,149.13
Other Revenues		78.44					78.44
Inter-segment Sales	232.89	-	242.80	-	-	(475.69)	-
Total Revenue	**2,356.76**	**2,659.25**	**381.72**	**300.78**	**4.75**	**(475.69)**	**5,227.57**
RESULT	**113.29**	**390.29**	**44.24**	**165.74**	**0.82**	**-**	**714.38**
Unallocated corporate expenses							182.50
Operating Profit							531.88
Interest Expenses							115.00
Interest and other Income							14.28
Net Profit before tax							**431.16**
OTHER INFORMATION							
Segment assets	2,841.95	398.98	222.22	177.05	9.50		3,649.70
Unallocated corporate assets							1,133.53
Total Assets	**2,841.95**	**398.98**	**222.22**	**177.05**	**9.50**		**4,783.23**
Segment liabilities	380.16	-	29.73	47.50	-		457.39
Unallocated corporate liabilities							3,658.50
Total Liabilities	**380.16**	**-**	**29.73**	**47.50**	**-**		**4,115.89**
Capital Expenditure	691.71	-	394.67	150.59	4.71		1,241.68
Depreciation	124.93	-	177.78	18.13	0.63		321.47
Other than depreciation							0.68

34. Subsequent Events

Lease of new manufacturing facility

The Company has taken on lease a sugar factory, which is registered as a co-operative society, Mohanrao Shinde Sahakari Sakhar Karkhana Limited, Mohannagar village, Taluka Miraj, District Sangli, Maharashtra, vide an agreement dated July 2005 for a period of six years for the crushing season 2005-2006 to 2010-2011. The crushing capacity of the sugar factory will be 4000 TCD after installation of certain balancing equipment.

The Company also proposes to buy 30 acres of land at the premises of the sugar factory for the purpose of setting up a distillery which will be owned by the Company even after the term of this agreement expires. The Company will also set up co-generation facility at the sugar factory with a minimum capacity of 12 MW which will be the property of the sugar factory after the term of this agreement expires and the sugar factory has agreed to supply a specified quantity of free electricity and steam to the Company for operation of the distillery for a period of six years subsequent to the expiry of this agreement. The sugar factory shall have the right to sell any surplus power generated during the six years after the expiry of this agreement.

The said agreement grants exclusive ownership over sugar manufactured, Molasses, Bagasse, pressmud and other by-products during the contract period to the Company.

Proposed acquisition of new manufacturing facility

On August 14, 2005 the Company entered into a memorandum of understanding ('MoU') with Haripriya Sugar Works Limited to acquire all property (excluding receivables) of Haripriya Sugar Works Limited ('Haripriya Sugar') including land admeasuring 162 acres and 29 guntas situated at village Burlatti, District Belgaum, Karnataka. Haripriya Sugar had intended to set up a sugar mill with 5000 TCD capacity at this location and towards this end has obtained various government approvals. In terms of the said MoU, Haripriya Sugar has agreed to transfer/assign/give no objection/help in obtaining the aforesaid government approvals. The Company has paid as advance a sum of Rs. 5.1 million and the balance consideration would be paid after receipt of government approvals.

Initial Public Offering of the Company's equity shares

The Company is planning an initial public offering of its shares to the public, pursuant to which the Company's equity shares would be listed on The National Stock Exchange of India Limited and The Stock Exchange, Mumbai. The Company filed a Draft Red Herring Prospectus with the Securities and Exchange Board of India on August 2, 2005, and has obtained approvals from the stock exchanges for the public offering and subsequent listing.

SECTION VI: LEGAL AND REGULATORY INFORMATION

OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

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

A. Outstanding litigation and contingent liabilities of our Company

CONTINGENT LIABILITIES

The Company has the following contingent liabilities for which no provisions have been made in the books of accounts of the Company for the period ended June 30th 2005.

Sl. No.	Particulars		Amount (Rs. in millions)
I	**Guarantees Given on Behalf of Third Parties**		
	In favour of	***Purpose***	
1	ICICI Ltd.	Guarantees in connection with loans granted to Sugarcane Growers.	9.00
2	ING Vysya Bank	Guarantee in connection with loans granted to Sugarcane Growers.	4.50
3	Union Bank of India, Munoli	To secure loans granted to cane harvesters and transport contractors.	100.00
4	State Bank of India	To secure loans granted to cane harvesters/ Transport contractors for Unit II.	100.00
5	ICICI Bank Ltd.	To secure crop loan to farmers associated with SRSL of Rs.90 mn.	13.50
		Total	**227.00**
II	**OTHERS**		
1	Capital Commitments	Estimated amount of contract remaining to be executed (net of advance)	15.27
2	Issue expenses on Proposed initial public offering of securities	Estimated amount of issue related expenses	65.00
		Total	**80.27**

A.I. Cases filed against our Company

A.I.I Civil Disputes

i) Godavari Sugar Mills Limited v.. Shree Renuka Sugars Limited (O.S. No. 99 / 2002)

Godavari Sugar Mills Limited has instituted proceedings in the Court of the Principal Civil Judge (Junior Division), Mudhol, seeking perpetual injunction restraining our Company from lifting and transporting the sugarcane from the notified area of plaintiff's sugar factory. Godavari Sugar Mills Limited has alleged that our Company is lifting the sugarcane from the above-mentioned notified area for crushing, which is contrary to the Order of the Government of Karnataka. An order for temporary injunction for the above purposes has been granted in the suit.

The present suit is now posted for the evidence of plaintiff on September 22, 2005.

A.I.II Labour Disputes

i. Chinna K. Narasimappa, and others v. Nizam Sugars Limited and Shree Renuka Sugars Limited (MP No. 16/1999)

Assets of Nizam Sugars Limited ("NSL") at Sudhanagar Sugar Unit, Andhra Pradesh had been transferred to our Company vide a sale deed dated August 24, 1998. The sale deed also provided for certain employees and workers on rolls of NSL to continue as employees of our Company. This petition is one of the eight petitions filed u/s 33C (2) of the Industrial Dispute Act, 1957 against NSL and our Company by few erstwhile workmen of NSL alleging that our Company is in violation of the sale deed since it has not paid salaries, retention allowance and bonus to the workmen. The workers have claimed retention allowance and such other relief as the Court deems fit aggregating an amount of Rs. 743,577 approximately with interest at the rate of 12% p.a. from NSL and our Company. The Presiding Officer has passed an order directing NSL and our Company to pay the petitioners.

Our Company has filed counters to the petition stating that despite several reminders, the petitioner refrained from joining duty and hence is not liable to receive any payments. Subsequently, we filed a writ petition with the High Court of Andhra Pradesh, which has passed an interim order for staying the hearing until the final order of the High Court is passed. The case is pending and the next date for hearing is fixed for September 16, 2005.

ii. Chirutela Pullanna and Bhushanam Krishna v. Nizam Sugars Limited and Shree Renuka Sugars Limited (MP No. 30/2000).

Assets of Nizam Sugars Limited ("NSL") at Sudhanagar Sugar Unit, Andhra Pradesh had been transferred to our Company vide a sale deed dated August 24, 1998. The sale deed also provided for certain employees and workers on rolls of NSL to continue as employees of our Company. This petition is one of the eight petitions filed u/s 33C (2) of the Industrial Dispute Act, 1957 against NSL and our Company by few erstwhile workmen of NSL alleging that our Company is in violation of the sale deed since it has not paid salaries, retention allowance and bonus to the workmen. The workers have claimed retention allowance and such other relief as the Court deems fit aggregating an amount of Rs. 743,577 approximately with interest from NSL and our Company. The case is pending for hearing and the next date for hearing is yet to be fixed by the court.

Our Company has filed counters to the petition stating that despite several reminders, the petitioner refrained from joining duty and hence is not liable to receive any payments. Subsequently, we filed a writ petition with the High Court of Andhra Pradesh, which has passed an interim order for staying the hearing until the final order of the High Court is passed. The case is pending and the next date for hearing is fixed for September 16, 2005.

iii. Vasalappagari Jagannath and others v. Nizam Sugars Limited and Shree Renuka Sugars Limited (MP No. 31/2000).

Assets of Nizam Sugars Limited ("NSL") at Sudhanagar Sugar Unit, Andhra Pradesh had been transferred to our Company vide a sale deed dated August 24, 1998. The sale deed also provided for certain employees and workers on rolls of NSL to continue as employees of our Company. This petition is one of the eight petitions filed u/s 33C (2) of the Industrial Dispute Act, 1957 against NSL and our Company by few erstwhile workmen of NSL alleging that our Company is in violation of the sale deed since it has not paid salaries, retention allowance and bonus to the workmen. The workers have claimed retention allowance and such other relief as the Court deems fit aggregating an amount of Rs. 743,577 approximately with interest from NSL and our Company. The case is pending for hearing and the next date for hearing is yet to be fixed by the court.

Our Company has filed counters to the petition stating that despite several reminders, the petitioner refrained from joining duty and hence is not liable to receive any payments. Subsequently, we filed a writ petition with the High Court of Andhra Pradesh, which has passed an interim order for staying the hearing until the final order of the High Court is passed. The case is pending and the next date for hearing is fixed for September 16, 2005.

iv. Chinna K. Narasimappa, and others v. Nizam Sugars Limited and Shree Renuka Sugars Limited (MP No. 32/2000).

Assets of Nizam Sugars Limited ("NSL") at Sudhanagar Sugar Unit, Andhra Pradesh had been transferred to our Company vide a sale deed dated August 24, 1998. The sale deed also provided for certain employees and workers on rolls of NSL to continue as employees of our Company. This petition is one of the eight petitions filed u/s 33C (2) of the Industrial Dispute Act, 1957 against NSL and our Company by few erstwhile workmen of NSL alleging that our Company is in violation of the sale deed since it has not paid salaries, retention allowance and bonus to the workmen. The workers have claimed retention allowance and such other relief as the Court deems fit aggregating an amount of Rs. 743,577 approximately with interest at the rate of 18% p.a. from NSL and our Company. The case is pending for hearing and the next date for hearing is yet to be fixed by the court.

Our Company has filed counters to the petition stating that despite several reminders, the petitioner refrained from joining duty and hence is not liable to receive any payments. Subsequently, we filed a writ petition with the High Court of Andhra Pradesh, which has passed an interim order for staying the hearing until the final order of the High Court is passed. The case is pending and the next date for hearing is fixed for September 16, 2005.

v. Gaddan Ghane Naik and others v. Nizam Sugars Limited & Shree Renuka Sugars Limited (MP. No. 38/2000)

Assets of Nizam Sugars Limited ("NSL") at Sudhanagar Sugar Unit, Andhra Pradesh had been transferred to our Company vide a sale deed dated August 24, 1998. The sale deed also provided for certain employees and workers on rolls of NSL to continue as employees of our Company. This petition is one of the eight petitions filed u/s 33C (2) of the Industrial Dispute Act, 1957 against NSL and our Company by few erstwhile workmen of NSL alleging that our Company is in violation of the sale deed since it has not paid salaries, retention allowance and bonus to the workmen. The workers have claimed retention allowance and such other relief as the Court deems fit aggregating an amount of Rs. 743,577 approximately with interest from NSL and our Company. The case is pending for hearing and the next date for hearing is yet to be fixed by the court.

Our Company has filed counters to the petition stating that despite several reminders, the petitioner refrained from joining duty and hence is not liable to receive any payments. Subsequently, we filed a writ petition with the High Court of Andhra Pradesh, which has passed an interim order for staying the hearing until the final order of the High Court is passed. The case is pending and the next date for hearing is fixed for September 16, 2005.

vi. Thota Subbarao v. Nizam Sugars Limited and Shree Renuka Sugars Limited (MP No. 77/2001).

Assets of Nizam Sugars Limited ("NSL") at Sudhanagar Sugar Unit, Andhra Pradesh had been transferred to our Company vide a sale deed dated August 24, 1998. The sale deed also provided for certain employees and workers on rolls of NSL to continue as employees of our Company. This petition is one of the eight petitions filed u/s 33C (2) of the Industrial Dispute Act, 1957 against NSL and our Company by few erstwhile workmen of NSL alleging that our Company is in violation of the sale deed since it has not paid salaries, retention allowance and bonus to the workmen. The workers have claimed retention allowance and such other relief as the Court deems fit aggregating an amount of Rs. 743,577 approximately with interest at the rate of 12% p.a. from NSL and our Company. The case is pending for hearing and the next date for hearing is yet to be fixed by the court.

Our Company has filed counters to the petition stating that despite several reminders, the petitioner refrained from joining duty and hence is not liable to receive any payments. Subsequently, we filed a writ petition with the High Court of Andhra Pradesh, which has passed an interim order for staying the hearing until the final order of the High Court is passed. The case is pending and the next date for hearing is fixed for September 16, 2005.

vii. Kuruba Hanmant Rayappa and others v. Nizam Sugars Limited & Shree Renuka Sugars Limited (MP No. 96/2000).

Assets of Nizam Sugars Limited ("NSL") at Sudhanagar Sugar Unit, Andhra Pradesh had been transferred to our Company vide a sale deed dated August 24, 1998. The sale deed also provided for certain employees and workers on rolls of NSL to continue as employees of our Company. This petition is one of the eight petitions filed u/s 33C (2) of the Industrial Dispute Act, 1957 against NSL and our Company by few erstwhile workmen of NSL alleging that our Company is in violation of the sale deed since it has not paid salaries, retention allowance and bonus to the workmen. The workers have claimed retention allowance and such other relief as the Court deems fit aggregating an amount of Rs. 743,577 approximately with interest at the rate of 12% p.a. from NSL and our Company. The case is pending for hearing and the next date for hearing is yet to be fixed by the court.

Our Company has filed counters to the petition stating that despite several reminders, the petitioner refrained from joining duty and hence is not liable to receive any payments. Subsequently, we filed a writ petition with the High Court of Andhra Pradesh, which has passed an interim order for staying the hearing until the final order of the High Court is passed. The case is pending and the next date for hearing is fixed for September 16, 2005.

viii. Yellappa Lakshmiah and others v. Nizam Sugars Limited and Shree Renuka Sugars Limited (MP No.89/2000).

Assets of Nizam Sugars Limited ("NSL") at Sudhanagar Sugar Unit, Andhra Pradesh had been transferred to our Company vide a sale deed dated August 24, 1998. The sale deed also provided for certain employees and workers on rolls of NSL to continue as employees of our Company. This petition is one of the eight petitions filed u/s 33C (2) of the Industrial Dispute Act, 1957 against NSL and our Company by few erstwhile workmen of NSL alleging that our Company is in violation of the sale deed since it has not paid salaries, retention allowance and bonus to the workmen. The workers have claimed retention allowance and such other relief as the Court deems fit aggregating an amount of Rs. 743,577 approximately with interest from NSL and our Company. The case is pending for hearing and the next date for hearing is yet to be fixed by the court.

Our Company has filed counters to the petition stating that despite several reminders, the petitioner refrained from joining duty and hence is not liable to receive any payments. Subsequently, we filed a writ petition with the High Court of Andhra Pradesh, which has passed an interim order for staying the hearing until the final order of the High Court is passed. The case is pending and the next date for hearing is fixed for September 16, 2005.

(i) B. Suryanarayana v. Nizam Sugars Limited and Shree Renuka Sugars Limited (WP No. 23054/ 2000)

Mr. B. Suryanarayana has instituted a writ petition in the High Court of Judicature of Andhra Pradesh at Hyderabad contending that he was working as a Mazdoor in the Nizam Sugars Limited. He has alleged that he was not being paid his salary since 30 months prior to filing of this petition and was forced to take voluntary retirement under the Voluntary Retirement Scheme when we took over the management of Nizam Sugars Limited. The petitioner has filed a writ of mandamus for reinstatement with back wages along with interest. The case is pending for hearing and the next date for hearing is yet to be fixed by the court.

A.II Cases filed by Us:

A.II.I Civil Disputes

i) Shree Renuka Sugars Limited v. M J Tased and Village Panchayat Munoli. (O. S. No. 43/2004).

We have filed O.S. No. 43/2004 in the Court of the Hon'ble Vacation Judge, Belgaum against the defendant praying for a perpetual injunction restraining the defendant, his servants, agents or anybody acting on his behalf from putting up a construction over the Company's property purchased from Mr. Mohan R Garag. The suit has been instituted since the defendant has encroached upon the property and continued building structures thereon despite our Company objecting to the same and complaining to the Village Panchayat of Munoli. The matter is currently pending.

The Court has ordered for the appointment of Court Commissioner to take the measurement and location of properties of both the parties and adjourned the matter to September 24, 2005.

A.II.II Statutory Disputes

ii) Shree Renuka Sugars Limited v. The State of Karnataka and others. (W. P. No. 36077 / 2004).

We have filed this petition before the Hon'ble High Court of Karnataka under Articles 226 and 227 of the Constitution of India, for quashing the demand raised by the Commissioner of Excise, Bangalore and for declarations that Clause (b) of Rule 5 of the Karnataka Excise (Denatured Spirit and Denatured Spiritious Preparation) Rules, 1967 framed under the Karnataka Excise Act, 1964 are unconstitutional and ultra vires and that the said Rules as unenforceable against the import of denatured ethanol alcohol (industrial alcohol) for the purpose of any fee. The Commissioner of Excise had raised the demand on our Company as and by way of import fees under the said Rules and fee at the rate of Rs. 250 per litre as per Serial No. 2 of Schedule of Rule 2 of the Karnataka Excise (Excise duties and fees) Rules, 1968 in relation to import of import of 1000 metric tonnes of denatured spirit from Brazil to Mumbai Port for exporting the same to Karnataka State.

The Hon'ble High Court of Karnataka, Bangalore has granted a stay subject to deposit of 50% of the fees demanded being an amount of Rs. 1,500,000, which has been deposited by us. The matter is pending for hearing and the next date for hearing is yet to be fixed by the court.

iii) Shree Renuka Sugars Limited V/s. Union of India and Chief Director, Directorate of Sugar (W. P. No. 39136/2002).

This petition has been filed by us in the Hon'ble High Court of Karnataka, Bangalore under Article 226 of the Constitution of India praying for a declaration that we are entitled to sell our entire Free Sale Quota of sugar without being restricted by the decision of Chief Director of Sugar, New Delhi and Release Orders in respect of the sale of Free Sale Sugar under the Sugar (Control) Order, 1966 to be issued monthly. The Petition also seeks to restrain the Respondents from interfering with our Company in so far as the Free Sale Quantity is concerned by appropriate writs/directions by the Court. The Respondents have filed their statement of facts/ objections.

The Hon'ble High Court of Karnataka, Bangalore has passed an interim order dated October 7, 2003 permitting sale of Free Sale Sugar Quota each month at 1/12th of their annual production.

The matter is pending for final hearing and the date for hearing is yet to be fixed by the court.

A.II.III Labour Cases (Writ Petitions)

i) Shree Renuka Sugars Limited vs. Chinna K. Narasimappa and others [WP No. 480/2004]

We have filed a writ petition before the High Court of Andhra Pradesh against the petitions filed by two workmen of erstwhile Nizam Sugars Limited in MP No. 30/2000 (as listed at point A.I.II herein above) praying for quashing the above said petitions on the ground of jurisdiction.

The Hon'ble High Court of Andhra Pradesh stayed the hearing before the Presiding Officer, Labour Court, Ananthpur, Andhra Pradesh. The matter is to come up for final hearing and the date for the same is yet to be fixed by the court.

ii) Shree Renuka Sugars Limited vs. Chairman/ Presiding Officer and others [WP No. 18673/2004]

We have filed a writ petition before the High Court of Andhra Pradesh against the petitions filed by the workmen of erstwhile Nizam Sugars Limited in MP No. 31/2000, 32/2000, 89/ 2000 (as listed at point A.I.II herein above) and 96/2000 praying for quashing the above said petitions on the ground of jurisdiction.

The Hon'ble High Court of Andhra Pradesh stayed the hearing before the Presiding Officer, Labour Court, Ananthpur, Andhra Pradesh. The matter is to come up for final hearing and the date for the same is yet to be fixed by the court.

A.II.IV Criminal Disputes

i) Shree Renuka Sugars Limited Vs. Chikmath R. L. (P. C. No. 570/2004).

We have filed a criminal compliant in the Hon'ble IVth Judicial Magistrate First Class, Belgaum against Mr. Chikmath, a reporter of a daily Kannada newspaper, alleging that the accused published a defamatory matter in the newspaper on September 20, 2003 against our Company with *malafide* intentions of harming the reputation of our Company and causing loss to our Company. Prior to filing of the complaint our Company had issued a legal notice on the accused on October 8, 2003 calling upon him to substantiate the allegations and furnish the source of the information, which the accused failed to comply with.

The present case has been adjourned to September 28, 2005 for recording the sworn statement of the Complainant.

A.II.V. Excise Cases

(i) Shree Renuka Sugars Limited. V/s the Commissioner of Central Excise and Customs. (E/Appeal no 1382/ 2004).

The Commissioner of Central Excise Belgaum passed an order on September 23, 2004 confirming a demand of Rs. 13,107,300 and imposed penalty of Rs. 3,201,300 and interest in relation to Cenvat Credit / duty availed by the Company for molasses used for manufacture of rectified spirit during the period October 2002 to March 2003. We have filed this appeal before Central Excise Appellate Tribunal, south zonal bench, Bangalore challenging the order of the Commissioner of the Central Excise, Belgaum and to set aside the same. The case is pending for hearing and the Honorable Tribunal passed an order dated May 19, 2005 staying the impugned order. The next date for hearing of the matter is fixed on September 28, 2005.

A.II.VI Company Law Board Petition

(ii) Shree Renuka Sugars Limited vs. The Registrar of Companies, Karnataka

We have filed a petition under Section 141 of the Companies Act for condonation of delay of 53 days in filing of Forms 8 and 13 with the Registrar of Companies, Karnataka and extension of time for registration of charge, which we had created on April 17, 2004 for an amount of Rs. 800,000 in favour of ICICI Banking Corporation Limited in relation with purchase of a vehicle.

The petition is pending and yet to come up for hearing.

B. Outstanding litigation of the Promoters

B.I Cases filed against the Promoters

B.I.I Criminal Cases

i) Factories Inspector Vs. Mrs. Vidya M Murkumbi and Mr. M.S. Bashetti (C. C. No. 163/2003).

Deputy Chief Inspector of Factories, Belgaum Region, Belgaum has instituted this criminal complaint against Mrs. Vidya. M. Murkumbi, the occupier and Mr. M.S. Bashetti, the Manager alleging offences punishable under Section 29 (1)(a) and Section 29 (1)(ii), 29 (a)(iii) of the Factories Act, 1948 for negligence in maintaining the plant and machinery, pulleys and chains as specified under the Factories Act, 1948 and Section 92 for offences punishable due to contravention of the provisions of the Factories Act, 1948 before the Judicial Magistrate Ist Class, Saundatti Taluka, District Belgaum. This criminal complaint was filed as a result of death caused to one Mr. Dharmadeva Sathya Narayan while working on setting up of a boiler unit, who was employed by M/s. Singh Brothers who were the sub-contractors employed by M/s. Lipi Consultants Private

Limited. M/s. Lipi Consultants Private Limited was appointed as consultants by our Company to monitor the setting up of the co-generation plant. The Hon'ble Trial Court had on March 19, 2003 ordered issuance of summons to the accused. Being aggrieved by the same, both the accused have filed Criminal Petition Number 1538 / before the Hon'ble High Court of Karnataka, Bangalore for quashing of the Order passed by the Trial Court. The Hon'ble High Court has granted an interim stay of proceedings on April 23, 2003 and on April 1, 2004 continued the interim order on the proceedings of the Trial Court. Mrs. Vidya Murkumbi and Mr. M.S. Bashetti have filed this criminal petition under Section 482 of Criminal Procedure Code before the Hon'ble High Court of Karnataka, Bangalore for quashing of the Order passed by the Trial Court. The Hon'ble High Court continued the interim order issued. The matter is still pending and yet to come up for hearing.

Memorandum of Settlement

Our Company, Mr. Narendra Murkumbi, Mrs. Vidya Murkumbi, Murkumbi Bioagro Private Limited, Murkumbi Industries Private Limited, Mr. Shanmukhappa Sidnal, Mr. Shashikant Sidnal, Mr. Shivkant Sidnal and Mr. Babu Mugabasav have entered into a Memorandum of Settlement (MoS) dated July, 10, 2005, pursuant to which parties have agreed to settle all suits or legal proceedings initiated by the parties against each other in all capacities out of court. Thereafter, the parties to the MoS, have approached the various courts for disposal of these suits or legal proceedings. Similarly, the parties have agreed to make appropriate applications to various court for disposing the pending criminal cases filed against each other. Pursuant to the appropriate applications made, all the civil and criminal proceedings except C.C. No. 706/2003, which relates to a non-compoundable offence have been withdrawn and / or disposed off.

In terms of the MoS, we have paid a sum of Rs. 3.5 million to Mr. Shanmukhappa Sidnal and Rs. 7.36 million to Mr. Shashikant Sidnal (including repayment of an advance of Rs. 2.81 million and Rs. 2.55 million as interest thereon).

C. Penalties

C.I. Murkumbi Industries Private Limited

The Economic Offences Court, Bangalore had imposed a penalty of Rs. 1,000 on Murkumbi Industries Private Limited for delay in filing its balance sheet as on March 31, 2004 under Section 220 of the Companies Act.

GOVERNMENT/STATUTORY AND BUSINESS APPROVALS

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

The Company has received the necessary consents, licenses, permissions and approvals from the Government and various Government agencies required for its present business and no further approvals are required for carrying on the present as well as the proposed business except as mentioned below.

The Company has received the following Government approvals / licenses / permissions:

(i) Approval from the SIA, Ministry of Industry, GoI bearing no 253/74-ILS/98 permitting transfer of industrial license no 253(74) dated June 7, 1974 granted to Hindpur Co-operative Sugars Limited (which was subsequently transferred to Nizam Sugar Factory Limited) in favour of Shree Renuka Sugars Limited with effect from the date of the letter and also permitting expansion of the capacity from 1250 TCD to 2500 TCD.

(ii) Certificate of Importer-Exporter Code bearing IEC number 0798015616 from the Office of the Joint Director General of Foreign Trade, Ministry of Commerce, Bangalore, vide file No. 07/04/130/01593/AM99 dated March 17, 1999.

(iii) Certificate of Registration bearing number APEDA/REGN/IMP/BANR/031017/2000 dated August 31, 2000 to certify that Shree Renuka Sugars Limited is registered with the Agricultural and Processed Food Products Export Development Authority as exporters of sugar.

(iv) Certificate of Recognition bearing no. 012478 dated December 31, 2002 issued by the Office of Joint Director General of Foreign Trade certifying Shree Renuka Sugars Limited as an Export House. The validity of this certificate is from April 1, 2002 to March 31, 2007.

(v) Certificate of Registration No. 012478 issued in the name of Shree Renuka Sugars Limited dated 1 April 2002 by the Joint Director General of Foreign Trade, Ministry Of Commerce & Industry, Government Of India according the status of an export house for a period of five years until March 31, 2007.

(vi) Registration under the Bombay Shops and Establishments Act, 1948 dated May 5, 2005 for the corporate office situated at DGP House, VIP Compound, Prabhadevi, Mumbai.

(vii) Revised Permanent Account Number (AADCS1728B) issued by the Income Tax Department, Bangalore vide letter dated August 4, 1999 having reference number 923247 / 33.

(viii) TAN number BLRS06392B issued by the Income Tax Department to Shree Renuka Sugars Limited.

(ix) Tax Identification Number (TIN) 29730009165 issued by the Department of Commercial Taxes to Shree Renuka Sugars Limited.

(x) Certificate of Registration bearing no. 416505 / C / 55 issued by Assistant Commissioner of Commercial Taxes, Belgaum under Section 7 (1) / 7 (2) of the Central Sales Tax (Registration and Turnover) Rules, 1957 dated January 1, 1998 for the manufacture of sugar and its by products.

(xi) Certificate of Enrolment issued under Karnataka Tax on Profession, Trades, Callings and Employments Act, 1976 bearing Enrolment No. 2188 / 97-98 on December 12, 1997 issued by the Assistant Commissioner, Profession Tax.

(xii) Certificate of Registration bearing no. 223/97-98 dated January 24, 1998 under Karnataka Tax on Entry of Goods Act issued by the Assistant Entry Tax Commissioner, Belgaum.

(xiii) Certificate of Registration bearing no. 5081394.8 dated December 31, 1997 issued by Assistant Commissioner of Commercial Taxes, Belgaum as a dealer under Section 10(1) of the Karnataka Sales Tax Act, 1957.

(xiv) Registration Certificate bearing No. AADCS 1728B – XM.COL dated January 22, 2002 to cure, produce, manufacture, carry on wholesale trade / business / broker or commission agent or otherwise deal in excisable goods, act as a user of excisable goods for special industrial purposes issued by the Superintendent of Customs and Central Excise, Belgaum.

(xv) Certificate of Registration dated January 24, 1998 pursuant to Rule 8 (1) of the Central Sales Tax (Registration and Turnover) Rules, 1957 issued by the Assistant Commissioner of Commercial Tax, valid until surrendered.

(xvi) Certificate of registration no. 2188/97-98 dated January 24, 1998 granted to M/s. Shree Renuka Sugars Limited pursuant to Rule 4 sub-section 4 of the Karnataka State Tax On Profession, Trades, Callings And Employments Act, 1975.

(xvii) Certificate of Registration bearing No. ALCB/PE-10/2002 dated October 3, 2002 issued by the Office of the Registering and Licensing Officer and Assistant Labour Commissioner, Belgaum under Section 7 of the Contract Labour (Regulation and Abolition) Act, 1970 enabling the Company to hire contract labourers for purposes of security, loading and unloading.

(xviii) Certificate of Registration allotting Code No. 17945 under the Provident Fund and Miscellaneous Provisions Act, 1952 on July 7, 2000 issued by the Office of the Regional Provident Fund Commissioner, Hubli for the purpose of making compliance with the provisions of the E.P.F. Scheme, 1952; Employees Pension Scheme, 1995 and Employees' Deposit Linked Insurance Scheme, 1976.

(xix) Letter issued from the Sub Regional Office of ESI Corporation, Hubli bearing No. 58.SRO.COV.MISC.2002.INS.I dated April 24, 2003 exempting the Company from payment of ESIC to its employees as the factory is situated in non-implemented area and hence does not come under the purview of ESI Act.

(xx) Transfer of Industrial License IL-253 (74) – Amendment /LA-11/77 dated April 15, 1977 from Nizam Sugars Limited to Shree Renuka Sugars Limited bearing no. IL: 253/74-ILS/98 dated July 16, 1998 issued by the Under Secretary to the Government of India, Ministry of Industry, Department of Industrial Policy and Promotion, Secretariat for Industrial Assistance, Industrial Licensing Section, New Delhi. License also grants permission to Shree Renuka Sugars Limited to purchase plant and machinery from Nizam Sugars Limited located in Hindupur, Andhra Pradesh and shift the same to Munoli, District Belgaum vide Departments Letter of Intent No. 74(96) dated March 4, 1996. Also, consent for expansion of the Company's capacity from 1250 TCD to 2500 TCD.

(xxi) State Level Single Window Clearance Committee Clearance bearing no. KUM/SLSWCC-9/E4/58/2005-2006 issued by the Karnataka Udyog Mitra on May 28, 2005 to the proposal of our Company to expand the capacity of our existing unit at for manufacture of "White Crystal Sugar" from 2500 TCD to 7500 TCD at our unit at Munoli.

(xxii) License for manufacture of sugar from sugarcane by Vacuum Pan Process bearing no. CI 138 SGF 04 issued by the Government of Karnataka, Commerce and Industries Department granted to Shree Renuka Sugars Limited. The validity of the license is from July 1, 2005 to June 30, 2010 with a condition to obtain air and water consent orders from the Karnataka State Pollution Control Board every year.

(xxiii) Distillery License bearing No. EXE/DST/DSL/34/2005-2006 dated July 13, 2005 issued by the Excise Commissioner in Karnataka, Bangalore under the provisions of Section 13 and 16 of Karnataka Excise Act, 1965, to Shree Renuka Sugars Limited to manufacture, store and sell Rectified Spirit from Molasses and Denatured Spirit in the distillery at factory premises in Saundatti Taluka, Belgaum District. This license is valid for a period of one year from July 1, 2005 to June 30, 2006. The maximum capacity allowed is 60,000 litres of rectified spirit per day.

(xxiv) Distillery License bearing No. EXE/DIST/DSL/DL2/12/2005-2006 dated July 13, 2005 issued by the Excise Commissioner in Karnataka, Bangalore under the provisions of Section 13 and 16 of Karnataka Excise Act, 1965, to Shree Renuka Sugars Limited for possession and wholesale vending of Denatured Spirit in the distillery at factory premises in Saundatti Taluka, Belgaum District. This license is valid for a period of one year from July 1, 2005 to June 30, 2006. The maximum quantity that may be possessed at any one time is 60,000 bulk litres, and the quantity that may be issued or sold in a year is 9,000,000 bulk litres.

(xxv) Modified Approval accorded for the evacuation of 32.69 MWs Power Generation from Co-generation plant at Munoli by construction of 110 KV DC line issued by the Karnataka Power Transmission Corporation Limited dated March 1, 2002 for the manufacture of power.

(xxvi) In principal approval dated March 19, 2004 from the Department of Explosives, Ministry of Commerce & Industry, GoI for storage of sulphur at Munoli.

(xxvii) Approval granted by Chief Inspector of the Factory and Boiler Department, Bangalore for the site plan on October 17, 1998.

(xxviii) Approval granted by Chief Inspector of the Factory and Boiler Department, Bangalore for Export Factory Building on November 26, 2002.

(xxix) Approval granted by Joint Commissioner of the Factory and Boiler Department, Bangalore for the Export Co-Generation & Office Building on September 2, 2003.

(xxx) Approval granted by Joint Commissioner of the Factory and Boiler Department, Bangalore for the Exp. Building and Machinery on January 3, 2005.

(xxxi) License for purchase of sugarcane bearing No. L-73 dated November 24, 2004 by the Commissioner of Purchase Tax (Sugarcane), Kolhapur to Shree Renuka Sugars Limited for Unit II located at Ajara, District Kolhapur.

(xxxii) Certificate of Registration No. PT/R/2/6/10/91(No. 0220930) dated 25, October 2004 issued by the Professional Tax Officer, Kolhapur under sub-section (1) of the Section 5 of the Maharashtra State Tax on Profession, Trades, Callings and Employments Act, 1975 to the Company as employer.

(xxxiii) Certificate of Registration bearing No. 416505 / C / 55 issued by the Sales Tax Officer, Kolhapur under the Central Sales Tax (Registration and Turnover) Rules, 1957 dated October 9, 2004 for the import and re-sale of sugar, raw sugar, sugarcane, Molasses, press-mud, Baggasse, sugar industries machinery and other sugar industry related material.

(xxxiv) Certificate of Registration bearing No. 416505 / S / 103 issued by the Sales Tax Department, Kolhapur under Section 22/22A of the Bombay Sales Tax Act, 1959 dated October 9, 2004 for the import and re-sale of sugar, raw sugar, sugarcane, Molasses, press-mud, Baggasse, sugar industries machinery and other sugar industry related material.

(xxxv) Certificate of Registration as employer under Section 5 (1) of the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 (Form 1-A) issued at Kolhapur.

(xxxvi) Certificate of Registration No. PT/E/2/6/10/18/2 (No. 0968533) dated October 27, 2004 issued by the Professional Tax Officer, Kolhapur under sub-section (1) of the Section 5 of the Maharashtra State Tax on Profession, Trades, Callings and Employments Act, 1975 to Shree Renuka Sugars Limited.

(xxxvii) Certificate of Enrolment under Section 5 (2) or Section 5 (2A) of the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975.

(xxxviii) Approval dated July 26, 2005 issued by the Sugar Commisionerate, Government of Maharashtra, Pune to Mohanrao Shinde Sahakari Sakhar Karkhana Limited for giving their sugar mill on 'bhadetatwawar' i.e. on lease.

(xxxix) Certificate of Registration bearing No. AADCS1728BXM002 dated October 25, 2004 issued under Rule 9 of the Central Excise Rules, 2002 by the Deputy Commissioner of Central Excise, Kolhapur Division to Shree Renuka Sugars Limited for manufacturing excisable goods at Ajara Shetkari Sahakari Sakhar Karkhana, Gavase, Ajara (Unit II).

(xl) No-objection Certificate from Maharashtra Pollution Control Board dated November 20, 2004 for Ajara Shetkari Sahakari Sakhar Karkhana for the crushing season 2004-2005.

(xli) License from Factory Inspector dated December 21, 2004 for Ajara Shetkari Sahakari Sakhar Karkhana to run the factory with 500 employees and a capacity of 1000 horsepower or more.

(xlii) Consent from the Maharashtra Pollution Control Board dated March 26, 2003 Ajara Shetkari Sahakari Sakhar Karkhana under Section 21 of the Air (Prevention and Control of Pollution) Act, 1974, Section 26 of the Water (Prevention and Control of Pollution) Act, 1981 until December 31, 2005 and under Rule 5 of the Hazardous Waste (Management and Handling) Rules, 1989 until March 23, 2008.

Licenses / Consents applied for:

1. Renewal of Consent under Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981 for the period July 1, 2005 to June 30, 2006. Application dated February 19, 2005.

Approvals expansion project:

1. We have received approval from Karnataka Udyog Mitra (A Govt. of Karnataka Organization) for State Level Single Window Clearance on May 28, 2005.
2. Acknowledgement from Secretariat for Industrial Assistance, Ministry of Commerce and Industry for the manufacture of ethanol and fuel ethanol, distilling, rectifying and blending of ethanol at Unit III.
3. We have filed the Industrial Entrepreneurs' Memorandum with the Government of India, for the expansion of the sugarcane crushing capacity.
4. We have also applied for sugarcane crushing license from Department of Commerce and Industries, Government of Karnataka.
5. We need to apply Consent for Establishment (CFE) from Karnataka State Pollution Control Board (KSPCB).
6. On receipt of the CFE and after installation of the equipments, we need to apply and obtain Consent For Operation (CFO) from KSPCB to commence operations.

OTHER REGULATORY AND STATUTORY DISCLOSURES

AUTHORITY FOR THIS ISSUE

The Board of Directors have, pursuant to a resolution passed at its meeting held on June 16, 2005, authorised the Issue, subject to the approval of the shareholders of our Company under Section 81 (1A) of the Companies Act. Our shareholders have authorised the Issue and Green Shoe Option vide a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Extraordinary General Meeting held on June 9, 2005.

PROHIBITION BY SEBI

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

ELIGIBILITY FOR THIS ISSUE

The Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI Guidelines as explained under with eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- The Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Clause 2.2.1(a) of the SEBI Guidelines;
- The Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI Guidelines;
- The Company has a net worth of at least Rs. 10 million in each of the three preceding full years and is compliant with Clause 2.2.1(c) of the SEBI Guidelines;
- The Company has not changed its name within the last one year;
- The proposed Issue size does not exceed five times the pre-Issue net worth of the Company and is compliant with Clause 2.2.1(e) of the SEBI Guidelines.

The Company's unconsolidated net profit, dividend, net worth, net tangible assets and monetary assets as certified by M/s. Ashok Kumar, Prabhashankar & Co., vide their report dated July 15, 2005 and included in the Section titled "Report of our Statutory Auditor" on page 106 of this Red Herring Prospectus for the last five years ended FY 2004 and six months ended March 31, 2005 are set forth below:

(Rs. in million)

Year ended September 30,	2000	2001	2002	2003	2004	9 months ended June 30, 2005
Net Tangible Assets(1)	561.54	578.99	648.88	692.64	848.35	1,215.21
Monetary Assets(2)	6.99	45.37	24.51	37.79	321.93	348.78
Net profits(3)	(26.97)	6.54	23.62	27.94	122.71	321.07
Net worth, as restated	94.23	112.53	155.20	187.74	243.25	607.41

(1) Net tangible assets is defined as the sum of net fixed assets (including capital work in progress) current assets less current liabilities, short-term secured loans and short-term unsecured loans.

(2) Monetary assets include cash on hand and bank. For detailed figures please refer to the statutory report of our Auditors page 106 in this Red Herring Prospectus

(3) As per Section 205 of the Companies Act

The Promoters, their relatives (as per Companies Act, 1956), the Company, its subsidiary, associate companies are not detained as willful defaulters by the RBI/Government of India authorities and there are no violations of securities laws committed by them in the past or pending against them other than as disclosed in this Red Herring Prospectus.

No penalty has been imposed by SEBI and other regulatory bodies against us, our directors, our Promoters, directors of our Promoters and companies promoted by our Promoters.

Therefore, we are eligible to make this Issue.

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

a) A minimum of 2,000,000 Equity Shares (excluding reservations, firm allotments and promoters contribution) are offered to the public;

b) The Issue size, which is the Issue Price multiplied by the number of Equity Shares offered to the public, is a minimum of Rs. 1,000 million excluding Greenshoe Option; and

c) The Issue is made through the Book Building Method with allocation of 60% of the Issue to Qualified Institutional Buyers, as defined under the DIP Guidelines.

Our Company undertakes that the number of allottees in the Issue shall be at least 1000. Otherwise, the entire application money shall be refunded forthwith. In case of delay, if any, in refund, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay. Further, if at least 60% of the Issue cannot be allotted to QIBs, then the entire application money shall be refunded forthwith. In case of delay, if any, in refund, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THIS ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, MORGAN STANLEY PRIVATE LIMITED AND THE CO-BOOK RUNNING LEAD MANAGER EDELWEISS CAPITAL LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER AND CO-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, BOOK RUNNING LEAD MANAGER, JM MORGAN STANLEY PRIVATE LIMITED AND CO-BOOK RUNNING LEAD MANAGER EDELWEISS CAPITAL LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED AUGUST 1, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

"WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THIS 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 DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THIS 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 DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

D) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE

SUCH REGISTRATIONS ARE VALID.

E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."

All legal requirements pertaining to this issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies, Bangalore, Karnataka, 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 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 offer. SEBI further reserves the right to take up at any point of time, with the Book Running Lead Manager and Co-Book Running Lead Manager, any irregularities or lapses in the Red Herring Prospectus.

Disclaimer of our Company and the BRLM and the Co-BRLM

Our Company, our Directors and the BRLM, the Co-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 would be doing so at his or her own risk.

Caution

The BRLM and the Co-BRLM accepts no responsibility, save to the Limited extent as provided in the Underwriting Agreement to be entered into between the Underwriters and the Company and the Memorandum of Understanding between the BRLM and the Company.

Our Company and the BRLM and Co-BRLM shall make all information available 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 etc.

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 Foreign Venture Capital Funds Registered with SEBI. This Red Herring Prospectus does not, however, constitute 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 himself or herself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been or will be taken to permit a public Issuing in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and this Red Herring Prospectus has been filed with Registrar of Companies, Karnataka as per the provisions of the Companies Act. 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 from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of the Bombay Stock Exchange Limited

The Bombay Stock Exchange Limited ("BSE") has given vide its letter dated August 22, 2005 permission to the Company to use BSE's name in this offer document as one of the stock exchanges on which the Company's securities are proposed to be listed. BSE has scrutinised this Offer Document for its Limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. BSE does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; or
2. Warrant that this Company's securities will be listed or will continue to be listed on BSE; or
3. Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this Offer Document has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against 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.

Disclaimer Clause of the National Stock Exchange of India Limited

As required, a copy of the Red Herring Prospectus has been submitted to National Stock Exchange of India Limited ("NSE"). NSE has given vide its letter No. NSE/LIST/16455-F dated August 31, 2005 permission to the Company to use the NSE's name in this Red Herring Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed subject to, the Company fulfilling the various criteria for listing including the one related to paid up capital (i.e. the paid up capital shall not be less than Rs. 100 million and market capitalization shall not be less than Rs. 250 million at the time of the listing). NSE has scrutinised the Red Herring Prospectus for its Limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on NSE; 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.

Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription or acquisition whether by reason of anything stated or omitted to be stated herein or 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, has been delivered to the Registrar of Companies, Karnataka at Kendriya Sadan, II Floor, "E" Wing, Koramangala, Bangalore. A copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with Registrar of Companies, Karnataka, at Bangalore. A copy of this Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

Listing

Applications have been made to the Stock Exchange, Mumbai and the National Stock Exchange of India Limited for permission to deal in and for an official quotation of our Equity Shares. The Stock Exchange, Mumbai shall be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all monies received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

We shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalization and adoption of the Basis of Allotment for this Issue.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to this Issue; and (b) Book Running Lead Manager to this Issue, Co- Book Running Lead Manager to the Issue and Syndicate Members, Escrow Collection Bankers, Registrar to this Issue and Legal Advisor to the Company and Underwriters, to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Karnataka located at Bangalore, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the Registrar of Companies, Karnataka.

M/s. Ashok Kumar, Prabhashankar & Co., Chartered

Accountants, our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the Registrar of Companies, Bangalore.

M/s. Ashok Kumar, Prabhashankar and Co., Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Red Herring Prospectus for registration with the Registrar of Companies, Karnataka.

Grant Thornton, Independent Auditors, have given their written consent to the inclusion of their reports 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 this Red Herring Prospectus for registration with the Registrar of Companies, Bangalore.

Expert Opinion

Except as stated elsewhere in this Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The total expenses of the Issue are estimated to be approximately [●]% of the Issue size. All expenses with respect to the Issue would be met out of the proceeds of the Issue. For details of Issue Expenses, refer to “Objects of Issue” on page 29 of this Red Herring Prospectus.

Fees Payable to the Book Running Lead Manager and Co-Book Running Lead Manager

The total fees payable to the Book Running Lead Manager will be 3.3% of the Issue size and to the extent Green Shoe Option is exercised by the Stabilizing Agent, which constitutes. [●] % of the total issue expenses and [●] of the Issue size and reimbursement of actual out of pocket expenses.

The total fees payable to the Co-Book Running Lead Manager will be Rs. 6.0 million, which constitutes. [●]% of the total issue expenses and [●] of the Issue size and reimbursement of actual out of pocket expenses.

Fees Payable to the Registrar to this Issue

The fees payable to the Registrar to this Issue will be as per the Agreement dated June 8, 2005, a copy of which is available for inspection at our corporate office.

Details of the fees payable to the Registrar to the Issue for processing fee, Validating Data pertaining to Depository option, Over Printing of CAN’s / Refund Orders, Preparation of Refund Tape with MICR Nos, Charges for printing Bulk Mailing Register, Data Entry Charges, Scanning of application (full text) and Hosting Investor allotment / non-allotment information on Karvy website is Rs. 7 per application subject to a minimum of Rs. 300,000. In addition Rs. 90,000 would be payable for preparation of basis of allotment and listing application.

In addition to the above, we will reimburse actual out of pocket expenses.

As the fees payable to the Registrar would vary upon the number of applications received, hence total fees payable to Registrar as a percentage of the total issue expenses and as a percentage of the Issue size cannot be disclosed.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

Fees Payable to the Escrow Bankers

No fees is payable to the Escrow Bankers.

Commission and Brokerage on Previous Issues

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring for, or agreeing to procure subscription for any of the Equity Shares of the Company since its inception.

Previous Rights and Public Issues

We have not made any previous rights and public issues during the last five years.

Outstanding Debenture or Bond Issues

As on the date of filing of this Red Herring Prospectus, the Company does not have any outstanding Debenture or Bond Issue.

Outstanding Preference Shares

As on the date of filing of this Red Herring Prospectus, the Company does not have any outstanding preference shares.

Issues otherwise than for Cash

We have not issued any Equity Shares for consideration otherwise than for cash.

Companies under the same Management

There are no companies under the management within the meaning of Section 370(1B) of the Companies Act, 1956, other than our Subsidiary, details of which are provided in the section titled "Our Subsidiary" on page 83 of this Red Herring Prospectus.

Option to Subscribe

Equity shares being offered through this Red Herring Prospectus can be applied for in dematerialized form only.

Stock Market Data for our Equity Shares

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Particulars Regarding Public Issues during the Last Five Years

We have not made any public issues during the last five years.

Performance Vs projections for listed ventures of the Promoters

There is no other listed company promoted by Our Promoters

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to this Issue and us will provide for retention of records with the Registrar to this Issue for a period of at least one year from the last date of dispatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to this Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

We estimate that the average time required by us or the Registrar to this Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Our Company has appointed Mr. R. H. Sadekar, Company Secretary as the Compliance Officer and he may be contacted at Shree Renuka Sugars Limited, BC 105 Havelock Road, Camp, Belgaum 590 001, Tel +91-831-240 4000; +91-831-2404961; Fax: +91-831-2404961,Email: investor@renukasugars.com. Investors can contact him for redressal of any complaints.

Changes in Auditors during the last three financial years and reasons thereof

There have been no changes of the Auditors of our Company for the last three years.

Capitalisation of Reserves or Profits

We have not capitalised its reserves or profits at any time since inception.

Revaluation of assets

We have not revalued our assets in the past five years.

SECTION VII – ISSUE RELATED INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles 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 this Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to this Issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Stock Exchanges, Registrar of Companies and/or other authorities, as in force on the date of this Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank *pari passu* in all respects with the other existing shares of 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

We shall pay dividend to our shareholders as per the provisions of the Companies Act, 1956.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being issued in terms of this Red Herring Prospectus at a Price of Rs. [●] per 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

We 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 attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Articles of Association of the Company.

For further details on the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see "Main Provisions of Articles of Association of the Company" on page 257 of this Red Herring Prospectus.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors.

Since trading of our Equity Shares will be in dematerialized 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 to the successful bidders subject to a minimum Allotment of 20 Equity Shares. For details of allocation and allotment, see "Price Discovery and Allocation" on page 247 of this Red Herring Prospectus.

Jurisdiction

The jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, India.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares transferred, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

a) to register himself or herself as the holder of the Equity Shares; or

b) to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 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 this Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If the Company does not receive the minimum subscription of 100% of the Issue amount including devolvement of the Syndicate Member, if any, 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 eight days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act.

Subscription by Non Residents/ NRIs/ FIIs/ Foreign Venture Capital Fund registered with SEBI / Multilateral and Bilateral Development Financial Institutions.

As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a person Resident outside India) Regulations, 2000, there exist a general permission for the NRIs/ FIIs/ Foreign Venture Capital Fund registered with SEBI/ Multilateral and Bilateral Development Financial Institutions to invest in shares of an Indian company by way of subscription in a public issue. However, such investments would be subject to other investment restrictions under RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from the FIPB/ RBI for this specific purpose. However, It is to be distinctly understood that there is no reservation for non-residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI and Multilateral and Bilateral Development Financial Institutions and all applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the policy of RBI, Overseas Corporate Bodies cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S of the U.S. Securities Act, 1933), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the 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.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein a minimum of 60% of the Issue shall be available for allocation on a discretionary basis to QIBs. Further, not less than 30% of the Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. We, in consultation with the BRLM and Co-BRLM, reserve the right to reject any Bid procured by any or all members of the Syndicate without assigning any reason thereof from QIBs. 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 will be allotted to successful Bidders only in the dematerialized form.

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 allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, ("CAN"), and filing of the Prospectus with the Registrar of Companies, Karnataka, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized 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 Registrar of Companies, Karnataka and as would be required by Registrar of Companies, Karnataka 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 NRI applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund/Multilateral and Bilateral Development Financial Institutions applying on repatriation basis	Blue

Who can Bid

1. Indian nationals resident in India who are majors, 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: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
3. Companies and corporate bodies not having majority ownership and control of persons resident outside India and societies registered under the applicable laws in India and authorized to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations, as applicable);
6. Venture Capital Funds registered with SEBI;
7. State Industrial Development Corporations;
8. Multilateral and bilateral development financial institutions;
9. Insurance companies registered with the Insurance Regulatory and Development Authority;
10. Provident funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in Equity Shares;

11. Pension funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in Equity Shares;

12. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorized under their constitution to hold and invest in Equity Shares; and

13. Eligible NRIs and other Non-Residents including FIIs on a repatriation basis or non-repatriation basis subject to applicable laws; and

14. Scientific and/ or Industrial Research Organizations authorized to invest in Equity Shares.

Note: The BRLM, Co-BRLM, Syndicate Member and any associate of the BRLM, Co-BRLM and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary. Further, the BRLM, Co-BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

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.

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. Further, bidders may bid as per the limits prescribed above.

As per current regulations, the following restrictions are applicable for investment by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company (i.e. 10% of [●] Equity Shares). In respect of an FII investing in 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 of the Company. 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 of this date, no such resolution has been recommended for adoption.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds:

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 our 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 our Company's paid-up equity capital.

The above information is given for the benefit of the Bidders. Our Company and the BRLM, /Co-BRLM are not liable for any amendments or modification 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 laws or regulations.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 20 Equity Shares and in multiples of 20 Equity Shares thereafter, subject to maximum Bid amount of Rs. 100,000. In case the maximum Bid amount is more than Rs. 100,000 then the same would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Non-Institutional Bidders and QIBs Bidders:** The Bid must be for a minimum of such Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 20 Equity Shares thereafter. 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 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. 100,000. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids, the same would be considered for allocation under the Retail portion. Non-Institutional Bidders and QIB Bidders are not allowed to Bid at 'cut-off'.

Bidding Process

(a) Our Company will file the Red Herring Prospectus with the Registrar of Companies, Karnataka.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our corporate office or from any of the BRLM/Co-BRLM/Syndicate Members.

(d) Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLM or Co-BRLM or Syndicate Member or their authorized agent(s) to register their Bid.

(e) 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.

Bidding

a) Our Company, the BRLM and Co-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 Registrar of Companies, Karnataka and also publish the same in one English national daily, one Hindi national daily and one Kannada daily newspaper. This advertisement shall contain the disclosures as prescribed under SEBI Guidelines The BRLM, Co-BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period.

b) The Bidding Period shall be a minimum of three working days and not shall not exceed seven working days In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and a Kannada newspaper also by indicating on the websites of the BRLM/Co-BRLM and at the terminals of the members of the Syndicate the Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding 10 working days.

c) 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" below) 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.

d) 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 paragraph "Build up of the Book and Revision of Bids" on page 247 this Red Herring Prospectus.

e) During the Bidding Period, Bidders may approach the Syndicate Member to submit their Bid. Every Syndicate Member shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.

f) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment" on page 245 of this Red Herring Prospectus.

g) The BRLM, Co-BRLM and Syndicate Member will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form. It is the responsibility of the Bidder to obtain the TRS from the members of the Syndicate.

Bids at Different Price Levels

(a) The Price Band has been fixed at Rs. 250 to Rs. 300 per Equity Share of Rs. 10 each, Rs. 250 being the Floor Price and Rs. 300 being the Cap Price. The Bidders can bid at any price with in the Price Band, in multiples of Re 1. In accordance with SEBI Guidelines, the Company in consultation with the BRLM and Co-BRLM can revise the Price Band by informing the stock exchanges, releasing a press release, disclosure on the website of the members of the Syndicate, if any and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the Issue will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. The Company in consultation with BRLM and Co-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.

(b) 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.**

(c) Retail Individual Bidders and Employee Reservation Portion Bidder, who bid at the Cut-Off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Account.

(d) 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.

(e) Any revision in the Price Band shall be widely disseminated including by informing the Stock Exchanges, issuing Press Release and making available this information on the Bidding terminals.

(f) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the Revised Price Band, with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional category 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 cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off.

(g) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut Off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account

Escrow Mechanism

Escrow Account

We, BRLM and Co-BRLM shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor 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. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and an Escrow Agreement to be entered into amongst the Company, the BRLM, Co-BRLM, Escrow Bankers and Registrar to the Issue. The monies in the Escrow Account 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 Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement. Payments of refunds to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement 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, BRLM and Co-BRLM to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow 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/ her Bid in favor of the Escrow Account of the Escrow Collection Bank(s) (For further details, see "Issue Procedure - Payment Instructions") and submit the same to the members of the Syndicate to whom the Bid is being submitted. Bid-cum-Application Forms accompanied by cash and stock invests 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 until 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 Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and no later than 15 days from the Bid / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e. QIBs, Non-Institutional Bidders, and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The Margin Amount payable by each category of Bidders is mentioned under the heading "Issue Structure" on page 40 of this Red Herring Prospectus and shall be uniform across all the bidders in the same category. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the Registrar to the Issue. If the payment is not made favoring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date.

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 Syndicate Member and their authorized agents during the Bidding Period. Syndicate Member 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/Issue Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) BSE and NSE will aggregate demand and price for bids registered on their electronic facilities on a regular basis and display graphically the consolidated demand at various price levels. This information can be accessed on BSE's website at "www.bseindia.com" or on NSE's website at www.nseindia.com

(d) At the time of registering each Bid, the Syndicate Member shall enter the following details of the investor in the on-line system:

- Name of the investor
- Investor Category such as Individual, Corporate, NRI, FII or Mutual Fund, etc.
- Numbers of Equity Shares bid for
- Bid price
- Bid-cum-Application Form number
- Whether payment is made upon submission of Bid-cum-Application Form
- 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 request and obtain the TRS from the members of the Syndicate.** The registration of the Bid by the Syndicate Member does not guarantee that the Equity Shares shall be allocated either by the Syndicate Member or the Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) Consequently, the members of the Syndicate also have the right to accept the Bid or reject it without assigning any reason, in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders Bids would not be rejected except on the technical grounds listed on page 253 in this 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 our Company, BRLM and Co-BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and 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 a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLM and Co-BRLM on a regular basis.

(c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIBs, the Syndicate Member may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Syndicate Member**. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid**.

(h) In case of discrepancy of data between NSE or BSE and the Syndicate Member, the decision of the BRLM and Co-BRLM based on physical records of Bid-cum-Application Forms shall be final and binding to all concerned.

Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLM and Co-BRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.

(b) The Company, BRLM and Co-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 broadly based on various factors such as quality of the Bidder, Bid size, price aggression and earliness of the Bid.

(c) The allocation for QIBs for a minimum of 60% of the Issue would be discretionary as stated above. The allocation to Non-Institutional Bidders, and Retail Individual Bidders of not less than 10% and 30% of the Issue, respectively, would be on proportionate basis, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Under subscription, if any, in Non-Institutional and Retail categories would be allowed to be met with spill over from any of the other categories at the discretion of the Company, BRLM and Co-BRLM.

(e) Allocation to eligible NRIs or FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis will be subject to the terms and conditions stipulated by RBI.

(f) The BRLM and Co-BRLM, in consultation with us, shall notify the Syndicate Member 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 but before allotment.

(h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the closure of Bidding.

(i) The allotment details shall be put on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and Registrar of Companies, Karnataka Filing

(a) The Company, the BRLM, Co-BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.

(b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with Registrar of Companies, Karnataka, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Price band and Red Herring Prospectus

A statutory advertisement will be issued by the Company after the filing of the Red Herring Prospectus with the Registrar of Companies, Karnataka. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Price band along with a table showing the number of Equity Shares and the amount payable by an investor. Any material updates between the date of Red Herring Prospectus and the Prospectus shall be included in the advertisement.

Issuance of Confirmation of Allocation Note

After the determination of Issue Price, the following steps would be taken:

(a) The BRLM or Co-BRLM or Registrar to the Issue shall send to the Syndicate Member a list of their Bidders who have been allocated Equity Shares in the Issue.

(b) The BRLM or Co-BRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account 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 at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as 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.

Designated Date and Allotment of Equity Shares

(a) After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, we would ensure allotment of the Equity Shares to the allottees within two days of the finalization and adoption of the basis of allotment.

(b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be issued only in the dematerialized form to the allottees**. Allottees will have the option to re-materialize the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

We would ensure the allotment of Equity Shares within 15 days of Bid/Issue Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply;

b) Complete the Bid-cum-Application Form after reading all the instructions carefully;

c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be allotted in the dematerialized form only;

d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

e) Ensure that you have been given a TRS for all your Bid options;

f) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS;

g) Ensure that the bid is within price band;

h) 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 sequence as they appear in the Bid-cum-Application Form;

i) If your Bid is for Rs. 50,000 or more, ensure that you mention your PAN allotted under the I.T. Act and ensure that you have attached a copy of your PAN card with the Bid-cum-Application Form. In case the PAN has not been allotted, mention "Not Allotted" in the appropriate place. See section titled "Issue Procedure – PAN" on page 252 of this Red Herring Prospectus

Don'ts:

a) Do not Bid for lower than the minimum Bid size;

b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;

c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the member of the Syndicate;

d) Do not pay the Bid amount in cash;

e) Do not provide your GIR number instead of your PAN.

f) Do not send Bid-cum-Application Forms by post; instead submit the same to members of the Syndicate only;

g) Do not Bid at cut off price (for QIBs and non-institutional bidders);

h) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and

i) Do not submit Bid accompanied with Stock invest.

Instructions for completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM, Co-BRLM or Syndicate Member.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRI or FII or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis)

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.

(c) The Bids from the Retail Individual Bidders must be for a minimum of 20 Equity Shares and in multiples of 20 thereafter subject to a maximum Bid amount of Rs. 100,000/-.

(d) For Non-institutional and QIB Bidders, Bids must be for a minimum Bid Amount of Rs. 100,001 and in multiples of 20 Equity Shares thereafter. All Individual Bidders whose maximum bid amount exceeds Rs. 100,000 would be considered under this category. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.

(e) In single name or in joint names (not more than three.

(f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM, Co-BRLM nor the Bank shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN 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.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of bank particulars on the refund order and the Demographic Details given by Bidders in the Bid-cum-Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid-cum-Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLM/Co-BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

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 therefore.

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 therefore.

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 therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid-cum-Application form, subject to such terms that we may deem fit.

Bids by NRIs

NRI bidders to comply with the following:

- Individual NRI bidders can obtain the Bid-cum-Application Forms from the Company's Corporate Office, D.G.P House, VIP Compound, 88 – C, Off Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025 or the Registrars to the Issue or Syndicate Member.
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

Bids by Eligible NRIs and FIIs on a repatriation basis

Bids and revision to Bids must be made:

On the Bid-cum-Application Form or the Revision Form, as applicable (blue in color), and completed in full in **BLOCK LETTERS in ENGLISH** in accordance with the instructions contained therein.

In a single name or joint names (not more than three).

By FIIs for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 20 Equity Shares thereafter.

For further details see section titled "Issue Procedure - Maximum and Minimum Bid Size" on page 243 of this Red Herring Prospectus.

Bids by NRIs for a Bid Amount of up to or less than Rs. 100,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity Shares and in multiples of 20 Equity Shares thereafter so that the Bid Amount exceeds Rs. 100,000; for further details see "- Maximum and Minimum Bid Size" on page 243 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 registered with SEBI, Multilateral and Bilateral Development Financial Institutions but not in the names of 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 registered post/speed post. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for eligible NRIs and FIIs. All eligible NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

We, the BRLM and the Co-BRLM shall open an Escrow Account 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:

(a) 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 favor of the Escrow Account and submit the same to the members of the Syndicate.

(b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the Syndicate Member by the BRLM and Co-BRLM.

(c) The payment instruments for payment into the Escrow Account should be drawn in favor of:

  (i) In case of Resident Bidders: "**Escrow Account- Shree Renuka Sugars Issue**"

  (ii) In case of Non-Resident Bidders: "**Escrow Account- Shree Renuka Sugars Issue- NR**"

(d) 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 authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.

(e) In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

(f) 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.

(g) The monies deposited in the Escrow Account will be held for the benefit of the Bidders until Designated Date.

(h) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.

(i) 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 bankers' clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stock invest/money orders/ postal orders will not be accepted.

Payment by Stock invest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn.

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 Syndicate Member at the time of submission of the Bid. Member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the 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 favor 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.

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.

We reserve the right to reject, in our absolute discretion to accept or reject, all or any multiple Bids in any or all categories.

Permanent Account Number (PAN)

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of an 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 Bid-cum-Application Form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid-cum-Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), 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.**

Unique Identification Number - MAPIN

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/quote UIN under the MAPIN Regulations/ Circulars vide its circular MAPIN/Cir- 13/ 2005.

Our Right to Reject Bids

We and the BRLM/Co-BRLM reserve the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, we and the BRLM/Co-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 among others on the following technical grounds:

1) Amount paid doesn't tally with the highest number of Equity Shares bid for;
2) Age of First Bidder not given;
3) Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
4) PAN not given if Bid is for Rs. 50,000 or more and GIR number given instead of PAN number;
5) Bids for lower number of Equity Shares than specified for that category of investors;
6) Bids at a price less than lower end of the Price Band;
7) Bids at a price more than the higher end of the Price Band;
8) Bids at cut-off price by Non-Institutional and QIB Bidders;
9) Bids for number of Equity Shares which are not in multiples of 20;
10) Category not ticked;
11) Multiple bids as defined in this Red Herring Prospectus;
12) In case of Bid under power of attorney or by Limited companies, corporate, trust etc., relevant documents are not submitted;
13) Bids accompanied by Stock invest/ money order/postal order/cash;
14) Signature of sole and / or joint bidders missing;
15) Bid-cum-Application Form does not have the stamp of the BRLM, or Co-BRLM or Syndicate Member;
16) Bid-cum-Application Form does not have Bidder's depository account details;
17) In case no corresponding record is available with the Depository that matches three parameters: name of Bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number;
18) 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;
19) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same at page 40 of this Red Herring Prospectus;
20) Bids by OCBs; and
21) Bid by U.S. residents or U.S persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.

Equity Shares in Dematerialized 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 dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

a) a tripartite agreement dated August 22, 2005 with NSDL, us and Registrar to the Issue;
b) a tripartite agreement dated July 13, 2005 with CDSL, us and Registrar to the Issue.

All bidders can seek allotment only in dematerialized 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 dematerialized 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, number and issuing bank thereof.

Dispatch of Refund Orders

The Company shall ensure dispatch of refund orders of value over Rs. 1,500 by registered post or speed post only and adequate funds for the purpose shall be made available to the Registrar to the Issue by us.

Refund orders shall be payable at par at all centres where bidding terminals was set-up to receive bids from bidders.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

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

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allotment or Allocation

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue less allocation to Non-Institutional and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to Rs. 300 million at or above the Issue Price, full allocation shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than Rs. 300 million at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 20 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 allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue less allocation to QIBs and Retail Portion shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to Rs. 100 million at or above the Issue Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than Rs. 100 million at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 20 Equity Shares. For the method of proportionate basis of allotment refer below.

D. For QIBs

- 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 allocation to all the QIBs will be made at the Issue Price.
- A minimum of 60% of the Issue would be made to QIB Bidders.
- The Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for allocation to QIBs who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- The allocation would be decided by the Company in consultation with the BRLM and Co-BRLM and would be at their sole discretion. The allocation will be broadly based on various factors such as quality of the Bidder, Bid size, price aggression and earliness of the Bid.

Under-subscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLM and Co-BRLM.

Method of Proportionate Basis of Allotment

In the event the Issue is over-subscribed, the basis of allotment shall be finalised 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 co-BRLM and the Registrar to the Issue shall be responsible for ensuring that basis of allotment is finalized in a fair and proper manner. Allotment to Bidders shall be as per the basis of allocation as set out in this Prospectus under “Issue Structure”.

a) Bidders will be categorised according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category, as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of bidders in the category multiplied by number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful bidders will be arrived at on a proportionate basis which is total number of Equity Shares applied for by each bidder in that category multiplied by the inverse of the over-subscription ratio in that category subject to minimum allotment of 20 Equity Shares. The minimum allotment lot shall be the same as the Minimum Application lot irrespective of any revisions to the Price Band.

d) In case the proportionate allotment to any Bidders is in fractions, then the same would be rounded off to nearest integer.

e) In all bids where the proportionate allotment is less than 20 per bidder, the allotment shall be made as follows:

- Each successful bidder shall be allotted a minimum of 20 Equity Shares; and
- The successful bidders out of the total bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising of bidders applying for minimum number of Equity Shares.

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 finalization of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.
- refund order or allotment advice to NRIs or FIIs or multilateral or bilateral development financial institution, foreign venture capital investors registered with SEBI shall be dispatched within the specified time.

Utilization of Issue proceeds

The Board of Directors of the Company certifies that:

(a) 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;

(b) details of all monies utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such unutilized monies have been invested; and

(c) details of all unutilized monies out of this 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 the approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Procedure and Time Schedule for Allotment of Equity Shares

We, the BRLM and the Co-BRLM reserve the right to reject any Bid without assigning any reason thereof in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders we have 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. We shall ensure allotment of the Equity Shares within 15 days from the Bid/Issue Closing

Date, and we 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.

Disposal of Applications and Applications Money

We shall ensure dispatch of allotment advice, transfer advice or refund orders and give benefit to the Beneficiary Account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalization of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by Registered Post or Speed Post at the sole or First Bidder's sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for allotment and trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, we further undertake that:

- allot Equity Shares only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- dispatch refund orders within 15 days of the Bid/Issue Closing Date would be ensured; and
- **Interest in Case of Delay in Dispatch of Allotment Letters/ Refund Orders in Case of Public Issues -** we shall pay interest at 15% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15-day time prescribed above.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by the 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 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.

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 within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the GoI, 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.

Rectification of Register of Members

The Company, under Section 111A of the Act will have the right to rectify the register of members to comply with the Act.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Equity Shares and convertible debentures of an Indian company is regulated through the foreign direct investment policy of the GoI ("FDI Policy") and by the Reserve Bank of India ("RBI") as per the provisions of the Foreign Exchange Management Act, 1999 ("FEMA") and rules, regulations and guidelines there under. While the FDI Policy lays down the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA, along with rules, regulations and guidelines there under, regulates the precise manner in which such investment may be made. Under the FDI Policy, unless specifically restricted, foreign direct investment is freely permitted in all sectors of Indian economy and without any prior approvals, but persons resident outside India are required to follow prescribed procedures for making such investment. In the event an approval of the GoI is required, the same may be obtained through the Foreign Investment Promotion Board ("FIPB").

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to Equity Shares of an Indian company in a public offer 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.

For details, see "Issue Procedure" on page 242 this Red Herring Prospectus. The above information is given for the benefit of the bidders and neither the Company nor BRLM or the Co-BRLM are liable for any modifications that may happen after the date of this Red Herring Prospectus.

SECTION VIII - MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF SHREE RENUKA SUGARS LIMITED

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI guidelines, the important provisions of the Articles of Association of our Company relating to members voting rights, lien on Equity Shares and process for modification of such rights, forfeiture of Equity Shares, restrictions on transfer and transmission of Equity Shares and debentures and on their consolidation and splitting are detailed below.

Capitalized terms in this section have the meaning that has been given to such terms in the Articles of Association of the Company.

Share Capital

5. The share capital of the Company is Rs. 40,00,00,000/- (Rupees Forty Crores only) divided into

a) 3,50,00,000 (three Crore Fifty Lakhs) Equity Shares of Rs. 10/- (Rupees Ten only) each and

b) 50,00,000 (Fifty Lakhs) 2% Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten Only) each redeemable at the option of the Company subject to the terms and conditions laid down in Section 80 of the Companies Act, 1956.

Equity Shares with differential rights

5A. The Company may issue Equity Share capital with differential rights as to dividend, voting or otherwise in accordance with such rules and subject to such conditions as may be prescribed.

Shares under the control of the Directors

6. Subject to the provisions of the Act and these Articles, the shares in the capital of the Company for the time being (including any shares forming part of any increased capital of the company) 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 compliance with the provisions of Section 79 of the Act) at a discount and at such times as they may from time to time think fit and proper, and with full power with the sanction of the Company in General Meeting to give to any person the option to call for or be allotted shares of any class of the Company either at par or at a premium or subject as aforesaid at a discount such option being exercisable at such times and for such considerations as the Directors think it.

Power of General Meeting to offer Shares to such Company may resolve

7. In addition to and without derogating from the powers for that purpose conferred on the Directors under Article 6 the Company in General Meeting may determine to issue further shares of the authorized but unissued Capital of the Company and may determine that any shares (whether part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether members or holders or of debentures of the Company or not) in such proportion and on such terms and conditions and either at a premium or at part or, subject to compliance with the provisions of Section 79 of the Companies Act, at a discount, as such general meeting shall determine and with full power to give to any person (whether a member or holder of the debentures of the company or not) the option to call for or be allotted shares of any class of the Company either at a premium or at par or (subject to compliance with the provisions of the Section 79 or the Act) at a discount, such option being exercisable at such time and for such consideration as may be directed by such general meeting, or the company in general meeting may make any other provision whatsoever for the issue, allotment or disposal of the shares. Subject to any direction given by general meeting as aforesaid the provisions of Article 9 hereof shall apply to any issue of new shares.

Increase of Capital

8 (1) The Company may from time to time in General meeting increase its authorized share capital by the creation of new shares of such amount as it thinks expedient.

(2) Subject to the provisions of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as by the General Meeting creating the same shall be directed 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 distribution of assets the Company and any preference shares may be issued on the terms that they are or at the option of the Company are to be liable to be redeemed.

Rights of ordinary shareholders to further issue of Capital

9. Where it is proposed to increase the subscribed capital of the Company by allotment of further shares, then such further shares shall be offered to the persons who, at the date of the offer, are holders of the ordinary shares of the Company, in proportion, as nearly as circumstances admit to the capital paid up on those shares at that date, and such offer shall be made in accordance with the provisions of Section 81 of the Act. Provided that notwithstanding anything hereinabove contained, the further shares aforesaid may be offered to any persons, whether or not those persons include the persons who, at the date of the offer, are holders of the ordinary shares of the Company in any manner whatsoever.

(a) If a Special Resolution to that effect is passed by the Company in General meeting, or

(b) Where on such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any of the chairman) by the members who being entitled so to do, vote in person, or where proxies are allowed by proxy exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied on an application made by the Board of Directors in that behalf, that the proposal is most beneficial to the Company.

9A. Provided however that offer as mentioned in Article 9 above to the existing shareholders 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, however the directors may decline to allot any shares to any such person without assigning any reason thereof.

Dematerialisation of Securities

9B. Either the Company or the member / investor may exercise an option to issue, deal in, hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialized pursuant to the Depositories Act in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereto, shall be governed by the provisions of the Depositories Act, as amended from time to time or any statutory modification thereto or re-enactment thereof.

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing securities, rematerialize its securities held in the Depositories and / or offer its fresh securities in a demateralized form pursuant to the Depositories Act, and the rules framed thereunder if any.

(a) Notwithstanding anything to the contrary contained in any other law or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.

(b) Save as otherwise provided in (a) above, and not withstanding anything contained in these Articles, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the security held by it.

(c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of a Depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a Depository.

(d) Except as ordered by a Court of Competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the Register and Index of Members and Debenture Holders as the holder of any shares or where the name appears as the Beneficial Owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognize any benami trust or equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly) provided any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has express or implied notice thereof, but the Board shall be entitled at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors thereof.

(e) Every Depository shall furnish to the Company information about the transfer of securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the Bye-laws and the Company in that behalf.

(f) Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a depository participant, the Company shall cancel such certificate and substitute in its records the name of Depository as the registered owner in respect of the said securities.

(g) If a beneficial owner seeks to opt out of a Depository in respect of any security, then the Company shall, in the manner and time prescribed in this behalf, issue the certificate of securities to the beneficial owner or the transferee as the case may be.

(h) Except as specifically provided in these Articles, the provisions relating to joint holder 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 Depositories Act.

(i) 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.

(j) The Company shall cause to keep a Register and Index of Members and Debenture Holders in accordance with Section 151 and 152 of the Act, respectively, and the Depositories Act with details of shares and debentures held in physical and dematerialized forms in any media as may be permitted by law including in electronic media. The Company shall have the power to keep in any state or country outside India a branch Register and Index of Members and Debenture Holders resident in that state or country.

For the purposes of this Article and other Articles having reference to Depository or dematerialization, security shall mean such security as may be specified by the Securities and Exchange Board of India for the purposes of the Depositories Act.

Provision in case of redeemable preference shares

10. On the issue of redeemable Preference shares under the provisions of Article 8 the following provision shall take:

(a) No such shares shall be redeemed except out of the profits of the company, which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purposes of the redemption.

(b) No such shares shall be redeemed unless they are fully paid.

(c) The premium, if any, payable on redemption shall be provided for out of the profits of the Company or out of the company's share premium account before the shares are redeemed.

(d) Where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend be transferred to a Reserve Account to be called "The Capital Redemption Reserve Account", a sum equal to the nominal amount of the shares redeemed and the provisions of the Act relating to the reduction of the share capital of a Company shall except as provided under Section 80 of the Act or herein apply as if the Capital Redemption Reserve Account were paid up share capital of the Company.

(e) Subject to the provisions of Section 80 of the Act and this Article the redemption of Preference Shares hereunder may be effected in accordance with the terms and conditions of their issue and failing that in such manner as the Directors may think fit.

Restrictions on purchase by company of its own share

12. (1) The Company shall not have the power to buy its own shares unless that of its consequent reduction of capital is effected and sanctioned in pursuance of Article 13 in pursuance of Sections 100 to 104 or Section 402 or other applicable provisions (if any) of the Act.

(2) Except to the extent permitted by section 77 or other applicable provisions (if any) of the Act the Company shall not give whether by means of a loan, guarantee, the provisions of security, or otherwise any financial assistance for the purpose of, or in connection with the purchase or subscription made or to be made by any person of or for any shares in the Company.

(3) Nothing in this Article shall affect the right of the Company to redeem any redeemable Preference Shares issued under Article 8 or under Section 80 or other relevant provisions (if any) of the Act or of any previous Companies Law.

Buy Back of Shares

12 A. The Company may buy back its own shares or other securities as may be notified by the Central Government subject to the provisions of Section 77A, 77AA, and 77B of the Companies Act.

Reduction of capital

13. The Company may from time to time by special Resolution reduce its share capital in any way authorized by law and in particular may pay off any paid-up share capital upon the footing that it may be called up again or otherwise and may if and so far as is necessary alter its Memorandum by reducing the amount of its share capital and of its shares accordingly.

Calls

Board may make calls

28. The Board of Directors may from time to time, but subject to the conditions hereinafter mentioned, make such calls as they think fit upon the members in respect of all moneys unpaid on the shares held by them respectively and not by the conditions of allotment thereof made payable at fixed times and each member shall pay the amount of every call so made on him to the Company or where payable to a person other than the Company to the persons and at the time or times appointed by the directors.

Payment in anticipation of calls may carry interest

37. The Directors may, if they think fit, receive from any member willing to advance the same, all or any part of the monies due upon the shares, held by him beyond the sums actually called for; and upon the moneys so paid in advance or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made the Company may pay interest at such rate as the member paying such sum in advance and the Directors agree upon the company may at any time repay the amount so advanced upon giving to such member three months notice in writing.

37A. However such payment as mentioned in Article 37 shall not confer a right to participate in profits and dividend nor shall the member be entitled to any voting rights in respect of the money so paid by him until the same would but for such payment, become presently payable. The Directors may at any time repay the amount so advanced.

As to enforcing lien by sale

48. For the purpose of enforcing such lien the Directors may sell the shares subject thereto in such manner as they shall think fit; but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member or the person (if any) entitled by transmission to the shares and default shall have been made by him in payment, fulfillment or discharge of such debts, liabilities or engagements for seven days after such notice. To give effect to any such sale, the Board may authorize some person to transfer the shares sold to the purchaser thereof and the purchaser shall be registered as the holder of the shares comprised in any such transfer. Upon any such sale as aforesaid, the certificates in respect of the shares sold stand cancelled and become null & void and be of no effect, and the Directors shall be entitled to issue a new certificate or certificates in lieu thereof to the purchaser or purchasers concerned.

General Power to refuse transfer

53. The Directors may at their absolute and uncontrolled discretion, decline to register or acknowledge any transfer of shares, and shall not be bound to give any reason for such refusal, and in particulars may so decline in respect of shares

upon which the Company has a lien. This Article shall apply notwithstanding that the proposed transferee may be already a member.

53A. 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 refusal to register such transfer provided that registration of such transfer shall not be refused on the ground of the transferor being, either singly or jointly with any other person or persons, indebted to the Company on any account whatsoever except where the Company has exercised its right of lien on the shares.

BORROWING POWERS

Power to borrow

61. Subject to the provisions of the Act and these Articles and without prejudice to the other powers conferred by these Articles, the Directors shall have the power from time to time at their discretion to borrow any sum or sums of money for the purposes of the Company provided that the total amount borrowed at any time together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of Business) shall not without the consent of the Company in 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.

Conditions on which money may be borrowed

62. Subject to the provisions of the Act and these Articles the Directors may raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, perpetual or redeemable debentures or debenture-stock, or any mortgage or charge or other security on the undertaking of, the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time-being.

Bonds, debentures, etc., to be subject to control of directors

63. Any bonds, debentures, debenture-stock or other securities issued or to be issued by the Company shall under the control of the Directors who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

64. 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.

Issue at discount, etc., or with special privileges

65. Subject to the provisions of the Act and these Articles, any bonds, debenture, debentures stock or other securities may be issued at a discount, premium or otherwise and with any privileges and conditions as to redemption, surrender, drawings, allotment of shares, appointment of Directors and otherwise.

Provided that debentures with the right to allotment of or conversion into shares shall not be issued except with the consent of the Company in the General Meeting.

Indemnity may be given

67. Subject to the provisions of the Act and of these Articles, if the 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 and 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.

Directors

110. Until otherwise determined by a General Meeting the number of Directors shall not be less than three nor more than twelve including all kinds of directors.

Appointment of Alternate Director

113. The Board of Directors of the Company 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 of Karnataka and such appointment shall effect and such appointee, whilst he hold office as an Alternate Director, shall be entitled to notice of meetings of the Directors and to attend and vote thereat accordingly. An Alternate Director appointed under this Article 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 of Karnataka. If the terms of office of the Original Director is determined before he so returns to the State of Karnataka any provision in the reappointment of retiring Directors in default of another appointment shall apply to the Original Director and not to the Alternate Director.

Casual Vacancy

114. Subject to the provisions of Sections 262 and 284(6) and other applicable provisions (if any) of the Act, any casual vacancy occurring in the office is liable to determination by retirement by rotation may be filled up by the Directors at a meeting of the Board. Any person so appointed shall hold office only upto the date upto, which the Director in whose place he is appointed would have held office, if the vacancy had not occurred.

Appointment of additional Directors

115. Subject to the provisions of Sections 260 and 284(6) and other applicable provisions (if any) of the Act, the Directors shall have powers at any time from time to time to appoint a person as an additional Director. The Additional Director shall

retire from office at the next Annual General Meeting, but shall be eligible for re-election.

No qualification shares

116. A Director of the Company shall not be required to hold any qualifying shares.

Remuneration of Directors

117. "The Directors shall be paid remuneration by way of sitting fees for attending each meeting of the Board or Committee thereof as may be determined by the Board of Directors from time to time within the limits specified in Rule 10B of Companies (Central Government's) General Rules and Forms, 1956". Subject to the limitation provided by the Act such additional remuneration as may be fixed by the Directors for services rendered by him or them; and the Directors shall be paid such further remuneration (if any) as the Company in General Meeting shall from Remuneration of Directors time to time determine, and such further remuneration shall be divided among the Directors in such proportion and manner as the Directors may from time to time determine and in default of such determination within the year equally. Such remuneration and/or additional remuneration may be by way of commission on dividends, profits or turnover or by participation in profits or by any or all of those modes.

Special remuneration to Directors on Company's business or otherwise performing extra services

119. If any Director, being willing, shall be called upon to perform extra services, or to make any special exertions in going or residing out of Bangalore or otherwise for any of the purposes of the Company, the Company shall subject as aforesaid remunerate such Director either by a fixed sum or by a percentage of profits or otherwise as may be determined by the Directors and such remuneration may be either in addition to or in substitution for his remuneration above provided.

Directors may act notwithstanding vacancy

120. The continuing Directors may act notwithstanding any vacancy in their body, but so that subject to the provisions of the Act if the number falls below the minimum number above fixed and not withstanding the absence of a quorum the Directors may act for the purpose of filling up vacancies or for summoning a General Meeting of the Company or in emergencies.

Increase or reduction in the number of Directors and Alteration in their Qualification

The Company may increase or reduce number of directors and alter their qualification

142. Subject to the provisions of the Act and these Articles, the Company may by Ordinary Resolution from time to time increase or reduce the number of Directors and alter their qualification; Provided that any increase in the number of Directors exceeding twelve shall not have any effect unless approved by the Central Government and shall become void if and so far as it is disapproved by that Government.

Powers of Directors

General Powers of the Directors

157. (1) Subject to the provisions of the Act and these Articles, the Board of Directors of the Company shall be entitled to exercise all such powers, and to do all such acts and things, as the Company is authorised to exercise and do; Provided that the Board shall not exercise any power or do any act or thing which is directed or required whether by the Act or any other Act or by the Memorandum or these Articles or otherwise, to be exercised or done by the Company in General Meeting; Provided further that in exercising any such Act or thing the Board shall be subject to the provisions contained in that behalf in the Act or any other Act or in the Memorandum or in these Articles or in any regulations not inconsistent therewith duly made thereunder including regulations made by the Company in General Meeting.

(2) No regulations made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

SECTION IX – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of filing 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 have been delivered to the Registrar of Companies, Karnataka for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company located at BC 105, Havelock Road, Camp, Belgaum 590 001, from 10.00 a.m. to 4.00 p.m. on working days from the date of filing of this Red Herring Prospectus until the date of closure of this Issue.

Material Contracts for Inspection

1. Letter of Engagement dated May 31**,** 2005 from JM Morgan Stanley Private Limited offering its services to act as BRLM and Company's acceptance thereto.
2. Letter of Engagement dated April 13**,** 2005 from Edelweiss Capital Limited offering its services to act as Co-BRLM and Company's acceptance thereto.
3. Memorandum of Understanding dated July 21**,** 2005 between the Company, the BRLM and the Co-BRLM to this Issue.
4. Memorandum of Understanding dated June 8, 2005 between the Company and Karvy Computershare Private Limited as Registrars to this Issue.

Material Documents for Inspection

1. The Memorandum and Articles of Association of the Company, as amended from time to time.
2. Certificate of Incorporation of the Company dated October 25, 1995.
3. Extraordinary General Meeting resolution dated June 9, 2005 and the resolution of the Board dated June 16, 2005 authorizing this Issue.
4. Copies of the Annual Reports of the Company for the years ended September 31, 2000, 2001, 2002, 2003 and 2004 and audit report for the period ended June 30, 2005.
5. Copy of the tax benefit report dated September 9, 2005 from M/s. Ashok Kumar, Prabhashankar & Co., Chartered Accountants.
6. Report of the Statutory Auditors dated September 9, 2005 from M/s. Ashok Kumar, Prabhashankar & Co., Chartered Accountants.
7. Reports of the Independent Auditors dated June 29, 2005 and September 2, 2005 from Grant Thornton, International Accountants and Business Advisors
8. Consents of Auditors, Bankers to the Company, BRLM, Syndicate Member, Legal Advisors to the Company, Legal Advisors to this Issue, Directors, Company Secretary, Registrar to this Issue, Bankers to this Issue, Compliance Officer as referred to, in their respective capacities.
9. General Powers of Attorney executed by the Directors of the Company for signing and making necessary changes in this Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus.
10. Listing application filed with the NSE and the BSE.
11. In-principle listing approvals from BSE and NSE dated August 22, 2005 and August 31, 2005 respectively.
12. Tripartite agreement between the NSDL, our Company and Karvy Computershare Private Limited dated August 22, 2005
13. Tripartite agreement between the CDSL, our Company and Karvy Computershare Private Limited dated July 13, 2005.
14. Due Diligence Certificate dated August 1, 2005 to SEBI from JMMS and Edelweiss
15. SEBI observation letter no. CFD/DIL/ISSUES/PB/PR/48955/ 2005 dated September 6, 2005.
16. Resolution of the Members of our Company passed at the Annual General Meeting held on December 15, 2004 reappointing, M/s. Ashok Kumar, Prabhashankar & Co., Chartered Accountants as statutory auditors for the year 2004-05.
17. Approval from the Sugar Commisionerate, Government of Maharashtra for Unit III dated July 26, 2005.
18. Approval from the Karnataka Udyog Mitra (a Government of Karnataka organisation) dated May 27, 2005.
19. Agreement dated March 30, 2004 between our Company and Mrs. Vidya M. Murkumbi, Executive Chairperson of our Company.
20. Agreement dated September 10, 2002 between our Company and Mr. Narendra M. Murkumbi, Managing Director of our Company.
21. Agreement dated October 29, 2004 between our Company and Mr. Nandan V. Yalgi, Executive Director of our 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 the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by the Securities and Exchange Board of India, 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 rules made there under or guidelines issued, as the case may be. We further certify that all the disclosures made in this Red Herring Prospectus are true and correct.

Signed by all the Directors

Mrs. Vidya M. Murkumbi – Executive Chairperson

Mr. Narendra M. Murkumbi – Managing Director

Mr. Nandan V Yalgi – Director Commercial

Dr. B Prabhakar Baliga

Mr. Jayant G Herwadkar

Mr. J.J.Bhagat

Mr. Sanjay K Asher

Mr. B.S. Parashivamurthy

Mr. Robert Taylor

SIGNED

Mr. C. Dwarka Nath Acharya – Chief Financial Officer

Place**:** Mumbai

Date: September 26, 2005